

CRISIS CONTROL

To Rescue a Foundering Operation, You'll Need Courage, a Plan – and the Strength to Ask for Help
By Howard Muson

YOUR BUSINESS HAS HIT THE WALL: YOUR GOVERNMENT contracts have been canceled. Or you've lost your biggest customer. Or a new technology has suddenly made your product obsolete. Whatever the cause, the future looks bleak. Your losses are mounting, and you are overwhelmed by feelings of anger and helplessness.

Baker A. Smith, a turnaround specialist at Morris Anderson & Associates, in Atlanta, describes the state of the clients who come to him for help: "They've been fighting the crisis for months and are burned out. They're experiencing an anger that often takes the form of blaming others. Faced with losing everything, they can hardly drag themselves into the office."

A business on the brink imposes terrible strains on everyone connected with it: owners, managers and employees, as well as their family members. How can owners get themselves and their associates through the emotional turmoil when livelihoods, reputations, equity in the firm – everything – is on the line?

Looking back on the events that shook their company for two years, Richard Francis, 42, and Larry Lusky, 45, can share an occasional laugh. It is the laughter of two guys who narrowly escaped a firing squad.

FL Companies, a Nashville printing business founded in 1919 by Francis's grandfather and Lusky's great-grandfather, has just emerged from a Chapter 11 bankruptcy restructuring. Recalling the strain of trying to save the company, Francis says: "Every day we walked in here, there was a gun pointed at our heads. How did we get through it? Ha! One word – fear. We were driven by fear."

FL Companies had made a profit during each of its first 64 years, printing and distributing holiday calendars and other promotional items for such concerns as banks, funeral homes and insurance carriers. The company had \$11 million in annual revenues and loyal nationwide customers, such as State Farm Insurance. Then, in 1983, FL made a classic mistake.

Seeking to expand and offset its seasonal revenues, FL purchased Sports Products of America (SPA), a company that screen-printed logos on sportswear, such as college sweatshirts. Lacking experience in handling multimillion-dollar contracts with major retailers, FL began to lose control of the SPA operation, which was a three-hour drive from FL's headquarters. One large customer started playing hardball, demanding that SPA lower its prices. The company overordered to cut the cost of its raw materials, and, as sportswear fashions changed, was left with a huge unsold inventory.

After an audit revealed that SPA was losing money at the rate of \$7,000 a day, the FL board of directors decided to shut it down. However, FL's management delayed, hoping to sell its way out of the crisis. Finally, in March 1992, Lusky and Francis, then executive vice presidents, replaced the president, Virgil (Bud) Francis III, Francis's cousin. The decision came during a heated 12-hour board meeting, which roiled the company and left it bitterly divided for the first time in its history.

With losses from SPA mounting daily, FL's loan at the bank was reclassified as troubled and was made subject to month-to-month renewal. In March 1993, the new leaders felt they had no choice but to file for

Chapter 11 bankruptcy protection. Thus began a state of siege, during which the 100 employees worked in constant fear of losing their jobs, and the Francis and Lusky families worried about losing a company they had been building since 1919.

Chapter 11 is a journey into uncharted waters. "There's no map," says Francis. Every meeting between managers and outside advisers presented new problems that threatened the firm's very existence. "We checked our egos at the door. No one had all the answers, so together we came up with them," Francis recalls.

While working on a restructuring plan that they hoped would be approved by creditors, Francis, now president, and Lusky, chairman, had to keep the core business running, maintain the loyalty of key customers and persuade suppliers to accept stretched-out payment terms. SPA had to be phased out while its remaining employees filled back orders. Meanwhile, the firm's competitors were circling like sharks, trying to lure away customers and employees.

Lusky and Francis were motivated by fear, but also by a conviction that they were doing the right thing for their families and their employees. Coming up with a restructuring plan meant defining objectives and making financial projections. This process eventually restored a sense of control, and everyone breathed a sigh of relief. A sense of camaraderie developed. Francis and Lusky held quarterly briefings for workers on the company's financial condition; the pair encouraged employees to share their own feelings and ideas.

FL's five-year restructuring plan was approved by creditors; the enterprise emerged from Chapter 11 in just eight months and received new financing from its bank. Refocused on its core business, the firm has reduced its debt from \$7.5 million to \$2.5 million and last year even made a small profit.

When staring into the abyss, many owners shy away from asking their employees for help. Like the legendary Atlas, they feel obliged to shoulder the world's burdens. "The most important aspect of leadership in a crisis is communicating with employees and being frank about being upset and needing support yourself," says Mark Braverman, a clinical psychologist with the Crisis Management Group, in Newton, Massachusetts.

John Zimmerman, 39, knew he needed a lot of help when he took charge of the Steiner/Bressler advertising agency in 1992. A series of disasters had rocked the 19-year-old Birmingham, Alabama, agency, which specializes in retail advertising and at the time had about \$9 million in annual billings.

In December 1991, a corporate jet owned by Bruno's grocery chain (Steiner/Bressler's largest client) crashed, taking the life of one of Zimmerman's two partners: Mary Faust, 40, the agency's accounts supervisor. The crash also killed six top executives of Bruno's.

Faust had been a charming, powerful person, a role model for many of the firm's 20 or so employees. Her loss, along with the strain on Bruno's top management that ensued from the crash, upset Steiner/Bressler's staffers for months. Then, just as they were beginning to

STAYING ON COURSE

Here are some steps you can take to protect yourself against negative thinking and panic during a business crisis.

- *Find someone in whom you can confide.* Harry Levinson, of The Levinson Institute, a management consultancy in Waltham, Massachusetts, stresses the importance of having "an anchor to the windward," someone outside the company with whom you can talk. If you are immobilized by your business's difficulties, don't hesitate to seek professional counseling.

Richard Francis and Larry Lusky point to the support they received from caring family

members while they were navigating their Nashville printing firm through, and out of, the treacherous waters of a Chapter 11 proceeding. Both men turned to their fathers in particular during this time. When John Zimmerman was suddenly left holding the reins of a Birmingham, Alabama, ad agency that had lost two owner/partners, he was able to draw on the wisdom of one of the firm's founders, Harry Bressler, whom Zimmerman describes as "mentor, friend and father figure."

- *Take responsibility for your staff's well-being.* When employees are insecure and frightened,

some owners call in a mental-health professional and assume that the action absolves them of further involvement. This is the wrong approach, says Mark Braverman, of the Crisis Management Group, in Newton, Massachusetts. Instead, he helps owners find ways to steer their staffs through the crises. "You are the leader, and your people look to you," says Braverman. By staying connected with your employees' feelings, you stay in control.

- *Don't hide your feelings from family members.* Many business owners, hoping to protect family members from worry, clam

recover, 59-year-old Cy Steiner, the cofounder and majority owner of the agency, committed suicide.

Zimmerman, the head of creative services, had little management experience. Yet he was put in charge of the agency by Steiner's estate, which held 82 percent of the agency's stock. Unless Zimmerman could come up with funds for a buyout of those shares within 60 days, however, the agency might be liquidated. Because Steiner's death was a suicide, the insurance purchased by the partners to cover buyouts would not kick in. To add to Zimmerman's woes, the firm's books were in a state of chaos, and it was impossible to pinpoint a valuation for the firm.

Zimmerman sought help from an industry association, which formed a committee to advise him and helped him hire a financial consultant with experience in advertising. Zimmerman also persuaded Harry Bressler, 68, the agency's cofounder, who had been planning to retire, to stay on as partner and CFO.

Having gotten the firm's management and financial picture in focus, Zimmerman took a closer look at the staff. Under Steiner, employees had become accustomed to an autocratic type of leadership. Some were grumbling about Zimmerman's more open style. Bickering and emotional turmoil were rife.

In January 1993, Zimmerman took the firm's associates on a weekend retreat to a rustic mountain lodge. There he challenged them to reinvent Steiner/Bressler as the ideal ad agency. After two days of work, he gathered the staff around the lodge's stone hearth and con-

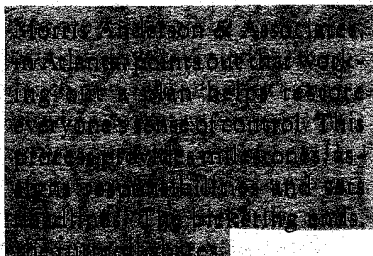
ducted a funeral ceremony for the past. He threw a handful of old Steiner/Bressler letterhead into the fire. "I said good-bye to Cy and Mary, which I had not really done," he says. "I also said good-bye to asking 'Why me?' and accepted responsibility for the company." The employees, in turn, began tossing stationery into the fire and talking about their own pain. Zimmerman, who had reached an agreement with the estate that let him pay for a portion of the buyout over time, briefed the staff on the details. The buyout was paid for within eight months, and Steiner/Bressler has not only been reborn but has doubled its billings to \$19 million.

By sharing his feelings, Zimmerman helped everyone, including himself, get through the emotional upheaval. "Employees don't ask us as managers to cope with all their problems," he says, "but I've found they would much rather be informed and help out if they can. It's a mistake for owners to hold on too tight."

In this era of constant business upheaval, says Crisis Management Group's Mark Braverman, those who survive and prosper accept that crises are inevitable and respond positively. "They understand," he says, "that change presents an opportunity for growth." No matter how dark the situation, there are always lessons to be learned and ways to make changes that render a company less vulnerable in the future.

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up when they get home from the office. Bad, bad, bad, says Levinson. "It's important for your spouse and kids to know why you're coming home angry. Unless you tell them, they're liable to think your mood was caused by something they did." When family members know what's happening, they can rally around and provide support, which is very important in times of trouble.



● *Lighten up.* The habit of looking on the bright side is a great asset to businesspeople today. In the depths of the crisis at their printing company, Francis and Lusky were told by their banker, "Right now you have zero credibility with us." Lusky recalls thinking: "Well, that's not so bad. If you're at zero, you can only go up, right?"

