



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

How will Mid Market Companies Survive the Storm?

by Stuart Morley MBA



In 2008 and 2009 the global credit crunch hit mid-market companies hard making it hard even 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.

"Mid-market companies must master complexity." This is the finding from a study on mid-market organizations by IBM in February 2009. The complexity arises because these mid-market companies have thin management teams who have to cover issues on a wide front plus cope with more uncertainty than companies that are smaller or larger. As a result everything is important to the management of the mid-sized company and change can come from any direction.

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.

During the periods we would call "business as usual", the leadership of a mid-market business can often benefit from doing more of the same or delaying a decision, especially a controversial decision. Sometimes the problem solves itself. Sometimes an employee takes the initiative and solves the problem. We are not referring to those times. However when a company faces times that are "not business as usual," the discussion focuses on not if things will change, but when and by how much will they change. To make matters worse, when things change it seems everything goes wrong at the same time. And if that is not enough, things never go wrong the way you expect they would go wrong!

Tough times usually mean it is time to button down the hatches and wait until the storm passes. CEOs who practice this approach find that when the good times return, there are competitors who have shot ahead and now dominate the market place. These successful companies decided to dance in the rain rather than run for cover. The successful mid market companies know that making a decision, even when it is a leap of faith has a better chance of success than doing nothing when the businesses is heading for disaster.

Significant changes can be triggered by the general state of the economy or a melt down in an industry sector but often the worst situation is when a key customer suddenly stops buying from the mid-market company. In these circumstances the business often runs out of time to get things back on track plus the business often runs out of money just as things seem to be getting better.

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.

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.