

SAGE MBA GRAD WINS NATIONAL BUSINESS TURNAROUND AWARD

John J. Bellardini '96 honored with the "Oscar" of the turnaround industry

In the final phase of becoming a Certified Turnaround Professional with the Rochester, N.Y. based consulting firm JC Jones & Associates, John Bellardini's career is dedicated to rehabilitating businesses in crisis—contributing to a profitable and sustainable business model and preserving jobs in the process.

"On turnaround projects, you consistently learn at a rate that is fast, even faster than in college or graduate school," said Bellardini, describing the rewards of his specialization. "And it is exciting."

His success was formally recognized last fall, when he received the 2008 Small Company Turnaround of the Year Award, recognized as the "Oscar" of the turnaround industry. "It was so exciting to be recognized by a credentialed organization, competing with the best of the best at a national level," said Bellardini. He was honored for his work with Michelman-Cancelliere Iron Works, Inc., a steel fabrication, construction and engineering firm in Bath, Penn. (See, "Finding Inner Steel" on adjacent page).

Bellardini's expertise in finance, accounting, sales, and information systems—honed at engineering-driven companies including Philips, Dover-Universal Instruments Corporation and Amphenol Aerospace Operations—has been crucial to his success. Equally important are his people skills—his ability to help clients see another perspective, make difficult decisions and embrace change. "That's what Sage prepared me for. There was a touch of heart, a sensibility that you don't often get in business school about understanding people," he said.

His experience in a range of industries informs his advice to clients. "I come from a global manufacturing background but personally enjoyed a New York State Non-Profit Center of Excellence that I just worked with," he said. "Every organization says 'We're special, we're different,' but when you break it down there are usually the same very basic things not being paid attention to that bring down a business."

When those weaknesses are pointed out to a client in the early stages of the turnaround process, it is frank and hard hitting, said Bellardini, demanding hard choices on the part of management. "But business owners typically see the value in the set of lenses we provide them."

While the demand for turnaround services always exists, Bellardini sees a difference in the type of businesses that suffer in a turbulent economy. "What we're seeing now is more businesses struggling with working capital as bank credit gets tighter, and different types of businesses—retail organizations and those that depend of reimbursements and receivables—in distress."

Bellardini began his MBA at Sage when he was working in the Albany area after completing his bachelor's degree at Siena. His career took him to Binghamton, where he completed a master's degree in management, but the MBA he started at Sage remained a priority. So while working in living in Binghamton and working in Sidney, N.Y. he commuted to Albany to complete his degree. "I don't know how I did it but I couldn't be more proud," he said.

He's kept up that pace. Bellardini estimates he spends at least 160 days a year traveling for his career today. At home, he prioritizes his family. He enjoys golf and skiing—he is a member of the National Ski Patrol—with his wife and two children. "My success would not be possible without their support," he said. "I leave a little of my self at each project."



John J. Bellardini '96

Finding

Sage MBA graduate John Bellardini SGS '96, a consultant at JC Jones & Associates, received the 2008 Small Company Turnaround of the Year Award, known as the "Oscar" of the business turnaround industry, for his work at Michelman-Cancelliere Iron Works, Inc. in Bath, Penn.

He was honored at the Turnaround Management Association's conference in New Orleans, which also featured former Secretary of State General Colin L. Powell, (Ret) and Bob Woodward of *The Washington Post*.

Here, Bellardini shares his experience of the award-winning turnaround which helped MC Iron Works become profitable again, and saved jobs and health benefits for hundreds of employees in rural Pennsylvania.

In 2002, Michelman-Cancelliere Iron Works (MC Iron) of Bath, Penn., was a respected provider of structural steel for large infrastructure projects in the Northeast. With nearly \$24 million in sales and a net income of \$2.1 million, the company - employed 110 in a rural area with a reputation for quality workmanship.

Four years later, MC Iron faced extinction with nearly \$4.7 million in losses. Critics gave the company little chance of recovery. Yet, with a willingness to persevere, MC Iron found its "inner steel"—the strength to make the deep, lasting changes needed to turn a losing operation around and ensure long-term success.

The situation

Beneath MC Iron's veneer of success lurked problems with operations, organization, and processes stemming from tensions between the company's founding families. The tensions remained hidden as long as sales were strong. When a weak economy in MC Iron's key markets triggered revenue and profit declines, the

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“Inner Steel:”

A Pennsylvania company’s remarkable rebirth:

By John J. Bellardini and Walter C. Newcomb

tensions appeared as rocks in the proverbial stream. If unchecked, the “rocks”—more than the economy—would end the business. Not surprisingly, management was stressed; emotions were high and morale low.

Recovery began when financial losses caused loan agreement violations and MC Iron’s bankers required outside consulting assistance. This led to a partnership between management, bankers, and JC Jones & Associates.

Allowing an outsider into any business is uncomfortable. When encouraged by lenders after covenant violations, the process can be nerve-racking for management and challenging for the consultant. MC Iron was no exception.

Upon arrival at MC Iron, we found an organization in constant reaction mode. The company needed the noise cleared, priorities communicated, and very specific, focused action. To their credit, management quickly grasped the value JC Jones brought to their situation and leveraged it to its fullest.

Stopping the bleeding

The key to a successful turnaround is getting the priorities right. That means focusing resources first on “stopping the bleeding”—activities that will kill the business if not immediately fixed—and then fixing the remaining issues that might be important, but not as urgent.

The JC Jones team recommended three immediate actions: gaining control of cash by implementing a 13-week cash flow forecast; containing costs by aligning workforce resources with contract requirements, eliminating overtime, adjusting management compensation, and selling non-performing assets; and restoring employee healthcare benefits by negotiating cost-forgiveness directly with healthcare providers.

In two major moves, management hired a financial controller and negotiated

an exit strategy with the largest in-process contract—a potential business-ending showstopper on a project with an explosive customer relationship, excessive quality inspections, and flawed contract conditions.

Throughout, the team worked closely with MC Iron’s bankers to ensure their support during critical supplier and customer contract negotiations. These actions bought important time for the team to implement permanent solutions in organization, processes, and controls.

Fixing the business

At this point, JC Jones and MC Iron management focused on five initiatives: customer projects (reviewing each potential and existing contract to implement controls to ensure profits); working capital and cash flow management; business operations; performance measurement; and creating backup plans—implementing a legal strategy with the bank and a backup bankruptcy plan.

JC Jones helped management through difficult decisions and helped them understand that leadership and accountability are fundamental management responsibilities that can and must be learned. Management began to see measurable improvements in efficiency and profitability, and the business began to stabilize.

Recovery and transformation

With JC Jones assisting, the team turned its attention to long-term recovery objectives including strengthening core business processes and improving leadership, accountability, and communications.

The most difficult task was overhauling MC Iron’s core organization, manage-

ment style, and company culture. Changing culture is tough, but management needed to learn to make decisions based on fact, not feeling, and to resolve interpersonal, family, and management issues to help them work as a team. Management agreed to retain industrial psychologists to help improve management individual and team dynamics, and to help resolve the serious interpersonal and management issues and process problems.

Lasting results

In little more than a year, recovery was complete and lasting. Today, MC Iron is a different business—driven, successful, and forward-thinking. By late 2006, net earnings reached \$4.5 million—a swing of \$6 million in profitability in one year. They continue to make substantial strides toward sustained and long-term profitability.

Of greater significance, MC Iron’s bankers returned the company to a normal commercial lending relationship. Management has a comprehensive understanding of their cash flow and their largest customer reconciled to the point where MC Iron saved hundreds of thousands of dollars in penalties.

Today, MC Iron is considering further business development and potential acquisitions. Most significantly, MC Iron is a business with productive, creative people who know how to make decisions. They are researching new markets, new cost savings, and strategic alliances.

John J. Bellardini and Walter C. Newcomb are partners with JC Jones & Associates, LLC, a performance improvement and turnaround firm headquartered in Rochester, N.Y., with offices in Buffalo, Detroit, and Syracuse, NY.

My Story

“My Story,” features essays by alumni on topics of interest to them. Have a story – about a personal passion, professional expertise, or how your Sage education influenced your life as an alum? Please e-mail crossroads@sage.edu.