

## Choosing the Best Path Forward: Evaluating Options for Underperforming Organizations

Inside most companies – no matter how successful – are underperforming units or subsidiaries. Sometimes they are divisions too small to warrant meaningful attention or an acquisition that failed to meet expectations, but they all end up a drag on the bottom line. When ignored, these underperformers cost more than just money – they consume resources better invested elsewhere. The opportunity costs of languishing are hidden, but pervasive.

### Cultivating Clarity Through Collaborative Analysis

To comprehensively evaluate underperforming units, Kormac deploys a swift, targeted approach that taps internal expertise while minimizing disruption to daily operations. Together, we:

- ❑ Analyze all important performance dimensions: **revenue, margin, cost, operating metrics, market conditions, vendors, customers**, and more
- ❑ Identify the **key drivers of profitability**
- ❑ Articulate **Go-Forward options** based on our client's appetite for investment and risk: invest, acquire, streamline, sell, etc.

Within weeks, we give units that have struggled for years a clear picture of their drivers, inefficiencies, benchmarks, and opportunities.

### Case Study: Defining Paths to Profit

A leading provider of consumer automotive aftermarket products recently engaged Kormac to analyze an underperforming business unit contributing only 3% of company revenue. The unit lacked leadership and oversight, so Kormac analyzed its performance across critical dimensions, illuminated gaps, and identified the key drivers of profitability. We then articulated four Go-Forward options for the unit – Grow/Invest in a “Field of Dreams,” Make Profitable at Existing Scale, Pare to Profit, or Exit the Business – and defined the pros, cons, risks, and next steps for each. Our “deep dive” into this neglected unit gave the company’s CEO, CFO, and Board members the actionable intelligence required to move forward with confidence.

#### Sample Analysis Areas

- Operating model
- Organizational structure
- Capacity and inventory
- Channel performance
- Pricing power and model
- Supply chain/vendors
- Leadership/supervision
- Warehousing and freight
- Outsourcing/insourcing
- Customer profitability
- Product line profitability
- Contractual agreements
- Corporate allocations
- Human resources
- Life-cycle management
- Innovation
- Seasonality/regionalty
- Stakeholder relationships
- Competitive landscape
- Marketing and brand
- Others based on industry

***“The Kormac team was a pleasure to work with. Their ability to synthesize data, come to swift conclusions, and present findings in a straightforward manner enabled our company to take immediate action and drive bottom-line results.”*** – COO, Automotive Aftermarket Supplier