

# Case of the Disappearing Revenue

## Background

- Everything had been going great for your organization when out of the blue 30% of the business disappeared literally overnight.
- For any of the cases below, explain what you, in the role of CEO, would do to help your organization and its leadership, management, and employees deal with the described circumstance:
  - Your non-profit's contributions are from organizations that had major investments in Madoff funds. The scandal has dropped the value of those assets dramatically and money the organization counted on is reduced proportionately
  - Your organization's largest clients are Enron and a few other telecommunications firms. Last night's news about what really has been going on at Enron made clear that the US telecommunications infrastructure is dramatically over-built and the massive profits anticipated by firms in the telecommunications industry have vanished. Essentially, the organization's telecommunications industry practice is dead in the water.
  - 10 days ago your firm was acquired by a new investor for a hefty price. A call just received from your largest client (which generates 25% of your revenue) informs you that they have decided to terminate their project with your organization. Your new owner, who you barely know, will be furious.

## Possible Actions

- Look for every possible way to improve the situation: raise more from existing revenue sources, cut unnecessary expenses, get better terms from partners, suppliers, banker, etc. and do it right away.
- Never worry alone. Bring your inner circle together and work together to come up with a plan you can beat.
- Have an honest conversation with employees. It may be that you want to hide...but you need to get out and let everyone know where things really stand, where the opportunity is (e.g., *if it doesn't kill you it makes you stronger*). Rise to the occasion.
- Figure out what went wrong, what there is to learn, and what to do differently going forward.
- Do not sugarcoat reality. Sometimes reality bites! Shrink-to-size, prepare to grow, and then grow. Get to the right size fast or prepare for death by a thousand cuts (see next page). It is better to let go a few than for everyone to end up out of a job.
- Consider examples of great organizations and leaders who have dealt with similar scenarios such as Mary Jane Fortin, CEO of AIG at the time of the 2008 crash (see: Leading at the Edge by Dennis N. T. Perkins page 33 – 38: *Give the Right Speech*).

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**Shrink-to-size fast or risk: “Death by a thousand cuts!”.**

