

5 Early Warning Signs

Company / Business Unit Behaviors



THE KEYSTONE GROUP

1 Overly focused on top line growth

Behaviors

- “We can sell all things to all people”
- Overly focused on sales vs. profits
- Emphasis on price as a selling feature



Early Warning Indicators

- Rising sales with declining profits
- Sales compensation based on sales vs. margin
- Increase in invoice deductions

2 Concentrated senior management structure

Behaviors

- “We can do it all”
- Lack of focused strategy
- Lack of focus on process or systems



Early Warning Indicators

- One person show
- Lacks clear organizational responsibility and accountability
- Overly vertically integrated

3 Driven by operations and productivity

Behaviors

- “If only we had the newest machinery”
- Emphasis on productivity over GM%
- Over-emphasis on new equipment



Early Warning Indicators

- Increase in obsolete inventory
- Large swings in labor or overhead costs
- Low or declining gross margin

4 Highly customized product portfolio

Behaviors

- “We can add that product feature”
- Never met a product they didn’t like
- Sacrifice timeline for feature upgrades



Early Warning Indicators

- Low standardization of parts
- Poor manufacturing throughput
- Lengthy new product development process

5 Focused on short term financial results

Behaviors

- “We’ve got to make budget this month”
- Overly conservative and slow to act
- Limited external insight



Early Warning Indicators

- Stagnant growth
- Incremental changes w/ minimal impact
- Blanket cuts based on financial impact (e.g. 5% cuts for all areas)