

# *Michigan Oracle Users Summit 2009*

## *Navigating IT Through the Most Turbulent Times*

Chicago Dallas Detroit Düsseldorf London Los Angeles Milan Munich New York Paris San Francisco Shanghai Tokyo



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**AlixPartners**

AlixPartners is a leading global business advisory firm offering services across four main disciplines

- Operational performance improvement
- Financial restructuring and bankruptcy reorganization
- Litigation consulting
- Financial advisory services.



## Basic Premise....

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Difficult Challenges in the **Board Room** and **Executive Suite** will Transcend to the Entire Organization

**Including IT!**

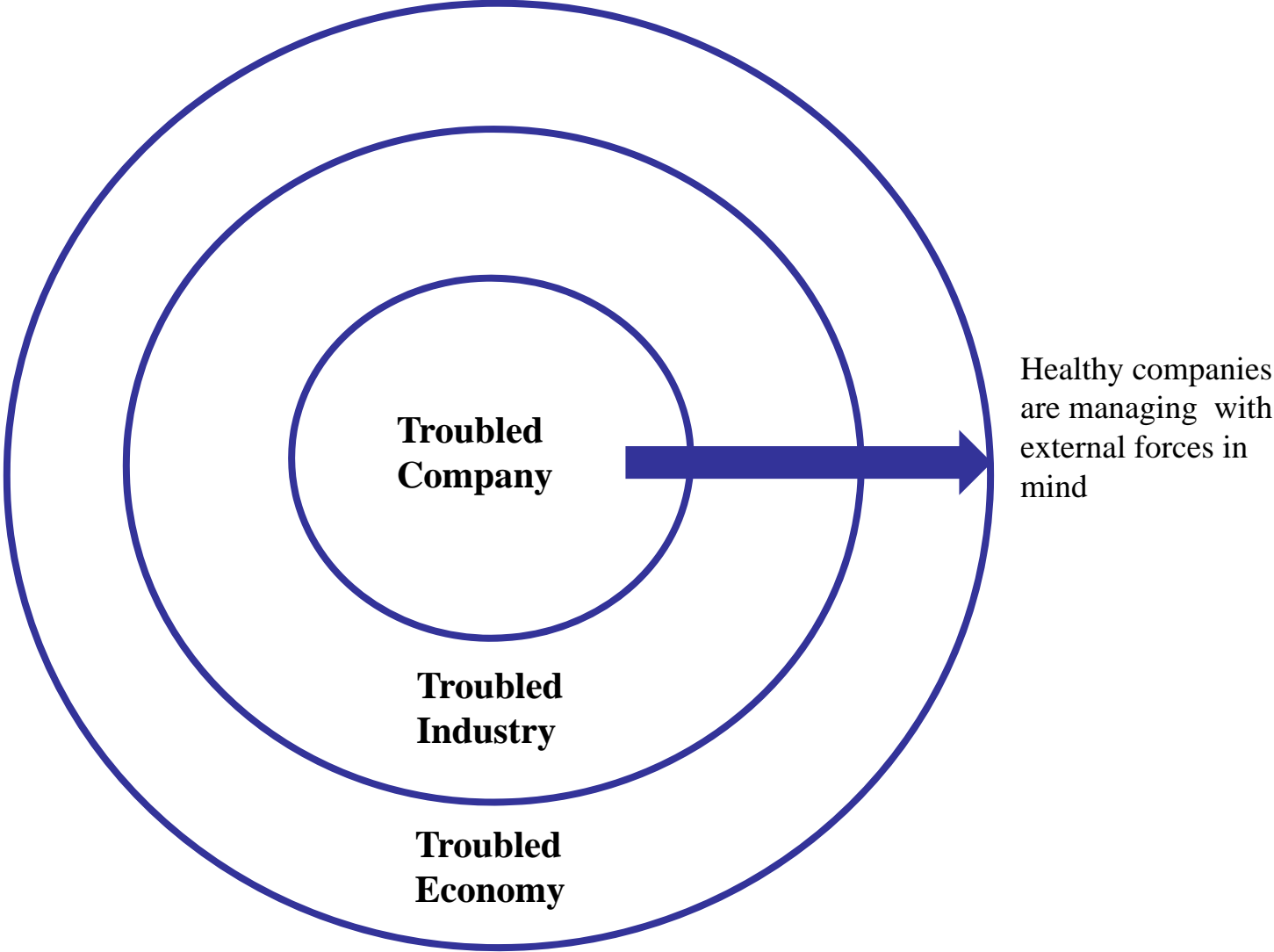
# Two Objectives of Today's Discussion

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- ▶ Discuss how IT can **successfully manage** through a **“Turnaround” situation**
  
- ▶ Discuss how IT can be **more effective** in a **healthy company** by **proactively** applying a **“Turnaround” approach**

# Turnarounds used to be Reserved for Companies in or on the Brink of Bankruptcy

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# Turnaround of crisis situations typically follow a 3 stage process

## 1. Stabilize Company

- ▶ Manage for Cash
  - Control cash management
  - Control purchasing commitments
  - Generate liquidity
  - Restructure balance sheet
- ▶ Stabilize Operations
  - Reduce inventories
  - Manage vendors
  - Retain customers
  - Retain good people
  - Secure leadership



**Get Control**

## 2. Fix Core Business

- ▶ Focus on Core Business
  - Define industry end game
  - Define timing to get there
  - Rebalance financing structure to match strategy
- ▶ Address Improvement Initiatives in Core Business
  - Financials
  - Operations
  - Organization
  - IT



**Achieve Full Potential**

## 3. Return to Growth

- ▶ Organic Growth
  - R&D focus on core business
  - Channel improvements
  - Marketing & image improvements
- ▶ External Growth
  - Strengthen market position in core through M&A

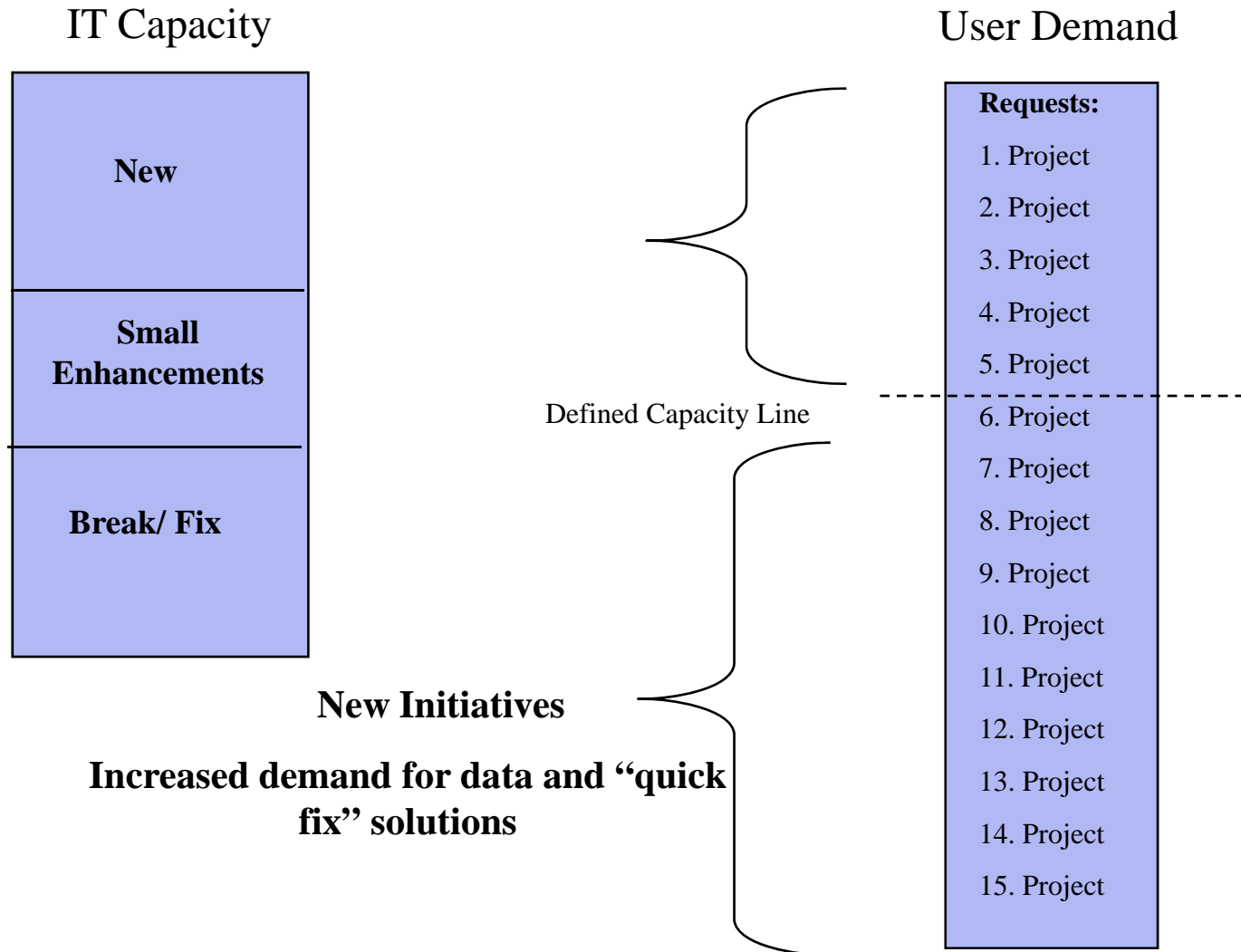
# What's Different in a Turnaround....

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- Focus is on survival first
- Liquidity is everything
- Importance of new players; ..creditors, PE, BOD
- Fear
- Act vs Analyze (over)
  - Rationalize
  - Prioritize
  - Consolidate
- No Sacred Cows.... Old rules no longer apply

***Fewer choices, easier change***

# Demand for IT Resources can Actually Increase at the Same Time IT's Being Asked to Reduce Costs



# Many IT Organizations Mistakenly Respond by Becoming “Reactive” during Turnarounds...

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- ▶ IT often **accepts its role** as just another **line item within SG&A**
- ▶ IT accepts being measured by industry standards, only 1% to 7% of total revenue, depending on the industry
- ▶ **Accepts cost cutting** targets (%), like any other function, **without tying** cuts to **reductions in service or business impact**
- ▶ Will often get **defensive**, protecting technologies and projects
- ▶ Will often **over-achieve cost cutting**, when compared to other areas of the organization

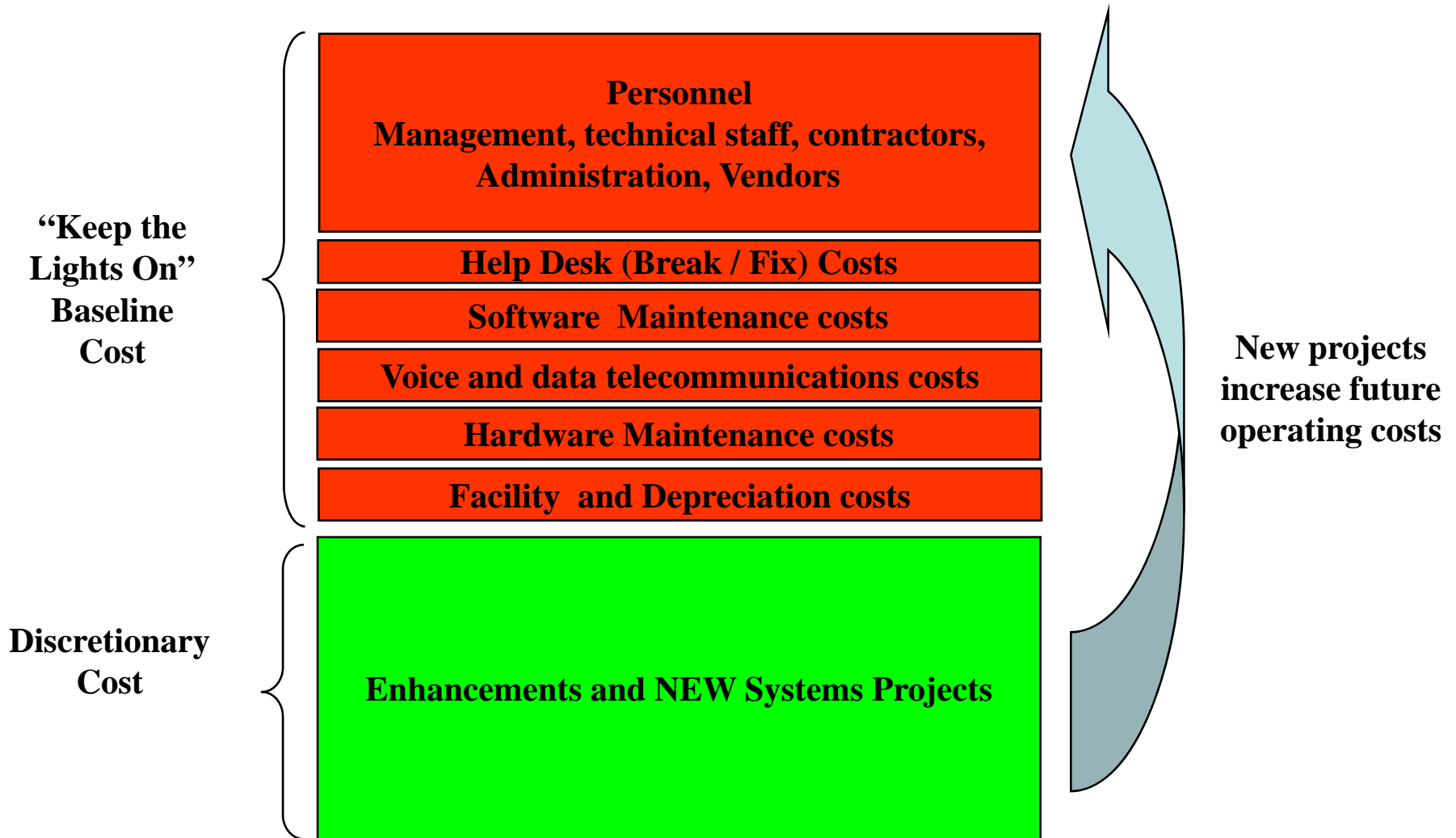
# What To Do....

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STEP #1: Be **proactive** in cost reduction!

IT needs to **lead this discussion** to have **credibility** on other topics

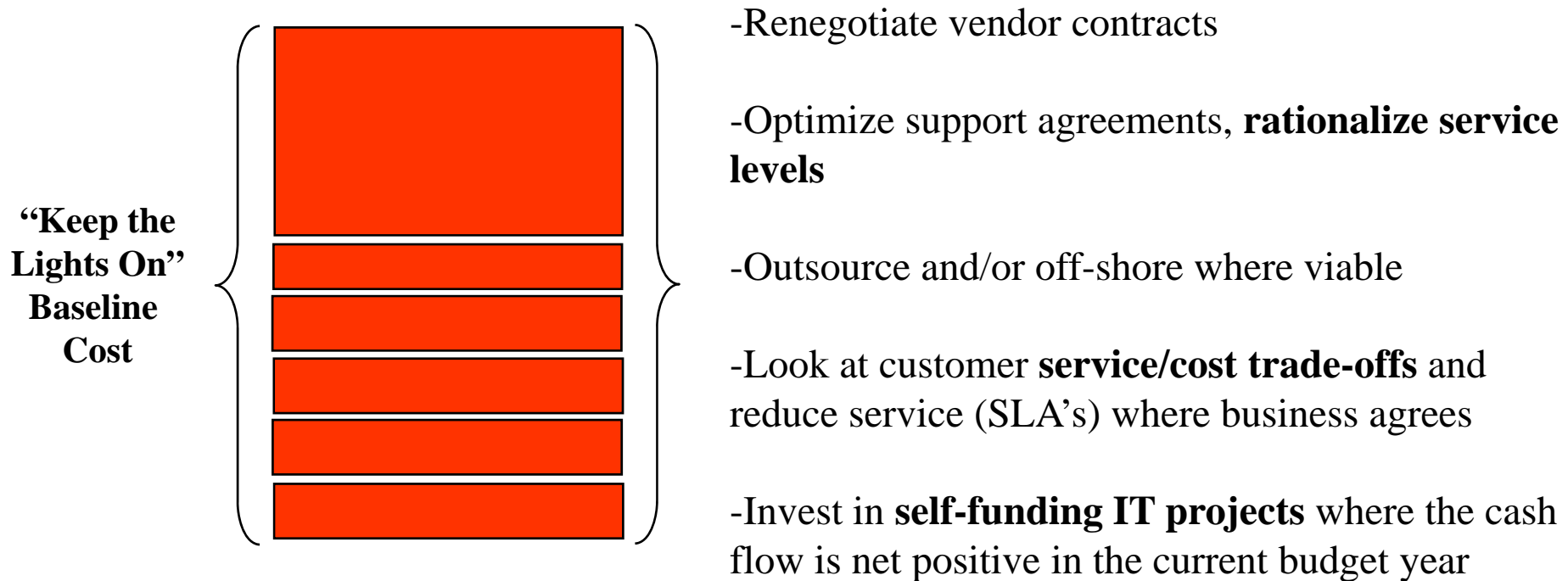
# Define IT Costs as “Keep-The-Lights-On” vs. Discretionary



Don't Assume The Business Knows this!

# IT can Take Proactive Actions to Reduce the “Keep The Lights On” Costs

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*Builds Financial Credibility with The Business*

# What To Do....

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## STEP #2:

- ▶ **Bring ideas forward** on how the organization can **best leverage IT Resources**
- ▶ **Lead** the process to **prioritize investments in technology**. IT is often the **central point** where the **various business's meet**

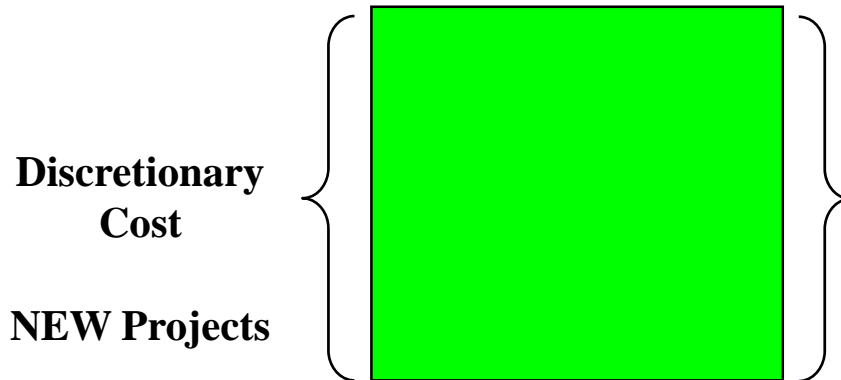
# Look for ways to Increase Profitability across the Business

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- ▶ Focus on the big denominators
  - Inventory reduction
  - Labor scheduling
  - Working capital reduction (AR and inventory reduction & targeted AP increase)
  - Revenue enhancement (cross-selling, up-selling)
  - Margin enhancement (warranty cost reduction, COGS reduction)
  - SG&A reduction (sales force effectiveness, shared services and/or outsourcing support)

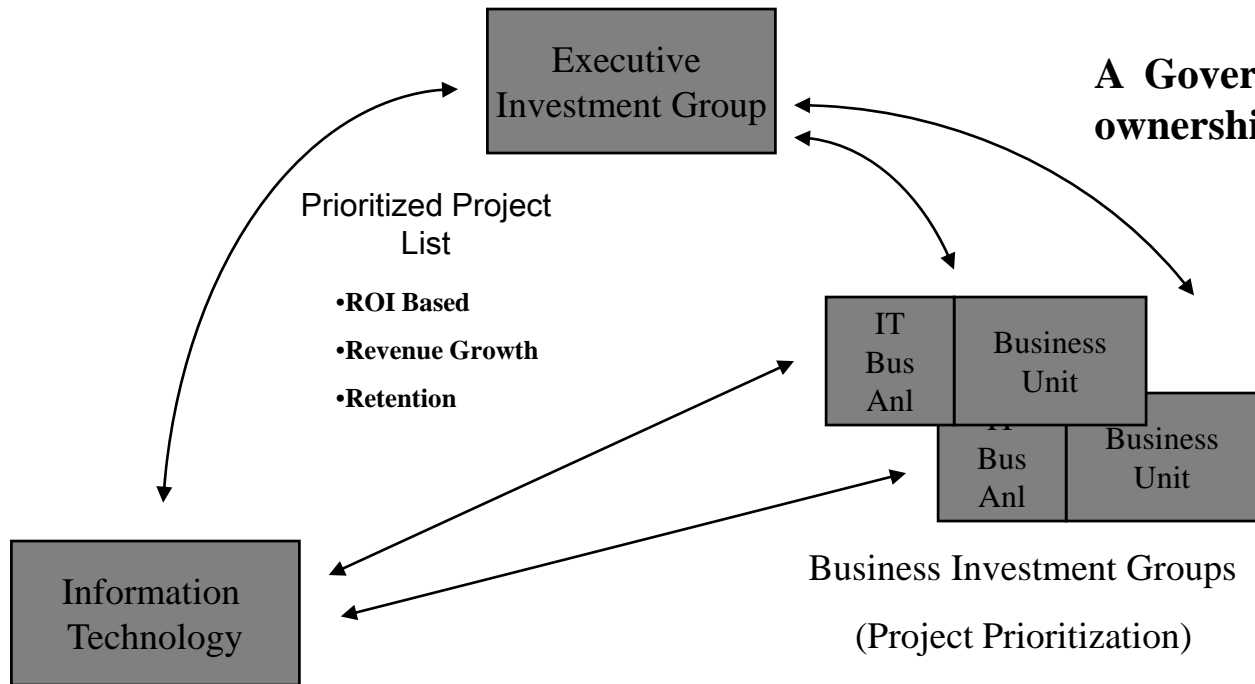
IT often has a **better view** and understanding of how The **Business actually functions** than the individual **business areas themselves**

# IT can take Proactive steps to help Business Prioritize Discretionary Costs



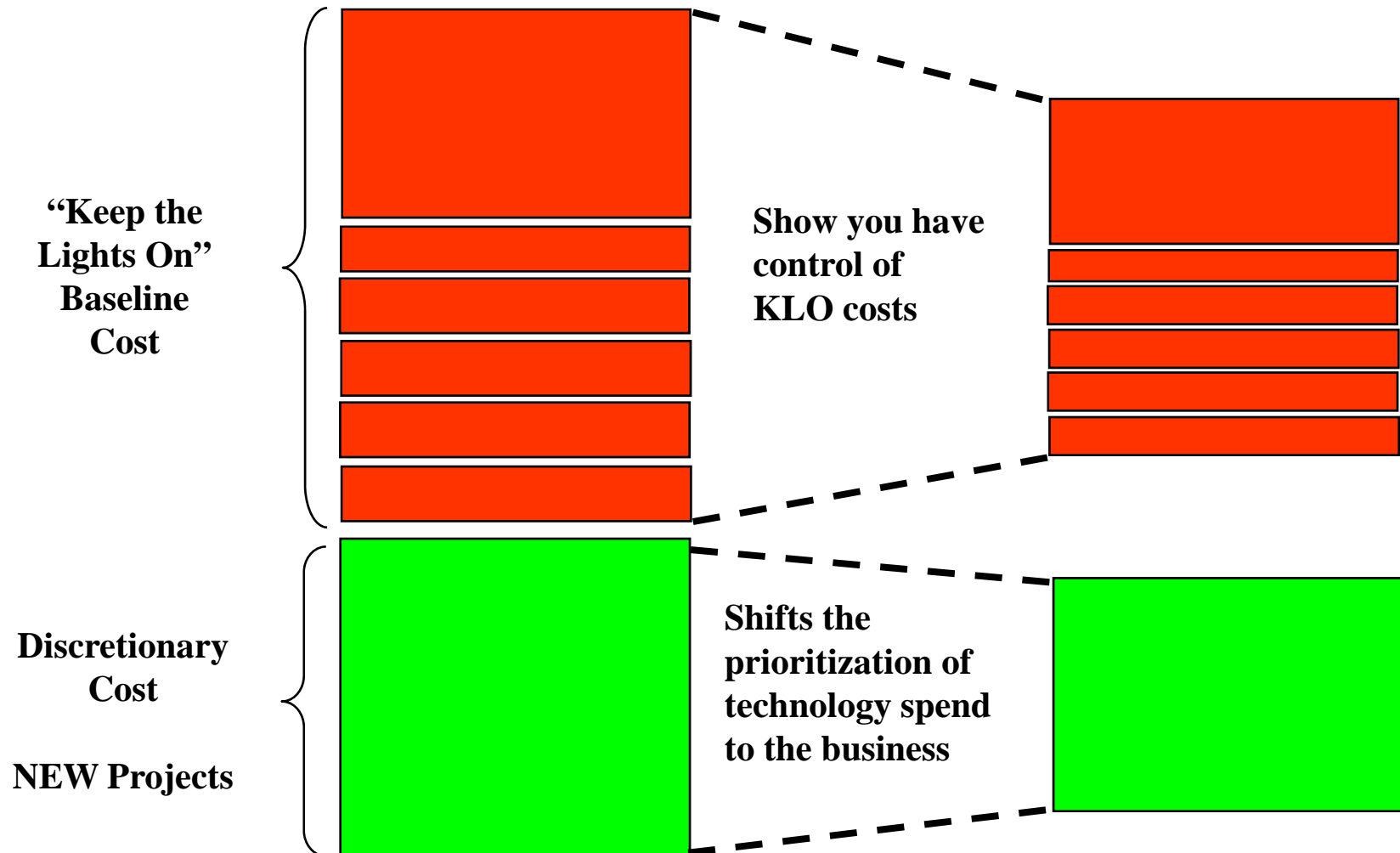
-Establish portfolio management process with real business ownership and accountability

-Aligns the costs with the business units/functions receiving the benefits



**A Governance Model that shifts ownership to the business unit**

# Financial Credibility will allow IT to engage with The Business in the Prioritization Process



# You Can Apply the Turnaround Principles to any IT Organization

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## Typical Turnaround Dynamics...

- ▶ Urgent need for decision making information
- ▶ Immediate move to action
- ▶ Rapid cost cutting is required to preserve cash
- ▶ As conditions worsen, the best remaining people tend to leave, and there is often not enough cash to pay stay bonuses

## ...Applied To Any IT Organization

- ▶ Discretionary projects should deliver 2-3X investment
- ▶ Work to create an action-oriented culture
- ▶ Separate keep-the-lights-on budget items from discretionary items
- ▶ Institute personnel rewards that have non-monetary components – build a culture that attracts the best

# AlixPartners- Global Offices



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