UNDER-PERFORMING PORTFOLIO COMPANIES

DECLINING GLOBAL DEMAND

LONGER INVESTMENT CYCLES

» ALL PRIVATE EQUITY FIRMS ARE FACING THESE CHALLENGES. A FEW WILL BUILD ENTERPRISE VALUE DESPITE THEM.

Tenzing Consulting works with major private equity firms to drive value in their portfolio companies through excellence in Strategic Sourcing, Supply Chain and Operations. Our goal is congruent with that of our private equity clients—to rapidly improve the performance of underperforming companies and drive a superior return on investment. To accomplish this, it is essential that results be achieved quickly. It is equally important that these results be sustainable—*to build the long-term value and viability of the company.* Our approach to performance improvement delivers more than breakthrough results. It delivers… ***results that last.***

For more information on how Tenzing can help your portfolio companies build effective strategies in strategic sourcing, supply chain and operations, visit us at **www.tenzingconsulting.com** or contact us at **877-980-5300.**

TENZING CONSULTING

Results that last.

Five Value-Building Supply Chain Strategies To Use Now!

In this downturn, targeted actions can drive performance today and ensure a stronger rebound tomorrow.

1. **Strategically Prune Your Business Portfolio.** The fundamental economics of many businesses change when the economy shifts dramatically. Re-evaluate customer and product segment profitability to target where to trim while strengthening your business.
2. **Re-engage All Suppliers.** During tough times, many suppliers are eager to compete hard to lock in existing business or fight for new business. It is a great time to take all of your business back to market.
3. **Ride the Commodity Wave.** With global aggregate demand down, most commodities are in decline. That creates great buying opportunities in procurement.
4. **Re-Think Payment Terms.** If you have cash or access to credit offering your cash-strapped customers and suppliers better terms could earn you welcomed price discounts.
5. **Hunt for Top-Notch Talent.** Broad-based downsizing is putting some great people on the street along with the mediocre. Now could the best time to search for the top-notch talent you need now—and in the future.

Strategically Prune Your Business Portfolio. In difficult times, with the top-line weakening, or perhaps in free fall, cost cutting is often reactive and draconian. Taking a more targeted approach may help create a stronger, more profitable business, albeit a smaller one. When revenues decline, overhead costs impose a stinging burden on every part of a business, but the blow does not fall evenly across all products and customers. Careful examination of individual product and customer profitability—from effective net pricing, to true supply chain cost—will help you decide which products and customers to move away from and which to invest in. The caveat is that traditional accounting systems do not always give a clear picture of this relative profitability. Furthermore, with dramatic changes in the economy, the current financial model of your business may be outmoded, further obscuring the picture. Be prepared to dig deep and to rigorously re-analyze the fundamental economics of your business during the downturn to get a clear picture of how to strategically prune for success.

Re-engage All Suppliers. Times are tough for everyone—including your suppliers. With demand for almost everything declining, many suppliers are hungry for business. This means that now is a great time to take a fresh look at what you buy, how you buy it, and from whom you buy it. Whether you re-examine contracts, engage suppliers in re-negotiation, or launch full strategic sourcing of entire spend categories, this is a time to look for better deals across the board. Don't wait for contract expiration dates. Many existing suppliers will be delighted to "lock in" your business, grow their share of it, or have a chance to win new business from you during tough times.

Ride the Commodity Wave. For most global and regional commodities, trends and forecasts are down. This is bad if you sell commodities or commodity-based products, but if you buy materials whose costs are driven by commodities (almost everybody does), this is a fantastic opportunity. From basic raw materials, to agriculture, to fuel, the factor costs of making just about everything are going down or are expected to do so over the next year. If you currently have commodity-indexed purchasing contracts, make sure you are getting the committed price reductions. If you do not have indexed contracts, consider putting indexing in place and resetting the pricing of what you buy today. Commodity-specific terms, such as fuel surcharges, also lurk in the pricing of many products and services, especially in supply chain-intensive industries. With fuel cost down more than 50 percent from their peak, be sure you take full advantage of the savings, while putting sensible, consistent fuel terms in place where needed.

Re-Think Payment Terms. One distinct feature of the current recession is the "credit crunch." Money is hard to come by for everyone—including your customers and suppliers. The classic working capital strategy is to get shorter terms from customers (30 days or less), and longer terms from suppliers (60 days or more) thereby creating a month or so of cash. Today, the dynamic is different. Your customers and suppliers may be cash-strapped. If your business has cash or has easy access to credit, you can use that as an asset. If you have the liquidity, now could be a great time to consider seeking price increases from customers and price reductions from suppliers in exchange for giving them better payment terms. (A special note on the supplier side: be careful that the 60-day payment terms you have today or are seeking to negotiate do not threaten the financial viability of suppliers who may no longer have access to the credit they need to finance your receivables.)

Hunt for Top-Notch Talent. Hire new talent in a recession? This may not be as crazy as it seems. Many companies are shedding people in large numbers, and sometimes great people are swept up in the downsizing. It takes some careful separating of the wheat from the chaff, but now could be the best time to build a stronger talent base in key strategic functions like supply chain. If you are downsizing your business or function, be sure you are targeting the low performers or those with out-dated skills, then hang on to the "stars." With these "stars" in place, and the opportunity to cull top-talent from the recently-displaced of other companies, you could build the strongest supply chain team ever. You will then be better positioned for peak performance, both today and during the inevitable recovery.

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