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A word from the editor



Dear valued readers, members, and friends,

Welcome to the first issue of Turnaround Management Journal. During my meetings with many turnaround professionals around the world, I have encountered two requests over and over again. The first one is an opportunity to network with other professionals and academics, and the Turnaround Management Society is the best place for that. Our industry is a village, and the TMS is its marketplace, where professionals, academics, and other interested parties meet to discuss opportunities, exchange ideas, and establish contact with other members. The second wish is for a journal that publishes articles from professionals in the industry. What you are holding in your hands is the outcome of a process of discussing an idea, developing a business case, writing articles, and, finally, publishing the first issue of Turnaround Management Journal.


This journal is a living project. We will continue to adapt to the wishes of our readers and related organizations. We depend on the feedback of our readers.

Every issue will have a special focus that will be unique to each issue, but the main theme will remain crisis management / turnaround management and related topics. This current issue focuses on leadership in troubled times.

Eugene Rembour, one of our members from England, brings up a very important topic in dealing with managers of troubled companies: managers should “no longer believe that recognizing that they need help makes them a bad managers”. Most of us have encountered problems with (especially) owner-managed companies’ having difficulty accepting advice from turnaround professionals; handing over the power, even for a short term, is often not seen as an option for such owners, even if it would be to their financial advantage. TMS will focus on making it easier to find common ground in communication between turnaround specialists and owners and managers. Hiring and taking advice from specialists is a normal course of action on the way to excellence. Even after having managed a company successfully for decades, no manager is immune to crises. In fact, the world’s best companies are often the world’s best companies because they have lived through and survived many crises. Therefore, a crisis, regardless of its severity, can be to lose ballast that has been accumulated over the last years or to optimize processes and work flows to update its assets in order to adjust or gain new competitive advantage.

For now, I’ll let you get started reading, studying and discussing the interesting and informative articles in this, our first issue. I hope you’ll let us know what you think.

Very kind regards,



Christoph Lymbersky

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Saab's Questionable Turnaround Practice

A short drive through the landscape of turnaround efforts conducted by Saab's top management in facing the challenges of a troubled economy, mysterious strategies, and a secret balance sheet.

by Christoph Lymbersky

PhD Candidate at SKEMA Business School, France

The once proud Swedish company, Saab, filed for bankruptcy this month and is faced with very little support from its stakeholders. Times have changed since Saab's early years, when the automobile producer was able to gain and maintain a loyal customer base of clients looking for a special kind of car that is not on every street corner and that distinguishes itself by its unique design, innovation, and attention to detail. Originating in of a company that produced airplanes, Saab was the only company that had a speedometer counting in odd increments - 10, 30, 50, 70 - instead of every other car manufacturer's 20, 40, 60, 80. Saab was also the first to introduce a coupé-shaped car with a glass hedge. The Saab 99 and its successor, the 900 model, turned into icons of the automobile industry, starting the wave of often high-priced coupés that today nearly every car company offers.

Saab was the first to introduce headlight wipers, front seat heaters, and dual brake circuits. The list of inventive contributions to the car industry is long and includes highlights like side-collision protection in 1972 and the first turbo engine in a mass-market car in

1977.

Its success is due not only to its improvements but also to its - what should I call it? - courage to be different. In 1986, when convertibles were becoming rare on the world's highways, Saab introduced its own convertible and sold more than it expected. Saab's customers wanted a car that is different, innovative, and always a bit ahead of the trend - or that maybe even set - the trend. Driving a Saab was something special, and owning one made one special as well.

However, the pioneer - almost rebellious - company quickly lost its shine when General Motors (GM) took over 50 percent of Saab in 1989, later growing its ownership to 100 percent in 2000 (Pander, 21.02.2009). The of the Swedish manufacturer's innovations was the Night Panel Cockpit (a system that automatically turns off the interior lights of unimportant instruments at night so the driver can focus on the speedometer), which originated from the company's roots in the airplane industry.

Once GM took over, they rationalized

away every competitive advantage Saab had. Clearly not understanding Saab's customer base, GM replaced the base of the once successful Saab 900 with the base used on the Opel Vectra, built in Germany (Pander, 21.02.2009). At that time Opel had a different positioning in the market, and the last thing Saab customers wanted was a car that shares its base with a mass-market car, much less one perceived as a cheap family wagon. The introduction of a V6 engine for Saab models (which rarely sold) further highlights GM's fatal approach to meeting (or not meeting) the customers' needs. GM's strategy of sitting still without innovating, which has only now become clear to most people, certainly arrived in Saab's headquarters when the decision was made to produce the Saab 9-5 model for twelve years without major updates.

GM's plan to profit off Saab's special positioning and image by replacing its uniqueness with mass-market parts, and saving on its independent technical and design evolution failed. The question now is what to do with a formerly successful company that was led by a management that thought its customers should adapt to it, not the other way around. Few would argue with me if I said that we need a close look at Saab's books to make a professional decision concerning whether to agree with the Swedish government's preference for letting Saab die, if that is its course, or to support Saab's managing director's turnaround plan to run Saab as an independent entity (wires, 20.02.2009).

But what we can already say is that Saab will have to engage in a strategic turnaround, as well as an operational one. Last year Saab sold about 94,000 cars, which is about half as much as the company could produce in its facilities in Trollhättan, Sweden.

When I go through Saab's press releases and the media reporting on Saab's turnaround efforts, several items make me worry about the success of the planned restructuring process. Haven't we, as turnaround managers, learned that one of the first things a turnaround leader should do is to reevaluate all operations that cost money and put on hold what is not directly related to generating short-term income, especially as long as there is no turnaround plan (Slatter & Lovett, 1999, S. 141)? Haven't we also learned that strict cash flow management is essential to a successful turnaround? Keeping this in mind, I am very surprised to read that Saab is continuing its operations as usual (Saab Corp., 2009), while other car companies worldwide have put production on hold. Again, we don't have enough insight into the company's books, but I am led to think that Saab is still selling their cars very well in times that are so hard for other companies. VW, BMW, and Porsche have all been successful in recent years, but they have still found it necessary to put production on hold. Saab's self-appointed crisis management, however, does not see the urgency of cutting at least some of its costs.

I went through a couple of my old books and found a comment from Slatter and Lovett in "Corporate Recovery" that, during the crisis stabilization phase, a key area for the turnaround manager is to concentrate on obsolete and slow-moving stock (Slatter & Lovett, 1999, S. 140) Putting a hold on production and getting rid of some stock in the meantime frees up some money to be invested in, for example, the badly needed research and development of Saab's new products lines, but none of this seems to be a priority of Saab's top management.

When I dug a bit deeper into the notes I have taken over the last couple of years, I found something else that made me curious. A company that apparently suddenly finds itself in distress and that has only now come to realize how much debt it has collected, should not make any long-term strategic decisions before a formal turnaround plan is prepared. I am even more confused when I read that Saab's management decided to withdraw from its planned production of Saab's promising 9.5 model line in order to produce it in "high-labor-costs Sweden." The model was supposed to be produced in collaboration with Opel, but the Opel factory is unlike the Swedish one already prepared for the production (wal/AFP/dpa, 20.02.2009). According to an Opel spokesman, they could have started production in April 2009 (wal/AFP/dpa, 20.02.2009) which is a deadline that was very unlikely to be kept by the Swedish, especially at such short notice and without major investments. The decision to move the production site two months before the planned start of the production, could have been understandable if the Swedish government had made doing so a prerequisite to supporting Saab financially in its turnaround efforts. However, the Swedish government has always refused future involvement in Saab.

Again, I don't know the real reasons behind these decisions that are, for me as a stakeholder, so hard to understand, but wouldn't clear and unbiased communication (Slatter & Lovett, 1999, S. 82) be more likely to make a stakeholder support the restructuring process? Isn't it also a characteristic of a distressed company to suffer from poor relations with their stakeholders? Well, I am still hoping for the best and that I will still be able to find spare parts for my car in the years to come.

Maybe Saab would be better served to

try to convince me to support its turnaround strategy instead of shutting the public out. After all, if there is one thing that Slatter and Lovett did not anticipate in their market-orientated thinking and that has become obvious in these troubled times, is that not only joint venture partners, stakeholders and banks are sources of short-term financial support; the biggest source today is governments and, through them, us, the taxpayers.

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Christoph Lymbersky is the editor of Turnaround Management Journal. Mr. Lymbersky has lived, studied, and worked in several countries, founded three successful companies, and written books about international management and finance. He currently serves as the director of the Turnaround Management Society, where he is also engaged in research projects, such as the International Turnaround Management Standard (ITMS).

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A photograph of a middle-aged man with glasses, wearing a white dress shirt and a red tie with a small pattern. He is sitting at a desk, looking towards the camera with a slight smile. His arms are crossed. In the background, there is a desk lamp with a white shade, a framed picture on the wall, and a tufted chair. The overall lighting is warm and indoor.

„Murphy is
shaking the
clouds.“

John M. Collard

All Leaders Are Not Created Equal:

To Save the Company – Change the Leadership Style

by John M. Collard

CEO of Strategic Management Partners, Inc.

Member of the Turnaround Management, Restructuring, and Distressed Investing Industry Hall of Fame

Abstract

What makes a good leader in a healthy company? What about a company in crisis? The two styles are different in terms of their focus, decision-making, authority, and people. Understanding and managing these differences can help directors recruit the right talent to lead a company through good times and bad.

Clear Thinking

In a time of crisis and transition, who can handle the crisis management role in a company? At such a turning point, clear thinking must prevail and a special set of skills must be applied.

If there is a qualified leader in the company, then delegate the job of turnaround to that person and provide proper support. If there is not a qualified leader in the company—and there usually isn't—don't hesitate to go outside the company to find a professional for this job. The answer is often found in the form of a turnaround specialist.

Different Needs

What guides the choice of a leader at this juncture? Different companies have different needs. The CEO who managed the company into trouble clearly lacks the skills to doctor it

back to health, so why risk allowing the same person to try again? Conversely, the CEO who can bring a troubled company from the brink of failure may not have the skills to manage long-term, day-to-day operations once it regains its health. This suggests a two-part strategy: an interim executive to manage the transition period, followed by a well qualified permanent leader to step in when the crisis is over.

A troubled company is like a patient in critical condition: decisive steps must be taken quickly. The first goal in a crisis is to stabilize and buy time. After steadying the vital signs, then a reading on where things stand can reveal changes in ratios and trends that will determine what is—or, more important—is not going on in the business.

Let's put the leadership roles into perspective. Requirements differ between those for healthy, growing companies and those for firms in troubled or transition situations.

* In a healthy company with a stable or growth scenario, there is time for structured growth and building the organization. In a healthy company, management focuses on long-term objectives, coaching, and team-building. A manager in a stable environment should be known among shareholders and employees for consistency in decision-making. With the luxury of time, the occasional mistake will not usually do lasting harm.

* In a turnaround situation, with the initial crisis and subsequent turnaround situation, time is an enemy, so the focus is different. In a financially distressed company, the lack of time requires action; as the company's problems compound and cash flow evaporates, management must act quickly and decisively, focusing on short-term survival. A manager in a troubled company must also be able to shift gears readily to deal with many the daily crises that inevitably occur. Troubled companies have primarily one goal: to survive and get well..

Compare the differences.

Contrasting Leadership Styles

Compare the skills needed in the "healthy" scenario versus those needed in the turnaround situation:

Focus: On Objectives (healthy) vs. on Survival and problem-solving (Troubled)

Decision-making => Deliberate [Healthy] vs. Decisive and immediate [troubled]

Authority: Delegation (healthy) vs. Direct involvement (troubled)

People => Development (Healthy) vs. Communication and recruitment of talent (Troubled)

Respected for: Management reputation (healthy) vs. Financial credibility (troubled)

Known for: Consistency (healthy) vs. Ability to shift gears (troubled)

Shortcomings

The focus on long-term planning in a healthy company vs. that on short-term decision-making is one reason that the troubled environment is so foreign to many managers and that it is often difficult to find qualified talent for a turnaround. Another problem that arises when a company is slipping into trouble is that existing management often goes through a "denial" phase in which they tend to blame their situation on external factors, such as a lender's refusal to advance additional funds, rather than examining how they are managing the company.

When a company is faced with these types of shortcomings in its internal talent pool, it is time to look to a specialist to orchestrate the change needed to save the company.

The Turnaround Specialist

Turnaround specialists are usually either interim managers or consultants. Ideally, interim managers can replace the CEO, take the decision-making reins, and guide the company through troubled waters to safety. Consultants advise management—possibly the same management that got the company into trouble in the first place—so whether a consultant is effective depends upon management's willingness to listen and implement the specialist's recommendations. There are countless cases in which existing management agreed to work with a turnaround consultant only because of the board's insistence. There is no substitute for qualified

leaders with decision-making authority.

When hiring a turnaround specialist, a company should:

- Check the person's references
- Review proposals in light of what can realistically be accomplished
- Require engagement agreements
- Hire an individual, not a firm; personal chemistry with the managers is critical.

The Process

Along with specific skills and an understanding of troubled situations, the specialist offers a new perspective from which to independently evaluate the company's circumstances. The process focuses on several issues:

- Is the business viable?
- What is the purpose of the business?
- Should it be saved? Why?
- Is there a core business that can be the source for an emerging business?
- Are there sufficient cash resources to fuel the recovery?
- Which current managers are capable of leading parts of the company?

Remember, not all companies are salvageable. The fact-finding process must proceed as quickly as possible so a realistic assessment of the current state of the company can be prepared.

The specialist's first priority is to manage cash flow in order to stop the hemorrhage. Analysis of sales and profit centers and asset utilization should indicate where the real problems, not the symptoms, are located. Next, a business plan that outlines and suggests possible courses of action—or even cures—should be

prepared.

Following this diagnostic stage, the transition can begin toward a turnaround. Once a course of action is identified and chosen, implementation and monitoring take place. The specialist should remain involved at least until the business is stabilized, and preferably until the transformation is complete and a new leader is found.

Keep the Business Moving

The turnaround specialist needs to get things moving again in two areas.

Volume in (revenue/sales). Look at where and how revenue is generated. Is it from existing customers and contracts or new business? Most important, keep the business volume coming in. Volume out (throughput/production). Look at how the product or service gets "out the door" and look for new ways to bill for it.

Companies often get into trouble because management procrastinates when it comes to making decisions. Decisions are made by default are akin to making no decision at all. Survival for a troubled company depends on making decisions quickly—even a wrong decision leads to movement and direction. If a decision turns out to be wrong, change it, but keep things moving.

Authority and Talent

Time is a consequential dimension of a company in transition. In a stable company, there is time to delegate and nurture the growth of the management team and plenty of time to work on long-term issues and projects. In a troubled situation, delegation is used only if it speeds up decision-making, and managers are held accountable not only for performance, but also for timely results.

Remember that the best managers may have deserted the ship long ago, leaving behind the second string (although this is not always the case). A good leader will know how to exploit the talents of the remaining employees and to bring them up to a new level to save the company.

In a troubled situation, the decision-maker must get directly involved. There is little point in worrying about the long term if the company doesn't have one. The leader is pressed closer to the immediacy of the day-to-day operations and either asks for decisions or makes them himself or herself.

In a stable situation there is time to develop talent, but at a troubled firm, the leader must exploit the talents of those who can perform and recruit the talent that is lacking. This means building a permanent management team that can bring the company back to health and add value to the company.

Communication

Communication is critical with everyone who has a stake in the company's success. The leader must talk to employees, but more important, listen to what they have to say. They know when and what problems exist, and they also often know how to resolve them.

What message is the leader sending? What is not said is often more destructive than what is. Unnatural actions or behavior, such as "closed door meetings," will certainly set off the rumor mill. People need to know what is happening, or they will be left to their own imaginations, which is always worse.

Equally vital, the leader should level with people as to whether they will be staying or going. Addressing issues in a forthright manner is no guarantee that everyone will be retained or even that everyone will believe what has been said, but failing to communicate what is going

on constitutes a lack of leadership.

Financial Support

A key element to a successful turnaround is to establish a good relationship with the company's bank. The capital that is nice in good times is essential in tough times.

If the leaders who were in power while the company's position deteriorated are still there, the lender may not believe that they are able to correct the situation. Management's viewing the lender as an enemy instead of a key part of the turnaround equation will only make matters worse. With all the suspicion that can surround a troubled company, it is important that trust be re-established with the bank because credibility with lenders is mandatory to keeping the required cash flow at the bank. Since the bank holds the trump card, the bank must feel comfortable working with the turnaround leader. That means that the new leader must lay everything out on the table and honor commitments made to the lender.

Conclusion

Where consistency is important in a stable environment, the name of the game in a turnaround situation is uncertainty. There will absolutely, positively be surprises. "When it rains, it pours" may be a cliché, but in a troubled company, one can be sure that "Murphy is shaking the clouds" and that anything that can go wrong will go wrong. Thus, the ability to deal with change at a rapid pace is essential, and this is why a seasoned practitioner can be the answer to a successful turnaround plan: they've "been there, done that." The existing leadership will often be out of its element when it faces trouble, and people who haven't had to manage in this environment before

will, at the very least, have a difficult time.

Turnaround leaders didn't start out as such; they are often managers who worked their way up the corporate ladder through hard work and (hopefully) fair play to build a solid management reputation. Along the way, they have also developed a set of skills to handle problems, get results with minimal resources, manage (tight) cash flow, and negotiate and deal with bankers, investors, and creditors.

The turnaround specialist must have the skills to deal with a financially troubled company and the ability to make the tough decisions needed during a recovery. Specialists are hired for their management ability to bring order out of chaos, to marshal resources, and to maximize value from those diverse resources. If the company requires special expertise, then the specialist will attract that expertise. Experience in dealing with crises and change may be more important than industry experience.

The turnaround professional must be financially credible and honor commitments. The company, the bank, and other stakeholders should be able to rely on the specialist to protect their interests while providing them with the accurate information they need on a timely basis. To affect rehabilitation, the right leader will know how to make decisions quickly, devise and put a plan into action, and develop a talented team to move toward a healthy and

more valuable end.

Finally, a good turnaround specialist will develop a permanent management team in the company to preserve value instead of hiring a large team of outsiders who, when they leave, take that value with them. To be most effective, the specialist works himself or herself out of a job and leaves the company with the ability to grow and prosper as a stand-alone, going concern.



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Turnaround Management Certification in Germany

The Institute for Corporate Restructuring and Development (IfUS) is offering a certification to become a Certified International Turnaround Manager (Zertifizierter Restrukturierungs- und Sanierungsberater) in Germany. The classes are held at the SRH Hochschule in Mannheim, Germany, and are taught in German. The class consists of the following modules:

- Modul 1: legal and economic basics of corporate restructurings
- Modul 2: creating a restructuring concept according to IDW
- Modul 3: buying and selling companies out of crisis situations
- Modul 4: financing in a crisis situation
- Modul 5: crisis management from the bank's point of view
- Modul 6: introduction to insolvency law
- Modul 7: penalty and liability issues in crises
- Modul 8: restructuring efforts according to employment law in crisis situations

Turnaround Management Society members get a 525 Euro discount on the class.
For more information, please visit the Turnaround Management Society's website:

www.turnaround-society.com



How Can We Define Leadership?

**“Wherever you see a successful business, someone once made a courageous decision.” –
Peter F. Drucker**

by Nauka Shah
author and founder of <http://www.leadership-quality.com>.

Drucker refers to the leader who walks the path others fear to tread. So how are these people different from the ordinary? More importantly, do you have what it takes to be a good leader?

First of all, let us define leadership so everyone's on the same page. Leadership is the process by which a person influences others to accomplish an objective. Leaders have a vision that they share with others. It is the leader who binds the organization with beliefs, values and knowledge.

Having said all that, there is no single magic mantra for leaders. Different organizations, being influenced by their own set of circumstances, will necessarily differ in the way that they define leadership. What is important to understand that leadership is an art that can be mastered. It calls for the leader to raise his or her performance to higher standards and think outside his or her limitations. The basis of good leadership is character and the willingness to make sacrifices for the sake of the organization. In short, it takes nerve!

Leaders, by definition, set examples for others

to follow, but before that happens, they will have to prove their worth. Leaders are constantly being observed by those who are expected to follow and whose respect they must earn. For this reason, integrity and courage define leadership better than anything else.

Defining leadership

If you're seeking to become a strong leader, you will have to show drive, energy, determination, self-discipline, will power, and spirit. Only then will you be able to motivate others to succeed.

At this point, you're probably thinking that anyone can define leadership, but good leadership is easier defined than done. Let's play a simple game. Take a few minutes to write down ten phrases that, according to you, best define leadership. Come back to the rest of this section after you're done. Chances are you'll find most of your phrases in this list.

Honesty –Honesty is a no-brainer. Unreliable behavior will not win trust and respect. Never compromise your ethical standards.

Proficiency – A leader can't expect to teach others if he or she doesn't know what he or she is talking about.

Vision – Leaders need to be able to see ahead and set goals for the future.

Inspiration – The best way to motivate others to reach new heights is to teach them to believe in themselves.

Intelligence – So what if you're no Einstein? You can learn from every situation, and from those who have expertise you might lack. The ability to observe, ask questions, and learn—that's what true intelligence is all about.

Fair-mindedness – Playing favorites is a sure-fire way to fail as a leader. It's much more important to be fair than be popular.

Open-mindedness – Don't dismiss a new idea, just because it hasn't been tried before. An open-minded leader is an effective leader.

Boldness – Leadership is not for the fainthearted.

Courage – Leadership is not for cowards. You must have the nerve to take calculated risks and the ability to stay confident and calm under stress.

Imagination – Be creative in the way you set new goals, plans and methods.

Positive attitude – Do not think about failure before it actually arrives. If it does, take it up as one more challenge. In the words of Thomas Edison, "Our greatest weakness lies in giving up. The most certain way to succeed is always to try just one more time."

Courage of conviction – It takes courage to deviate from the trodden path. How many leaders would be where they are if they hadn't backed their instincts?

You'll find that each of these attributes can be broken down to a process. Expert guidance to following that process is available in the form of books and other resources.

About the Author:

Nauka Shah is the founder of <http://www.leadership-quality.com>, a website dedicated to helping strategic leaders for his strategic leadership. She has written leadership articles, press releases, and leadership books, and has released leadership videos on leadership development, motivation, self-improvement, and organization development. Her mission is to help others succeed in their own businesses.



Mercedes-Benz



„CVAs have a number of potential advantages for a business in difficulties.“

Mark Blayney

CVA, An Insolvency Rescue Procedure

CVAs have a number of potential advantages for a business in difficulties.

by Mark Blayney
accredited business rescue expert and author specialising in owner managed businesses
CEO of Turnaroundhelp Ltd., UK

Introduction

Company Voluntary Arrangements (CVAs) were introduced as a flexible business rescue procedure. They provide a flexible way of restructuring a troubled business that leads to a better outcome for creditors than liquidation and allows the existing shareholders to retain ownership and control of the business during the process. This article looks at the pros and cons of the CVA approach.

What Is a Company Voluntary Arrangement (CVA)?

The starting point for a CVA is the proposal of a deal by an insolvent company to its unsecured creditors, such as trade creditors, employee claims, and Crown debts (PAYE/NI and VAT). The deal can be anything that the company thinks is appropriate and deliverable, such as a payment of X pence to the pound in a full and final settlement, a standstill on payments to allow a transaction, such as a property sale, to take place, a payment plan over a number of years, or some combination of these.

The offer is sent to the creditors who then vote whether to accept, reject, or amend the proposal. If a proposal is approved by both 75 percent by value of all creditors who vote, and 50 percent by value of all unconnected creditors, then the deal is binding on all the cre-

ditors who were circulated the proposal. The company's compliance with the deal is then monitored and enforced by an Insolvency Practitioner (IP) as Supervisor.

Advantages of a CVA

CVAs have a number of potential advantages for a business in difficulty.

- * They are flexible as to what deal can be proposed to creditors, although the deal has to give them a better return than their other options, such as an insolvent liquidation, and the proposed Supervisor (called the Nominee at this point) has to agree that the plan appears practical.
- * They allow different deals to be put to different groups of creditors if this helps the company to obtain approval.

- * They allow existing management to remain in charge of the business.

- * They avoid the disruption that an Administration, where an IP takes over the management of the business, would cause.

- * They provide protection for the company against recovery actions that are due to its creditor burden while the restructuring is taking place.

Therefore, CVAs provide a mechanism for achieving a solvent restructuring of the company which enables its shareholders to retain their ownership and, perhaps, to recover some value, while also offering creditors the potential for a better return than the alternatives.

Disadvantages of a CVA

When a company proposes a CVA, it has to notify all its creditors that it is insolvent, but it does not obtain protection against creditor actions until the deal is approved. Allowing for amendments and adjournments, approval may take six weeks or more. Therefore, the company faces a risk that some creditors will simply step up their recovery action during this period in an attempt to force payment in full before any compromise deal is agreed upon. Landlords are a particular risk here, as they have the power to forfeit the lease for non-payment or to send in bailiffs to seize goods for sale to pay off arrears. Other creditors may issue winding-up petitions or try to recover stock under retention of title clauses.

There are two ways to avoid this type of action and obtain protection prior to approval of the proposal:

- * Moratorium – The moratorium is a variation of the CVA procedure for small companies that provides the protection of a moratorium on any creditor action before the meeting. However, implementing a moratorium requires such a level of personal commitment by the IP nominee that very few are prepared to take these on.

- * Administration – appointment of an Administrator also gives the protection required, but it will involve an extra layer of costs, which can be substantial, and will usually damage the business's reputation.

Secured creditors cannot be affected by a CVA proposal without their specific consent, so if the business's problems stem from fundamental over-borrowing, a CVA may not be an appropriate remedy.

Given the time frames involved, a business may well suffer some damage in the marketplace during the period leading up to the creditor meeting, as competitors use the news and uncertainty as an opportunity to attack the company's customer base.

Careful consideration needs to be paid to future trading plans since the business must assume that it will not be getting any supplier credit, at least to start with. Therefore, the company needs to ensure it has sufficient cash available for trading on this basis.

It's important to remember that a CVA simply enables a business to restructure its balance sheet; it does not help the business to fix the underlying problems that led to the balance sheet problems. Therefore, a CVA almost always needs to be accompanied by a full business turnaround exercise that invol-

ves restructuring both what the business does and how it does it so problems are avoided in the future. One criticism of CVAs is that relieving the creditor pressure on management, sometimes removes the pressure for tackling the changes required. To take advantage of the opportunity the CVA will provide for real business rescue, a business that is considering a CVA should also think about the change process that will need to run alongside it.

article like this one can never be a full statement of a company's legal position since the relevant laws are complex and liable to change. This article can only be a general guide to the issues involved. Since these issues can have serious implications, companies should always seek appropriate professional advice on their particular circumstances before taking any action.

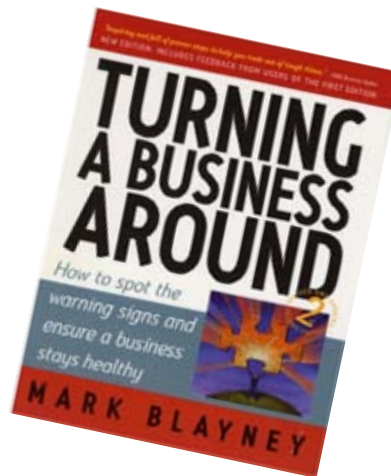
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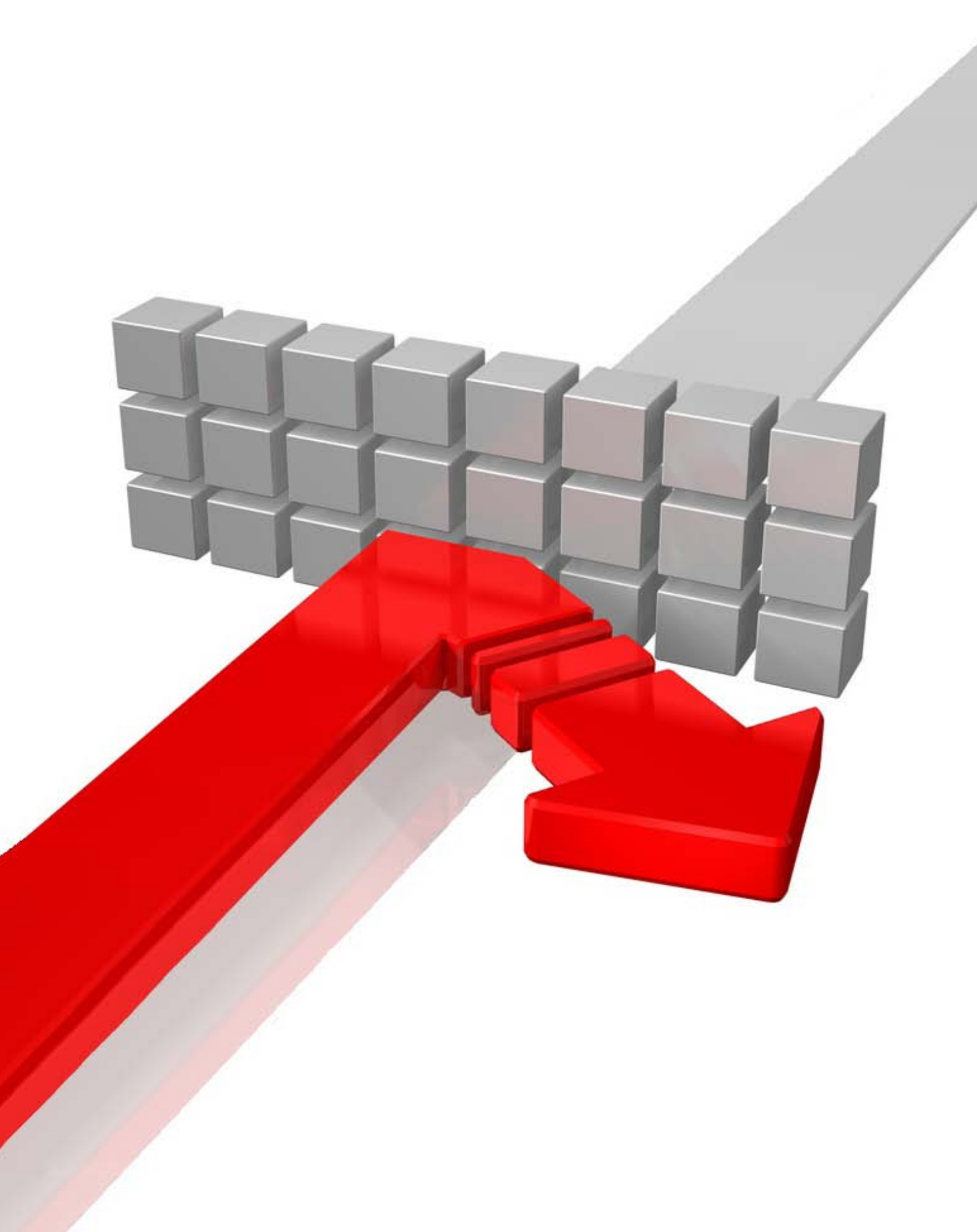


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Turning a Business Around
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Change Management Tips Used By Turnaround Companies

If you are looking to grow your business in times of uncertainty, then turnaround and management change should feature heavily on your radar screen.

by Dr. Mark D. Yates

It may sound clichéd, but the age-old saying, “if you keep doing what you have been doing, you’ll keep getting what you have been getting,” rings true in the middle of the current business economic downturn. If you are looking to grow your business in times of uncertainty, then turnaround and management change should feature heavily on your radar screen.

The latest economic downturn has led to a significant increase in the engagement of a turnaround specialists employed by turnaround companies and retained by company directors to assist them in leadership change management and change management implementation.

A turnaround consultant who understands change management can implement an effective turnaround strategy to power management firms into exponential and sustainable growth. Savvy business owners and directors are looking to turnaround companies to help them identify strategies to blast through the financial tipping point and position their

businesses in the long-term profitable and sustainable sector. Although turnaround strategies are currently finding favor with business owners, it should not be considered the Holy Grail for companies in trouble, except when it is included in a big-picture marketing strategy.

Often, when a turnaround consultant is engaged to produce a turnaround strategy or for change management implementation, it quickly becomes apparent that the managing director owner and the turnaround consultant have opposing views on where the real business problems lie. Business owners and managing directors frequently oppose leadership change management because they view it as a personal assault on their leadership methodology.

In reality a turnaround specialist offers an outsider’s perspective and can remain impartial to many of the personal issues surrounding the owner and his or her business. Turnaround companies and management firms should capitalize on this professional impartiality, as it frequently lifts the fog from the

solutions to business growth.

In many of the SMEs for which I have delivered turnaround and change management services, I have sensed hostility and resistance to change, most of which materializes from a fear of the unknown. I have to work quickly to reassure most business owners that I am there to help the business grow and prosper in a long-term sustainable fashion. I always produce better results once the business owner understands that I am not a threat; at that point, they can buy into my turnaround strategy and/or management change plan.

Change Management Tip #1: Finance

The current economic recession has changed the way banks and financial institutions consider investment in businesses. Numerous turnaround companies are reporting that many banks are now erecting barriers to restrict the number of business that qualify for bank financing. Although many business owners cite cash flow as “king,” they fail to make it a primary consideration in their change management implementation.

Any turnaround company or turnaround specialist understands that cash flow, now more than ever, is a key to success. Any professional turnaround consultant planning a current turnaround strategy will need to work closely with the business owner’s bank or external investors to ensure the business is not starved of capital. Most change management firms recognize that the businesses that survive and thrive from 2010 onward will be those that understand the absolute requirement of establishing positive cash flow.

Change Management Tip #2: Turnaround Consultant

Although most business owners turn to tur-

naround companies for a bespoke turnaround strategy, several managing directors are bucking the trend by engaging a new breed of turnaround consultant, who operate as freelance turnaround specialists. While a conventional turnaround company may offer a broad spectrum of services required for leadership change management and/or change management implementation, an individual Turnaround Consultant may specialize in one area, such as management change or leadership change management.

Given that management change—or any other strategy—should only be considered if the end result means increased business growth, it is critical to ensure your Turnaround Consultant is suitably qualified to implement that strategy and can provide proof of his or her success in prior implementations.

Change Management Tip #3: Leadership Change Management

Many business owners are afraid to engage turnaround companies because they fear that the first thing that will happen is that they will be dismissed from the business leadership role and then will lose control of their business. Every individual turnaround specialist I know understands that leadership change management is one of the areas most resisted by business owners and managing directors. Although change management implementation may occasionally call for the replacement of a managing director or senior manager, it is not an absolute requirement. Any turnaround consultant will need to delve deeply into the business before identifying any management change as part of any turnaround strategy.

Change Management Tip #4: Turna-

round Strategy

One of the greatest business myths is that a turnaround strategy can only be implemented by businesses in trouble. However, because 97 percent of SMEs' managing directors have never received any formalized business academic or management training, turnaround companies and individual turnaround consultants are often engaged by management firms that have simply lost their direction. Many of these management firms are not necessarily in financial trouble but are more like rudderless ships. Engaging a turnaround company or an individual turnaround specialist is often all that is required to pull the business back on track.

Before any turnaround consultant can look at management change, he or she must identify a clearly defined turnaround strategy. Only when this strategy has been critically analyzed can the turnaround company look toward the next areas of leadership change management and change management implementation.

Change Management Tip #5: Conduct rigorous due diligence before appointing a turnaround specialist.

The turnaround and change management industry is quite incestuous, and everyone in the field knows who the proven success specialists are. Word of mouth recommendation is the best asset in conducting due diligence. Any turnaround company is only as good as its turnaround consultant, so companies seeking help should ensure that the consultant assigned has a personal proven history of achieving success from his or her own experience with managing change. Due diligence should include looking for clues that

the specialist's previous turnaround strategy or strategies have been structured along the lines of long-term profitable and sustainable growth. Change management implementation often produces resistance from business owners and long-term workers. We are human beings after all, and we are creatures of habit - we don't like change.

However, in a business context, turnaround and change management solutions offer a very real opportunity for exponential business growth and profitable expansion, so companies and employees should be encouraged not to get hung up on negative perceptions of change management.



About the Author:

Dr. Mark D. Yates is an international business and growth consultant specializing in delivering exponential growth and increased turnover and profit margins. He delivers business support to small, medium and large businesses in 42 countries.

„IT systems are not introduced just for the sake of introducing a new system but because there are benefits to be realized from it.“



How To Engage Employees With Technology Based Change

by Marcia Xenitelis

Change Management Expert, Professional Speaker, Author and Consultant

When you think about the millions of dollars organizations spend each year on IT programs, wouldn't it be prudent to know that employees actually understand and, more important, embrace the reason behind the changes? There is one way to ensure that employees and their managers get the message and truly understand the reasons for the new system implementation, and that is by communicating change effectively.

Let's start with a review of how most organizations manage technology-based change. If your organization's approach to this type of change is new skills training and employee communication strategies that include stakeholder management (translated briefings), intranet, and email updates, then that's not managing change; it is information dissemination. So what is the difference, and why do we need to do anything more than provide information?

IT systems are not introduced just for the sake of introducing a new system but because there are benefits to be realized from it. These may include more information on customer profiles to facilitate identification of other

products or services that clients may be interested in purchasing, more information for human resources management or accounting, or the improvements in the supply chain and logistics. Whatever the business reasons for the change, employees need to understand them if the full benefits of any system implementation are to be realized.

Let's look at an example of a financial services organization introducing a new back office system. In the past, employees worked in separate divisions, and customers were transferred from one area to another to process their request. The new system makes all of the customer's details available to employees so they can work in teams and "own" the customer from the beginning to the end of a transaction. It is a complete system and work style change, so before specific system training is introduced, a simulated work area is established, and employees are taken through the customer experience. It is important that they understand the benefits to the customer by looking at the changes through the customer's eyes. In this way, an "Aha!" moment is created that gives the employees the message better than any intranet, information session, or

email bulletin could convey it. As a result, when employees go into system training, they clearly understand the benefits and business reasons behind the changes.

The five key things to remember when communicating technology changes are:

1. Be very clear about the business reasons for the changes – who will benefit and what those benefits will be.
2. Establish why those benefits are important – what the impact will be on the organization.
3. Decide the key messages for your information strategy – what you need to communicate, to whom and when.
4. Concurrently design an engagement strategy at key points in your project plan – en-

gage employees at all levels in the reason for the technology changes.

5. Ensure engagement – the message is not about the system itself but about the business reasons for the changes.

Finally, as change management professionals, can we take the same approach to managing system changes and apply it to every new organization? The answer is clearly “no” because every organization’s culture is different. It follows that every approach to change management and employee communication must be different in order to maximize the investment and potential of the system changes that are implemented.



About the Author:

Marcia Xenitelis is an acclaimed international professional speaker, author, consultant, and coach. She specializes in communicating the difference between communication strategies that simply inform employees about what is happening and strategies that engage employees in the process of change.

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Strategies For Managing Change – 9 Failure Reasons That You Can Avoid

by Stephen Warrilow
Change Management Expert, Author and Consultant

A review of the history and literature of strategies for managing change shows these nine reasons for program failure:

- (1) Lack of board-level support – The change program is holed below the waterline if it doesn't have or isn't seen to have the support of directors and senior management.
- (2) "Here's one we did earlier" - Any attempt at a top-down, imposed "packaged solution" that doesn't capture people's support will sink without trace.
- (3) "Rearranging the deck chairs" – If the change is seen as simply "rearranging the deck chairs on the Titanic," the program will slip beneath the icy waves of people's cynicism and indifference. People need to believe in what they are being told and not to just see it as yet another organizational restructuring exercise to justify senior management's existence.
- (4) Lack of leadership - The initiative needs a program director with a transformational leadership style who leads from the front, who is seen to be doing so, and who totally owns the program. If this role is not fulfilled, the change management program will fail.
- (5) How people see the change initiative – People need to see what the change program is all about and why it is necessary. They need to feel some form of connection with the reasons for the change and understand what the company hopes to achieve by implementing it. They need to feel that it is worthwhile and necessary - something with which they are broadly in agreement and that they can support.
- (6) Lack of trust - People are sick and tired of reorganizations and restructurings and all of the insecurity that they engender. Senior management - especially the program director must create an atmosphere of trust or fear and mistrust will have a corrosive effect and jeopardize the change management initiative.
- (7) Under-resourced - It is essential to the delivery of successful strategies for managing change that they are fully resourced with the necessary people, training, time and budget. An under-resourced program sends the message that senior management doesn't really care and hasn't really thought it all through. The result is a general feeling of "if they don't

care, why should we?”

(8) Change resistance - If the impact of the change management initiative hasn't been fully defined and explained to those who are most affected by it, it is very likely that they will resist the change. If the company has a history of “deck chair shuffling,” then the level of negativity and resistance will increase.

(9) Unrealized benefits – if the processes of defining, managing and realizing the benefits of the change are not handled properly, then the new capabilities may not be fully utilized or sustained. It is the role of senior management, via the program director, to ensure that this process is fully managed from the outset of the change program.



About the Author:

Stephen Warrilow is a senior fellow of the Turnaround Management Society and is based in Bristol. He works with companies across the UK providing specialist support to directors who are delivering significant change initiatives. More than 100 companies in the mid-range corporate, larger SME, and corporate environments have benefited from his 25 years of cross-sector experience.

Transformational Leadership Theory – By Attila The Hun – How NOT To Apply It To Change Management

by Stephen Warrilow
Change Management Expert, Author and Consultant

Transformational leadership theory concerns leadership that creates positive change in the followers such that they take care of each other's interests and act in the interests of the group as a whole. James MacGregor Burns first brought the concept of transformational leadership to prominence in his book *Leadership* (1978): "Essentially the leader's task is consciousness - raising on a wide plane. The leader's fundamental act is to induce people to be aware or conscious of what they feel - to feel their true needs so strongly, to define their values so meaningfully, that they can be moved to purposeful action."

In this leadership style, the leader enhances the motivation, morale, and performance of his follower group. According to MacGregor, transformational leadership focuses on values and meaning and has the purpose of transcending short-term goals and focusing on higher-order needs.

At times of organizational change and big-step change, people tend to feel insecure, anxious, and low in energy. In these situations, especially in these difficult times, enthusiasm and energy are infectious and inspiring, yet

many organizational changes fail because leaders pay attention to the changes they are facing instead of to the transitions people must make to accommodate them. In my view, it is the responsibility of the director leading the change to supply an infusion of positive energy.

The transformational approach also depends on winning people's trust, which is made possible by the unconscious assumption that they, too, will be changed or transformed in some way by following the leader. This effect is often seen in military commanders and wartime political leaders, such as when Prime Minister Thatcher Minister of the UK Government - was able to engender an enhanced feeling of British national identity among the UK population during the Falklands War in 1982.

Sounds like this leadership style is ideally suited to change management, doesn't it? However, this approach requires absolute integrity and personal behavior that is consistent and resonant with the leader's vision and message. I recall a ridiculous situation at one UK company, where the directors were attempting to effect a culture change in favor of greater



inter-departmental trust and communication, yet retained a separate directors' dining room and a specially allocated parking places closest to the office's front door!

Okay, here's the important bit: how NOT to apply transformational leadership theory to change management:

- Be preoccupied with power, position, politics, and perks.
- Stay focused on the short-term.
- Be oriented to hard data.
- Focus on tactical issues.

- Work within existing structures and systems.
- Concentrate on getting the job done.
- Focus on processes and activities that guarantee short-term profits.

Doesn't all this sound like a typical good project manager with a task-driven mentality?

I have nothing against this style of leadership and management. There is a time and place for the Attila the Hun School of Leadership. I have used it many times myself and very effectively—and with no regrets. But this leadership style is not enough in a change management situation, and particularly not in the current climate.

The four components of the transformational leadership style are:

- (1) Charisma or idealized influence – The leader behaves in admirable ways, displays convictions, takes stands that cause followers to identify with his or her clear set of values, and acts as a role model for the followers.
- (2) Inspirational motivation – The leader ar-

ticulates a vision that appeals to and inspires the followers with optimism about future goals and offers meaning for the current tasks in hand.

(3) Intellectual stimulation – The leader challenges assumptions and stimulates and encourages creativity in the followers by providing a framework through which followers can see how they connect to the leader, the organization, each other, and the goal so they can creatively overcome any obstacles in the way of the mission.

(4) Personal and individual attention - The leader attends to each follower's needs, acts as a mentor or coach, and respects and appreciates the individuals' contributions to the team. This fulfills and enhances each team members' need for self-fulfillment and self-worth and inspires followers to further achievement and growth.

Transformational leadership applied in a change management context is ideally suited to the holistic and wide-view perspective of a program-based approach to change management and, as such, is a key element of successful strategies for managing change.



About the Author:

Stephen Warrilow is a senior fellow of the Turnaround Management Society and is based in Bristol. He works with companies across the UK providing specialist support to directors who are delivering significant change initiatives. More than 100 companies in the mid-range corporate, larger SME, and corporate environments have benefited from his 25 years of cross-sector experience.

The RASCALS Principle



The RASCALS Principle

by Eugene Rembor

Managing Partner of Rembor & Partners Ltd., Turnaround Management Expert, Author and Consultant

The art of turnaround management is, among other skills, the art of achieving results fast — very fast. In a crisis there is no time too lose because troubles need to be shot down immediately, not at some point in the future.

Being able to deliver change fast means being able to win the hearts and minds of people quickly. Even if you are the CEO and sole principal of an organization, there are still stakeholders who won't be made to behave in certain ways by direct orders, because these stakeholders might be customers, suppliers, the press, unions, or other groups that don't answer to you but are vital to your business.

Hence, wouldn't it be great to find out how you can influence people, no matter what their industry, culture, or background?

Am I saying there is such a thing as a “universal” principle of persuasion that works anytime and anywhere, regardless of the cultural context, values, language, or line of business? Surely such a bold claim seems unlikely to be provable. But is it?

In his book, *Influence: Science and Practice*, Robert Cialdini found that a number of principles are, indeed, shared by all people simply

because all people share the same psychology. For instance, if people do us a favor, whether we requested the favor or whether it was volunteered, we develop empathy for these people. No surprise here.

For 2000 years (or more), humans have looked to experts to show us the way: spiritual leaders, physicians, gurus, scientists, generals, business captains. No surprise here.

It seems to be embedded in our genes that we want more of what we can't (easily) have and that, the less available the resource, the more we want it. No surprise here, although often this process runs subconsciously.

We also want to act consistently with our commitments and values, for reasons as simple as to feel good about ourselves. If we want to be perceived as honest, we usually behave honestly (a surprise, at least to the cynics among us).

We like people who are like us. No surprise here.

We look to what others do to guide our behavior. If we didn't know it yet, we know it now, since the advent of social networks like

Facebook and Twitter. Some surprise there.

“Now,” I hear you saying, “just how does this relate to me as a turnaround manager on a project? How do I apply these interesting findings to a business context?”

That’s the million-dollar question! And the answer won’t cost you a penny.

If you want something out of people, start by giving them whatever you can. The law of reciprocity makes them feel obligated to return favors you perform for them. It doesn’t matter whether what you are giving them has anything to do with your business; it’s all about the symbol a gift conveys. That’s the real reason why millions of pens and key rings are given away every year.

It’s not because people haven’t got enough pens, and it’s not because a key ring is something, oh, so rare and original. The simple reason is that these are vehicles that carry the message “I care for you. Please accept this as a token of appreciation.”

If your job is to show others the way, make sure you are perceived as an authority. You can do so by ensuring that stakeholders know about your expertise and experience, your accomplishments, and where you have been instrumental in the past. This will make them feel more comfortable and convince them that they are in a safe pair of hands, and it will increase your credibility and your standing.

Make your product scarce to increase demand (“limited edition”). Make being part of a project a limited experience so people want it big time. Even when your task is difficult and you are swimming upstream, you can tell staff, “We don’t often get the opportunity to be involved in a challenge like this,” and make it desirable to be part of it.

Appeal to people’s values: Americans are great at talking about “something that is bigger than us” to gain commitment. Why? Because people want to act consistent with their commitments and values. Appeal to people’s loyalty, diligence, and inventiveness and you will reap loyalty, diligence, and inventiveness! Be a people person. Help others, love others. The more you like them, the more they will like you; the more they like you, the more they will do for you; and the more they do for you, the less they will oppose you.

Apply the rule of social proof: Teenagers want to wear what their peers wear, and grown people want to buy perfume endorsed by Paris Hilton or the Beckhams. Why? Social proof! We want to be like others. So just tell your clients that eight thousand other clients already bought your new product, tell your day-shift staff that the night shift increased productivity by 8 percent last week, tell your southern territory salespeople that the northern territory team is selling 25 percent more than they are, and then watch what happens!

In short, from this point forward, apply the RASCALS principles:

The Six Universal Principles of Influence:

1. Reciprocity (we feel obligated to return favors performed for us)
2. Authority (we look to experts to show us the way)
3. Scarcity (the less available the resource, the more we want it)
4. Commitment / consistency (we want to act consistently with our commitments and values)

5. Liking (the more we like people, the more we want to say yes to them)
6. Social proof (we look to what others do to guide our behavior)



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10 Priorities For Every Leader

by Rabison Shumba

Leadership Expert, Author & CEO of Infotech Solutions,

I have always felt that in every human being is the craving and desire to lead and that everyone has the potential to be a leader. However, some are very successful at thwarting and suppressing their leadership potential through well-crafted excuses.

Once you are a leader of a team, you should be acquainted with your priorities. Mixed priorities normally create concoctions whose results go against organizational thrust and direction. Below are the ten priorities leaders should keep close to their hearts.

1. Inspire and motivate your team - Keep them motivated and energized to tackle the tasks at hand. Reward good performance and celebrate the bright sparks in the team to create healthy competition. Build a strong team based on trust and transparency; you don't need to be a motivational speaker to say to John, "Hey, John, I've seen your diligence, I've seen you go the extra mile, and I am giving you time off on Friday to be with your family." This is a simple gesture that will give you incredible results.
2. Delegate, don't abdicate – Do not do everything by yourself. You are called a leader because there are people behind you. You

have followers who break your responsibility down into smaller manageable chunks, not for decoration or to show off how powerful you are. In delegating, be clear about the level of authority you are giving your subordinates, but if they have authority to act, you must still take responsibility for the outcomes of their decisions.

3. Over-communicate – Sometimes you may have a team whose view of the vision, goals, expectations, and values is skewed. Where there is no vision, the vision is left to assumption and personal opinion, so communicate a common vision. A leader who has poor communication skills will always achieve less. There are so many more ways to communicate today than in times past, so find creative ways to over-communicate without bringing monotony.
4. Training and Leadership Development – A good leader is always developing and mentoring leaders so there are no leadership gaps when the leader leaves. Create a culture of creating a leader in every follower so everyone knows he or she is being set up for leadership success, and when the time comes, no one panics and wonders who will take over: everyone is ready.

5. Model good character and integrity – Your character, not your words, is what most followers will learn from. If you come to work late all the time, you should not be surprised when the team starts doing the same. They do what they see you do. Avoid falling back on “do as I say, not as I do” because your followers will always do as you do.

6. Mobilize human and financial resources – As the leader, you hire the people with whom you want to work. You know the gaps on your team’s intellectual skill matrix. Don’t get only people who think and act like you; find those who know and think differently. Although team members must complement each other, avoid duplications.

Realize, too, that you are the one that makes sure that your team is financially sound enough to sustain itself and other areas of the department or organization, so you must constantly mobilize financial resources.

7. Protect those who follow you – A resourceful leader gains the respect of followers, who feel they can depend on you. As leader, you exist to cover your followers from threats. People from outside your team can easily damage your team members if they take it upon themselves to rebuke and correct them, and outsiders never take the liberty to check the extent of the damage from their own utterances, so you must correct your leaders using the relationship you have built. You will always end up being the nurse over your wounded soldiers, and your time is wasted mending what others did. If you do not protect them, you lose time doing what is not core business. Every human being wants a sen-



se of security in whatever position or team they belong to.

8. Personal Growth and Development – As a leader, you need to grow. You train and develop others, so you must be in a position to pass along what you learn. If you do not stay abreast of trends, you will derail organizational effectiveness and success. Today’s “wow” is familiar territory by tomorrow, so create new “wows” for your team. Be the hunter of new information, the latest gadgets, and the latest methodologies and tools of the trade.

9. Plan and Strategize – As leader, you need to sharpen your planning and strategy skills. You are not supposed to worry about operational issues all the time; your teams should work on those while you take an eagle’s view of the whole department. Regular review of achievements against set strategies and objectives will show you the progress and impact you are making, but where there is no strategy, chaos results. Where there is no plan, there is no excellence.

10. Discipline and Order - Everything must be done well and in order. Follow the system and take no shortcuts. As a leader, your role is to ensure you have disciplined followers who take responsibility for their

actions. When someone goes against the code of conduct, take appropriate action so others can learn.



About the Author:

Rabison Shumba is a passionate entrepreneur with diverse interests, ranging from Information Technology to farming and philanthropy. Rabison is a motivational speaker who enjoys building individuals' dreams and supporting initiatives that create opportunities for mankind, especially the marginalized. Rabison has a wealth of commercial experience, having worked for CompuServe, an Anglo American plc over a period spanning 10 years. He is CEO of Infotech Solutions P/L, which is based in Harare, Zimbabwe.



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Strengthening Corporate Health

- 18 Principles

by Dr. Mike Teng

Managing Director Corporate Turnaround Centre Pte Ltd.

Contrary to common belief, a company is not an inanimate object. In fact, companies are living organisms comprised of communities of people who contribute their distinctive personalities and attitudes.

Like us, companies fall sick for various reasons, such as economic slowdown, competition, and incompetent management.

However, there are workable, preventive, diagnostic and therapeutic steps to treat and restore the health of sick companies. Similar to how we manage our health, a company needs to follow three key steps to ensure and sustain its long-term health: prevention, early diagnosis, and proper treatment.

There are eighteen medical principles in corporate health—six associated with each of these three steps.

Step I: Prevention

Like people, most companies get into trouble when they neglect their health. However, the old saying that “an ounce of prevention is worth a pound of cure” applies also to companies.

Prevention Principle 1: Laughter and fun are the best medicine.

Laughter and fun have been recognized for centuries as good medicine. The correct use of laughter and fun in the workplace facilitates learning and changes people's behavior, as it helps them feel less threatened by the prospect of change. Laughter and fun have been found to be the best tools for giving the corporate identity a human face.

Disney World is one of the best success stories in terms of the use of this tool. Reputed as a fun place for kids and the “kid” in all adults, Disney World attracts millions of visitors every year, and many visitors return several times in their lifetimes. The fact is that people like doing business with people who are fun. A fun working environment is also more productive than a routine one. People who enjoy their work create more and better ideas. Fun is contagious.

To have a happy workforce, you have to do more than pass out bonuses and angpows. You need to make work fun. Science opens the book of nature, while laughter and fun open the fountain of human creativity.

Prevention Principle 2: Rest in order to rejuvenate.

One of the most effective ways to improve mental and physical health is rest; in the corporate context, this means stability. Here, we are faced with a paradox whereby management needs to change and evolve in order to cope with rapid developments in a fast-changing business landscape, yet in the quest for growth-inducing changes, companies need rest and stability to recharge and repair themselves.

At the same time, they need to remain active in order to achieve optimal body functions and good health. Therefore, turnaround managers have to be masters in the art of preserving stability amid changes and spurring changes in times of stability.

Therefore, companies should not embrace a “hire-and-fire” approach in their human resource policies. Such a policy is equivalent to bulimia—gorging and purging which rips the fabric of corporate cohesion by replacing corporate interest with self-interest as suspicions among staff increase and loyalty to the company wanes.

Prevention Principle 3: Endorphins give a sense of well-being.

Endorphins, which are produced by the brain, give a sense of well-being and help bodies cope with stress and other ailments. In a company, training and development generate endorphins that are released when an employee with untapped potential is nurtured in a positive environment. Thus, employees are motivated to contribute more effectively in roles that transcend their job descriptions. Some managers view training and develop-

ment as heavy expenditures since it is possible that staff in which training has been invested may become attractive to other companies and eventually resign to pursue other opportunities. However, there is a fallacy in this argument because investing in people pays dividends, whether they are long-term or short-term. Companies that emphasize training and development bet on the future because they bet on their people’s potential for further growth. Companies really cannot afford not to train their staff; ignorance carries a much higher cost.

Prevention Principle 4: Change mental attitudes to build financial health.

It is often said that “the difference between heaven and hell is not the altitude but the attitude.” Medical science has generally found that a person’s mental attitude, mindset, and psyche can have a tremendous impact on his or her physical health. When your mental attitude is negative, you may feel chronically depressed and hopeless, which will drive the immune system into a self-destructive mode where viruses can easily establish a foothold. In sick companies, employees tend to wallow in self-pity, lick their wounds, and play the game of shame and blame. They may place blame on everything conceivable: intense competition, demanding customers, incompetent bosses, and so on.

Perhaps an apt description for companies with poor mental health is: „We have met the enemy and he is us.“ When a company’s mental attitude becomes negative, it is best to keep everyone busy, to plough your staff’s energy into something positive. Small changes in the staff’s mindset can go a long way in building a healthy corporate culture. Recognise, commend, and celebrate every success, large and

small. Once people start to achieve success, it spurs them on to greater efforts. Mental attitudes are contagious.

Prevention Principle 5: Vision, feedback, and action—three meals a day keep the corporate doctor away.

Someone once said that feedback is the breakfast of a champion. However, in today's turbulent marketplace, breakfast alone is not enough; you need three meals to keep the doctor away. In the corporate dietary system, you need vision for breakfast, feedback for lunch, and action for dinner. Vision and feedback without action is dreaming; action without vision and feedback is wasting time; but vision, feedback, and action together, the three meals a day, will keep the corporate doctor away.

Some people believe that information is power, but information is useless if no one acts on it. If the doctor has all the right information on how to cure the patient but does not take appropriate and timely action to treat the patient, the outcome for the patient remains unchanged. Conversely, action must be complemented with the correct information because remedies based on the wrong information may be worse than the disease. This is why all three—vision, feedback and action—are necessary.

It is the application of correct information that unleashes power. In the context of management theory, it is useful to apply the best blend of eastern and western practices. Developing Asia can learn much from the more established and intellectual western managerial professionalism in the area of clear vision, proper research and feedback, but the west

can learn from the acumen and instincts of Asia's entrepreneurs to act quickly on available information. To compete effectively in today's global marketplace, it is vital to integrate the vision and feedback management system of the West with the entrepreneurial action of the East.

Prevention Principle 6: Manage oneself with the head; manage others with the heart.

It is the head that helps us to analyze and strategize, but it is the heart that fosters the understanding and commitment so critical to long-term corporate success. To increase a corporation's lifespan and longevity, you need to manage both the "head" (or hard) issues and the "heart" (or soft) issues. Strategies and hardware will come to nothing if the people's hearts are not with the company. Implementation of those strategies will go wrong if the people's support and commitment are not there. Especially in turbulent times, one needs also to deal with the "heart" issues, those that relate to people. You can be hard on performance but soft on people.

For centuries corporations have searched for that elusive fountain of corporate youth, using all kinds of different management theories, technologies, and programs. We invest millions of dollars in the quest for corporate excellence, but we forget the basics. Corporate longevity is determined by the people who make the products and the people who buy them. Just like a human being, the corporate body needs strong cells—strong people—to fight corporate ailments. Often, it is the people that fail, not the business. At the end of the day, you have to remember that all the work is done by your people: as the old proverb says, „If you are planning for one year,

cultivate rice; if you are planning for ten years, cultivate trees; if you are planning for a hundred years, cultivate people.”

Step 2: Early Diagnosis

A sick person down with the flu may manifest early symptoms of cough, runny nose, fever, and body aches. Similarly, there are usually ample warning signs for a company on the way to illness. Prescription without diagnosis is malpractice, and carrying out corporate restructuring without understanding the ailment is disastrous. The key is early diagnosis, as it increases the chances of curing the disease.

Early Diagnosis Principle 1: An annual health check is fundamental.

Many companies have annual medical examinations and health screening for their employees but are negligent when it comes to their own check-ups. Poor management and financial information systems typically get blamed for management’s inability to “see it coming.”

Usually, there are ample warning signs or symptoms of impending trouble. However, these warning signals are often ignored or suppressed, and the onset of a crisis then comes as a surprise.

It is also tragic that many companies fail, not because of the irrevocable downward spiral of their financial health, but because of management’s inability or unwillingness to face those serious problems squarely and take appropriate timely action. Sometimes top executives fall into the trap of denial because acknowledging a problem is tantamount to an admission of failure, exposing them to criticism by the company’s shareholders.

It is important to pre-empt any problems from arising by looking out for warning signals. Remember the proverb that says “the superior doctor prevents sickness, the mediocre doctor attends to impending sickness, and the inferior doctor treats the actual sickness.”

Early Diagnosis Principle 2: To understand the disease, learn to be the patient.

There is an old Spanish saying that says, “to be a bullfighter, you must first learn to be like a bull.” In business, a manager needs to be on the ground—to talk to and interact with his or her staff, suppliers, customers, business partners, and even competitors. Through these channels, the manager is able to acquire knowledge of the industry and a feel for the market in order to be equipped to make sound decisions and take timely action. This attention to the environment will not only check or halt declining trends in the company, it has the potential to improve them in the near future. This is why the worst place for a manager to be in is his or her air-conditioned office, cut off from the marketplace.

Lou Gertsner, the turnaround CEO of IBM, became IBM’s hardest working salesperson, logging thousands of miles to visit key customers and prospects. His approach sent an unmistakable message to every employee to be hands-on and gave IBM a new image. By staying in contact with the market, Gertsner was able to make the right decision to turn troubled IBM around.

In *The Art of War*, Sun Tzu advocated a “staying on the ground” policy: “Generally, in the case of armies you wish to strike, cities you wish to attack, and people you wish to assassinate,”

sinate, you must know the names of the garrison commander, staff officers, ushers, gatekeepers and bodyguards. You must instruct your agents to inquire into these matters in minute detail.”

Early Diagnosis Principle 3: Do not block the flow of internal energy or qi.

In traditional Chinese medicine, ill health is often associated with the blockage of one's internal energy, or qi. If one is ill, clearing the qi will result in the normalization and re-establishment of the optimal functioning of one's body, and most diseases should disappear. If one is not ill, the free flow of qi will further enhance the sense of wellness and well-being. In the corporate context, qi is the human spirit, drive, passion, and energy. It is the same qi that keeps you awake when you are watching the World Cup or your favorite television program. Qi impelled Walt Disney to risk his reputation by creating Disneyland and Epcot Center without any market data on their viability. It was the passion and drive of his qi that saw Bill Gates give up his Harvard University studies in pursuit of his dream of establishing Microsoft.

You do not create Disneyland or build personal computers because the outside environment demands it. These drives arise out of an inner urge for progress: the drive to go further, to do better, to create new possibilities, without external justification.

Jack Welch, the former chairman of General Electric US, recognized the power of energy in his later years. In early 1980, when he first took over the helm of GE, his emphasis was on maximizing market share, directing all of GE's affiliates to be number 1 or 2 in their markets. Subsequently, it was a case of ma-

ximizing market value through productivity programs such as Workout and Six Sigma. In later years, Welch indicated that he would hire people with two energies: those with energy and those with the ability to energize others.

To compete effectively in the future, companies will need to maximize the energy of their staffs and to tap the energy of their customers.

Early Diagnosis Principle 4: Knowing the type of virus is half the cure.

A troubled company is usually attacked by two types of problems: internal and external viruses. Many of the internal viruses, which are often generated by the company and are actually within the company's control, are associated with weak management and a poor financial system. The onslaught of this form of viral attack can lead to bad or untimely business decisions, poor financial control, and other related problems. Eliminating internal viruses may merit the use of “surgery,” such as downsizing, restructuring, or change of management.

External viruses, being macro in nature, are often beyond the company's control. The entire industry or marketplace or even the whole country may be stricken by the same type of external virus. The attacks can be silent and swift and may appear non-threatening at the beginning. Examples of external viruses are economic recession, changes in consumer behavior, natural disasters, political turmoil, and terrorist attacks. Such external viruses are harder to eliminate and predict than internal viruses are. Sometimes, even having a strong management team is inadequate to cope with external viruses because the corporate culture is not able to manage change.

The remedy is to foster a strong and healthy corporate culture, which is the immune system of the company. The immune system produces antibodies to get rid of viruses, which is even better than taking drugs—bringing in outside remedies—as drugs sometimes create negative side effects. Similarly, a strong and healthy corporate culture can help the company respond quickly to changes and shocks in the marketplace.

The best prescription is to know the viruses in order to predict and eradicate them before they attack your system.

Early Diagnosis Principle 5: Just as heart ailments are major killers, competition is the major cause of corporate failures.

The management mantra in the 1970s and 1980s was product quality, and activities involving Quality Control (QC! circles, Total Quality Management) and ISO 9000 were the order of the day. Back then, consumers were willing to spend enormous sums for quality products. However, overall product quality has improved, and today having a good quality product is a mandatory requirement for any company to participate effectively and survive in the marketplace.

Subsequently, the management slogan in the 1980s and 1990s embraced technology as the cure-all. Companies then tried to distinguish themselves from their competitors through the use of technology that allowed them to offer better and more sophisticated features through the use of the in-ternet and other communication systems. Huge sums were channeled into technology to “build a better mousetrap” with superior state-of-the-art fea-

tures.

Today, the world does not beat down the door of the developer of a better mousetrap. The collapse of the high-tech stocks on the Nasdaq in the early part of 2001 shows that technology is not foolproof.

The thrust in the new millennium is competition, which intensifies with the emergence of a wider range of products that often have superior quality and even more attractive pricing. In such a scenario, many products become marginalized, and like commodities, pricing becomes a key determinant in a shrinking market.

Competition is a silent and sudden killer, like a heart attack that creeps up on its victim. However, killer competition is also a highly preventable disease if the company is always alert and has strategies to combat competition. When a company is faced with increasing competition, it may survive and even prosper, but it cannot be business as usual.

Early Diagnosis Principle 6: Past business assumptions may be the anesthetic that dulls business sense.

For a troubled company, it is prudent to challenge “sacred cows”—sacrosanct, old business assumptions. It is likely that some of these sacred cows, which are often based on erroneous perceptions and assumptions, got the company into trouble in the first place; that is, the traditions and past business assumptions that underlie the old ways of doing business, especially those that have become irrelevant and obsolete, may be the root cause of the disease that afflicts the ailing company.

In times of rapid change, a strategic failure is

often caused by an incorrect or false perception. We console ourselves by telling ourselves that we have gone through the present problem before or assume, perhaps incorrectly, that this change is temporary or that the impact will be limited and can be ignored. Many of these obsolete assumptions happen in large, well-known companies whose traditional cash-cow businesses have become sacred cows that end up as sacrificial cows or mad cows when market forces overwhelm them.

Time and again, experts' poor business assumptions and perceptions lead companies astray. Take, for example, what Ken Olson, president of Digital Equipment, said in 1977: "There is no reason anyone would want a computer in his or her home." No wonder Digital Equipment was late entering the personal computer market.

To ensure the effective and successful implementation of its business assumptions, a troubled company must critically re-examine and re-visit every single one.

Step 3: Proper Treatment

Do you know why companies die after they fall sick? There are panaceas that can turn a critically ill organizations into a healthy one and proper treatment is necessary as the remedies can sometimes be worse than the disease?

Proper Treatment Principle 1: To treat the symptoms, know your competitors and customers; to eliminate the root cause, know the market.

Sun Tzu, the strategist in *The Art of War*, said,

"If you know yourself and the enemy, you need not fear the result of a hundred battles." However, although it is important to know your competition, you should not do so at the expense of neglecting your customers. Knowing only the competitor is equivalent to a person driving a car and so focused on looking out for the car at his side that he fails to look at the road ahead.

Knowing only the customer's present needs is also inadequate, a form of treating the symptom and not the ailment. Today's customers are demanding, and they always want more of what they value. If they value cheaper prices and you lower your prices, they want even lower ones. If they value convenience or speed at the time of purchase and you give them that, they want it even easier or faster. Hence, companies' efforts may yield temporary results if they deliver only what the customers want now, but they may not sustain the company's long-term growth if they don't optimize profitability, resource allocation, and opportunities.

To ensure vibrant business and continued long-term growth, companies must strive to drive the market. They need to pre-empt both the customers' and the competitors' present and future developments. 3M's Post It notes, which nobody had asked for previously, are now one of the most commonly used office products. Microsoft's Windows operating software came, not from responding to customers' demands or competitors' threats, but from anticipating them. The 1980 launch of CNN by Ted Turner was ridiculed by TV veterans CBS, NEC and ABC, who failed, as Turner did not, to tap a niche that no one had yet asked for: a 24-hour news service. Other great innovations of our time, including the personal computer, the jetliner, and the Inter-

net, were created with no customers or competitors in sight. Therefore, one has to understand the market, or someone else will.

Proper Treatment Principle 2: A sick company needs surgery, resuscitation, and nursing.

Many companies fall sick from corporate diseases like global economic recession, rapid changes brought about by globalization, terror attacks, and incompetent management. When a company falls sick, it must undergo the three phases of corporate turnaround:

Phase 1: Surgery - to restructure the troubled organisation to face the harsh new reality and improve its cash flow.

Phase 2: Resuscitation - to revitalise the business in order to increase its sales revenue and profits.

Phase 3: Nursing - to rehabilitate a strong and healthy corporate immune system (or culture) in order to sustain long-term growth.

For complete corporate recovery, it is important to finish the full course of “antibiotics” prescribed in all the three phases. Restructuring alone is not good enough; even if the surgery is good, the patient can die without the resuscitation and nursing phases. Building a strong and healthy company takes a long time; it is not a one-time inoculation but a daily vitamin every day for the rest of the company’s life in order to build a strong corporate culture that can manage changes.

Proper Treatment Principle 3: The restructuring exercise requires a surgeon’s skills and calls for the 4Cs of recovery.

Restructuring is not a slash-and-burn exercise, but one that calls for a surgeon’s skills. It does not require the use of a bazooka or long sword, but a surgeon’s knife. During a restructuring exercise, remember the 4Cs: communication, concentration, cost control, and cash flow.

Communication: The manager must personally communicate with the staff. Just as a doctor does not delegate to a nurse the task of briefing the patient about his ailment and treatment, you need to communicate the restructuring plans truthfully and directly to the staff. People are not against bad news per se, but they want to know what is going on.

Concentration: The surgeon operates on only one patient at a time. Similarly, the sick company must concentrate on its core competency—in bad times even more, as resources are scarce. A company may even sell away all non-core businesses.

Cost control: Cut costs to the bone without injuring the muscles and organs. If circumstances permit, amputate non-profitable businesses rather than trying to bandage and apply stitches, which takes you away from tending to the lifeblood of the organization.

Cash flow improvement: Cash flow is your lifeblood. Slipping into losses may give you a headache, but a sudden shortfall in cash flow will cause an immediate and massive migraine. Try to cut your inventory, purchases, perks, customer credit, outstanding debts, and related items to protect cash flow.

Proper Treatment Principle 4: Concentrate on the core competency.

During the turnaround phase, when the com-

pany is on the brink of bankruptcy, there are time and resource constraints, so the company needs to concentrate all its resources on doing a few major things right. Just as a surgeon focuses on only one operative field during surgery, an ailing company must concentrate only on its core competency and try to rid itself of businesses that do not help the bottom line or immediately improve its cash flow. In critical situations, you can often succeed at a far lower cost by ensuring that you do a better job with the businesses and skills you already have.

In order to release resources for its core business, the ailing company has to divest itself of any unprofitable or low-profit business. Quite often, in their bid to bolster sales performance, troubled companies clinch lots of sales contracts that have poor profit margins. There's a lot of sizzle but no steak.

It is better to amputate all loss-making ventures and unprofitable sales whenever possible. The Chinese military strategist Sun Tzu believed in the principle of concentration in fighting a war: "The strength of an army does not depend on large forces. Do not advance relying on sheer numbers. Rather, one must concentrate one's forces and anticipate correctly the movement of the enemy in order to capture him."

Proper Treatment Principle 5: Cost control is essential in desperate situations.

Unnecessary cost is always your number-one enemy. You must attack it and justify and challenge every expense that you incur. Whether your company is in trouble or not, costs will kill you, even if you come up with better

products. If your cost to make something is equivalent to your competitor's selling price, you cannot stay in business for long.

Any first-year business student knows how to cut costs; the key is how the costs can be cut to restore financial health in the short term without hurting the ailing company in the long term. The turnaround manager solicits advice from department managers to improve the chances for full co-operation and to ensure that any valuable suggestions that can save time, money, or both are aired. Remember, this is not the time to create unnecessary stress by finger-pointing. The key is to foster a conducive environment for problem-solving, to establish solidarity, and to put everybody's self-interest to work for future gains.

Sometimes cost reduction can be achieved through streamlining procedures and operations, paring down duplication and inefficient methodologies to a minimum. In some instances, similar or more superior results are achieved through outsourcing, which provides the advantage of being able to focus on those areas that are vital to the company's operations and leaving to others what has little impact on the company's success. People-related expenses can be reduced remarkably through cross-fertilization of multi-disciplinary skills, and productivity can be improved by deploying staff to perform high-value-added duties.

Remember, every cent of cost saved goes right into the bottom line.

Proper Treatment Principle 6: Downsizing has side effects.

Downsizing is like an amputation; it removes an unhealthy part of the body but creates side effects, such as low staff morale and dama-

ged reputation. Downsizing is not the only remedy available to managers to improve a company's performance; other remedies include increasing sales revenue and decreasing costs.

Removing the corporate fat in the form of excessive redundancy or removing dysfunctional personnel from the company is not so much a problem as is the one-size-fits-all downsizing in which good people are also lost in the process. In some instances, corporate genocide—the deliberate extermination of a healthy business—is committed in the name of maximizing shareholders' short-term returns.

While downsizing is sometimes inevitable, one has to manage the aftermath carefully,

since the exodus of high quality staff may take place, dealing quick and severe blows to the company's vital organs. Then the damage to the company's reputation means that it cannot attract high quality staff to replace those who have left.

After a downsizing exercise, you must try to win over the trust of the existing staff. In this case, silence is not golden. Communicate to the staff the reasons for the exercise and the plans to resuscitate and turn the company around. Be humane in how you treat the people to be let go and follow the golden rule. After all, when the company recovers, you may want some of these experienced employees back.



About the Author:

Mike Teng (DBA, MBA, BEng, FIMechE, FIEE, CEng, PEng, FCMI, FCIM, SMCS) is the author of the books *Corporate Turnaround: Nursing a Sick Company Back to Health* (2002) and *Corporate Wellness: 101 Principles in Turnaround and Transformation* (2006). Dr. Teng is widely recognized by the Asian news media as a turnaround CEO. He has 27 years of experience in the Asia Pacific region, including 17 years as the Chief Executive Officer of multi-national, local and publicly listed companies.

He has led the successful turnaround of several troubled companies and is currently the Managing Director of a business advisory firm, Corporate Turnaround Centre Pte, Ltd., which assists companies on a fast track to financial performance. Dr. Teng is the former President of the Marketing Institute of Singapore (2000-2004), a national body representing 5000 individual and corporate marketing professionals in Singapore.



„Managers should no longer believe that recognizing that they need help makes them a bad manager“

Eugene Rembor

Member Interview

Eugene Rembor

Managing Partner of Rembor & Partners Ltd. and member of the Turnaround Management Society
Interviewed by Christoph Lymbersky

Rembor & Partners was founded 1891 by Eugene Rembor, a farmer and retail merchant. Rembor wanted to offer his „colonial goods“ more competitively, so he advised merchant navy captains on how to negotiate better purchasing prices with their overseas suppliers. He became the first supply chain consultant when he suggested that, on their way back, merchant ships drop goods at certain ports, where they would be picked up by clients, rather than bringing the merchandise all the way back to the home country, where it would be taxed and then wholesaled and transported back to foreign export markets. Soon Rembor begun to advise his friends in the guild and became a respected counsel, renowned for his integrity, honesty, and knowledge—Prussian values that still sustain Rembor & Partners over 100 years later.

Eugene Rembor owned the business until his death in 1962. His son, Hugo Conrad, continued the family business and became wealthy by consulting food giant Jacobs, later known as Kraft-Jacobs-Suchard. Hugo's son, Eugene Rembor II, the subject of our interview, founded Rembor & Partners Ltd. In 1999 in London and internationalized the business.

What makes your company unique? What are your specialties?

I think what makes us unique is our vast cross-border and cross-cultural experience. When I say “us,” it's not pluralis majestatis, but since I owe my experience and knowledge to all the people who taught, trained, and mentored me, the word “I” seems a bit ignorant of that fact. I have lived and worked in some 25 different countries, learned to speak six languages, and forgot four of them, but I accumulated a lot of experience that is priceless. Unlike many of my colleagues who worked in the corporate world for a good many years before they turned interim, I don't know

any other life. I have been an interim for over thirty years, and I have never done anything other than turnaround, so I think that, in all modesty, I may claim to be battle-hardened old fox.

Our specialty is turnaround management of private and public sector organizations and within that, we specialize in medium and large ones and, ideally, cross-border operations. Typically, we help a German organization in Anglo-Saxon countries and vice versa.

How did you get started in the industry?

Both my father and my grandfather were management consultants. Growing up in a

household where everyday conversations evolve around business, you develop a natural interest quite early. I always wanted to have my own business; I wanted to have it in London, the city of my dreams; and I wanted to do “the big picture stuff.” I am not one for details - I get easily bored and need a big, hairy challenge - so I always picked the missions nobody else wanted to touch with a bargepole and developed a niche first and then a reputation for being the guy who does what others don't take on.

What is it that you like about turnarounds?

I am a sportsperson. A victory to be enjoyed is a victory one worked for very hard. If it's too easy, it's not worth anything. Turnaround cases are really rewarding, and there is a feeling of achievement and satisfaction that compares to nothing else when you have pulled together a team, led it to greatness, and managed what seemed impossible. It makes you proud when you have saved jobs and the future of staff and their families, made shareholders happy, and reduced huge debts.

What makes an ideal turnaround manager in your eyes?

Whether someone is an ideal turnaround manager or not is always to be judged by one's clients. If you work very hard, and have very high work ethics, common sense, and bags of experience, you have what it takes. But let us be clear about it: Nobody can do it all on their own. Without a supportive team, management, and your clients, you are nothing. We are not gods - we cannot walk over water - but we can work hard and smart, and we add a degree of humbleness. This, then, makes a truly great turnaround manager.

Tell us about one of your turnarounds.

Let me talk about the British NHS (National Health System). For those who read newspapers and watch the news, the British NHS is the largest employer in Europe with over 1,7 million employees and an annual budget of more than £100 billion. It is vastly in debt, inefficient, complacent, not competitive, not service-oriented every problem you have ever heard exists in the NHS exists big time.

The challenge is not only crisis management and, hence, undertaking drastic and rapid measures, but also a vast cultural change. You have to turn public clerk mentalities into shrewd business people. I think this job will keep us turnarounds busy for the next twenty years (laughing).

What were your first steps?

I think the first steps are as simple as they are uncommon. Tell people the truth. I cannot believe the number of times you walk into an organization that is in a big heap of you-know-what, and the management is still telling people that everything is okay. You must understand that you should not insult people's intelligence because, in the information age, they will find out anyway, and only if staff knows what's up can they plan the right moves. If you leave them in the dark, they have to make assumptions, and we all know how dangerous that is.

Secondly, give them a clear and simple goal - no fancy mission and vision stuff - because if things don't change fast, we are not going to be around long enough for long-term visions and missions. Break it down to achievable, manageable, and understandable chunks. “We need to save 6 million this year, which

means we have to come up with cost saving ideas worth £500k every month” is much clearer than “in order to maintain an acceptable shareholder value, we need to right size and develop cost improvement strategies”. Excuse me, that’s bollocks, and the shop floor staff won’t have a clue as to what you expect from them.

Relentless and consistent communication is key, as is leadership by example and visibility.

How did you put the plan into action?

First ask those who know best. It never ceases to astonish me how frequently companies ignore suggestions that come from staff, but when the same suggestions come from expensive consultants, all of a sudden they seem to be attractive. Face it: the people who have worked in the organization for decades have forgotten more about the business than you will ever learn. Ask them; they are your intellectual assets.

This leads to the solution of the next challenge: buy-in. Most turnarounds fail, not because of a lack of ideas, but because of a lack of implementation. Organizations are losing staff commitment, confidence, or both. Break it down into digestible steps, make it happen, fast, and celebrate wins.

Most important: don’t just be paralyzed by costs. I can bring all your costs down to nil and still have not solved your problem. If you don’t develop rapid new sales at the same moment, you end up like a baker who saves money by not buying any more flour: you saved the money but you have no more business as you have nothing to sell.

What are major difficulties you encountered

in turnaround situations? Which difficulties come up over and over again?

Ego and greed. In that order. I have seen a great many superb organizations go down the toilet because of ego and greed. In my family we have a saying: “Greed eats brain,” and it really, really does. I have seen it over and over again that, rather than being happy with 40 percent of something, people want 100 percent of nothing, meaning that they insist on the impossible or they cannot reduce their ego and desire for things such as status. The number of direct reports or the sheer size of business kills common sense. I have seen CEOs talk about taking a £100 million business to a £1 billion business within four years when they couldn’t even sort out the £100 million problems they had. They were ignoring them because they thought it made them look bad and would rather play make believe. But reality will catch up sooner or later, and they will be up for a hard landing.

Do you see a change or development in the industry?

It is thankfully becoming more professional and more recognized. In the days of my father and grandfather, consultants were often considered a sort of “corporate pimp” - you know, the sort who “tell you what to do, we get down and do the work, and they rake in the money” (laughs). Thank God these days are over and nowadays the corporate world appreciates what turnaround managers can do for them.

If there is something in the turnaround industry that you could change, what would it be?

If I could, I would change the mindsets of companies in trouble. Managers should no

longer believe that recognizing that they need help makes them bad managers who are not able to do the job by themselves, which is how still many leaders think. They should think about turnarounds like doctors do: admitting that you have an illness and need a doctor to cure you doesn't make you look bad; it makes you look responsible.

What is your secret to a successful turnaround?

If I only knew that answer, I would bottle it, sell it, and make gazillions. I can tell you my personal ingredients: Take lots of common sense, add some humbleness, mix it with a good attitude and high working morale, treat people the way you want to be treated - or, even better, the way THEY want to be treated - and hope for the best. Usually, if you are a straight person, the best will turn out.

How important do you see project management and change management in turnaround situations? How do you incorporate them in your turnarounds?

They're very important. I mean, is it not all a project, strictly speaking? A few years back I took a course in project management and became a PRINCE2 practitioner, which is the quintessential requirement in the UK if you are hired as a PM. It helps me a lot. And change management - well, can anyone live without it? Life changes all day, constantly, and if we can't manage, we are lost.

In an economic downturn what should companies do?

Focus on your clients; that's where the money is. Aim to provide the world's best customer service, the world's best quality, and go

upmarket. It's not Rolls Royce that went out of business during the last recession, it was Woolworth's. Quality beats price every time. Take out ego and greed, be realistic yet ambitious, do what needs to be done, don't shy away from unpopular decisions, be honest - brutally honest - apply discipline and lots of it, and pray.

How do you get important stakeholders to agree on contributing to the turnaround plan?

I show them the consequences of their decisions: what happens if they follow me, and what happens if they don't. Eventually, the choice is theirs. People are remarkably intelligent and reasonable if you let them be. Unfortunately, often there is more talk about stakeholders than talk to them.

What really frustrates you?

I do not allow myself to be frustrated. Frustration kills enthusiasm. I am fascinated, but not frustrated.

What gives you the joy in working with troubled companies?

Happy clients (and I mean consumers, not the clients who hire me), staff, a company that still has a future, and a big, fat paycheck!

The interview took place 25th October 2010 in London, England.

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The summer issue of Turnaround Management Journal will focus on Mergers & Acquisitions and corporate failures, as well as project management in turnaround situations.

Mergers & Acquisitions are a common reason for companies' getting into crises, but they can also be a way out of crises. This issue will examine how a takeover can help a troubled company to survive and why some takeovers fail.

We will also increase the number of member interviews to at least three in order to fulfill a growing demand for these interviews.

If you would like to contribute an article to Turnaround Management Journal, please send your article to the address below for review your article and consideration for publication.

Address for submitting articles:

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Next focus:

Mergers & Acquisitions in Crisis Situations
Project Management & Turnarounds

Submission deadline for the summer issue:

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The summer issue will be available from:

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