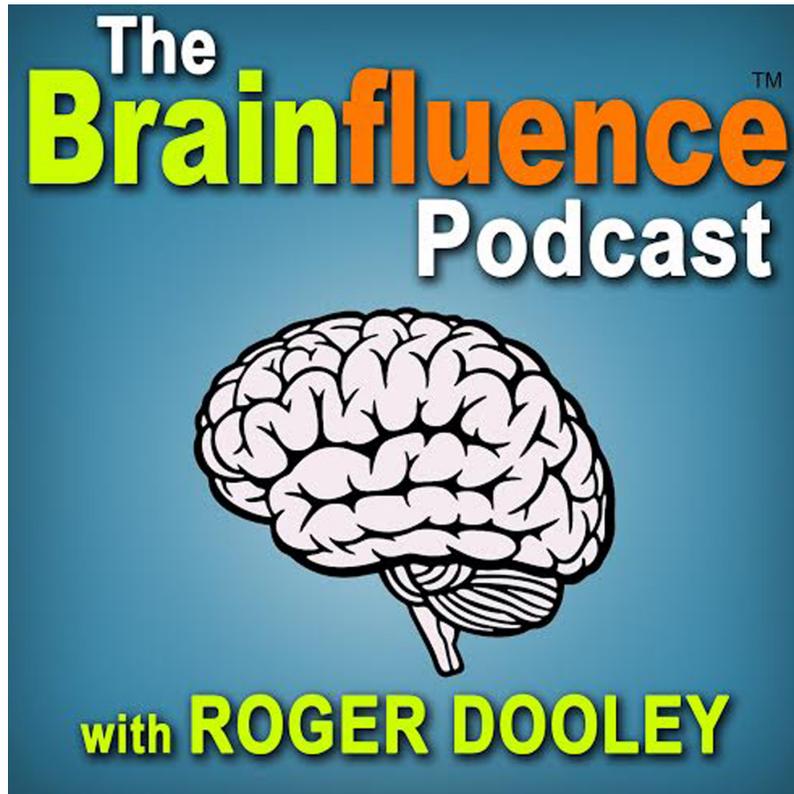


The Guy Who Saved 77 Businesses Tells You How to
Fix Yours



Full Episode Transcript

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Roger Dooley

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Welcome to the Brainfluence Podcast with Roger Dooley, author, speaker and educator on neuromarketing and the psychology of persuasion. Every week, we talk with thought leaders that will help you improve your influence with factual evidence and concrete research. Introducing your host, Roger Dooley.

Roger Dooley: Welcome to the Brainfluence Podcast, I'm Roger Dooley. We're all about knowledge that you can put to use in your organization here, and our guest today is going to share his remarkable experience. Robert Thomas Bethel has rescued over 70 floundering businesses, often he was the last resort called in by the bank or the owner when the business was in deep trouble and failure was imminent. His new book is *Strengthen Your Business: Fail-Proof Strategies from the Man Who Has Rescued 77 Businesses*, and he's going to share the strategies he's used to fix businesses that the owners thought were unfixable. And these strategies are things that you can do now before your back is against the wall. Welcome to the show Bob.

Robert Bethel: Roger, thanks for having me on the show. I appreciate it.

Roger Dooley: Yeah, Bob just for starters, how did you become the last stop on the way to the business graveyard?

Robert Bethel: Well Roger, I came out the graveyard, that's how. When I got out of college I started a business that did great for a couple of years, we had a recession, and obviously like any 21-year-old when they come out of college and start a business, I knew everything Roger.

Roger Dooley: Yeah, well I think that's typical.

Robert Bethel: Yes, absolutely, I knew everything. Well two years in and I'd done extremely well. We were hit with a recession, and

[The Brainfluence Podcast](#) with Roger Dooley

The Guy Who Saved 77 Businesses Tells You How to Fix Yours

Roger I found out exactly how dumb I was very quickly. I fought that business for a couple of years, couldn't make it work, got further in debt and lost everything. Lost my house, lost the farm that had been in my family since the Revolutionary War, cars, moved into a rental house, had two little girls at the time. And a very wealthy friend of my parents, who had retired but still owned 23 business got in touch and said "I think you've learned something by failing, I don't think you'll let it happen again. I'm not satisfied with the people who are running my business, I will give you a very nice equity position to take them over, clean them up, make them profitable." I did that, and I continue to do that today 52 years later.

Roger Dooley: That's a lot of faith to have in a young guy.

Robert Bethel: He had known me all my life, I think he saw how hard I had fought and he also saw the pain. I was really moving because there was a president and majority shareholder of a bank in the town that I had started my business, and he liked what he saw, I was running wide-open, and he made me a business partner. Basically at age 21 Roger, I could literally write a check for any amount because he's going to cover it. The only difference was my name was the only one on the note and he was my 50% partner.

Roger Dooley: Ouch.

Robert Bethel: And right in the middle of the recession he dropped over dead with a heart attack. And here I was with all of these notes, plus a failing business. I suffered, and my parents friend saw that and basically said to me are you ready to try again? And it's amazing, it's a horrible experience, the worst experience all these years later that I've ever had, Roger. But you really learn something when you fail, you

The Guy Who Saved 77 Businesses Tells You How to Fix Yours

learn about your friends, you learn about business. And I basically did all of the wrong things, and I'm embarrassed to say all these years later that if I were faced with that same situation today I could fix it in less than a month.

Roger Dooley: Well hopefully we can prevent some of our listeners from getting into that situation themselves.

Robert Bethel: Well that's the reason I wrote the book precisely.

Roger Dooley: Right, I think that's important. There's a lot of great anecdotes in there, but these are things that people can do before their business is completely up against the wall. And just to be clear Bob, you aren't just always a hired gun turnaround expert, how often have you actually taken over ownership of the company?

Robert Bethel: Every time, every time. I tried once upon a time Roger, to work with an owner, and it was like pushing a rope. I have found that it's best for me to buy the business, typically I do that from the bank. The owner has failed and the bank allows me to come in, assume the debt, and so I move forward that way.

Roger Dooley: Okay, so you probably aren't paying much cash for the business, but you are taking on the liabilities of the company.

Robert Bethel: That is correct.

Roger Dooley: Right. I think the most remarkable thing in the book was that you say you rarely had to fire people when you take over a company. In my experience companies in trouble are often over staffed, or maybe they made some bad hiring decisions where the key managers just aren't right. And when you look at big corporations, usually in a

The Guy Who Saved 77 Businesses Tells You How to Fix Yours

turnaround situation they're one of the first things they do across the board is cuts in their staff. But your experience seems a lot different, explain why you've found that to be true, certainly along the way you must have had some situations where there were just too many people.

Robert Bethel: No, I really haven't. And that may be odd, there's been a number of these companies that have had annual revenues in excess of \$300 million. They weren't mom-and-pop shops, but I have always had to fire one person, the owner. And let me say this, a number of these companies were high tech companies, international engineering companies, I'm not an engineer. You and I share a school I understand, the University of Tennessee.

Roger Dooley: Yep, go Vols.

Robert Bethel: My father always said that he had four children that went to UT and all four of them majored in Gatlinburg. I'm not an engineer, I have owned a number of engineering companies, and I say that to say this. Invariably when I buy one of these businesses, I try to keep the owner. And most of the time they're willing, they're out of a job, they're out of a business, and I know that they have information and knowledge about the company that will be of a benefit to me. but invariably as bad as I have wanted to keep them, I've always had to get rid of them relatively soon, never more than a month. Because what I found Roger is this, it takes a lot of guts and courage to start or buy a business, and that's a strength. But along with that courage is a certain bullheadedness, my way or the highway. I have found that the owner even after failing is still trying to justify why he bought that leer jet, even though the company doesn't need it. Why the company is paying for his condo in Tampa, or his ski house in Aspen,

The Guy Who Saved 77 Businesses Tells You How to Fix Yours

why he is driving a new Mercedes as is his wife, both owned by the company.

To get that out of the way and start with a clean mindset, I need all of the employees. I've said this many times, I will accept 5% of turning these companies around and making all of them profitable, the other 95% is totally the team, Roger. And that's not smoke, that's honest to goodness truth. And I attribute it, it's the reason I wrote the book because I honestly consider that book to be failure insurance because not only do I not fire people, I've never brought new people in, nor have I ever brought new money into one of these on the front side. A number of them as we started growing, yes I brought new money to the table to expand the business, but never on the front side. And I attribute that entirely to the methodology that I came to realize in my first failure.

Roger, in my first failure, none of my employees, I lied. Things are great, yeah everything's fine, my family didn't know, my wife did not know, I hid it from everyone. I shouldered the entire burden, and I would wake up at night, night after night Roger, with my jaw hurting and realizing that I was clenching my jaw in my sleep out of fear, out of desperation. And that went on for about 18 months and I didn't ask anyone for help. When I bought my first business I asked everyone for help, they won. The first thing I do I set the entire company down, take the phones off the hook, lock the doors, I'm going to tell you the condition of the business, the good, the bad, the ugly. And you look around the room and you see a bunch of deer in the headlights, but suddenly you have empowered them because they know where they are.

The Guy Who Saved 77 Businesses Tells You How to Fix Yours

And after that first meeting invariably, there will be a number of them that will come up and say we knew the business was struggling, having problems, but we thought it was a lot worse. And going back to President Roosevelt, the only fear we have to fear is fear itself. By having that meeting and telling them that we collectively, everyone that is part of that team, we're going to come up with a plan. Not a Harvard business plan, but a 90 day plan that will tell everyone who is going to do what, to whom, when, and for how much. Now once everyone sees that we're serious, that we're going to measure our progress on a daily basis, I have not had to fire people. But when people realize that we're going to roll our sleeves up and haul ass, there's some folks that were taking it easy, they'll go find another job.

But the vast majority of employees are excited to be empowered with all of the knowledge of the company, and there are people listening to this that say well my people would blab that all over town. You're wrong, I simply say this, I'm going to share everything about this company, I'll answer any question. If what we talk about gets out in the street, you don't know that your wife isn't friends of the first cousin of our banker's wife. It's got to stay in because A, it could crush us with the banks or our customers, it could crush us cashflow wise, so it's got to stay in. And I've tested that over the years, I've never found that information to go to the street. We have a plan, there is nothing in this book Roger, that costs anything to implement. We determine what matrix that very first day, how are we going to measure? We're going to do a 90 day plan, it's going to be very much like a football plan except it won't be like the University of Tennessee's football plan.

The Guy Who Saved 77 Businesses Tells You How to Fix Yours

Roger Dooley: Not this year I hope.

Robert Bethel: No, not this year. We develop that plan very quickly, we take that 90 day plan we break it down into months, then we break it down into weeks. Depending on the type of company it is, we may measure production, we may measure revenue, we may measure accounts payable. Most of the businesses we end up with six or seven white boards, and someone in accounting comes out and posts those daily. And we don't put them in the accounting office Roger, we put them out where every single team member walks past them every single day and they see exactly where we are. They are the greatest silent motivator for a company I've ever seen, Roger. All of a sudden the team is pulling together, we have our goals, we know what we're going, we know what we have to do, and we update that plan and the boards every Friday afternoon. Okay, we said we'd produce 1,000 units this week, we produced 900. Let's spend a minute talking about what we need to do next week to produce 1,100 so we'll be caught up. And every one stands there, this isn't a seated meeting that takes hours, it's a few minutes and everyone's engaged with it.

I realized after my failure Roger, that I as of a horribly wrong mindset. I thought I owned the company, I have never thought that again. Everyone that gets a paycheck is vested in that company, they're owners, our customers are owners, our vendors, if I buy supplies from you and I'm on your account receivable you're an owner, you're vested in my company. Our customers oddly enough are owners because they've committed to our company, they are looking to our company to provide them goods or services, so they're owners. Because I came to realize that, I look to all of those folks to help us, and oddly

The Guy Who Saved 77 Businesses Tells You How to Fix Yours

enough they do time, and time, and time again. But I'm not the only owner. Just because my name may be on the building, just because I'm the only one on the debt, there are other owners alongside me.

Roger Dooley: Mm-hmm (affirmative), one key takeaway I got from the book is that your strategy is always to focus on reducing expenses rather than increasing sales. I think a typical entrepreneurial approach would be we can just sell our way out of this. If we can sell 20% more than suddenly our costs would be in line, we'd be profitable. But you found that's a lot more difficult than working on the expense side of the equation, right?

Robert Bethel: Yes, the reason I go that direction is my background is sales and marketing. And I want to gravitate towards that, but what I've found Roger is very few business honest to goodness whether they're in trouble today or not, very few are prepared to support sales and marketing the way they should. And I have actually in engineering and high tech companies, you would think the owners were ready to spit on their sales people and marketing people. And I've had them say "Who's this guy over here?" "Oh, he's just a salesman." Of course, they're sitting with three engineering degrees and they attribute no value to the sales and marketing department. What I have come to find out very early on, is I need to prepare the company to support sales and marketing because Roger you and I could take over a company today, we could go out and spend \$1 million on advertising, and marketing, and additional sales people.

We have zero guarantee that we will increase revenue one dime, but I don't do the cost cutting. I look again to the team, guys you're down in the trenches, you know your

The Guy Who Saved 77 Businesses Tells You How to Fix Yours

department, you know what we can do without, you know where we can cut cost, let's go to work on that first. When we are efficient and operating efficiently by trimming unnecessary cost, then and only then, are we ready to support sales and marketing. I grew up in a marketing family, my father was in an automobile dealership, the largest Ford dealership in the state of Tennessee, he was there his whole life. And I suppose I had a very good lesson, there were about 300 employees in that dealership, and dad's office was attached to the accounting office where about 20 ladies worked. And I started working there in the afternoon washing cars after school and on Saturday.

I was there one afternoon and the salesman in order to find out the cost of a new vehicle, had to go in the accounting office because that was all in a big book, of course this was back in the 60's. And the head accountant was one of the meanest old women I've ever known in my life. I had come in to ask dad something and I heard her literally at the top of her voice say "If you damn salesman would get out of here we could get our work done." Well dad was 6'5" 250 and a college athlete, and dad jumped ... I thought he was going to rip his door off going into the accounting office, and he said "I want to tell everyone in this dealership one damn thing. If it weren't for these "damn salesman" not a one of you would have a job." I recognized at that age, probably 14, the sales and marketing of a company is the spear point and you must support them. But if you got a fat, out of shape, inefficient organization, you're not going to be able to support sales and marketing. I turn first to getting costs cut and getting efficient, Roger.

The Guy Who Saved 77 Businesses Tells You How to Fix Yours

Roger Dooley: Right, well you're sure that's going to drop to the bottom line. Bob, in my experience when somebody new comes into an existing group and wants to change things, there's almost always pushback. It can't be done, it's too expensive, we tried it once, it won't work, often it's because perhaps the person or people involved developed their methods or whatever and they're reluctant to let go of that and change. Have you encountered that and how do you work around that sort of pushback about no it's not going to work?

Robert Bethel: Well I suppose my circumstances are a bit different than buying a thriving company because when I go in and that first meeting, is I share the details and make it abundantly clear we're going to have one opportunity to get this right. I'm going to hold the banks off, they're going to give me a period of time to see what we can do, and I don't start changing anything, Roger. I literally talk to the entire team, and then following that first meeting, regardless of if it's three or four hundred employees, I rapidly talk one-on-one with every single employee in the company. Tell me the good, tell me the bad, tell me somebody that's not pulling their weight, I'm not going to talk, you talk. I need to know what goes on here, what needs to change. And that really becomes the basis of the turnaround.

But because every single person in that company is helping to put that plan together, it's not my plan. Yes I'm an outsider, yes I've done this before, I don't know anything about this company. I tell them who's going to do what to whom when and for how much, I tell them what I'm going to contribute. I tell them I'm basically a coach and a teacher about maximizing profitability. I also tell them something that I started doing the very first time, I've done it every single time since, and that is I find out who

The Guy Who Saved 77 Businesses Tells You How to Fix Yours

the top five people are in that industry because I go into a lot of different industries.

I pick up the phone, I call for that person, I almost never get that person but I leave word with the secretary to tell them that I've bought this company that does the same thing that their company does, I'd like five minutes to speak to the CEO for advice. Roger, I've had that call returned every single time including a number of Fortune 500 CEO's including Chairman of the Board of Westinghouse Electric because a company was doing work for Westinghouse Nuclear division that I bought. I've had that call returned every time, as soon as that call's returned I ask them "May I come and see you? I need your advice, you're successful, you are known in this industry."

Roger Dooley: That's great, now I think a lot of our listeners, me included, A not think about doing that. We'd just assume that person's not going to return my call, he or she has a lot more important stuff on their mind than that. That's really a pretty amazing result. And by asking for advice too, there is a psychological strategy there that when somebody gives you advice they now have sort of an ownership in what happens and they can continue to be supportive down the road. That's why if you're surveying your customers you shouldn't ask for feedback, you should ask for advice because they're more likely to go along with whatever happens.

Robert Bethel: You're exactly right, exactly right. Yes, sir.

Roger Dooley: That was a great, lucky if not by design then certainly the right choice. You start with an all hands meeting, which is good, and you're very transparent. There is one anecdote

The Guy Who Saved 77 Businesses Tells You How to Fix Yours

in the book that really cracked me up about the company president that had his all hands meeting before you got involved, and told his people that if they didn't get profitable he was going to lose everything.

Robert Bethel: Yes.

Roger Dooley: I'm sure that was highly motivating for all the people who might themselves be out of jobs.

Robert Bethel: Yes, especially in light of the fact that he was probably Roger, and this was a large company, he was probably responsible for about 35% of the total expense of that company.

Roger Dooley: No wonder he was worried, trying to support that on his own would be difficult.

Robert Bethel: When I say Clearwater, Florida home and Aspen ski resort home, and jet, he had all of them and he and his wife did in fact have matching brand new Mercedes.

Roger Dooley: Nice work if you can get it.

Robert Bethel: Yes.

Roger Dooley: Bob, I want to be respectful of your time here. Are there any other things you'd like to share with our listeners, insights, things that they should be looking at in their businesses now?

Robert Bethel: Yes. One of the other things that I do every single time Roger, I get us out of the accounts receivable business. And let me tell you why, in a business that I had owned for a good while, we had started to profit and were growing and I had gotten a line of credit at a bank. And my parents were friends with the chairman of the bank,

The Guy Who Saved 77 Businesses Tells You How to Fix Yours

and one afternoon I was going over to the bank and he was leaving. And I knew he didn't know anything about our little line of credit, but I walked up to him and shook his hand and thanked him. And surprisingly, he said "I need to ask you a favor, I'll stay out of your business if you'll stay out of my business." And I died laughing and said, "Don't worry, I have no interest in being involved in banking." He said, "Bob I saw your financials, you're already in banking. You've got accounts receivables on your book, that means you're borrowing money from our bank or you're using your surplus revenue profit to loan money to your customers so they can buy your products."

And Roger, it hit me like a ton of bricks and I realized exactly how right he was, and what a huge liability. Because if I sell you something for \$1,000 I may have \$800 worth of cost in it, my profit margin may be 200. If you go bankrupt or don't pay me, I'm going to have to sell five more of those units to just get back to where I was before you walked in my door. It hit me like a ton of bricks, I've had numerous people say that's all well in theory, but I can't do it. Yes you can, I've done it 77 times in 25 different industries. You can factor your receivables, yeah you're going to have to pay a fee with a bank to do that. But I'll tell you what, anyone listening to this show pull up to your local McDonalds and go past the first window and see how much food you get at the second window. And that should apply to all small and medium businesses, we can't take the risk of loaning money.

Roger Dooley: Yeah, one thing I'd add to that Bob is that I've been in that situation too where in both large businesses and small have ended up with collection tasks. Either as a sales person where the accounting people are saying hey you need to talk to this customer we're not getting anywhere,

The Guy Who Saved 77 Businesses Tells You How to Fix Yours

or as a business owner just trying to keep cashflow going. And what I've found is that those conversations about bills that are over due are not only uncomfortable for the person making the call, but they can really produce a bazaar reaction on the part of the person getting it. Where suddenly they're feeling that you don't respect them, you don't trust them, that their integrity is in question. And all you're trying to do is collect a bill that was due some number of weeks ago, but it can produce that reaction and end up costing you sales down the road where I think if you can sort of distance yourself from that conversation by turning the receivables piece and even the credit approval piece over to a third party, you aren't part of that. If they're on credit hold it's not your fault, it's the other guy and you haven't destroyed that relationship. It's good, good, advice all around though.

Robert Bethel: Absolutely, and just to add to what you said, having accounts receivable puts all negotiating power after the fact in the hands of the customer. You have financed their purchase, so suddenly when you call since they haven't paid, they've got complaints about the product or the service. They want you to redo it, they want to renegotiate with you, you're exactly right, it brings all kinds of new things. And by the same token, if in fact you have no accounts receivable then that same customer if he or she has a legitimate complaint, they're not going to hold the fact over your head that they haven't paid you yet. Yes, you're exactly right, it brings out a lot of ugly things that are totally unnecessary.

Roger Dooley: Great, well probably a good place to break. Let me remind our listeners that we're speaking with Robert Thomas Bethel, author of *Strengthen Your Business: Fail-*

The Guy Who Saved 77 Businesses Tells You How to Fix Yours

Proof Strategies from the Man Who Has Rescued 77 Businesses. Bob, how can people find you online?

Robert Bethel: RobertThomasBethel.com is our website.

Roger Dooley: Great, well we'll link there to your book and to any other resources we talked about on the show notes page at RogerDooley.com/podcast. And we'll have a text version of our conversation there, too. Bob, thanks for being on the show. I really enjoyed the book.

Robert Bethel: Roger, thank you so much for having me. I thoroughly enjoyed it.

Thank you for joining me for this episode of the Brainfluence Podcast. To continue the discussion and to find your own path to brainy success, please visit us at RogerDooley.com.