

While advising the clients mainly in stress, I noticed certain common features. These can be used as warning signals too which may help businessmen to avoid the trap of stress.

#### **Common Factors :**

1. **A team of highly paid Executives :** In most of the cases, I noticed that the companies hire highly paid executives who roam around for more and more salaries. These people are not committed towards the organisation but they will try to extract more and more for themselves. They are good at communication skills and that skill is mainly used in marketing for themselves. Such people boast a lot and take the credit for every good thing in the organization and blame the promoter for all the failures. Such people can't face the tough time and run away immediately after the warning signals or the promoters also throw them away once their real capabilities surface. High employee cost adds fuel to the fire and cause serious losses to the organization.
2. **Expansion of capacities:** Generally the company runs well at the initial stage of operation. The performance lures the promoters to expand the business. The confidence turns into over confidence and hence capacity expansion is always many fold. Such decisions are generally taken in boom time which does not last long. By the time the higher capacity is in place, demands slow down and the selling becomes tough. More capacity reduces margins, increases competition and the terms of sale are liberal. This situation leads to a dangerous zone where recovery may be a big issue. Gradually the company falls in the trap and gets into stress due to low recovery.
3. **No control or supervision on the cost part:** When time is good , profits rain and promoters loose the focus from the costing. This is quite common feature in stress accounts. By the time the capital starts wiping out, it is too late. The promoters live in different impression of high margins. The fact that the costing does not support the business, the capital starts wiping out immediately. The signals come bit late and by this time the situation goes out of control.
4. **No change in product mix:** The impression that business is growing, margins are same or higher and fear to move forward leads to this situation of stress. The management of the company does not try to different product mix fearing loss. They believe that same product mix will give same or high margins for indefinite period. They get shock when suddenly the existing product mix does not yield the same margins or even resulting into loss. By the time they take action it becomes too late.
5. **High overheads:** No control over costs, high business development cost and extravagance in day to operations leads to great damage to the company. This acts as a slow poison because such expenses can not be curtailed at later stage. The promoters attach their show off with day to day business and the percolates to the down side. Executives too spend lavishly. There is no control over expense vis a vis result.
6. **Old team which does not allow the new blood to enter into policy decisions:** We noticed that the team which is in place since long indulge into politics. They don't allow new team to grow and hence new ideas are not entertained. Existing team circles around the promoter which acts as a solid barrier to look into the outside reality.

7. **Over support by the Bankers:** When going is good , financiers (Banks particularly) chase a lot to the borrower to take more money. This is basically done to achieve more business. This provide more fuel to burn. The over support and carelessness damages the company in long run as the company becomes highly leveraged and interest burden increases. If the revenue generation is not same or less than projected, the stress automatically enters in the company.
8. **Absence of timely support by the bankers:** Bankers behave like fair weather friend. When going is good, they offer more than required funds, but when it is tough they try to pull out of the company or even destroy the company with sole purpose of recovery.
9. **Overdependence of the promoters on key people:** As mentioned above, some people take full control over the promoters and they call the shots. Such people play politics and never allow others to enter into the artificial ring. Promoters also get comfort in this ring but it damages extensively to the company. By the time promoters understand the situation, it is too late and the company goes into stress. Later on such team gradually fades away once the situation gets worse.
10. **Rampant Corruption and inefficiency in team:** Stress is mainly caused due to inefficiency of the team, Over confidence of promoters and over flow of funds. In this situation the promoters start loosing the grip and surrounded by few people who know how to handle the promoters. These people also start enjoying power of relationship with the promoters. This results into the rampant corruption and politics. This results into severe stress and mismanagement in the company. It has been noticed that certain company officials make more money than the promoters and run away from the company. They also possess lot of sensitive information and hence the promoter can not take any action.
11. **Promoters' overconfidence in business development:** This is one of the major reason for stress. Most of the expansion decisions are taken during the boom time. Promoters feel that the current success will continue forever and they will be able to get higher success even if the business expands manifold. The expansion takes away liquidity from the business and stress starts. Gradually repayment of loans and interest becomes problematic and huge holes are created in the business.

**Thus common features for stress in a company are mismanagement, promoters' overconfidence, inefficient & Corrupt team and poor cost control.**