

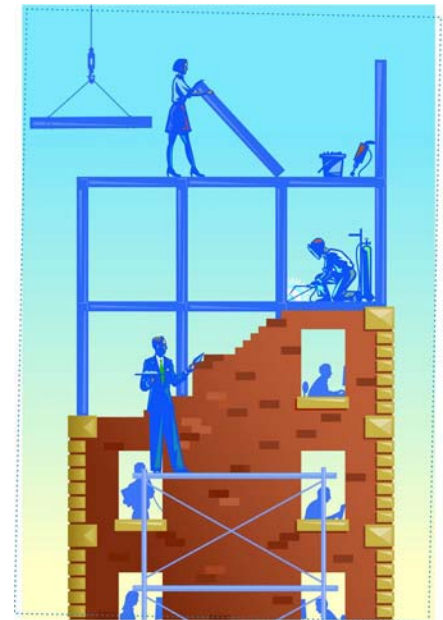


Rising from the Ashes

going from burning to building



By Cynthia Tidwell
President/CEO
Royal Neighbors of America





In the News

*Kimberly-Clark Announces
Plans to Cut 6,000 Jobs and
Close 20 Factories*

***Feds take control of
Fannie Mae,
Freddie Mac***

***Nucor posts 1Q loss of \$190M on
weak steel demand***

***KROGER WRITE-DOWN
LEADS TO \$675.9
MILLION LOSS***

***PITNEY BOWES ISSUES
EARNINGS WARNING AND
WILL CUT JOBS***

***Circuit City Seeks
Bankruptcy Protection***

Greats have fallen



Warning Signs



Financial

- Rapidly eroding profits or deepening losses
- Weak cash & capital position driven by emerging trends & issues
- Recent decisions destroy value

Organizational

- Inadequate operations & MIS
- Disillusioned employees
- Strategy & products inconsistent with skills and/or resources



Watering the lawn while the house is burning

Turnaround

Identify

“Company
or business unit
facing economic crisis,
requiring drastic top
management action
and short-term
improvement”

Strengthen

Stabilize



Turnaround Framework

3-Part Approach



- **Root cause analysis**
- **Face reality/brutal assessment**
- **Business as usual won't work**
- **Survival at risk**
- **Vision, mission & strategy**
- **Get control of financial levers**
- **Determine performance gaps & action plan options**
- **Implement changes by level of magnitude**
- **Stabilize & reverse significant KPI's**
- **Understand & build infrastructure needs**
- **Redefine & rebuild sustainable competitive position**
- **Regenerate operational excellence**
- **Capture leadership position in your niche**



Turnaround Framework

Step One - Identify

Root cause analysis

- Data-driven analysis
- Understand past trends & decisions
- True cause; not symptoms

Face reality/brutal assessment

- Assess leadership & organizational skills
- It is what it is
- Are you too late?

Business as usual won't work

- Do what's necessary even if contrary to self interest
- Speed is paramount

Survival at risk

- Prioritize level of magnitude
- Undergo mitigation execution
- Tough decisions are necessary

Vision, mission & strategy

- Recraft vision
- Build new strategic framework



Turnaround Framework

Step Two – Stabilize

Get control of financial levers

- Understand surplus position
- Understand underlying rate trends
- Pricing & underwriting fundamentals
- Determine how agents or products are impacting profitability
- Expense drivers

Determine performance gaps & action plan option

- Know root causes of performance gaps & assess magnitude
- Forecast managed & unmanaged outcomes & need for emergency action

Implement changes by level of magnitude

- Recruit for organizational readiness; right person, right job
- Develop “first” list of options strictly prioritized by magnitude & timing of improvements
- Have “second” & “third” lists ready



Turnaround Framework

Step Two – Stabilize

Stabilize &
reverse
significant
KPI's

- Communicate measures succinctly & relentlessly; proactively identify & address resistance
- Understand what you want to change, how to measure progress

Understand
& build
infrastructure
needs

- Assess critical capabilities – people, process, technology
- Keep operational improvements paced with priorities



Turnaround Framework

Step Three – Strengthen

Redefine & rebuild sustainable competitive position

- Develop & implement improved product/market strategy –consistent with strategic framework
- Rebalance short-term & long-term view

Regenerate operational excellence

- Structure appropriate key initiatives for sales, underwriting, customer interactions & operations
- Continued enhancement of leadership & skill sets
- Focus on strategy while understanding importance of tactics

Capture leadership position in your niche

- Determine core constituencies and their needs
- Build on strengths



A Different Kind of Leadership

“The only safe ship in a storm
is leadership.”
—Faye Wattleton

“Nearly all men can stand
adversity, but if you want to
test a man’s character, give
him power.”
—Abraham Lincoln

“It’s not enough that we do our
best; sometimes we have to do
what’s required.”
—Sir Winston Churchill



A Different Kind of Leadership

- Courage to take on tough issues
- Little room for delegation; no time for consensus management
- Need to analyze, decide & implement extremely fast
- Cost-cutting measures needed; frequently without latitude for individual sensitivities
- Need for intensive, face-to-face communications
- Retain key talent
- Key initiatives impact many points at the tactical level leading to dramatic total impact



Rising from the Ashes

“To sit back hoping that someday, some way, someone will make things right is to go on feeding the crocodile, hoping he will eat you last – but eat you he will.”

– Ronald Reagan