



Stabilize and Grow Businesses

R E V E N U E G R O W T H & R E F I N A N C I N G S E R V I C E S

Mid Market Companies Struggle

by Stuart Morley MBA



In 2008 and 2009 the global credit crunch hit mid-market companies hard making it difficult for healthy mid-market companies, especially in the US and Canada, to keep or secure financing for their businesses during this period of significant change. During this credit crunch we have found that mid-market organizations are struggling more than smaller companies or larger companies.

According to one study in the USA in 2009 mid market companies are sitting on a "powder keg" of debt and have fewer credit options than larger companies.

"Mid-market leaders must cover a much wider front and cope with much greater uncertainty" according to a white paper on Mid-size Organizations produced by IBM in February 2009. This white paper went on to state that 'mid-market companies must 'master complexity'... for everything is important and change can come from anywhere."

A study of private companies by Deloitte Consulting in 2006 found that most leaders in Canada thought the top three strategies that would increase the value of their companies were: (1) focus on revenue growth by increasing the volume of business; (2) upgrading their management team; and (3) product and service innovation.

However we find that in the tough times it is often very difficult for mid market organizations to make progress in these three areas. Rather mid-market companies can be more effective if they focus on: (1) rationalizing their product and service offerings and pricing; (2) improving asset utilization including selling surplus assets and non strategic business units; and (3) restructuring overhead costs to stabilize and then rebuild the business. However this alternative approach requires more planning and detailed costing information than is readily available in many mid-market organizations. We find that unless companies can bring together the key people to share the key information and agree on the most important issues to focus on during tough times - the company quickly becomes dysfunctional both internally and in the market place.

In the good times, doing nothing can often be the best solution. Management of mid-market organizations hate to make changes - especially when the changes are controversial. Therefore delaying a decision works well in the good times. In the tough times it is a different situation. Now the company needs to focus on what will change and when and by how much will they change. In the tough times the challenges come by the bucket load rather than one at a time and they are seldom the challenges you expect!

Should the leader of a mid-market organization refuse to make a decision and risk the survival of the business or make a decision knowing it is really just a leap of faith? Mid-market organizations seldom have the information, management depth or expertise to be able to know if the key strategic decisions they are faced with will work. Tough times usually signal that it is the time for the leader to take cover until the storm passes.

However the successful businesses in the tough times are the ones that try to dance in the rain rather than run for shelter.

Why are CEOs of mid-market companies so surprised when they lose key customers? One explanation is the temptation to spend more time focusing on the state of the general economy or industry trends rather than getting to know their key customer's business better than the customer even knows their own business so they can see the challenges coming long before the customer even realizes the issues. Or the other issue is the CEO sees the changes coming but is reluctant to act until the customer acts and by that time the mid-market company is left scrambling to recover before it is too late.

The reason stakeholders support a leader of a business is because they believe the leader has a vision of where to take the business and that vision is going to be profitable for all concerned. However as soon as a leader is lost and does not know where to take the business, the risk is the leader starts to lose interest in the business. The other extreme is the leader is so focused on the short term they don't know if it is time for the business to change direction. For either of these situations the leader should get help to set a new direction or step aside so someone else with vision can lead the business. However many leaders of mid-market organizations do not have strong governance models to remove them and their ego is such they do not want to step aside.

Leaders of mid-market organizations often need more outside help than leaders of larger companies during tough times, as the workload increases dramatically when they are dealing with unusual circumstances plus these mid-market companies often lack the management depth to be able to delegate the extra work. In terms of their heavy debt load these mid market companies are going to have to rely more on internally generated cash than new sources of finance to get through the tough times.

About the Author

Stuart Morley MBA is a world renown expert to mid-market companies during their restructuring phase. Find more information on this website includes video clips, articles and order his recently co-authored book.