

# Is Your Business About to Bust?



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There is still hope: five turnaround success secrets.

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V-TEK

Larry Haberman, left, and Dennis Siemer, of V-TEK Inc.

It's no longer surprising to read about businesses filing for bankruptcy or restructuring or even failing in the last three years. What is surprising and unfortunate is that many of these companies have been around for 20 years or longer. For one reason or another, they are not making it in a very changed economy.

So it's refreshing when you come across a company that has faced similar challenges and turned things around through very strategic and time-tested methods. These stories are out there. The best ones provide a road map for other companies to follow. In the final analysis, these companies are stronger for having faced the challenges and overcome them, leading to a stronger economic base.

About 18 months ago, Larry Haberman was brought on as president of V-TEK Inc., a Mankato-based company that provides packaging of electrical components for the circuit board industry. Established 26 years ago, the company employed more than 200 people in Minnesota and several locations in Mexico. The owners, Dennis and Vivian Siemer, knew that they needed a fresh perspective to navigate the changes in their industry and the economy. They met Haberman through a mutual business connection.

After observing operations for about 60 days, Haberman described the company as "underperforming in every respect." But he was familiar with this kind of challenge.

A veteran CEO of several companies, Haberman set down five objectives to bring the company into a new level of growth and performance.

## 1. Maximize cash

Focusing closely on profit and loss, Haberman zeroed in on opportunities to improve the P & L and balance sheet. "We pick one item at a time. It's more of a sharp-shooter approach than a shotgun approach," he said.

Haberman relies on charting the progress of traditional metrics, from sales to gross margin to net operating margin, units per hour of labor and even profit by head-count. It's no exaggeration when he says that he tracks about 30 charts and graphs every month.

## 2. Assess and align talent

For this kind of turnaround, Haberman says that he "took everyone off the bus to determine who belonged and who should sit in which seats." A comprehensive assessment of talent across the company identified talent gaps. Then some tough decisions were made about replacing people with others who fit the needed skill requirements.

“We needed people to understand how transactions tied to cash and profits in order to compete. At the same time, I had to communicate consistently so that employees knew what we were doing and why in order to establish and build trust.”

### **3. Revitalize sales and customers**

When sales are down, it can become a self-fulfilling cycle, as the sales team believes that “no one is buying and nothing can be done,” Haberman explains. In addition to transforming that mindset within the sales department, Haberman also helped V-TEK identify the best customer opportunities.

“Customers do not want to hitch their A-team to a C-team wagon. We needed to prove that we were the A-team wagon for them.”

### **4. Optimize products and services**

One of the ways that V-TEK proved their A-team status was by assessing and optimizing their entire product line. One surprise was that inventory was only turning over once a year. They set a goal of inventory turnover of no less than three times a year.

Some products were discarded as obsolete. “This was the most difficult phase of the turnaround process,” Haberman admits. “Writing off obsolete inventory gave us less cash than anticipated.”

### **5. Measure results**

Remember when I talked about those 30 charts and graphs? They came in handy as V-TEK monitored their progress on the previous four objectives. The rate of transformation was astounding.

In 18 months, V-TEK managed to pay down its line of credit in full, dropping its debt to equity ratio by 50 percent. Sales have doubled in the last two years, transforming corporate profits from significant losses to above industry norms. Another indicator of company health is the lack of turnover. After two years of frozen wages, V-TEK has begun a journey to return wages and benefits to competitive industry levels in order to retain its talent.

But most telling is the response of bankers to V-TEK’s initiatives. Once considered a significant constraint, the company now has several banks competing for its business. “This actually took less than a year to achieve,” Haberman says.

Not only has V-TEK and its employees found new life in a changed economy, the company’s owners have gained an opportunity to pursue their interests in supporting higher education technology programs. Taking the leap to bring on outside leadership, the Siemers have succeeded in preserving what they’ve built so they can mentor future engineers, inventors and entrepreneurs.

If you are at a crossroads with your business, there is still hope. As V-TEK demonstrates, the decisions can be difficult in a significant business turnaround—but not as difficult as putting up the “closed” sign.

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