

Behind the Scenes of a Business Turnaround – Week One

When a company hires me to execute a business turnaround strategy, it usually means they've reached the end of their rope, and need some help in righting the ship of business and moving forward again. If they could have done it by themselves, they would have, right?

So it probably goes without saying that when I arrive on-site to begin the engagement, I expect some chaos. And that's what I usually find....

In chaos world, everything is reactionary. Everything is running to generate cash flow. And this is a critical mistake, one that I too often see businesses make. Because what that does is blow up every system, every process, every plan.

The schedule is focused on getting things out the door, and Operations may be making hourly changes to schedule. Employees are racking up overtime trying to get shipments out on time. The leadership team is confused and ineffective.

And which shipments have priority for going out? Why, the biggest orders, of course. The poor guy with a 15k order is going to be way behind the 75k order.

Morale is down – you can see unhappy faces as you walk the shop floor. In the first day or so that I'm there, a machinist may tell me that if he could find another job, he'd be gone. Quality is starting to slip as product is shipped without much in the way of QC.

I once found a program manager who used fresh-baked cookies to try and get their products manufactured produced ahead of another group – and it worked. Seriously?

And there's fear. Many people are afraid I'm coming in as a hatchet man, which is not true (although I am going to make sure everyone's in the right job – more on that later).

The primary order of business is settling out the chaos and the first task I focus on is the schedule. Everything in the company should revolve around the schedule. And with this focus, the issues start to show up quickly. "We don't have this piece." "We don't have that tool." "This machine is down."

If there aren't regular production meetings, we start by implementing them and look at the entire process together – step 1, step 2, step 3. And we don't just sit around a conference table either!

We walk the shop floor together – me, the production manager, quality control manager, engineering manager, program manager – often as many as 12 people. These walks are critical because as issues arise, we can get them fixed ASAP – because we have all the key players.

And then we start creating a schedule for work. Do this on Monday, this on Tuesday, this on Wednesday. Is there pushback? Of course! "You're going to get a call from this customer." "My manager will not be happy about this."

And that's fine – because that's what I'm there for, to model the leadership needed to move forward.

In the first two weeks, we will line out the schedules, set the priorities, and define each element of the schedule to make sure it stays on track. Then we'll lock down a schedule, and the only one who can change it after that is me. I take the authority and responsibility and become the senior guy.

That's a lot of control for a business to give up, but it's at the heart of what we do for business turnarounds – and it works. Leadership is where it starts, with me stepping in to make the tough decisions, work with the organization to stay the course, and hold people accountable.

Then we can start to calm the chaos, which we'll talk about next time!

Behind the Scenes of a Business Turnaround – The First Month

In our last post, I pulled the curtain back on Week #1 of a business turnaround, focusing on the first tasks to be accomplished and the strategies employed to get off the ground and running fast.

The first goal is to get the schedule locked down and then making sure that I'm the only one who can change it. I take a hard line on this. Why? My job is to exhibit the leadership to pull the organization and team back from constant chaos mode and into a new productive and profitable phase. To get there, the schedule must be king.

The schedule is the spoke at the center of the operational wagon wheel. Everything that's done by the organization is there to support implementation of the schedule. At the same time that a new schedule is being implemented, I'm also laying out priorities and getting resources scheduled around the priorities. I try to listen to everyone I can and then start sorting out the BS from reality.

What's really important in the first month is to stay on course, not be overwhelmed by distractions. It takes consistently demonstrating leadership (and a certain amount of audacity!) to do so with an organization in flux, and lots of people who are not all on the same page.

Calming the chaos means tamping down the panic of "oh, this customer will be upset" and "we've never done it that way." I often use my experience as a fighter pilot to offer some perspective, because in that world, when things don't happen as they're supposed to, people die. Period. So anything short of that is okay.

Another key to calming the chaos is in taking the emotion out of the challenge. Usually, things are so far out of proportion and people are in such a reactionary mode, that it takes a little while to fix.

I focus on moving the team towards thinking instead of reacting. By focusing on the schedule, the issues will start to evolve as we work, and then we can focus on the issue.

It's a hands-on, back to basics approach. In some ways, it's similar to helping a child clean their room; we're going to break down the task step-by-step. Okay, let's put all the shoes in the closet. Dirty clothes go in hamper. Clean clothes go in dresser. Place the toys in the toy box. Next, get the sweeper.

Beyond a singular focus on the schedule, there are some basic rules of the road that are the same for every organization.

- Safety first – we want everyone to leave with same number of fingers and toes they started the day with.
- Cash flow - Did we get any checks in the mail yesterday?
- Production - What did we ship? What jobs didn't ship that were scheduled? Why?

My goal in the first month is to set the schedule so we can plan out for two weeks at a time. We line out the schedule, set the priorities, and then monitor each element of the schedule to make sure it stays on track.

Usually, at the beginning of the engagement, there are about 10% of the people who are on board as soon as I walk in. I try to quickly sort out who they are so I can try to expand the 10% to 20%. There is another 10% who are sure that "this" is never going to work, so I just ignore them in the beginning.

And the other 70% are skeptics, but as they start to see some progress, they come over and join the team. Once people start to see the difference that staying on plan makes, there's an "ah-ha" moment and momentum starts to shift.

In the last segment of this series, I'll focus on supporting and growing the leadership team who will take over the reins after I'm gone.

Behind the Scenes of a Business Turnaround – Leading the Way

In the first two posts in this “behind the scenes” series, I’ve talked about the importance of setting a schedule and sticking to it, then monitoring each element of the schedule to make sure it stays on track.

In this post, I want to talk about the importance of human capital in any kind of business turnaround, from everyone on the shop floor up to the C suite. I think I mentioned earlier that when I first arrive, many people are expecting a “hatchet man,” and I try to allay those fears early on.

What is more important to me than simply eliminating jobs wholesale is making sure employees are in the right job. Sometimes people are promoted into jobs they’re not suited for, and don’t really want, but take anyway to get the salary increase or other benefits.

Sometimes the perfect person to fill a particular role is right in front of you, but is doing another job. So part of what I do is try to ensure that as much as possible, the right people – people who are committed to the company, are qualified to do the work, and can successfully execute their assigned priorities – are where they need to be.

I spend a lot of time with the leadership team during the time that I’m there. In the beginning, the leadership team is in a state of turmoil and confusion, but as we get the schedule on track, we can begin to focus on the leadership component of a successful turnaround, and long term prospects for profitability.

The first step to reworking the leadership team is to develop the vision. Usually what I find in the first few team meetings is an overemphasis on cash flow and complaints of low morale. If there is a vision, it may be posted on a wall somewhere, or only brought out for company meetings.

So I start by preaching the vision. It becomes my “stump” speech if you will; I bring it up in about 90% of the meetings, because I want everyone to be on the same page.

With the leadership team, we’ll develop four to six high-level strategy initiatives – any more than that is too much to focus on at a time. Then we’ll turn these initiatives over to managers and department heads, who will then reinforce the strategy. I work with the managers to implement the actions in support of these strategies for operations, sales, quality control, HR, while always ensuring that our alignment is correct.

It's the alignment of strategy with tactics that is critical for progress at this stage. In my experience, organizations will start to feel changes within the first 30-60 days, with Operations seeing results shortly thereafter.

Usually, the 90-day milestone is when financial goals start to be achieved. And that's a direct result of solving the underlying issues to fix Operations.

We also use a Balanced Scorecard system that outlines all the key information in a one-page summary, broken down into key areas, such as Financial, Customer, Internal processes, and Investment. The Balanced Scorecard allows us to begin holding people accountable for results, which is crucial for accomplishing the vision we've set.

I have spent as little as four months and as much as two years helping companies through business turnarounds. It's been challenging at times, but deeply rewarding. I am honored to have served the companies that have hired me to help them turn their businesses around to forward-thinking, clear-thinking, and profitable enterprises.

Much of the process I've discussed in this post is based on my Success Model, a back-to-basics approach for business turnaround. You can read more in my book, *Pinnacle Leadership*, available at www.chuckgumbert.com, or Amazon.