

Audio MARKETING SECRETS



How a Texas "Turn-around" Expert
Makes Up to \$275,000 Per Year
Saving Near-Dead Businesses

by Michael Senoff

Dear Student,

I'm Michael Senoff, founder and CEO of HardToFindSeminars.com.

For the last five years, I've interviewed the world's best business and marketing minds.

And along the way, I've created a successful home-based publishing business all from my two-car garage.

When my first child was born, he was very sick, and it was then that I knew I had to have a business that I could operate from home.

Now, my challenge is to build the world's largest free resource for online, downloadable audio business interviews.

I knew that I needed a site that contained strategies, solutions, and inside information to help you operate more efficiently

I've learned a lot in the last five years, and today I'm going to show you the skills that you need to survive.

It is my mission, to assist those that are very busy with their careers

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Now, let's get going.

Michael Senoff

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How a Texas "Turn-around" Expert Makes Up to \$275,000 Per Year Saving Near-Dead Businesses

Meet a real turn-around expert. This is not the same as a business consultant. To turn around a failing business is a specialty, and I met one of the best in the field. Meet Mr. James Dixon. In this interview he shares how he makes big money in this little known field. He will tell you how to approach a business, sign a contract, and get a business out of the red for big money. He is the last guy they call before the business goes under. Get in on this conversation and learn about this amazing business turn-around man. Click below for part one audio interview with Mr. James Dixon, Turn-Around Expert

James: My area of expertise is business turnaround.

Michael: What is a business turnaround?

James: A turnaround expert is a guy who goes into a business that is literally on its last leg. The worse shape the business is in, the better. We want to go into the business when it's right on the verge of filing bankruptcy and where the expectation is very low in most cases and basically take about six or eight months and turn it around. Get it back on its feet; get it back focused on what its core business is and take it from there.

Michael: It sounds like buying distressed property when people can't make their mortgage payments and are getting ready to go into foreclosure and you try to snatch it up at a good price.

James: It's a similar thing. That's something that your listeners would definitely be more familiar with. Enron for example, everyone knows about that. They have a very popular turnaround guy in that business now. That's basically all he does; he goes into those types of businesses and takes over as CEO, although he's definitely in an interim position, not a job he'll be in five years from now. What they're trying to determine now is "Can this be an ongoing entity? How do we get this thing focused back on its core business?" and take it from there. That's basically what I do.

Michael: How did you get into this?

James: I spent most of my career, ten or so years with GE Capital in senior management, GE Capital Asset Management and GE Capital Mortgage. That's sort of what Capital does in a lot of cases. They buy a lot of businesses and integrate them into doing things the GE way. If you were to look at General Electric across the board, when I left GE had twelve businesses, one of which was GE Capital; GE Capital had about twenty-eight businesses. There's a lot of diversification and a lot of different type businesses so that's where I got my training. I left GE the end of 1997 and did my first turnaround, just started on my own, I went into consulting and my first client I handled was Cargill.

Michael: What is Cargill?

James: Cargill is the largest privately-held company in the United States believe it or not. They're larger than Coke Industries.

Michael: Really? What do they do?

James: Cargill is an agricultural company as a matter of fact, based in Minneapolis, Minnesota. They've been around for more than 150 years.

Michael: Why don't you take us through that story? This was the first turnaround that you did?

James: It was my very first one.

Michael: Okay start from the beginning. You had worked for GE Capital for some time. Tell us about from the time that the phone rang, the first time you ever heard about Cargill and walk us through what you did as specifically as you can, what you were thinking and how you turned that business around and what were the results?

James: Okay, I won't mention the name of the business that Cargill had but Cargill is pretty large but I couldn't go into the name of that particular subsidiary but I can walk you through it. I had put some feelers out, I was about to launch out on my own and I got a call one day from a headhunter and this guy was telling me about this company Cargill who, just like when I mentioned it to you, I had never heard of them. He tried to impress me about what a great company it was. Of course I was working for what I thought was the greatest company in the world and in some cases I still think GE was. But I took the flight and went to see about this company that Cargill had started. It was a financial services company that

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one arm of their business had started and they were actually financing mobile homes.

Michael: All right, that's interesting.

James: They were actually in the mobile home business. They were originating, financing and servicing mobile home loans.

Michael: These are trailer homes that stand still or mobile homes?

James: Not mobile homes that you drive around but manufactured houses, trailer homes, which is a very large industry; it's very cyclical people get in and get out, that type of deal. The margins are pretty good in that type of industry so there is some money to be made if you have the right kind of infrastructure. They had a very large portfolio and they had guys that knew how to originate these loans but they had no clue of how to service the loans once they got them and what to do with them. It was one of those things where if you kill it, you have to know how you're going to eat it! If you don't you're going to have a lot of rotten meat to use an analogy. Well they had a lot of rotten meat and they did not know what to do with it. It was killing the entire business as a matter of fact. They hired me to come in, this was at the point where they were on the verge of "Do we sell this business or do we just dissolve it altogether?"

Michael: How much paper were they sitting on? How many different accounts?

James: They had probably, this wasn't too large, about a half a billion dollars worth of loans.

Michael: Existing loans?

James: Yes, of existing paper and they had stopped the origination for the most part; they were still doing it in trickles but not in the mass amount that they had been doing. I don't remember but it was probably about five to ten thousand loans, something like that. But they had a pretty significant investment that these guys had made. What you do when you get into a situation like that is you find out, and by the way I was the fifth guy in, they had already gone through five different people. So it takes a certain mindset when you go into a situation like that because you don't know how long it's going to last or if it's going to last at all. Since this was the first one, it was a pretty big leap of faith.

- Michael: So you flew out there?
- James: I did; I never moved to Minnesota. I just commuted from here every week.
- Michael: Who did you meet with on the first meeting?
- James: The very first meeting I met with the Senior Vice President of this particular subsidiary of Cargill.
- Michael: You went there and went up to his office and sat down and started talking.
- James: We went to his office and sat down and started talking. First we had a couple of conversations over the phone. The conversations over the phone were basically “Here’s our problem. Our delinquency is high. What would you do to help us get our delinquency down”? I went into a few things about how we would do that basically is stop the bleeding on the front end of it, and so if you were calling customers on the 20th of the month, we’d start doing it on the 10th of the month, simple things. You’d be surprised that no matter what type of business you go into they have similar problems and the solutions are always to us very simple. But because you cannot see the forest for the trees, you’re in it, there are a lot of emotions in it, a lot of finger pointing going on, people aren’t thinking simply. There are a lot of things going on there. We don’t have any of those attachments so naturally we can go in and see all this low-hanging fruit that’s ripe.
- Michael: Yes, easy things to do that will make a world of difference but he can’t see it. He just wants an easy solution to his problems.
- James: Exactly.
- Michael: Okay, so you give him a taste of what he can do; he invites you out there and you go and you’re talking. During the phone conversations, did they make a decision on what to pay you? What kind of an offer did you lay out to them before you met with them as far as what’s in it for you? How did you structure your deal?
- James: Depending on how you perceive the severity of their problem when you first talk to them you may or may not talk prices, but they understand that they’re going to have to pay. You don’t want to start throwing out numbers until you know exactly what you’re getting into.

Michael: So price didn't come up during the phone calls.

James: Price didn't come up during those conversations. But when I went to see them, usually you take a pretty nice size retainer just to know that they're serious and take a very modest salary, because as I said it isn't going to last any more than eight months. Where you make your money as a turnaround guy is on the back end of the deal. You want a percentage of the profit improvement or something of that nature.

Michael: Okay, so you met with him in person and then what happened?

James: If you're flying out there you're pretty sure that you're going to get the job. At least that's been my experience; they're not going to fly out there to hammer out a deal. We met in person and you tell them to let their senior guys start interviewing you, but what's really happening is that you're interviewing them, the people who are actually running the company. They are the people who actually are going to be working for you. When you go into a situation you need to be in charge, you cannot consult in these situations.

Michael: You have to give orders and they have to listen to you.

James: Exactly.

Michael: Otherwise you tell them up front this isn't going to happen.

James: It may happen but it isn't going to work. If you go in as an equal or if you go in as a consultant you're going to have fewer results; you have to be able to take charge whether it's of a department or of the entire corporation.

Michael: Is that why you position yourself as a turnaround specialist rather than consultant? Is it a different positioning?

James: Correct, it's a very different positioning because you don't have a lot of suggestions. These are clear things that we have to do and you have to be the guy to implement them very quickly. The first thing you have to do is evaluate the talent that is there and determine if you can operate with the guys and girls that are there. I want to know if there is a smart CFO, or finance guy; who is that person; is this person sharp; what type of job has this person been doing? You want to get very close to that person or bring your own. You need to know what type of person is running the Human

Resources Department because you're going to need people and you're going to need to know about the people who are there. You have to make assessments about people very quickly; you don't have a lot of time so you have to make some very quick reads and you may make some mistakes but you have to move. So the first thing you have to do is evaluate and eliminate senior management.

Michael: Okay, you've met with the guy and you've said "Let's do it." What's the next step after that initial meeting?

James: The next step is hammering out exactly what is expected to happen. That was my first deal, so we started that out with a \$15,000 retainer.

Michael: Did you sign a contract right there during that meeting?

James: Oh yes.

Michael: So you came there with a contract already prepared?

James: I came with a contract already prepared but usually the large companies want to do their own contracts. But you let them know that these are the parameters in which you want to work.

Michael: You set \$15,000 as a retainer?

James: \$15,000 as a retainer and anywhere from \$15,000 to \$20,000 a month and anywhere from fifteen to twenty percent of the improvement in profit over the period of time that you're there.

Michael: Ten to twenty percent?

James: Correct.

Michael: Of the net?

James: Exactly. It depends but that is how I structured this one.

Michael: So you knew you were their man, and then what did you do? How many miles was this company away from where you were? Are they right in your area?

James: No, they're in Minneapolis and I'm in Houston. This was a weekly commute.

Michael: So you were there all week?

James: I'd go out there on Monday and come back on Friday.

Michael: How long did it take you?

James: Six months.

Michael: Wow, so you were doing that for six months?

James: Oh, yeah.

Michael: Where did you live? Did you stay in a hotel?

James: I stayed in corporate housing.

Michael: Were you married at the time? Are you married?

James: Not only was I married, my wife was seven months pregnant!

Michael: Oh man, I'll bet she was pissed off at you!

James: She was at the start of the deal, but she knew this was my plan and my goal.

Michael: So she supported you.

James: Yeah, my wife was right there.

Michael: Was that your first child?

James: Our very first child. We just had our second child three weeks ago.

Michael: Congratulations! Did you have a boy or a girl?

James: A little girl, so we have a boy and a girl.

Michael: How old are you?

James: I'm thirty-seven.

Michael: You're thirty-seven? You sound a little older! I'm thirty-seven too.

James: Is that right?

- Michael: Yeah, I have a baby coming in September. I have a boy coming and I have a boy that's 2-1/2 right now. Okay, so you were commuting.
- James: I was commuting.
- Michael: So it was like you had a job, you were there fulltime during the week.
- James: Oh yes, it was a job. That was my job; it was my first one. I didn't take over the entire organization; I took over the portion of that company which was their collections and customer service departments. Those were basically the key parts of that particular operation.
- Michael: You had to bring in that money that was overdue.
- James: Exactly. You have to get that money; you have to get these guys focused on stopping the bleeding and getting morale turned around; the whole nine yards. We did that immediately. We took their delinquency, which when I took it over was about twenty percent and in about two months we got it down to about fifteen percent, which was incredible. They were very pleased with that. By the time I left it was down to nine percent. They sold that company and everybody was enriched by it, believe me. It was incredible; I made a lot of money, at the time an amount of money I thought was impossible to be made.
- Michael: Can we talk about that; can we disclose the numbers for anyone who likes the nitty gritty? It's no big deal if you don't want to.
- James: I won't get into that one; I'll get into a couple more.
- Michael: What it sounds like from what I understand, you basically operated as a skilled collection agent for this company.
- James: Exactly.
- Michael: These guys didn't know how to collect money. When a guy was past due, what were they doing? Sending out one lame collection letter?
- James: They thought they were doing all the things that needed to be done, and they were going through the motions but they were not

measuring the things the right way to know whether or not they were getting bang for every buck they were spending.

Michael: Did they have a series of collection letters?

James: They had letters but they were not sending them in the right sequence. They were just sending them out. They had a morale problem; they didn't really have a collection problem. I didn't have to get rid of any of the people. They just had an issue where, and this is what made these guys hire me, this one line I told these guys on the phone, when they first talked to me. I said "Listen you guys are sitting up there somewhere looking at these numbers every day, then you go down to the floor and you tell these collections guys that this is their problem and this is what they need to do differently, but they know that you don't know anything about what it takes to do their job so they're not listening to you. So what you're doing literally is they're in a cage and you're the lion feeders and you open the cage and throw in the meat then close the door and go back up to wherever you go." And they hired me because they knew I was telling the truth! I had never met them but they knew that was exactly the problem. No one had gotten in there and found out what made these guys tick, the guys who brought in the majority of their revenues and what motivated them. And I was able to do that.

Michael: So the people they had brought in before were unsuccessful in working with these people.

James: Very unsuccessful, because even though they had collections backgrounds and pedigrees and all these different experiences, execution is the key, like you said with the marketing stuff. Having it and knowing what to do is one thing; execution and doing it is something totally different. Getting the people who are doing the jobs motivated to do something totally different.

Michael: Give us some specifics of what went on in that collection process that wasn't going on that made a difference from the twenty percent to the nine percent.

James: Simple things again; we started calling customers. First of all we segmented every part of the business. When I got there one collector worked accounts from beginning to end. So a collector would work an account that was 15 days past due and he would also be working accounts that were 120 days past due. That made absolutely no sense so we just broke it up. We had a group of

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collectors to work on accounts that were 15 – 30 days past due, another group to work on accounts that were 30 – 60 days past due, another group to work on accounts that were 60 – 90 days past due and so on. We also had a back-end group who worked anything over 90 days. Basically what you have is most of the delinquency was in back end. I put the best people on the back end immediately and cleaned up the back end.

Michael: Did you pay them more money?

James: I gave them more incentive, not so much more money but more incentive.

Michael: Give us an example, what kind of incentives?

James: We'd double their monthly bonus if they would get a certain number on the back end. You do it as a group; you do it collectively instead of individually.

Michael: Now what do you mean by the back end?

James: Anything that's 90 days and above.

Michael: That's important to go after that first.

James: Exactly.

Michael: If you don't it's going to be history forever.

James: Exactly, you're going to lose that completely. So you clean up the back end and you stop more accounts from becoming delinquent and you start calling them earlier in the game. You don't just do that randomly, you go in and look at all the accounts that have been paying past a certain date for the last six months and you call those customers and find out if they're having a problem financially and you cut that bleeding off at the end. If you know that somebody has lost a job or there's been a death in the family or whatever, then before every other bill collector they have starts calling them because one thing about manufactured housing customers is that even though it is their home, for the most part, I don't want to be too general but for the most part they don't treat their house note any differently than the light bill or than J. C. Penney.

Michael: They look at it almost as if they're renting it.

James: Yeah, it's no different. When they find it hard to pay they'll stop paying you also. You have to sell them on the fact that this is their home.

Michael: I want to get off on a quick change and then we're going to go right back. Once it comes to a point where it cannot be collected, what happens to that paper? Does the company sell the paper?

James: Yes, first they repossess the house.

Michael: And this company has to do all of that?

James: Oh yes.

Michael: So there's a whole legal department handling all of that crap?

James: You have all of that; you have a foreclosure department that forecloses on them wherever they are depending on what state they're in. You have a department that has to arrange for the homes to be picked up.

Michael: And that's very expensive that process.

James: Very expensive.

Michael: So that's the last thing you want to happen.

James: That is *the* last thing you want.

Michael: So how flexible can you get with these tenants?

James: Very flexible because you own the paper. You could work out all kinds of arrangements to get them back but you only want to do that with the people who are serious because you don't want to prolong the inevitable. Sometimes you do that but you don't want to make that the majority of what you're trying to do. You've cut the bleeding on the front end, you've cleaned it up on the back end so everything in the middle smoothes out automatically over a very quick period of time.

Michael: And it's not hard to bring in a ten percent result.

James: Exactly and what happens is you've taken a group, let's say 100 or 150 people, from where they were having no success to where they're celebrating every little success. Then you get momentum.

Michael: Give me some examples, specifics of how you would celebrate and measure success with the employees.

James: Let's say you set certain targets, and this is my recollection back then and I'm trying to remember a lot of these things, you set certain targets for the number of promises made by a certain collector in a day.

Michael: Promises that people would pay their bill?

James: Right, who got the most for that day. You celebrate that. You give somebody whatever, a t-shirt or something with the company logo on it, anything, small things like that. Those are small things but then you start looking at who collected the most money this week in actual dollars. Most of the money that's going to be collected is going to be collected between the 20th and the end of the month. That's when most of the money is paid. You always get sort of a, and I started this when I was with General Electric, what I did was a sort of a pep rally the last week of the month. Get everybody together and get balloons and get party favors or whatever, get a certain theme like "Failure Is Not An Option" then everybody focuses on this one theme and you're ringing bells, and they were doing nothing like that before. They'd never seen anything like that before. They thought I was out of my mind until it started working. One of guys who was one of the four who was still there, he was in another role now as a matter of fact he was over in the foreclosure end of it, he was trying to sabotage everything at every turn but even he had to get on board and realize it was making everybody money, it was not just for me. They weren't doing any of those things so that's a way to get some results. That was the first foray into that deal. I can't really go into the numbers on that though.

Michael: That's okay, we don't have to get into that much detail but deals that followed after that were they basically the same type situations?

James: Very similar situation. That was a large company; the couple of deals that followed after that were investors who had invested in companies that weren't doing well. I hooked up with a couple of people from that particular deal, from the Cargill deal when Cargill sold that company. We all walked away with some nice checks and took some time off and started working together doing different small turnarounds. They had connections so I'd go in with them or I

would do a small deal. The largest deal was the one I just finished last year, which was GMAC.

Michael: How did that happen?

James: This was deal where GMAC actually purchased a company. The purchased a collection agency and it wasn't fitting in to what they were trying to do. GMAC is a publicly traded company so I can't go into too many details about that but I can give you all the numbers and I wouldn't mind you checking all that stuff out verification wise.

Michael: They had collection problems and you went in.

James: This was a little bit different because I actually became the Chief Operating Officer for this company. Their issues were not the same. Their issues were simply this. GMAC had purchased this company from two entrepreneurs who owned the company over a ten-year period of time. These guys probably never made a lot of money personally but they had grown a very decent organization and what GM's whole approach was going to be was this was going to be their platform to launch as a bigger thing in the credit card sub-prime industry which is very large as you can probably imagine. These guys wanted to start buying paper, but these guys were not a paper-buying shop. They were what's called the first-out shop or the contingent shop meaning they were collecting for let's say Capital One while it was still Capital One's paper so the loan would get thirty days past due and Capital One would send it to them. They would collect on it and send it back to Capital One.

Michael: So they were like an independent contactor collection agency.

James: Exactly but they were very large. GMAC bought two companies at one time and merged and ended up with about 450 people and three locations, one in Minneapolis, one in St. Paul and one in New York.

Michael: Doing nothing but this?

James: Doing nothing but this. This is where they lost their way; they immediately started buying paper. Instead of focusing on contingent they went out and started buying paper and they bought a lot of paper very quickly. They did not have the infrastructure for it, they did not have the management team for it and they just did not have the model to do it right. This started going sour very quickly.

Michael: They had all these workers collecting paper acting as a collection agency and they figured they needed more profit centers by buying up paper and having the same people collect on it.

James: Exactly.

Michael: But it didn't work out because it was different kind of paper.

James: There you go.

Michael: They were buying bad paper.

James: Exactly. They were buying worse paper and bad paper's not the problem, you just need to know, back to my analogy, if you kill it, you have to know how to eat it. They didn't know how to eat it.

Michael: So the paper they were getting was a totally different breed of animal?

James: Oh a different breed, man! This is not somebody with good credit on Capital One that you're calling up and they just happened to forget to make the payment. This is sub-prime; this is paper where you knew that they had a chance of defaulting when you gave it to them and they did and now you have to know how to get them on the phone and get that money because what you're trying to do, the big picture of all this is buying this paper, getting it to a certain level of delinquency better than what it was, securitizing it and selling it. That's where the money is made.

Michael: Once you securitize it you can sell it for more?

James: Once you securitize it, you could sell it on Wall Street. You securitize this paper, and it now becomes security and you can get a lot of money out of it.

Michael: I see.

James: It has to be at a certain level of performance, performance basically meaning you cut the delinquency of it from what it was.

Michael: Is most of this done over the phone through telemarketing?

James: The collection?

Michael: Yes.

James: Yes, all of it is telephone collection.

Michael: In combination with the mail?

James: Right, you also mail some letters. I think mailing a letter has some effect, but as a professional in that industry nothing is better than getting them on the phone.

Michael: Okay, so this company got into trouble because they were buying the wrong paper and their people just couldn't handle it. So they brought you in and then what happened?

James: You do the same step again; evaluate the team we have. The guys that we had knew contingent paper. They don't know this other stuff. So guess what we do. We literally separate the two. We almost make two companies. One is back to basics, back to what you guys know, let's get back to that. Two is let's put this over here and see what we're going to do with it. We still have to work on it but it's not going to be our sole concentration. What we want to do is get this to a point where we can get it somewhere else and find someone else to buy it. In the meantime we have to restore a whole lot of different things. We have to get your focus back on what you were doing. We have to fight through all of the "Whose fault is it?" and "Who the hell are you?" and "What do you know that we don't know?" and all of that stuff. You have to get through all that. I thought these guys were very smart; I thought they knew that business very well but you have to understand these guys had become instant millionaires.

Michael: They got lazy.

James: Yeah, you get all this money and money has the tendency to tell you a lot of things that aren't true. "You sell your company to GMAC; that must mean that you're a business tycoon." Really you might just have been at the right place at the right time. Your ego won't let you say that so you want to wheel and deal and do all these different things when really what you need to be doing is concentrating making sure that GMAC gets to protect their investment.

Michael: Okay.

James: Also a big issue is that now you've gone from an entrepreneurial company to a professional company because before you could do whatever you wanted to do whenever you wanted to do it. Now you have all this protocol and these procedures and these processes and you have the GMAC way of doing things. That is always going to be a problem, going from a company that was a stand-alone to now going to being a bureaucracy.

Michael: Can I ask you this? The two guys who sold to GMAC they came along with the business, right?

James: Oh yeah and they're still there today as senior VP's in the company. The guy who was in GMAC who led the purchase of the company did what I thought was a crazy thing. He also installed himself as head of the company. This wasn't his background; he didn't know anything about that business and he failed miserably. I don't think you need to know much about a business in order to run it. I don't have that school of thought. But you do need to go out and find the people who do know about the business to help you run it. You have to go get experts and he didn't do that. They did all this stuff but they never brought anybody in from the outside. That to me was a major faux pas on their part.

Michael: Where was this located?

James: This was in Minneapolis also.

Michael: You were doing the same thing again?

James: I was doing the same thing again.

Michael: For how long?

James: Six months, again these deals never take more than eight months if everybody is serious. Once you go in, and of course there are a lot of details to this, but once you go in and evaluate exactly what the problems are as you see them you start attacking those problems right away. As an outsider, you want to listen to everybody but you've also got to understand that these people were part of the problem, so there are going to be some fires and there's going to be a lot of finger pointing, and that's okay but you have to be able to discern fact from fiction. You have to make certain calls. Then you have to stop the hemorrhaging. The hemorrhaging on this business was simply we had taken our eye off the ball that brought us to where we were, which was the contingent business. This was

still a very profitable cash flow business and we've got full concentration on the business that we had paid all this money for and we don't know exactly what we're doing so we have to separate those two things. We have to focus back on the core of business; we have to stop doing anything that doesn't have to do with the core business. We got most of the brokers back on the core business. We constantly evaluate senior management and my evaluation was these are not the guys to lead them into the next phase. Next we have to find someone to come in and run the company. I'm the Chief Operating Officer now and I have a finite timeframe. The only way I'm going to extend it is trying to help somebody get more acclimated. So we had to go out and find the guy to come in and run the company and I could bring him in as a consultant.

Michael: How did you find him?

James: Actually this guy was from Cargill who was between jobs.

Michael: So you knew him.

James: He lived there in Minneapolis and the guy who brought me in knew him. We brought him in as a consultant. We also had a guy from Price Waterhouse as a consultant. We had Price Waterhouse in there also doing the financial piece of the deal and we ended up stealing him at the end. Those two guys now run that company. My job in this simply is to position talent. Position talent, create a strategy and get it executed on a weekly basis. This is the thing that we implemented that made the big difference. We started implementing Thursday strategy meetings with GMAC saying where we were from one week to the next. It went from "It's hard for me to get an answer from these guys", which is what the people who brought me in were saying, every time we'd go over there because GMAC was in one building up the freeway and these guys were in another building down the freeway and of course the building GMAC was in was quality and we were in the basement of a building. So you have that whole thing. GMAC is a business casual; these guys want to wear a suit and tie. Every time you go over the GMAC for a meeting you're in a tie and they're in Polo shirts. There's a barrier here; we have a problem, but nobody knows that this is a barrier. When the guy hired me he said "You can probably do anything you want to turn this thing around but just don't change the dress code." I said "What? Are you serious? Are we really going to hear something on the dress code? This is a huge deal!" But it's those kinds of sacred cows.

- Michael: So you weren't able to change the dress code?
- James: Well, I changed it immediately! But you have these sacred cows that as a turnaround guy you have to kill immediately. You have to slay them; you really don't care who burns them, who created them, you have to kill them immediately.
- Michael: Okay, so you made considerably more money on that deal than you did on the first one.
- James: Considerably more.
- Michael: Okay, so a deal like that can set you up for a few years.
- James: Oh yeah, you know I can only do a deal a year.
- Michael: So if you do a deal a year you're working, you said that was a six-month deal?
- James: Exactly, you're talking three months because I worked three months at the end of 2000 and three months at the beginning of 2001.
- Michael: What do you do during your time off? You just look at different stuff?
- James: Look at different stuff and of course we have the billing business and my wife runs that end of the business and we do this thing called Life Settlements where we arrange for seniors to sell their life insurance policies. That's a very lucrative business.
- Michael: That's interesting. We should do a whole conversation on that later.
- James: Yes, that's a very lucrative business. We're only licensed to do it here in Texas but man, that's a very lucrative business. This thing takes me away from home a lot and I don't really like that.
- Michael: That's a huge negative.
- James: It's a huge negative in that particular product. Now I happen to have a knack for doing it. I'm very good at it and I don't do any advertising. It's all word of mouth.

- Michael: How many companies are in trouble that could use a service like that?
- James: There are a lot of them! Those are large companies I'm talking about that you'd probably never hear of, but there are a lot of small to medium sized businesses who also need a similar service but again you have to deal with entrepreneurs and people who started the business and it's more difficult to work with them because they want you to come in as a consultant and that's okay but you've got to know that you've got to be able to make changes.
- Michael: Why can't a smaller business farm his paper out to a collection agency that's really skilled, or are there very few collection agencies that can do it from the outside?
- James: Oh yeah, and I guess we're talking specifically collection agencies. Some of the other turnarounds that I've done have nothing to do with collections. So I don't consider myself to be a collection agency turnaround guy. I'm a babe in it and I'm pure turnaround. This is key. You've got some people who say they're turnaround experts or turnaround consultants but they're usually people who are in between jobs. Then you have a whole turnaround management association without putting those guys down, I think they're great. Guys like me are just lonely; we don't want to be a part of anything. We have a certain skill, a certain mentality, we're very opinionated, we're very strong willed and we don't think there's anything we can't accomplish as far as helping your business succeed. That's just our approach, because we think we have a very common sense approach to the whole thing. We're not the sharpest knife in the drawer and never want to be, but we know how to identify all the dull knives in the drawer.
- Michael: When you read my bio, you realized that you have a great thing but you sure as hell don't want to travel and live on the premises, or live in that area. Do you want to stay in this? Do you want to educate people how to do it? Do you think you can create a program?
- James: Yes, I think I can create a program. The way I was going was my ultimate goal is to buy businesses, turn them around and do that multiple times. I want to build that thing up. I know I have the turnaround expertise. With my own business I bought it and I think I have the ability to do more what is my training from a GE background, to build a financial services business that has multiple

multiplies in it. That's why that thing intrigued me more than anything else.

Michael: That's a great idea. On the interview when you listen to it everyone thinks I need to buy a business and turn it around; Art Hamel is saying you're going to come out just as well if you buy a successful business if you know what to buy and you buy it right where you have a successful business. But I don't think Art Hamel really understood he's not a marketer. He's looking for successful businesses and this is what I think he's done in the past, he's bought a business that's succeeding and making a profit and he would acquire it and keep that existing profit going but would put no effort in proving the profit through your techniques in collections or marketing techniques or better advertising, things like that. If he implemented that in addition to the successful business, he could take it through the roof.

James: Exactly, that again is why that intrigued me to that end. I think that the opportunity is great. There are a lot of businesses that need to get over that hump and the biggest problem I see that a lot of businesses have is their inability to systematize exactly what they're doing, to get into a system where you're duplicating the same thing over and over again.

Michael: James, this has been a great interview, and very informative. It sounds very lucrative if someone out there is willing to do the travel and learn the system. I think it would be a great way to make some money.

James: You can make some money on it. My charge is a \$25,000 retainer, \$25,000 a month and then we negotiate something for the end deal.

Michael: All the deals you've had on the end, have they lived up to it?

James: No, I got burned on a couple of deals. A couple of deals were handshake deals on the end and you never do those.

Michael: Always get it in writing.

James: Always get it in writing.

Michael: So you got screwed on some back end stuff?

- James: I got screwed on a couple of back end deals and the reason was because I really didn't know what I was getting into; I didn't know what the numbers were and they were better than I thought. But you live and learn, that's the cost of tuition!
- Michael: Definitely. Well James, we're going to wrap this up. We're a little over an hour and officially on this recording we'll wrap it up. I appreciate you sharing all this with us and I want to say to anyone out there listening, we're going to do volume two with James Dixon. Why don't you just give us an intro about this life insurance thing?
- James: Life Settlements – a quick intro is it's a growing business that came up at the back of a thing called Viaticals, I'm sure people have heard of that. That's a thing where people who were terminally ill would sell their life insurance policies. With Life Settlements you do not have to be terminally ill, in fact you cannot be terminally ill. You just have to be over sixty-five and have a policy over \$100,000. Now some health have issues, and there are plenty of companies, institutional money that want to purchase those policies.
- Michael: Interesting; we'll talk more about that with James Dixon on volume two so keep in touch.