

# Turnaround Management Journal

The Importance of Post-Merger Integration  
*by Dr. Mike Teng*

Value Creation Model: Built To Sell  
*by John M. Collard*

Managing People And The Process Of Change  
*by Mark Blayney*

Strategies Behind Crisis Management  
*by Dr. Stephanie A Parson*

Are Your Communication Strategies Really Engaging Employees?  
*by Marcia Xenitelis*

Crisis Management - or Managing a Crisis  
*by Clive Simpkins*

Never Waste a Crisis - A real Leadership Opportunity  
*by Henrik von Scheel*

**Also in this issue:**

12 reasons why people resist change

Strategies For Turnarounds and Liquidations

Crisis Management and Business Continuity

BP Crisis Management

Toyota Recall Crisis

Increase performance through employee engagement

World Class Corporate Crisis and Communications Teams

## Introducing the International Turnaround Management Standard

Over 150 analyzed cases, 500 articles, countless interviews and 200 books on turnarounds, crisis management, project management and many more went into this unique research project to develop a method to guide managers through a turnaround process.

*by Dr. Christoph Lymbersky*

**Member Interview with Marc Wagner**

## Impressum / Editors / Authors

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## A word from the editor



**Dear valued readers, members, and friends,**

Welcome to the second issue of the 2011 Turnaround Management Journal. After a successful first issue, we are proud to present this second issue. We planned to distribute about 1000 copies of the first issue to our members and interested parties, but because our members also distributed the journal to their contacts, we were able to send the journal out to about 12.000 readers! This was an exciting and encouraging success for the first issue and for its authors. Some copies were distributed in digital version, but many were sold through bookstores, magazine stores, and online stores like Amazon.

I hope that you enjoy reading this second issue, which features many interesting articles about change management in turnaround situations, as well as articles on strategic issues and mergers and acquisitions during times of crisis. Another article offers an introduction to the International Turnaround Management Standard, an ambitious research project of the Turnaround Management Society.

Our member interview is with Marc Wagner, Group Head at Detecon International, a consulting company that is rapidly expanding in corporate restructurings.

As always, I welcome your feedback on this journal and hope you will send us your comments about the articles.

Kindest regards,

  
Dr. Christoph Lymbersky

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A man with dark hair, wearing a black suit jacket, a white dress shirt, and a red and blue striped tie, is sitting in a black wicker chair. He is smiling and looking directly at the camera. He is wearing a watch on his left wrist. The background shows a restaurant setting with tables covered in white cloths and chairs. A large, ornate curtain is visible behind him.

“To be successful turnaround processes cannot only be about cost cutting, they must also be accompanied by strategic leaps, such as an acquisition, outsourcing, moving production facilities etc.. Without a holistic approach to your turnaround project you will fail.”

*Dr. Lymbersky at the Institute of Directors in London.*

# Introducing the International Turnaround Management Standard

by Dr. Christoph Lymbersky  
Management Consultant , Researcher and Director of the Turnaround Management Society

**Most reasons for the advent of crisis situations are not simple; the more time passes, the more areas of the business are affected, and a quick fix is seldom the solution to the problems that have developed.**

## The need for a standard

If big companies like Motorola, Goldman Sachs, Chrysler, and Toyota can get in to a crisis and need a turnaround to battle the downwards spiral, than any company can fail. If economic history has thought us anything, it is that even the biggest and best can fall. No company is immune against distress. No company lives forever. One more thing is sure: if they fall, they fall deep and with a big noise. When I started studying corporate turnarounds, I found that very little was known about turnarounds and their strategies. In fact, three years ago, I was not able to find a book that properly described how a turnaround should be done or what influences one. Most books were either extended case studies or were focused primarily on financial turnarounds, operative turnarounds, or the strategic side. Academic articles focused mainly on crisis factors, symptoms, and very specific aspects of turnaround situations. In the past three years, because of the economic crisis and the increased awareness that distressed investing and turnarounds can be a very lucrative business for consulting compa-

nies, more books have been published in this very complex and difficult area; however, the current literature is still far away from having developed a common body of knowledge and a common structured approach to a turnaround process.

A study by Professor Richard Whittington of the Said Business School shows that nearly half of reorganizations fail to deliver the improvements they set out to make. Although almost 90 percent of reorganizations emphasize the use of project management techniques like careful attention to budgets and planning, these projects still fail in many cases. Therefore, the adoption of project management techniques alone does not seem to increase the chances of success for a turnaround.

The next problem that turnarounds often have is the lack of stakeholder support. If they are not well informed and involved, banks will send their own investigative accountants into the company, the court might assign a warden and suppliers, and customers could resign their support for the company's turna-

round efforts.

There are many more reasons why turnarounds fail. One of the reasons is that turnarounds are often managed by business-area experts, such as financial experts, accountants, or lawyers, who don't have a holistic view of a business or knowledge from all business areas. A turnaround manager must have knowledge in all business areas plus specific turnaround knowledge—a generalist with a specialty in turnaround management. The failure rate of turnarounds fail varies according to which study you read, but one of the more optimistic studies points out that 35 percent will reach profitability within three years (Peter McCann: Turnarounds : Brains, Guts & Stamina). More pessimistic studies show that less than 1 percent of insolvent companies will reach sustainable profitability. The development of a model or framework for how to treat these difficult situations that involves all aspects of the business would significantly improve the chances of a successful, sustainable turnaround.

Turnarounds are not just about cutting costs, although this assumption is a major mistake many people make when faced with crises. Cost-cutting is one essential part of the response, but the business must also be made to grow organically. To be successful, a turnaround process must also be accompanied by strategic leaps, such as the development of another business along the way, but turnarounds can also mean outsourcing specific parts of the business or moving production facilities to other countries, especially in a competitive environment. While these moves may be unpopular and may have to be accompanied by well-planned stakeholder communication procedures and change management, they forms a core part of the ITMS.

The idea behind the ITMS is to give turnaround managers a methodology that is derived from a thorough study of successful turnaround cases in order to avoid the pitfalls that have caused other turnarounds to fail and to suggest proven ways out of the crisis by taking into account all aspects of business, as well as stakeholder management, change management, and other areas the neglect of which could endanger the process.

### The Development Phase

The standard was developed out of extensive literature research in the Turnaround Management Society's database of 152 successful turnaround cases, interviews with professionals from the industry, and focus groups. We are aware of no comparable research project in corporate crisis management.

The reasons for most crises situations are not simple, and the more time passes before the crisis is addressed, the more areas of the business are affected, so a quick fix is seldom the solution to the problems that have developed. When turnarounds are handled by lawyers, accountants, and financial experts who restructure the business from their points of view, they are rarely successful. A business is highly complex: what is done in one area of the business affects the others, and it is the rare action that has only a single effect. A team of area-specific experts is not sufficient to treat a corporate crisis that has many different symptoms and causes. Problems will be overlooked because of lack of knowledge and understanding about the complexities behind the business. This is why most turnaround efforts fail.

Therefore, the question remains: How can the problem of many turnarounds failing be solved? Part of the solution has to do with what



the ideal turnaround leader must bring with him or her when taking on an assignment.

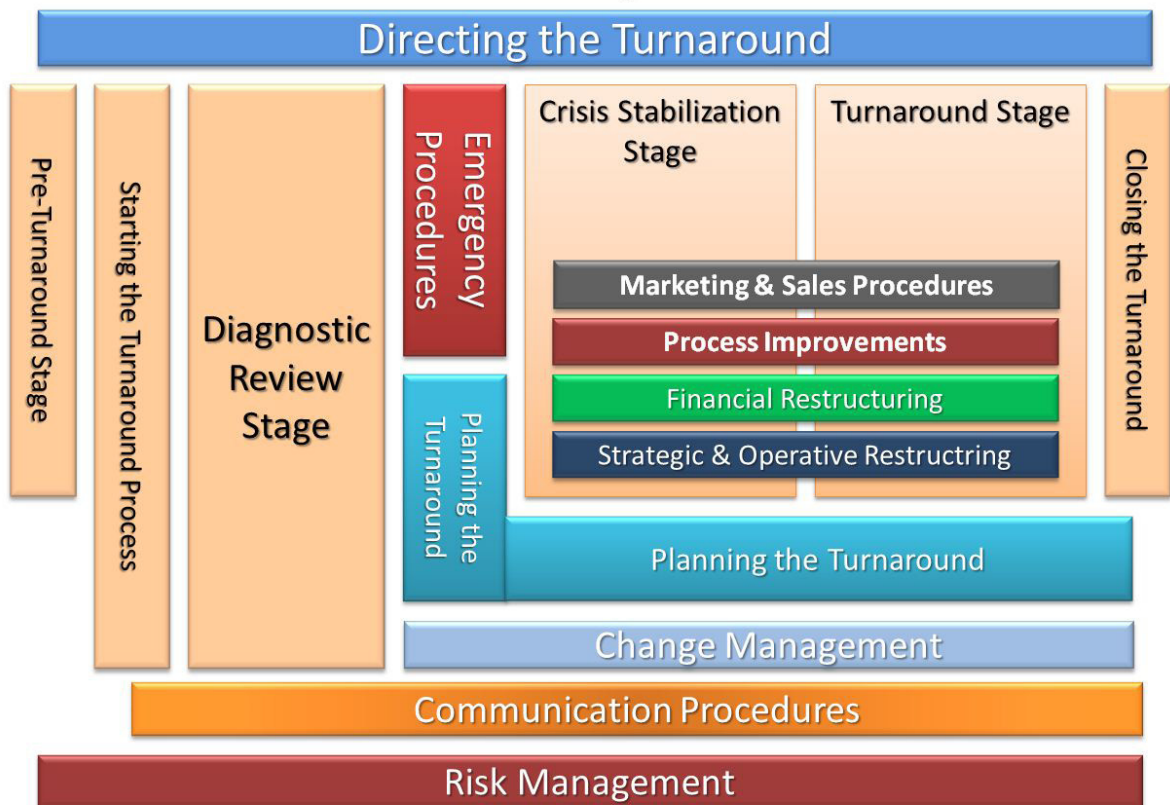
### The skills required for a turnaround professional

A turnaround leader must have a great many soft skills. He or she must be able to lead and motivate people who are frustrated, scared, and often without hope, a dangerous mix for any company and a situation that can either explode, as in the case of Enron, or implode when people leave the company. (These are the companies that die quietly.) While there is no way to upload soft skills into a turnaround leader's personality, a set of guidelines can be useful. I found many answers to people prob-

lems in change management, which is part of the ITMS.

A turnaround leader must also have a significant educational background in finance, strategy, process optimization, marketing, sales, business valuation, debt restructuring, stakeholder management, and so on, along with specific knowledge of turnaround management, including familiarity with a wide range of turnaround cases and their lessons learned. Few people have all these skills, which is why most turnarounds should be led by a team of people with a variety of skills and areas of knowledge. The team must also work well together and have set responsibilities and workflows that can help them combat changes and accommodate urgent situations.

The International Turnaround Management Standard™ (ITMS) v.1.0



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Figure 1

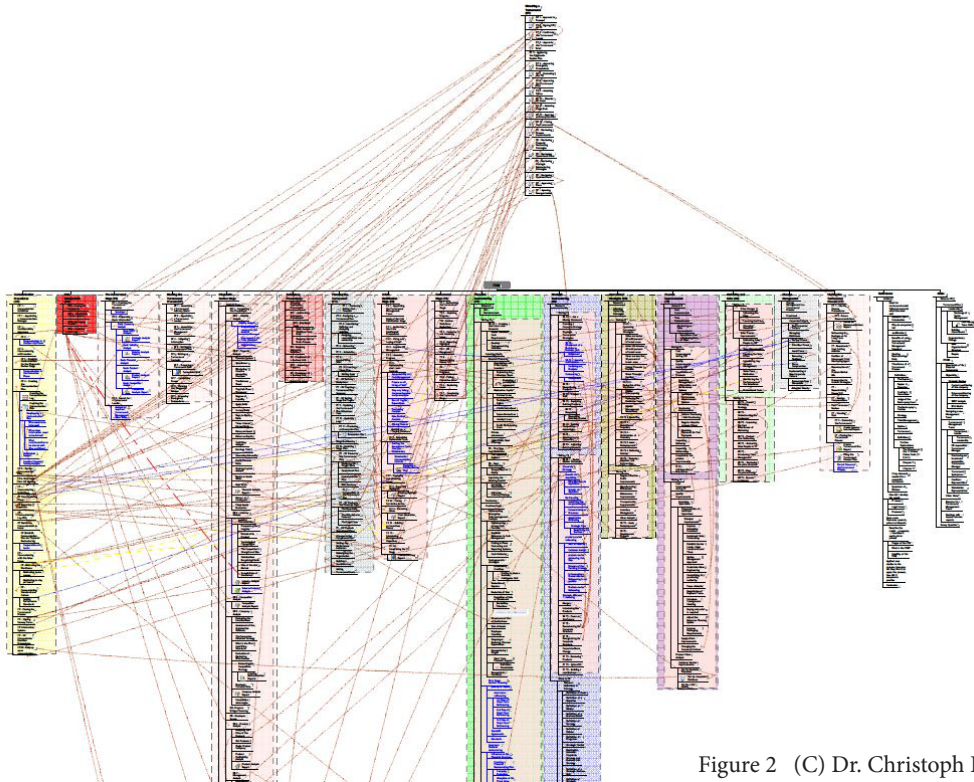


Figure 2 (C) Dr. Christoph Lymbersky

The ITMS provides these workflows to turnaround teams, sets clear responsibilities, and optimizes the management approach to facilitate the urgency required in most turnarounds.

### The structure of the ITMS

The next question concerns how to combine all these requirements so a turnaround situation can be handled properly. I found the answer in project management, which provides an overall framework for turnaround management, serves as a structured guide to control the turnaround process, and provides the right information at the right time to the turnaround management team (TMT) and the stakeholders. Figure 1 shows the structure of the ITMS's processes and stages.

Figure 1 The stages and processes of the ITMS  
The turnaround process starts with a corporate analysis, which uses a structured checklist approach adapted to address crises and their

causes without leaving out unknown problem areas. The corporate analysis produces a detailed report about the company's situation that provides the TMT with a set of possible strategies and ways out of the situation.

The ITMS addresses all business areas that must be considered when a company is restructured:

- Financial Strategies
- Operational Strategies
- HR
- Communication Management
- Project Management Techniques and Methods
- Change Management
- Controlling
- Risk Management
- Marketing
- Quality Control
- Process Improvement
- and more

The Turnaround Process got divided into about 250 components and sub-components, all of which are interrelated. Since every sub-component represents an action, each action has an effect on other actions in the turnaround process. These connections between sub-components are outlined in each sub-component.

The goal is a framework that is divided into stages so a CEO or turnaround manager can easily find the situation in which the troubled company finds itself. For example, if a company is producing products that don't sell well, the company's competitive environment has few global players that practically own the market, and the company is in financial difficulties, situation can be found in the ITMS, which will provide tested strategies and ways out of the situation (if there is a way out).

The ITMS also serves as a guideline to what the TMT must do, at what time, how to do it, to whom to provide information, and so on. In so doing, the ITMS provides TMTs with knowledge and lessons learned from professional experience that is not otherwise available from a single source.

The ITMS targets all the major reasons that companies fail in turnarounds: insufficient support from shareholders and lenders, bad management, wrong product-market mix, non-comprehensive turnarounds (in which issues were overlooked or not regarded as important), targeting of symptoms rather than issues, unstructured approaches to turnarounds, and so on.

The ITMS combines all aspects of the business that are important in turnaround situations and links them in a unique way. Each step taken during a turnaround process has

an effect on other areas of the business, so the ITMS links the effects, makes the user aware of them, and provides guidance on how to control them.

Figure 2 illustrates the links among the actions that can be taken during a turnaround process and the implications they have for other actions. The figure, as it is shown here, is unreadable; it is intended only to illustrate the complexity of the standard. While writing the ITMS, I had to keep every subcomponent in mind and think through its implications on the more than three hundred other sub-components.

In order to highlight the dependencies in text form, each sub-component of the ITMS contains a heading, "Context," which shows the dependencies and links to other sub-components.

Even though the ITMS is not exhaustive and though it should be extended through additional analysis, its usability and contribution to the body of knowledge is clear.

### About the author:



Dr. Christoph Lymbersky has founded three successful companies. 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).

The International Turnaround Management Standard is published as a book and can be bought over the Turnaround Management Society's website or on Amazon.

**„International Turnaround Management Standard“**

**Author: Dr. Christoph Lymbersky**

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# The Importance of Post-Merger Integration

by Dr. Mike Teng

**Mergers and acquisitions are said to have a success rate of only about 25% to 50% at best and post-merger integration is often blamed as the major reason why mergers and acquisition deals are less successful than they should be.**

The importance of post-merger integration is derived from the fact that value creation can only begin when the organizations begin to work towards the purpose of the acquisition. In other words, integration is the source of value creation.

Also, mergers and acquisitions are said to have a success rate of only about 25% to 50% at best and post-merger integration is often blamed as the major reason why mergers and acquisition deals are less successful than they should be.

In almost all commentaries or studies on the subject matter, PMI has been pointed out as an important key to merger success. One author states that it may be the one major cause of failure in cross-border mergers.

The same author states that studies show that cultural fit has a major effect on post-merger performance and that companies that allow multi-culturalism and prevent too much control perform better than less permissive firms and that the origin of competitive advantage is the "local environment". Thus, if a Singapore firm is interested in the computer software industry, it might want to acquire a firm in the best local environment (i.e., Silicon Val-

ley) and try to help its expertise spread to the parent firm.

## Integration Defined

So what is PMI?

Integration has been defined as the act of combining into an integral whole- a consolidation of two corporations. Post-merger integration or PMI refers to the aspect of an organizational merger that involves combining the original socio-technical systems of the merging organizations into one such newly-combined system or the process of combining two or more organizations into a single organization which involves several organizational systems, such as people, resources and tasks.

Post-merger integration has also been defined as "a gradual and interactive process, in which the individuals from two or more organisations learn to co-operate in the transfer of strategic capabilities."

Post Merger Integration will refer to the process of harmonizing organizational elements between merging corporations in order to make the merger work so that it achieves the envisioned goals and aims of the corporate combination.

The definition of PMI success, on the other hand, is not based on share prices but on the extent to which targets like cost synergies, cross selling or know-how transfer were met and includes criteria such as implementation efficiency and social compatibility as seen in the company's management systems, its underlying ideology, and in its relationship with employees (for example, employee participation, working hours, pay, health and social security benefits etc).

### Levels or Dimensions of Integration

Analysts state that integration takes place on several levels or dimensions with one author classifying them as procedural, physical and socio-cultural integration.

Procedural integration refers to the process of combining systems and procedures of the merged companies at the operating, management control, and strategic planning levels. The objective of such integration is to homogenize and standardize work procedures. Physical integration of resources and assets usually accompanies procedural integration. Managerial and socio-cultural integration involves a complex combination of issues related to the selection or transfer of leaders, changes in organizational structure, development of a consistent culture and the increases in the commitment and motivation of personnel.

Other analysts state that merger success is a function dealing with task integration and human integration. Task integration is defined as the identification and realization of operational synergies measured in terms of transferred capabilities and resource sharing. Human integration is concerned primarily with generating satisfaction and ultimately a

shared identity among the employees from the combining organizations.

One author cites the four degrees of integration:

- Total autonomy,
- Restructuring followed by financial controls,
- Integration of main systems and
- Full integration.

In relation to the four degrees of integration, one author asserts that Integration need not be total and cites five different PMI approaches:

- Preservation or stand-alone: Both companies are kept separate with almost no or only minimal changes. The complete opposite of integration, is, in the author's opinion, a very good choice in order not to destroy the value of a transaction.
- Confederation: Companies enjoy a relatively high level of autonomy, but a variety of interdependencies and some control.
- Absorption: One company is fully integrated into the other company or adopts its standards, processes, etc.
- Best of both worlds or best of class: Both companies create a combined entity taking over superior parts from both, or introducing best-of-class standards.
- Transformation: whereby the integrated companies try to create something entirely new ranging from a giant leap in terms of geographic or product coverage to even a fundamental change in the business model, for example.

## 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. Dr. Teng is currently the President of the National University of Singapore MBA Alumni. NUS MBA program is rated the best in Asia.

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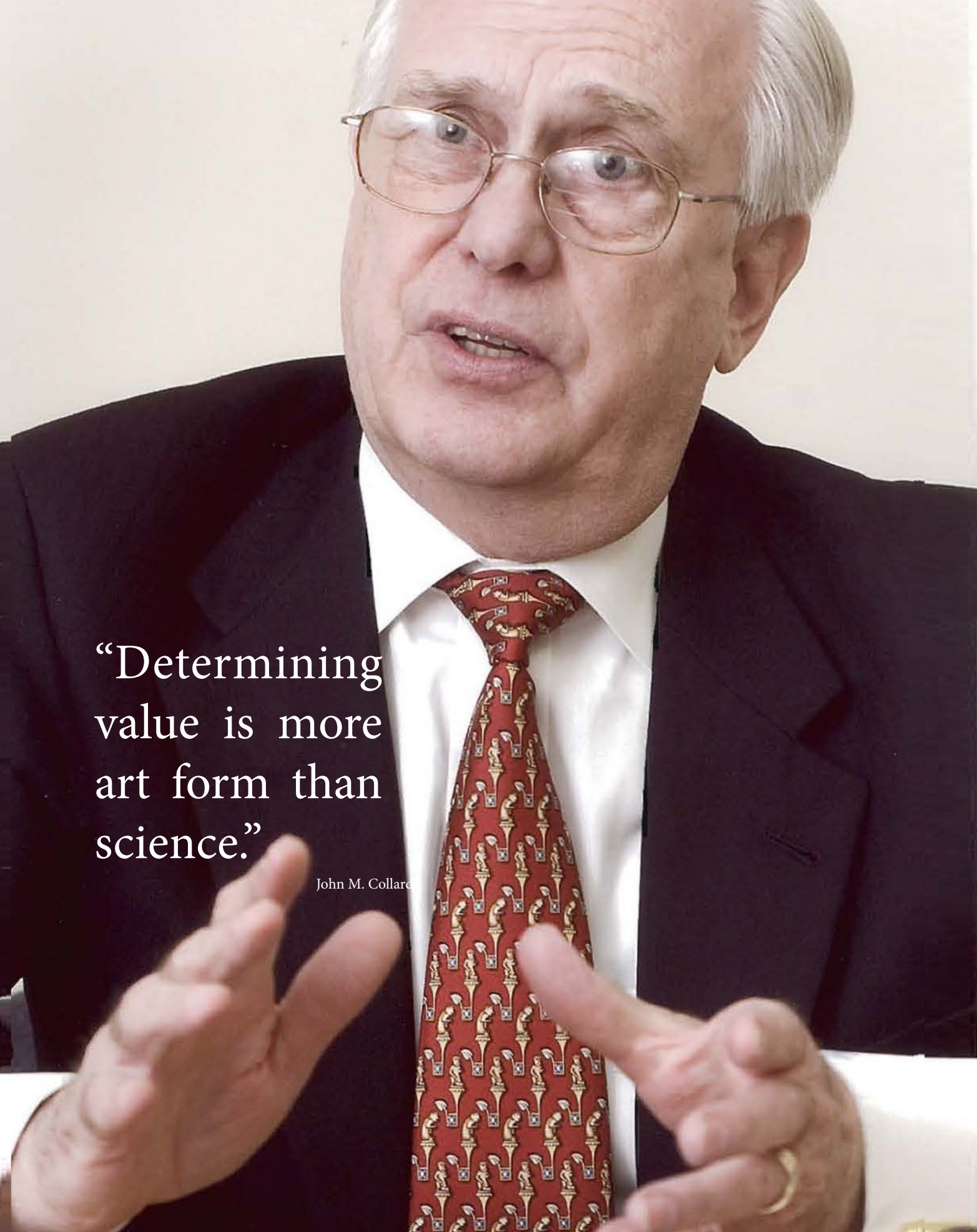
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See note xxxix Yinmei Wan summarizing Shrivastava (1986)

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“Determining  
value is more  
art form than  
science.”

John M. Collard



# Value Creation Model: Built To Sell

by John M. Collard

Certified International Turnaround Manager - Level D (CTP), and Past Chairman of Turnaround Management Association (TMA)

**Here's a primer on how to build a value creation model aimed at achieving the kind of steady growth that attracts investors and future buyers of the business itself. The key business attributes and how to create the most value in them are spelled out. While focused on private companies, the lessons offered here can apply to any business.**

Valuing a company is the easy part; creating that value in the first place so you can measure it is a more formidable task. Create a Value Equation to build Worth into your company.

Determining value is more art form than science. True value can only be established at the time of a transaction, where willing buyer tenders payment and willing seller accepts it in exchange.

Buyers and sellers look at the component make-up of a company differently, and therefore, place different values on these ingredients and on the whole. To enhance the real company value, analyze company components as they relate to worth in the mind of potential buyers. Value to one buyer often does not necessarily hold the same value for another. Establish multiple buyer profiles depending upon the circumstances and prepare to build value each would be willing to pay for.

There are essentially two kinds of buyers — Strategic and Annuity Buyers, both with different motives. Yet, both demand returns for their shareholders.

The Strategic Buyer purchases for reasons that fit into their strategic plan. They benefit through synergies like acquiring customer base in expanded territories, new products, added capacity, and reduced costs, et cetera. This type of buyer may place some value in the first line management team, but will see added value in the ability to place their own managers into key positions.

The Annuity or Financial Buyer, on the other hand, sees value in the stand-alone entity's ability to generate cash flow from profits year after year. The institutional buyer places the highest value on how motivated and incentivized the existing management team is, and their receptiveness to remain to generate cash and profits. The owner/operator conversely will look at 'buying a job'.

Typically, strategic buyers of closely held companies purchase at six to 10 times earnings and/or cash flow, while annuity buyers pay two to six times cash flow. The ultimate worth of the company depends upon who the buyer will be. These multiples are usually considerably higher in public companies, but the concepts of building value are the same.

The essential, is to look at what is valuable and understand how to exploit and preserve this value. From the start, plan to sell the business and put value creation into perspective.

Free cash flow and the continued ability to produce it with reliable probability creates the greatest value. This is not as easy as it sounds. In fact, it can be complicated, is often misunderstood, and frequently is bungled. Look at the elements in the Value Creation Equation to see how each brings forth value and how together they compound the effect.

Value Creation = Net Asset Value + Future Revenue Stream + Going Concern Value + Incentive to Purchase

### Net Asset Value (NAV)

Sometimes referred to as Orderly Liquidation Value, it is the cash net worth of assets less encumbrances if you were to liquidate these assets at a fair market price under orderly disposition conditions when liquidation is not necessary. This NAV can equal Net Worth on the Balance Sheet, but is often adjusted for the value of intangibles.

Simply stated: Tangible Unencumbered Book Value + Intangible Assets + Adjustments to Market Value (Over-amortized/depreciated/expensed assets, or usable Inventory written down lower than market value) - Obsolete Inventory and Bad Debts - Outstanding Obligations on open contracts = market value. Build a strong, healthy balance sheet with adequate reserves and proper statement of asset value, because this is a fundamental on which to expand a company and increase its worth.

Tangible assets can be appraised to establish

their worth. On the other hand, intangible assets are harder to value because they are subject to interpretation. If you sell a machine you realize cash for the transaction; but if you lose a customer, no one pays you for it, they're just gone. Intellectual property is also hard to value, but filing more patents will generate value, particularly to those who can afford to protect them from infringement.

The real opportunity lies not in building asset base, but in building maximum return on those assets and deployed capital. Assets don't generate worth by themselves, they can only be used to generate worth. If the asset sits idle, it is actually losing value, but if volume causes the asset to work to produce output production, value is being created.

The closer the relationship of assets to realize \$1 for each \$1 dollar on the balance sheet the better. Cash and Securities fit this description. Accounts Receivable will be discounted as they age; focus on keeping the days outstanding as low as possible. Utilize percentage completion contracts when possible to keep receivables low and cash flowing.

Utilize just-in-time and consignment agreements to keep raw materials at the lowest levels possible to minimize obsolescence. Produce in-process work expediently to cover short-term needs. Build finished goods for firm orders or reasonable short-term expectations of sale, don't overproduce. If in a seasonal business cover production levels over the off-season with contracts for sale of goods just before the season, cover the risk with orders for goods. It may be better to have less than market demand if projections were off, compared to interest and carrying costs to hold artificial Christmas trees until next year.

Customer Lists, contacts, name recognition, trademarks, reputation, Web distribution channels and Internet presence are often not considered in asset valuation because they are not carried on the balance sheet. These assets, however, are often worth considerable value in the market place. The reasoning for this theory is that these assets can be turned into cash; therefore, should equal the related value they could generate in return for their sale. These intangible assets can produce future sales, profits, and cash.

### Future Revenue Stream

A real value in any company starts with its revenue stream; the more you can count on it occurring, the more value it has. The value becomes the net present value of the after tax free cash flow stream of revenue under contract, plus repeat customer base. Contract backlog is worth much more than revenue that you must locate every year. The cost to re-create the sale each year is high in terms of time and human energy. Locate customers where multiple year contract environments can be set up. The government often awards contracts for multiple year periods. Many larger companies favor contract relationships with vendors to reduce the overall cost of screening vendors again and again.

While not as quantifiable as backlog, there is value in a customer base that's been maintained for a long period of time. The longer customers remain with a company, the more likely they will be loyal in the future. When customers stay with an organization, this is an indication of the value, which they receive from that organization. Conversely, customer turnover indicates their dissatisfaction in the company's ability to provide services. For example, software companies

retain customers and repeat sales with product upgrades and gain new customers with import utilities for easy conversion.

Clearly growth in revenue volume is an indicator of valuation in a company that investors are willing to pay for. If customers flock at above industry levels to a company for the services that they provide, this is a good indication of the company's ability to perform at above expected levels. A motivated sales force with the ability to generate new revenues year after year has more value than a company who has a poor selling reputation. A lack of growth indicates that the company does not have an ability to increase its value over time.

When a company has a great, and believable, prospectus for the future, the buyer will often plan additional capital investment to fuel growth. If this case, the buyer could be motivated to pay a higher valuation for the company and then invest on top of it.

### Going Concern Value (GCV)

Here is where the fun begins in all transactions. The going concern value and goodwill, or soft assets, will always draw the most controversy and discussion in terms of their valuation. These elements are most prone to differing interpretation by buyer and seller.

Here to is where you can build the most value into a company. Transaction value is only at a point in time. Buyers and investors look more to the company's ability to create additional value to enhance returns on invested capital as they hold their investment. Impart the elements that Future Buyers look for:

Businesses that create value. Consistency

is the key. You must demonstrate growth in revenue, profit, and cash flow. Do everything in your power to eliminate and manage 'hick-ups' along the way. Audited statements go a long way toward verifying results, in spite of some recent press.

High probability of future cash flows. A history of positive cash flow at increasing levels is very important. True annuity buyers purchase cash flow not the business. Strategic buyers will value cash flow plus what could happen if additional capital is provided. After all, free cash flow determines the periodic return on investment and increases the potential for a much higher purchase price in the future.

Management team and human capital. Attract and motivate a marketing oriented management team with the ability to produce recurring profits, return on capital, and free cash flow as an annuity for the owners. Develop an in-place; stable, well-trained workforce to implement operating processes on an ongoing basis. This is the most valuable off-balance sheet asset. When the owner of a privately held business has transitioned out and is collecting the net profit and cash without participating in an active management role, the value increases dramatically.

The ability to sell, compete, distribute, produce, develop products and thrive.

This stand-alone entity track record demonstrates the viability of the market relationship between the products/services offered to meet customer demand and need, ability of the company to compete, and company reputation in the marketplace. The more unique a product is the more value it contributes to the deal. The company must be able to differentiate its products and services

from the competition, even if this is based mainly on perception. Remember, products do have a life cycle and require improvements to remain in demand.

The directors' and management's role must be to build Going Concern Value! The GCV can be best maximized with stable leadership, setting and following sound strategies to consistently bring products and services to market, all the while nurturing resources and implementing processes to manage the company. Here is where the greatest value resides.

### Incentive to Purchase

Create reasons for a buyer to want to consider your company as an acquisition candidate. Buyers want a Fair Entry Valuation so that they can expect a realistic return potential. There must be Exit Options so that the buyer who buys your business can realize high ROI at the time they resell.

The better the company is at creating stakeholder value and shareholder return, the more interest there will be in buying some or all of the stock. While investors often buy on hope and promise, the dot com market sector collapse clearly indicates a need to ultimately produce returns to substantiate investment. Think for a moment, had many of the dot com managers built GCV to support their promising technologies, they might still be around today. Those that have built GCV have strong balance sheets, can weather the storm, and will undoubtedly find opportunities to gobble up assets from those who didn't.

Build on any one element in the Equation and you increase its individual value. Build

up all elements in the Equation and you realize an exponential creation of value to the right buyer. The buyer looking for a standalone entity to produce an annuity stream will place the highest value on the company when all components are strong and it operates with little owner intervention. Buyers looking only for parts of a business to augment their own, will want to invest less and only place value on some components, regardless of how strong they are. For example, if you build a strong senior management team, but the buyer wants to run the business, they will place no value in your senior manager(s) that will be replaced.

Remember, as in the movie *Field of Dreams*: “If you build it, they will come.”



### About the Author:

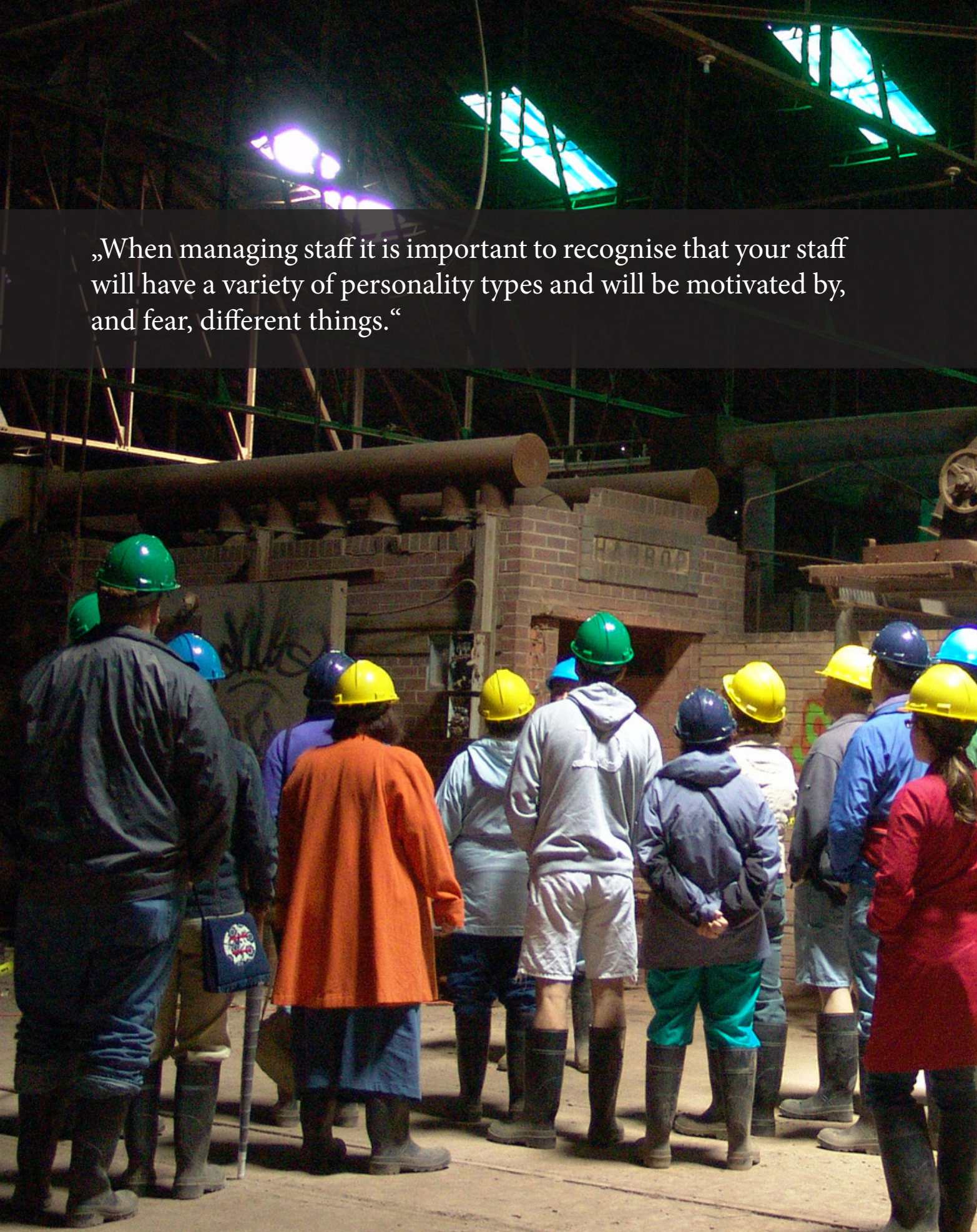
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Strategic Management Partners, Inc. Wins Turnaround Atlas Award: Turnaround Consulting Firm of the Year (Boutique)



„When managing staff it is important to recognise that your staff will have a variety of personality types and will be motivated by, and fear, different things.“



# Managing People and the Process of Change

by Mark Blayney

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

**Managing change in your business, or in turnaround management consulting, is not just an abstract process, it is one which affects real people. This article looks at some of the techniques turnaround firms use in managing people while implementing change management.**

One of the key issues facing business owners and anyone involved in turnaround management consulting is managing change. Once you have set your business objectives, you have decided what changes are needed. Is this enough? Will the changes simply happen? Or not? This article looks at the barriers to change and how turnaround firms go about change management.

The answer is that unless you make them happen, there will be no changes. And there can be many barriers to overcome with your staff that mean making changes happen will be difficult.

The barriers to change can be categorised into a number of problems dependent on the underlying cause as below. Each identified cause however then allows you to identify the action needed to address it.

If staff:

- don't know they have to change then the issue is one of information and the solu-

tion will involve focusing on the communication of the plan, goals and actions.

- can't change it may be because they lack:
  - knowledge of what they need to do, then this is an information issue as above;
  - knowledge of how to do it, then they need training and support;
  - resources (time, money, people, equipment) to allow them to do it, then you need to look at a range of project management issues in order to make the change possible
- won't change because they don't want to make the changes, then you need to understand what the underlying motivation for this is, before you can start to think about changes you will need to make in the business culture.

In many cases of course a situation may involve a combination of problems which will in turn mean that a combination of solutions will be needed.

Successful change management projects tend to require commitment to a strong programme of communication directed at dealing with each underlying problem; detailed project management to see the project through to conclusion; and a focus on staff motivation.

Much of what we do at work from day to day, and how we do it, becomes a habit and existing habits are hard to break. Achieving real long term changes in how a business operates will require significant effort to overcome often deep-seated resistance to change. You will have to lead people into breaking out of existing ways of doing things in order to create new healthier habits.

If you want to promote change, then the most effective way to do so is to use the pressure of external events as a lever to ,unfreeze‘ existing behaviour. This then gives you an opportunity to introduce the new behaviours that you will want to refreeze as the new habits of working that you want to have in place.

Staff can however be extremely reluctant to change for a wide variety of reasons which can include:

- Psychological - uncertainty, fear, disorientation (so change needs to be as swift as possible to avoid nagging doubt, but slow enough to bring everyone with it)
- Personal attitudes and beliefs - ,we cannot deliberately under quote in the initial stages of an assignment (like everyone else in the industry does) to get the work as it just isn't right‘
- Group loyalty - the sales team may fight like cats and dogs amongst themselves, but just watch them stick together if you

try and put production in charge

- Habit - ,but we've always done it this way‘
- Politics - ,not if Joe is going to be in charge‘
- Physiological - the new roster of 20 consecutive night shifts is unacceptable

To unfreeze existing behaviour you therefore often need the heat of external pressure (a ,burning platform‘) before people will realise the need to move to a new position. So as one of President Obama's advisors famously said, ,Never waste a good crisis.‘

But you cannot simply rely on external forces to provide sufficient pressures as few of your staff will have a real immediate appreciation of your position.

You will therefore also need to signal major change by making your staff aware of the situation and the need for action and by making change real; and this usually involves doing something that really makes people sit up and take notice.

,Barnstorming ideas‘ and shock tactics can be useful to signal that real changes are going to be made to happen. Some of these, and the messages they convey, include:

- Slaughtering sacred cows - everything in your business is potentially up for radical change
- Killing something big - is there a large visible project that can be axed (without threatening future development)?
- Clearing out non-performers - you can-



not afford passengers

- Breaking a blocker - If someone is actively blocking change, they cannot be allowed to win - either you are with the changes and where we are going or you are against us

Obviously, if you can get your staff to want to change (,buy in‘) they are obviously a lot easier to manage and motivate than if you need to force them to change. Unfortunately, as discussed in the next article, the management style required tends to be dictated by the degree of crisis and speed of response needed.

So what changes do you want to drive in your business, and what external pressures are there on your business that you can use to help make these changes happen?

## Managing the Process

If you are looking to really change your business or are undertaking turnaround management consulting, to be successful, you will need to make long term change stick. This article looks at some of the techniques and processes turnaround firms use in implementing change management.

Obviously, if you can get your staff to want to change (to ,buy in‘ in the jargon) they are obviously a lot easier to manage and motivate than if you need to force them to change. Unfortunately the management style required in a situation tends to be dictated by the degree of crisis and speed of response needed.

Most turnaround situations start out in a state of confusion, chaos and a lack of control.

As a result, in the initial phases of a real cash crisis or a turnaround situation, speed of change tends to be of the essence, periods of uncertainty have to be minimised, and control has to be established. This tends to require a highly centralised and directive management style (,Tell‘) to deal with the crisis phase as you get a tight grip on the business and there is a ruthless focus on the core issues of cash and what can be major changes to restore viability.

Even during this stage however, respect for staff, even those resistant to change is important, and the critical distinction between a directive and assertive, and a rude and aggressive approach, always needs to be maintained.

As the degree of crisis reduces, the approach can be relaxed into more one of explaining the benefits of the proposed changes so as to obtain commitment (,Sell‘) while in the regrowth phase this needs to evolve again into a more empowering one (,Ask‘) which gives scope for staff to innovate and experiment and relaxes what may have become an over rigid management style.

One approach that can be very effective in empowering a team to direct a swift pace of change is the ,crisis weekend‘, where you get your line managers together as a group for a real crisis summit. There the team can really work through, in a concentrated and intense atmosphere, what the situation is, what needs to happen, and who is going to do what. When done right, this team then becomes a powerful committed force and never forgets ,Our twelve-hour days when we sorted out how we were going to really fix the mess.‘



You will need to give the team time to gel however, as to become a team, the group has to go through a team building process of ,storming‘ where they argue about how to work, before ,norming‘ when they agree how to work together before actually acting as team and ,performing‘.

As you move through a change process, particularly in a turnaround situation, the ways of effecting and fixing change will start with a very directing style of fixing new habits. One approach is to issue instructions and

then check up every day for 21 days that the instruction is being followed that day. The theory is that by the end of three weeks, the new way of doing something will have become the new habit and your staff will know that once something has been decided, they need to do it because there is no hiding place and you will not be going away.

You can then relax your vigilance and checks on this item significantly.

This approach is however highly time consuming and your efforts will therefore need to

be clearly prioritised.

Over time you can move to a more empowering mechanism for changing the culture using a range of other approaches to manage the culture:

- Walk the talk - lead by example
- Shared values - include attitude as a basis for recruiting like-minded staff to reinforce the culture and define ,antisocial behaviour‘ (for example rudeness to customers, or laziness) for ,our culture‘. If everyone in the business is living the culture, the ,antisocial‘ can be dumped without remorse or protest
- Training - the values of the organisation should be specified and incorporated into training and staff development
- Rewards - ensure these go to employees who act the values
- Value staff - treat them like winners and care
- Celebrate success - identify wins (especially early quick ones), make success very visible (for example, give a bottle of champagne to people who exceed targets)
- Celebrate creative failures - its better to try and not succeed than not to try at all, so long as the risk and downside of failure is limited
- Cultivate identity - promote the values as part of your brand and make it real by way of uniforms, corporate colours, emblems and slogans

- Put customers first - which makes the job worthwhile
- Develop a tight culture, but loose management - so you can give staff discretion but within the bounds of a firm set of corporate values

When managing staff it is important to recognise that your staff will have a variety of personality types and will be motivated by, and fear, different things and so the third article in this series looks at the techniques used for managing people through change on a personal level.

So, to decide what’s the best approach to use to start to achieve the changes you want, decide what degree of pressure the business is under and whether there is a ,good crisis‘ you can use.

## Managing The People

Managing change in your business, or in turnaround management consulting, is not just an abstract process, it is one which affects real people. This article looks at some of the techniques turnaround firms use in managing people while implementing change management.

When managing staff it is important to recognise that your staff will have a variety of personality types and will be both motivated by, and fear, different things.

To illustrate what I mean, for a moment please imagine there are only two types of people in the world. We will call these square and round pegs respectively.

You as an entrepreneur may be driven by suc-

cess (and fear failure). Some of your staff may be motivated by receiving praise and recognition, and conversely may fear rejection. Both you and these types of employees may often be quick to take decisions, and are restless, active, and open for change (let's call you the ,square pegs').

Most of your staff are unlikely to be like this however. Many will simply value security and structured policies within which to work (,so they know where they stand') and fear change, uncertainty or conflict (let's call them the ,round pegs').

In normal times it therefore makes sense to manage your staff in a way that is appropriate to them.

So for example, your production staff are likely to be ,round pegs', who work best in the round holes of structured work when they are managed in a round peg way, for example with detailed instructions on how to do their particular job.

Your sales staff may well tend to be ,square pegs', in square holes, who need to be managed in a square peg way with clear targets of sales to achieve and lots of praise when they succeed.

So, to be effective at making change happen, you need to manage the way you go about changing things to match the needs of your staff.

If your pace of change is fast, while square peg staff may well be comfortable with this, your rush to change things can frighten your round peg staff. You and your other square peg staff may therefore need to slow the pace of change and provide more support to the round pegs if these staff are to feel secure in their ability

to handle change.

If however your speed of change is slow, then while you will be moving at a pace that your round peg staff may be more comfortable, your square peg staff may well be frustrated by the rate of change and you may need to quicken the tempo to keep them with you.

Particularly with ,round peg' staff, managing change can often be about building their confidence in their ability to change and this is helped by:

- providing support through training and information
- building trust through two-way communication, avoidance of criticisms of the past, allowing failures and demonstrating that you appreciate that success may take time.

So, to decide the best approach to helping your staff make the changes happen that you want, think about who your staff are, what will motivate them, and what speed they will most comfortable moving at.

### About the Author:



Mark Blayney is an accredited business rescue expert and author specialising in owner managed businesses. For more information about Mark Blayney and his company Turnaroundhelp Ltd. see: [www.turnaroundhelp.co.uk](http://www.turnaroundhelp.co.uk)

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A professional portrait of Marcia Xenitelis, a woman with shoulder-length brown hair, wearing a black blazer over a white collared shirt. She is smiling slightly and looking directly at the camera. She is wearing pearl earrings and a gold brooch on her lapel. The background is plain white.

„What we need to strive for are creative communication methods to engage employees in the process of change.“

Marcia Xenitelis

# Are Your Communication Strategies Really Engaging Employees?

by Marcia Xenitelis

Change Management Expert, Professional Speaker, Author and Consultant

The frequency at which the word “engagement” appears in any discussion about employee communication has begun to make me wonder whether we clearly understand what the term means. More importantly, do we understand what it means to our clients, particularly CEOs, when they talk about engagement? We have engagement tools, but can we really say that these tools actually engage employees in the process of change? Or are employees merely engaged with the tool itself?

There is only one question that you need ask yourself to find out whether your employee communication strategies are going to engage employees, rather than simply inform. That question is: Can you establish whether the tools and methods you are using to communicate with employees are changing attitudes and behavior or providing information? Employee engagement is a shared understanding of the issues that affect the business, and that understanding leads to changes in employees’ attitudes and behaviors. Unless employees truly understand the issues and make a meaningful connection between their jobs and those issues, their attitudes and behavi-

ors will not change. To achieve engagement, three things have to happen: The business issue has to mean something to the employee personally, the employee has to understand the issue (and I mean truly understand it, not just read about why it is an issue), and most important, each employee must be made to feel a part of the change process.

As communicators we have the opportunity to become creative in how we communicate and engage employees. The ultimate aim in employee communication has to be to create the “Aha!” moment. This is the moment when employees have the necessary information and can say, “Now it makes sense,” “Now I understand,” “Now I can do something about it.”

Tools are important in this process but generally they just communicate information. What we need to strive for are creative communication methods to engage employees in the process of change.

There are five steps for identifying what the “Aha” moment is and they include the following:

1. Focus group research. Ask employees about their thoughts on the organization and its competitors.
2. Identify the largest gap between what customers think and what employees think customers think.
3. What would create a paradigm shift in employee's thinking?
4. Can you measure the impact of the change in thinking?
5. How significant is it to achieving the business objectives?

So let's look at an example that would be familiar to communicators: the annual report announcement. Typically an online annual report would be made available to employees via the intranet. Some employees read it, but most tend to scroll down to the last pages to check the annual salaries of the senior executive staff and then close the document.

Let's imagine that the results in this annual report are very poor and the CEO is determined that employees understand the issues surrounding the poor results and become fully engaged to help turn the company around. Here's how one organization accomplished this.

The company held four brown bag lunch meetings over four weeks where employees could attend for free for one hour and hear from an outside professional about how to invest in the share market. Importantly, there was no obvious link between the meeting topic and the organization the employees worked for. At week three, they were analyzing annual reports and generally deciding whether they would invest in a particular company based on the information contained in the report. By the fourth week they were given another annual report and asked

the same question, "would you invest in this company?" The answer was overwhelmingly no. And of course this last company was the one they all worked for, which brought them to the "Aha!" moment. Now the organization's employees understood and were engaged and ready to become involved in turning the company around through teamwork and new initiatives.

Here are some steps you can follow to ensure that you can come up with creative ways to communicate with employees and engage them in the process of change.

To challenge beliefs that your employees have about your organization, you need to have facts. The marketing department is an excellent source of facts about the business, with research on brand image, customer satisfaction, customer and non-customer views on competitors and information about market segments. Each of these areas provide valuable information on opportunities to link employees with business issues that can be measured. For example, the organization should have facts about how customers feel about the service provided by the organization's call centre. Employees will also have an opinion about how they believe customers perceive their service. By taking the results of the customer feedback and presenting it to staff this often creates an "Aha moment" because customer feedback is typically better than what employees anticipate. Once you have shared this information, the objective is to then explore ways that employees can become engaged in further improving that customer feedback. Focus groups are another excellent way to find out what employees think about different aspects of these areas and how their beliefs can be challenged as you need to help them better understand the issues that affect



the business.

Key sources of business data are customer experience data, business results by product or service stream, competitor customer feedback, and measures of the attributes of your brand. These are sources of data that you can use as a measure of improvement as a result of your employee engagement strategy.

When selecting business outcomes as a measure for your employee communication strategy, you need to be quite certain that the

strategy you implement can actually affect the business outcomes you have decided to focus on.

Finally, when it comes to any employee engagement strategy, whether it be total transformation of a business or improvement in one aspect, you can rarely go it alone. Partnering with other areas of your organization including marketing and human resources will ensure that the optimum outcome is achieved for your organization.



### About the Author:

Marcia Xenitelis is a recognized authority on the subject of change communication and helping organizations get traction with strategy. She has consulted widely to business, spoken at conferences around the world and has developed products focused on change management. For access to case studies and more information on the types of strategies you can implement to engage employees visit [www.marciaxenitelis.com](http://www.marciaxenitelis.com) for a wealth of free informative articles and resources.

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# Turnaround Management Journal

## *Short Notes*



**12 reasons why people resist change** by Torben Rick

**Crisis Management - Expert Strategies For Turnarounds and Liquidations** by Lee Hiller

**Crisis Management and Business Continuity** by Ebi Akpeti

**BP Crisis Management: Being a good CEO doesn't make you a good spokesperson** by Jem Thomas

**Toyota Recall Crisis** by Alice

**Increase performance through employee engagement** by Torben Rick

**World Class Corporate Crisis and Communications Teams** by Tony Ridley

# 12 Reasons Why People Resist Rchange

by Torben Rick

Torben Rick is an experienced senior executive, both at a strategic and operational level, with strong track record in developing, driving and managing business improvement and development, change management and turnaround.

Expecting resistance to change and planning for it from the start of your change management programme will allow you to effectively manage objections. Understanding the most common reasons people object to change gives you the opportunity to plan your change strategy to address these factors.

It's not possible to be aware of all sources of resistance to change. Expecting that there will be resistance to change and being prepared to manage it is a proactive step. Recognizing behaviors that indicate possible resistance will raise awareness of the need to address the concerns.

At the end of the day all sources of resistance to change need to be acknowledged and people's emotions validated. It's far better to anticipate objections than to spend your time putting out fires, and knowing how to overcome resistance to change is a vital part of any change management plan.

12 typical reasons for resistance to change:

1. Misunderstanding about the need for change/when the reason for the change is unclear — If staff do not understand the need for change you can expect resistance. Especially from those who strongly believe the current way of doing things works well...and has done for twenty years!
2. Fear of the unknown — One of the most common reasons for resistance is fear of the unknown. People will only take active steps toward the unknown if they genuinely believe – and perhaps more importantly, feel – that the risks of standing still are greater than those of moving forward in a new direction
3. Lack of competence — This is a fear people will seldom admit. But sometimes, change in organizations necessitates changes in skills, and some people will feel that they won't be able to make the transition very well
4. Connected to the old way — If you ask people in an organization to do things in a new way, as rational as that new way may seem to you, you will be setting yourself up against all that hard wiring, all those emotional connections to those who taught your audience the old way – and that's not trivial
5. Low trust — When people don't believe that they, or the company, can competently manage the change there is likely to be resistance
6. Temporary fad — When people believe that the change initiative is a temporary fad

7. Not being consulted — If people are allowed to be part of the change there is less resistance. People like to know what's going on, especially if their jobs may be affected. Informed employees tend to have higher levels of job satisfaction than uninformed employees
8. Poor communication — It's self evident isn't it? When it comes to change management there's no such thing as too much communication
9. Changes to routines — When we talk about comfort zones we're really referring to routines. We love them. They make us secure. So there's bound to be resistance whenever change requires us to do things differently
10. Exhaustion/Saturation — Don't mistake compliance for acceptance. People who are overwhelmed by continuous change resign themselves to it and go along with the flow. You have them in body, but you do not have their hearts. Motivation is low
11. Change in the status quo — Resistance can also stem from perceptions of the change that people hold. For example, people who feel they'll be worse off at the end of the change are unlikely to give it their full support. Similarly, if people believe the change favours another group/department/person there may be (unspoken) anger and resentment
12. Benefits and rewards — When the benefits and rewards for making the change are not seen as adequate for the trouble involved

To win people's commitment for change, you must engage them on both a rational level and an emotional level.

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## Crisis Management - Expert Strategies For Turnarounds and Liquidations

by Lee Hiller  
owner of the SEO and branding firm Pen And Ink Inc.

In a weak economy it is not surprising to discover one of the fastest growing fields of business management is crisis management. Often a crisis situation occurs before it is fully realized by a business and an expert must be brought in to intervene. The goal of crisis manager is to identify the nature of the crisis and plan a turnaround or liquidation strategy. The crisis manager is often struggling with multiple factors including the company's public image during the analysis of company's current profitability and recovery viability.

Many businesses try to restructure their way out of the crisis deploying many of the same strategies which lead to the current failures. A crisis manager will see the company's structure with a fresh pair of eyes and can implement a plan from an impartial point of view. Turnaround or liquidation may well be related to how soon a crisis experienced outside manager is brought

in.

Recently US Automaker Chrysler was deemed "not salvageable" by both the media and the Federal Government. Detroit area turnaround specialist Jim McTevia of McTevia & Associates of Bingham Farms stated, "Ultimately you're talking about a set of circumstances that means a liquidation of Chrysler's assets, that's what everybody's been talking about but nobody's saying it." As of this writing, to our knowledge, Chrysler has not brought in a crisis manager to take over. It is said to be losing more money than it ever has.

Circuit City tried to restructure by firing its best sales people beginning in 2007. The internal decision made by Phil Schoonover former Circuit City chairman, CEO and president to transform Circuit City into Best Buy was a critical factor in the company's failure. Had a crisis manager been brought in prior to the 2007 decision perhaps they could have developed a turnaround strategy, rather than succumbing to the eventual liquidation.

There is even help for crisis management in the nonprofit sector. Dr. George Head, PhD and director emeritus of the Insurance Institute of America in Malvern, PA and special advisor to the Nonprofit Risk Management Center and co-authored the Center's book, "Enlightened Risk Taking: A Guide To Strategic Risk Management For Nonprofits".

Head says, "Economic downturns bring both threats and opportunities to which a resourceful nonprofit can and should respond constructively - both for its own protection and for the greater well-being of its clients and of the general community of which that nonprofit is a contributing part. In hard times, it is easy to find and bemoan the threats. It is more rewarding for everyone, however, to seek out and seize the opportunities. In all of these circumstances, the discipline of risk management can provide resources and tools for sustaining a nonprofit and the clients and communities it serves".

The slowing economy has created a need for crisis managers within retail apparel sector. A veteran retailing expert, Milton Waldoff of The Waldoff group says, "The world of retail is fierce, competitive and unforgiving, more so today than at any time since the Great Depression of the 1930's, surviving is not a given, nor is a successful closing." He continues, "A crisis management expert knows every situation cannot be turned around, some situations simply call for liquidation and management must have the experience, knowledge and expertise to know what works and what does not, and which situations might be turned around very successfully! Both take professional unemotional analysis and planning." Waldoff has been involved in numerous successful retail crisis management situations.

As the economy becomes less forgiving and consumers have less to spend, the marketplace will continue to contract to accommodate the loss of incoming revenue. Businesses large, small or non-profit can benefit from the services of a professional business crisis manager. Knowing when to hire a crisis manager to assess the health of your business could mean the difference between a turnaround or liquidation of your business.

# Crisis Management and Business Continuity

by Ebi Akpeti

Master in Media and Communications, Master in Finance

In the last couple of months the world has been mesmerized by the BP oil spill in the Gulf of Mexico. The accident occurred in the deepwater horizon platform owned by BP, which led to oil leaking into the Gulf for 3 months unchecked. The damage caused to the environment, the local economy and to BP will take years if not decades to recover from.

What happened? Where did BP go wrong?

This kind of tragedy is not unique to BP but it revealed a major flaw in BP's operational processes; BP failed to show that they had effective systems in place to deal with a crisis. If BP had taken a stock of what happened to Exxon on March 24, 1989 when Exxon Valdez ran aground in Alaska Prince William Sound, they would have been better equipped to deal with the issues. History is a solid prophet of the future!

From the BP experience, we can see that successful companies are not the ones without a record of disasters but those that can prove they are adequately prepared to deal with any emergency. Preparing for crisis should become top of the mind concern for organizations. Companies must stop adopting "it cannot happen to us" approach because crisis is inevitable and no one can say when it would occur. They should instead put in place a strategic plan that could adequately deal with possible/envisaged disasters. The strategy to deal with such events should be subjected to review periodically. Sounds like a luxury doesn't it? but it is not!!! A well structured crisis management plan showing the arrangement management has put in place and measures taken to solve problems when crisis hits an organization is essential for the continuity of that business.

The most challenging part of crisis management today is the social media. When something does go viral on the web, it is overwhelming and scary to see how fast it spreads. Because the crowd controls the conversation, YouTube, Facebook, Myspace and Twitter and not the conventional media have become the biggest threat to organizations. While they are excellent marketing tools and are being used by organizations to promote their goods and services, they have been discovered to be effective tools in the hands of competitors when crisis eventually erupts. Companies that are looking to exist in the long term need to pay attention to social media mentions of their brands, services and even their top management. This should be done regularly; in order to respond to any negative circumstances should it arise. It is an organization's responsibility to turn negative comments (if any) around and defend them as soon as possible. It is the silence and non-action that in most cases, result to embarrassment and possible litigation for organizations (remember the United Airlines case?). If there is no response

on Twitter or Facebook one hour after a story breaks, it shows clearly that an organisation is not adequately prepared to deal with social media crises. Unfortunately very few companies are yet to identify their communications on the social media.

In preparing a crisis management plan, the guidelines must be taken.

- Take a look at the crisis whether large or small that has affected the organization in the last ten years.
- Take into consideration what can happen to a company at any point in time. Things such as workplace violence, terrorism, kidnapping, fire, HR issues, IT failure, internal fraud, death of staff etc.
- Play the “what if” game and constitute problems that could happen.
- Assign responsibilities to staff so every body knows who is responsible for dealing with such issues.
- Test and re test the crisis management plan.
- Finally don't forget to recruit an online crisis manager!

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## **BP Crisis Management: Being a Good CEO Doesn't Make You a Good Spokesperson**

by Jem Thomas

Director of CB3 Communications, a UK based crisis management and strategic communication consultancy

There is no doubt that the sheer severity of the Gulf catastrophe has had a monumental effect on the reputation of BP, justly or not, and the financial cost will be staggering. But with perception being reality, how much has the ‘perception’ of BP's response contributed to the financial accounts?

BP's engineers, along with countless others from several agencies, have worked tirelessly to stem the oil flow, yet still they are seen as the culprits, while the US government and its loose legislative approach to oil drilling in the area, Haliburton, responsible for the mechanical upkeep of systems that failed, and Transocean, the drilling company hired by BP, largely avoid the ire of the public. BP's response has been massive, practically and financially, yet their efforts are all painted against the blame which is thrown at them.

The fact that public anger is concentrated on BP, and not others, may have something to do with the media response they put forward. In terms of crisis communications they have acted quickly and succinctly, as can be seen from their online work. But their words, coming

from their spokesperson of choice, CEO Tony Hayward, have acted as a magnet for anger and distrust, not sympathy and understanding. And the question, albeit unquantifiable, must be raised: how much has the performance of Hayward in the media contributed to the financial hammer blow? 1%, 5%, 10% (even at 1% we're taking lots of zeros).

It is ironic that Tony Hayward, a very capable CEO, has always been known for his aggressive approach to maintaining and raising safety standards. His experience in the field of oil exploration and the industry as a whole is (or should be) beyond reproach. But all that counts for little when dealing with a vengeful media, encouraged by a public baying for blood, feeding a crisis maelstrom.

Hayward - Good CEO, bad spokesperson?

The cleverest, most capable, experienced, sensible, respected, even honest, CEO is never necessarily capable of dealing with a media storm. Such circumstances tend to be way outside their comfort zone, in an environment normally way out of their control. The angel of the boardroom may be adept at managing people, resources, time, finances and the market, but without considerable forethought, experience, and training in dealing with the media these management attributes will count for little, and may cost a lot.

Hayward has been castigated for his performance in the media - from wanting his life back, when 11 were killed in the initial tragedy, to claiming that the ocean is very big, when to locals that's not quite the point. There are many other examples, in which Hayward has added (excuse the pun) fuel to the fire.

Having looked into Hayward's background and career, there is little doubt over the honourable intentions of BP's Chief, but if CEOs, senior managers, subject matter experts and spokespeople are ever going to face the media under such an onslaught, preparation, practice, mentoring and extensive training are utterly vital. Working your message (assuming you know what it is), reconnecting during interview, handing tangential issues, subtle bridging, persuasive techniques, linguistic dexterity - these are all cerebral actions which must be almost second-nature during the sparring of a harsh media interview, manifesting itself in a rapid mental obstacle course. Speaking confidently at the annual AGM, providing lively and humourous dinner party chat amongst other titans of industry, eloquently arguing your case in the boardroom - all good and well, but such attributes, whilst handy, will not enable the dynamics, strategy and tactics required of a crisis media interview (or any media interview, come to that). It is a different ball game, in a different ball park, in a different country.

In defending one's reputation during a crisis, being seen to do the right thing is crucial but as Hayward has shown, words spoken in the media during a crisis can be very, very expensive, immediately and for a long time afterwards.



# Toyota Recall Crisis

the author chose to publish this article under the synonym ,Alice'  
the other writes regular research papers for the UK company ukresearchpers.com

Toyota is a motor vehicle manufacturing company with its headquarters in Japan. It is generally abbreviated as TMC and is a multinational corporation which has employed more than 71,116 employees in the whole world. This is the largest automobile manufacturer as it has the largest number of sales in the whole world. TMC was established in 1937 by Kiichiro Toyoda. It was founded as a spinoff from his father's company. Importantly, Toyota Company is the latest automobile company to face financial crisis. In the year 2009, this company reported an annual net loss of approximately US\$4.2 billion. In the same year, the Toyota Company was reported to have recalled more than eight million cars and trucks in the whole world (Aidoo 76).

The Toyota Company recall crisis started with a single, horrendous car hurtles in California. After this, other two separate recalls were reported that covered 7.5 million cars. These instances made this company to be forced to announce its suspension of the sale of eight of the company's best selling vehicle. This move cost the Toyota Company and its dealers a minimum of approximately \$54 million loss of sales income on daily basis. Importantly, the recall crisis of the Toyota Company was a very big threat to the world's car industry. As it has been revealed, the first recall covered about 4.2 million Toyota and Lexus models. Reports have indicated that, the Toyota cars were reported to loose control after having malfunctioning brakes. This instance in South California led to the unfolding of these crises where a car lost control and killed four people instantly. The Toyota production management was to blame as the car owners had to replace their floor mats of their Lexus cars which were thought to interfere with the gas peddles. On September 29, 2009 the Toyota Company announced that it was recalling the floor mats on the already produced 4.2 million Toyota and Lexus vehicles. This was received by the vehicle owners as a production management failure of this company and hence its sales reduced drastically. After this, Toyota Company would have managed this crisis through the public relations in order to prevent their bad reputation from being spread all over the world. In doing this a lot of methods needed to be used those were aimed in restructuring the company's reputation. Vividly, it was the failure of the production management to foresee that the floor mats would interfere with the gas pedals and hence resulting to accidents (Regester & Larkin 132).

## Crisis Management through Public Relations

Public relation has become very popular for its assistance in managing crisis. Managing crisis through public relation involves identifying the crisis and the extent to which it affects the victims. The analysis of the impacts should be followed by implementations of action plan

of communicating the views of the organization and hence influence customers' perceptions towards the company. As indicated by the experts, the Toyota Company failed in its public relations in trying to manage the crisis of recall. In this case, a lot of advices were given to this company from many other competitors and those companies that produced other products. Additionally, the case of Toyota Company was used by many companies to learn not to fall in the same trap. Public relation is a very essential management issue that should be addressed in many companies. This is because the way a company represents itself to the general public in order to win the trust of the people. For the case of the Toyota Company, customer trusted its products' quality because of the way the company had been producing quality vehicles from the time it was founded (Aidoo 76).

### Where Toyota Failed

The way Toyota Company used the aspect of public relations to deal with the recall crisis was wanting. As could be observed on televisions, the tone and message used to address dealers and customers was not up to the standards of what is required in the media. In this case, the Toyota Company was blamed for not being aggressive in the usage of public relation strategy in winning people's trust. From the tone it was possible to indicate that this company was trying to restore the customers' confidence on their vehicles but the strategy used was not the appropriate one. Despite the fact that, the company admitted that it made a mistake in quality control, the strategy used in passing this message across was not convincing. From the history of customers' views on trusting malfunctioning companies, Toyota Company customers were still willing to forgive the production managers for the mistake committed and give it a second chance but were not wholly convinced (Liker 68).

When the recall crisis unfolded, the reports about how this company produced fake products were very much spread all over the world through the use of internet. Toyota Company would have frankly announced what was the cause of the problem and the efforts made by the company to fix it. Importantly, one of the major qualities of public relations is to take the full responsibility and being empathetic to the families and customers who were affected by the problem. The Toyota Company lacked this as the people were expecting even the president and the CEO of Toyota company to explain the problem and how they were intending solve and control it in future. As could be seen from the media, the apologies given by Akio Toyoda were not enough to convince the public to remain loyal to the company's products. According the media, there were no tears that were shed by Akio to indicate that he was empathetic to those people who died. This is one of the things that made the Toyota Company to be unable to utilize the aspect of public relations to win the customers' trust (Register & Larkin 132).

The actions taken by the Toyota Company to solve the crisis were very late as it was after the company was advised to actively and competently utilize public relations. The crisis of Toyota Company was declared as the worst handled in the history of management crisis. This is because the strategy used in addressing the public was not convincing. It would be advisable if the management of the Toyota Company to consult from the experts before addressing the

public on televisions. Additionally, the use of internet through social interaction channels like Facebook and MySpace would have worked better for the Toyota Company. Basically, it would be easy to convince and beg for forgiveness from customers while using the facebook and myspace (Liker 68).

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# Increase Performance Through Employee Engagement

by Torben Rick

Torben Rick is an experienced senior executive, both at a strategic and operational level, with strong track record in developing, driving and managing business improvement and development, change management and turnaround.

“An old gent who was sweeping a hangar the size of a football field was asked what his job was and replied “I help put men into space”.

With the current economic condition, many organizations have been forced to cut costs and reduce staffing levels. These kinds of business decisions can affect the remaining employee’s ability to stay positive and not focus on the negative.

So what is the purpose of employee engagement? When employees are engaged they are emotionally attached to the vision of the organization. They believe in what they do, the organization’s vision and the direction the organization is going. Employees who are engaged put their heart and soul into their job and have the energy and excitement to give more than is required of the job. Engaged employees are committed and loyal to the organization.

But it is apparently still a topic that employers and employees alike think they understand, yet can’t articulate very easily:

Here are some tips on how to foster employee engagement:

- Have a well defined mission, vision and strategy that all employees buy into. Organizational leadership is responsible for communicating the vision and keeping it in front of the employees. Employees should be able to recite these statement and why the organization does what it does
- Good communication within the organization can be one of the most important things an organization can do to foster employee engagement. Employees have an interest in what

is going on within the organization. They desire to know how the organization is doing financially, how corporate objectives are being accomplished and how what they do contributes to achieving corporate objectives

- Create a strong team environment. Strong employee engagement is dependent on how well employees get along, interact with each other and participate in a team environment
- Create a culture of trust. Employees need to trust each other as well as their leadership. Employees are constantly watching leadership to see how their decisions affect the strategic direction of the organization and if their behaviors reflect what they say
- Employees need to feel validated and that they are a valued part of the organization. Leadership needs to show how much they care for their employees and show recognition for efforts: “If you want something to grow, pour champagne on it“
- Employees need to feel like they are part of the process, that their thoughts and ideas matter and that they have a voice in how their work is performed
- Employees need to know what is expected of them and need to be given the training, tools and resources to accomplish their goals. They need to be held accountable for achieving their goals.

Top-performing organizations understand that employee engagement is a force that drives performance outcomes. But successful measurement systems – systems that energize and actually do what they’re supposed to do, which is boost performance – is often hard to find. Do a little performance measurement of your own: Assess it against this checklist.

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## World Class Corporate Crisis and Communications Teams

by Tony Ridley

Tony Ridley is a leading international business expert with specialties in online marketing and business intelligence tools. He helps fortune 500 companies all the way down to small enterprises to become more profitable, efficient and safer.

To understand the best-in-class for corporate crisis management and decision-making we need to consider a number of things. Given that the timeliness of response is often predicated on how little time is wasted on logistical or bureaucratic processes before getting to a point of action, therefore companies with existing policy and procedure that is both rehearsed and updated, put themselves in the top 10 to 20% immediately. This element is certainly not a significant contributor to their success our outcome. Second, the quality of information on which decision-makers and leaders are basing their actions upon. This information alone does not comes from traditional sources such as television and paper it increasingly is inclusive of social media. The voices of many, albeit nonofficial, can have a significant impact on

the outcome of the overall damage/survivability of an incident faced by a company.

The best-in-class companies not only acknowledge social media but have means of tapping into influencing and monitoring all social media channels as required, not just in times of crisis but on a routine basis. Lastly and most significantly it's the character of the individuals that fill the functions within a crisis or communications plan. It's this area will look in more depth to determine the requirements attributes and success factors as crisis management is seldom the catalyst for success or failure but that of crisis leadership.

In Malcolm Gladwell's groundbreaking book *The Tipping Point* he mentions three significant class of character that are an important influence on social trends and epidemics. These three main character traits are also vital if not pivotal in the success of corporate communications and crisis response. Companies that lack or fail to identify and leverage from these key character and personality traits fall far behind the best of class and most innovative companies. These character traits and abilities are not governed by job title position or function they are skills possessed within a person and therefore should be leveraged in accordance with the skills to the desired outcome rather than relying on a predefined job title or function within the company. These three character traits are 1. Connectors. 2. Mavens and 3. Persuaders. In very rare instances one or more of these skill sets may be founded in a single person but any one person shouldn't be relied upon in adding depth to any team, which is always sound practice.

What makes someone a connector? The first—and most obvious—criteria is that connectors know a lot of people. They are kinds of people who know everyone.

No great team has all the solutions nor knows all of the information, however is vitally important that the team have access to an individual or group of individuals that can connect to all the known and possible resources in a short-as-possible time period. Connectors as such are fantastic networkers with not only huge personal networks but also plug into other complementary networkers or fellow connectors that maybe industry, technical, media or stakeholder orientated. They can aide immensely in benchmarking or calibrating the sentiment of particular decisions/actions or even the most appropriate channel to make sure that their message is heard clear and concisely with the required outcome.

Every company should have at least one connector in a crisis or communications team or one that can be called upon quickly and effectively. It should be painfully evident this is not the type of skill or network that is built up overnight and therefore can't be expected to be turned on by the flick of a switch; it may take years if not decades to develop and refine. Second of the three kinds of people who control the work of mouth epidemics are a Maven. The word Maven comes from Yiddish, and it means one who accumulates knowledge.

Mavens are active if not and borderline fanatics in their collection of information relative to a specific discipline or social scenario. Once again it's essential that corporate decision-makers and crisis management teams include such knowledge collectors. Some companies

may have them within their own organic structure or call upon them as part of their service providers or trusted advisors, in some instances even board members. Mavens may manifest in many shapes, forms, gender and age but they are very quickly identifiable by their sheer depth of knowledge and cross-referencing ability to join problems with solutions. A single conversation with an effective Maven may save corporate decision-makers hours if not weeks of procrastination and circular discussions.

Mavens are teachers, Connectors are conduits but neither may be Persuaders and the reality is that some people are actually going to have to be persuaded to do something, this is the role of the persuader. A Persuader is not a snake-oil salesman, although many very effective salesmen and communicators are Persuaders. Persuaders are able to influence through their tone of voice, their physical appearance, their social observations, their empathy towards listeners or just in the way and manner they use all of the skills to communicate their particular message. Many famous politicians, while drawing criticism for their lack of knowledge and other skills, have been exceptional persuaders. Not advocating the requirement for “empty vessels” but persuaders have a rare and unique talent to be able to communicate and influence people to do something, that something being consistent with your objectives. It is a very dangerous process to use any of the identified skills and characteristics in the roles in which they’re not suited, in particular the use of a persuader in a lesser role or not that of an influencer.

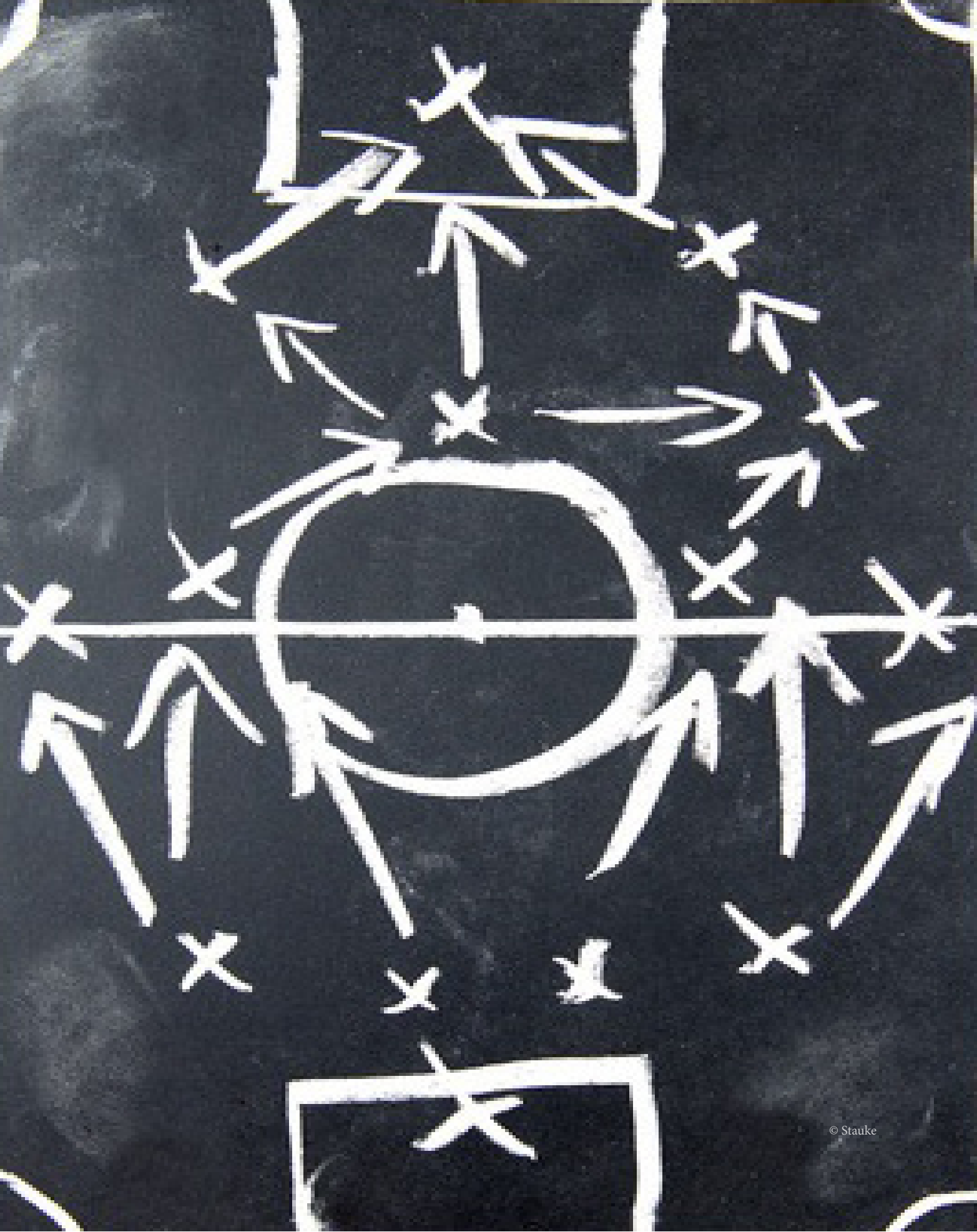
Many can now probably identify these key character traits and how successful they have been in routine and critical environments. However, it should be of major concern if you can not identify these traits within your own corporate crisis and communications team. Additionally if you have a total absence of any-and-all of the skill sets within your corporate crisis and communications team. You may survive the day to day routine rigors of business but survivability rate when exposed to critical incidences without these key elements is very poor. Even worse are those that assume that job titles within the company or even gender have imparted these skills upon each and every one of their senior executives is a gross oversight. The question remains can you identify these assets or can you contact them on your worst day? Your survival may very well depend on it one day.

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# Strategies Behind Crisis Management

by Dr. Stephanie A Parson  
president of Crowned Grace International

**Humpty Dumpty sat on a wall  
Humpty Dumpty had a great fall  
All the king's horses and All the king's men  
Couldn't put Humpty Dumpty together again**

This past week I attended a conference of business leaders desiring to take their business to the next level. On the second day, I met a leader who lives in Pensacola, Florida and we began to discuss the oil spill and its impact to the local area. As the leader shared personal photos taken of the beached oil, like many of you, we began to discuss strategies for cleaning up the oil and most importantly its long-term impact on the Gulf Coast, the seafood industry, the tourist industry, the wildlife and possible long-term impact of such a disaster.

And yes we did discuss the politics of the matter – in that this should not have a “we versus them” political spin because it is a “WE” issue. WE are all impacted (or will be impacted) by this disaster ... and perhaps for generations to come. After our discussion, I began to wonder how many businesses go into any type of depth in building a disaster recovery/crisis management strategy on an organizational level as well as on a project-by-project level?

You're probably wondering what disaster recovery/ crisis management has to do with Humpty Dumpty. Think about Humpty Dumpty being that great project ... that great idea ... that great solution which will pro-

pel your organization so far ahead of others in your industry that they will need to spend years just trying to recover from your advancement. Or the idea which has such a global impact that everything will be better because of the implementation of that idea! Or that new product/service which will increase your stock value by 200%.

This is Humpty Dumpty sitting on the wall – setting the standard for extraordinary greatness! Then something happens within or beyond your control which causes Humpty Dumpty to fall and this fall impacts others on a grand scale.

The question becomes – did you pull together the best of the best (All the king's horses and all the king's men) to discuss Humpty Dumpty's fall before he fell (strategic) or as a consequence of his falling (tactical)? Very few business leaders conduct an in-depth program on crisis management/ disaster recovery/risk management associated with the various projects/products/services they desire to introduce into the market. Of course there are many reasons for such actions; however, present history tells us that failing to have a disaster recovery/crisis management plan in place can have negative long-term effects on your business as well as the global economy

for generations to come.

Leaders must plan for crises, that is, any dangerous events threatening injuries, deaths and financial trouble which could deeply damage or even close your company. However, if you can muster specific abilities, you can better equip your organization to overcome a crisis.

Recent crises and disasters included events that many once thought impossible. These calamities included terrorist attacks, natural disasters large enough to take out a major city and/or industry, cyber-attacks and corporate fraud. Today's organizations must adopt a mindset of being ready when – not if – a crisis strikes. Crises occur more frequently now; they have become part of doing business. No industry or organization is safe, but you can spare your organization the most serious consequences by drastically changing how it plans and handles crisis management.

Comprehensive risk management goes through stages which require advance planning and proactive investments. First, prevent and mitigate a disaster's damage before any risk occurs. Then prepare a robust response. Third, build recovery infrastructure. Fourth, offer an adequate response by addressing the damages sustained during the event – remember to take responsibility for your organization's part in the crisis. The fifth stage, proper recovery, requires rebuilding infrastructures to provide for the general welfare. The final stage, lessons learned/adjusting other strategies, based on what occurred, what does your organization need to do to prevent this from happening again?

Below you will find Before the Fall Strategies and After the Fall Strategies your organizations can implement to ensure you are able to put Humpty Dumpty back together again.

## Strategies for Disaster Recovery/Crisis Management before the Fall

1. Risk forecasting – The field requires more precise prediction techniques
2. Communicating risk information – Most people assume that low-probability disasters will not affect them. Enlarging the time horizon for disasters helps your employees better assess how they could be harmed. To help the owners of a production facility with a 25-year life span understand their flood risk, show them data indicating that the chance of a “one-in-100-year flood” happening during that 25 years is greater than “one-in-five”. Presenting the possibility as a “one-in-100 chance” in a single year is not as compelling.
3. Economic incentives – Cash can motivate people to protect themselves from disaster, for example, cutting the insurance premiums of Mississippians who buy flood protection.
4. Private-public partnerships – Disasters affect public and private organizations, so they should unite in advance to create mutual emergency strategies and defense plans.
5. Resiliency and sustainability – Organizations must determine if they will be able to continue to function after a sudden disaster. This question also pertains to nations, notably developing countries burdened with “low-quality structures, poor land use, inadequate emergency response,” and so on.

Mitroff (2005) recommends that business leader's go through the following Spinning the Wheel of Crisis exercise with their leadership/project teams before releasing a new product or service: The physical prop for this

exercise is a large wheel which spins until it hits a flexible needle, which slows and then stops the wheel's motion. Once it stops, discuss the possible crisis which could occur and what actions need to be in place to prevent such a crisis and/or what actions should be taken after such a crisis occurs. This tool should be part of every project manager's toolkit for success. Each segment of the wheel lists a major area in which crises occur:

1. Economic – This crisis affects the economy
  2. Informational – Information gets lost, by break-in or computer error (for example, Y2K, the millennium bug)
  3. Physical – A crisis affects your buildings, equipment or products
  4. Human resources – Labor issues, fraud or criminal acts generate a crisis
  5. Reputational – Rumors and defamation hurt your organization
  6. Psychopathic acts – Violence, product tampering or criminal behavior strike
  7. Natural disasters – Hurricanes, fires, floods or mudslides breed crises
1. Appreciate the importance of estimating crises – While such calculations are filled with uncertainties, organizations need good information to deal with risk.
  2. Recognize the interdependencies associated with the crisis – Every risk is connected to outside circumstances. Such linked dependencies create dynamic and evolving uncertainties which can mutate depending on events. Keep your risk forecasts up-to-date.
  3. Understand people's behavioral biases when developing crisis management strategies – People must acknowledge their prejudices to make mitigating them possible. For instance, leaders may put off dealing with possible catastrophes due to a stubborn form of denial called not in my term of office (NIMTOF).
  4. Recognize the long-term impact of the crisis/disaster – A catastrophe can create enduring change.
  5. Recognize transboundary risks by developing global strategies – In disasters, national boundaries are moot. The 2004 tsunami killed people in 11 countries.
  6. Overcome inequalities in the distribution and effects of catastrophes – Be ready to assist others in need.
  7. Build leadership for averting and responding to disasters before it is needed – Planning and preparing for disasters is far better than waiting until emergencies strike.

To ensure your organization covers all of its bases, combine elements (for example combine items #4 and #7); what plans need to be in place to ensure a quick and maximum recovery)?

### Strategies for Disaster Recovery/Crisis Management After the Fall

Risk-related decision making involves weighing probabilities and benefits versus losses, creating an accurate statistical analysis and considering alternative actions. Follow these principles for perceiving, assessing and managing the risk of extreme events:

1. When disaster strikes, you cannot possibly over-communicate with victims
2. Be in 24/7 contact with shareholders, em-

- employees, customers, contractors and vendors
3. Get your off-site IT recovery operations and EOC up and running as soon as possible
  4. Make sure the staff receives full salaries and benefits. Give the incident commander authority to pay for “equipment, hotel rooms and consulting services” as needed
  5. Document everything, including damages. Plug in your insurance carrier ASAP
  6. One and only one spokesperson communicates. Employees should refer all questions to that spokesperson. Avoid policy infractions. Control rumors
  7. Designate psychological counselors and make them available for anyone affected
  8. Update stakeholders three times daily concerning all activities and progress
  9. Stay on top of all suppliers. Make sure they aid in the recovery in a timely manner
  10. Make sure the disaster is over before you declare it done. Consider “scenario testing” to ensure that things are again as they should be. Plan a “multi-tiered return to normalcy
  11. Assess event fallout. Establish accountability. Reward anyone who deserves it

Now, what about “putting all the pieces together again” – we are living in a time where there is more information available to us in one day than our predecessors had to wait for years to receive. When your organization has trouble identifying solutions to a crisis, do not hesitate to put the best brains together (inside and outside of your company and industry) to come up with the solution.

As an organization, your responsibilities include putting as many Humpty Dumpty’s together through creativity and innovation.

And at the same time be proactive in your planning and have a through crisis management/risk management / disaster recovery strategy in place just in case he does fall – being proactive in your planning allows you and your organization to survive through unplanned catastrophes/crises. Wisdom would say that your best creative and innovative ideas will come out of how you handle the crisis and what you learned through resolving the issue which caused the crisis/disaster.

When speaking to the business leader last week, I shared that my solution for the oil spillage crisis would be to take the best minds from all the oil companies, colleges and universities, government and even the general public – put them in a room – and have them develop a solution to this crisis as well as develop a standard operating procedure for ensuring that a crisis like this does not happen again. This is how, together, we can put “all the pieces together again” and making Humpty Dumpty stronger and better than he was before

#### About the Author:



Business Strategist, Trainer, Author & Speaker, Dr. Stephanie Parson is the president of Crowned Grace International. She and her team deliver over 35 Leadership: From Ordinary to Extraordinary™ (L:FO2E) workshops around the world. Workshops focused around their leadership methodology: Lead Self, Lead Teams & Lead Organizations. Over 2000

global leaders have attended one or more of Crowned Grace’s L:FO2E programs. Dr. Parson has also held executive level roles at Walt Disney World (Vice President), Parsons Brinckerhoff (Vice President & CIO), The Seagram Company (Director) and as a commissioned officer in the US Air Force. For more information, contact Dr. Stephanie and her team at [info@crownedgrace.com](mailto:info@crownedgrace.com).

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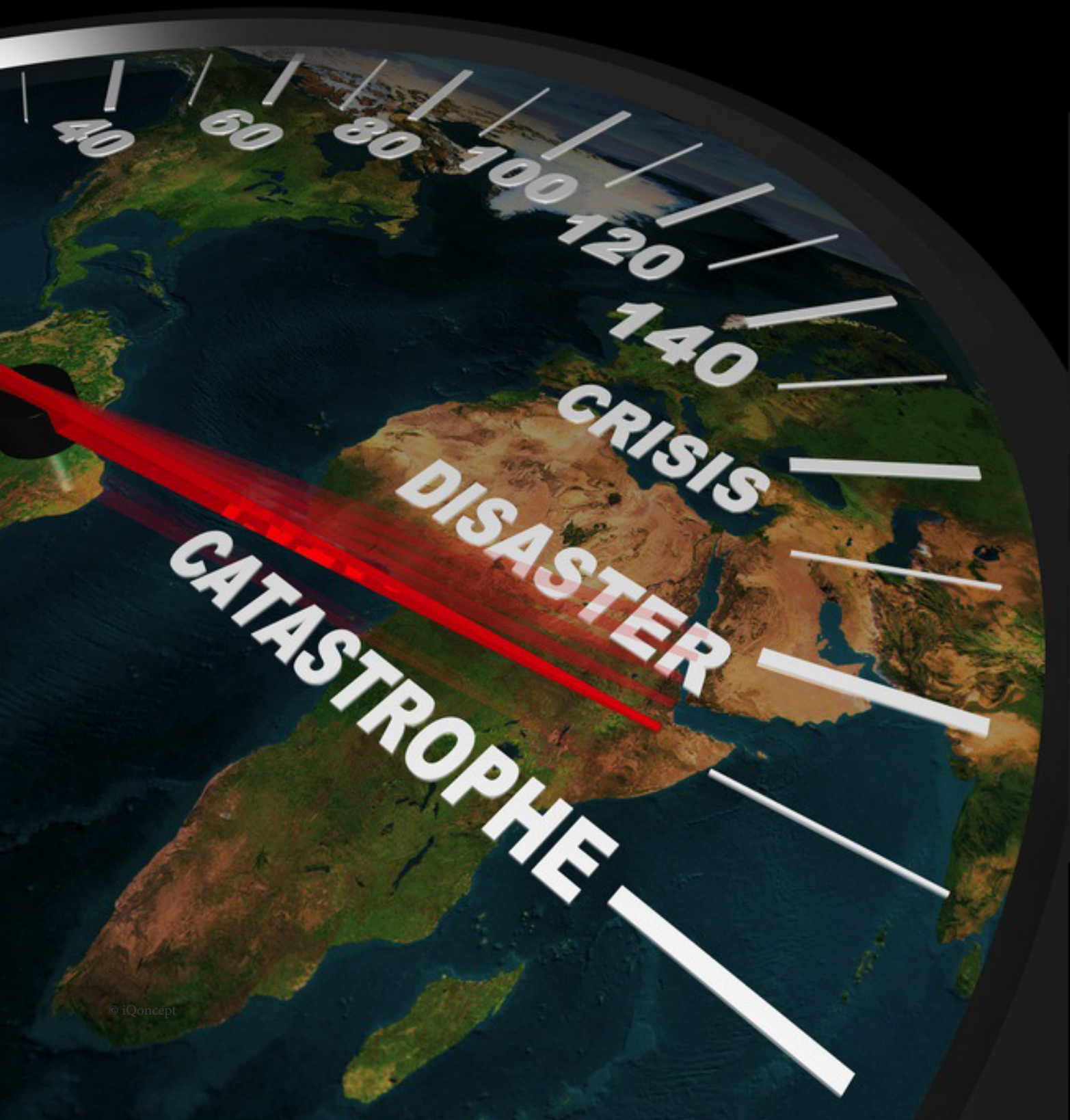


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**CRISIS**  
**DISASTER**  
**CATASTROPHE**

# Crisis Management - Or Managing the Crisis?

by Clive Simpkins

speaker, consultant, author as well as marketing and communications strategist

There's a world of difference between having a strategically crafted crisis management plan in place and simply having to manage a crisis, "from the back foot." The world was served a painful reminder on the subject, by the inept and vintage cold-war era handling by Russian President Vladimir Putin, of the Kursk submarine disaster.

Blunder number one was the (then) strangely paunchy Putin not cancelling his holiday to, guideline number one: Be there. The most senior possible person must always be dusted off and wheeled out. The level of seniority demonstrates the seriousness with which the issue is viewed.

The Russians are still locked into a quasi cold war mentality. In which anything to do with the military is shrouded in a fog of disinformation. That might have worked OK in USSR days, but in the days of the media-enabled global village, there's no place for inept "spokespeople" adding to confusion and grief.

Guideline number two is: Tell the truth. There is no possibility of having to argue later, like so many politicians, that you were "misquoted" or that your comments were "taken out of context." Telling the truth, up front, is the simplest and most effective way of defusing public hostility, however vexatious the issue. Many corporates fall into the trap of, "we can

fix this ourselves." Sometimes you can't. When it's something requiring outside or specialised help, it's better to bring in early, an excess of help, rather than too little, or none. Your public, whoever they may be, will always be impressed by your "all hands on deck" approach.

Guideline number three is: Tell them what you're doing to fix it. Bring the families or close ones of victims, or those affected, to the heart of the operations control area if possible and safe. Accommodate and feed them. Provide them with communications to family and friends. Above all else, keep them fully briefed. Think of then-Mayor of New York, Rudi Giuliani, and his tireless communication with the media and those affected by September 11th 2001. Corporate heads around the world can learn from his example. Provide counselling, support and any other facilities that might be needed to help the affected to cope. Airlines now have this down to a formula.

So, guideline number four: Handle those affected, with utmost sensitivity. Expect and treat their emotive outbursts with empathy. They're "normal", given the circumstances. A South African case in point is the insensitive media statement made by the Everite (they of asbestos products notoriety) "Reputation Management" spokesperson, via the media, to the bereaved, in defence of his client. He

said something to the effect that “the circumstances surrounding the death are most unfortunate, but future statements will be made only within the strict confines of the law.” That truly is, as the Zulu aphorism says, “speaking out of both sides of the mouth.”

Company responses such as this and those from Cape PLC - also involved in slow-and-painful-death, asbestosis claims-related issues, don't win themselves any friends with such undiplomatic, cavalier, hide-behind-the-legal-veil pronouncements. Remember that potential investors today look to your triple bottom line of fiscal, social and environmental performance and sensitivity. Companies exhibiting scant regard for their past ill-doings, deserve to go bust.

If ever there is a need for unambiguous, simple, clear communication, this is it. Set up a communications task force and ensure that they're all at the same stage of familiarity on the situation, at all times.

Guideline five is: Sing off the same, simple, song sheet. There's nothing more awful than conflicting views or “updates” on the situation. This can do image and share price damage and anger the public - as did the Russians, or years previously, those mismanaging the Exxon Valdez oil spill disaster in Alaska. It will look as if you don't know what's going on and haven't got a handle on the situation. Which clearly will be the case.

Guideline six is: Come up real quick with A plan showing how you propose to avoid a repeat in the future. Think of the French authorities and the Concorde crash. They swung speedily into action - for which air crash investigations are not renowned - and along with British Airways, grounded all Concordes

until designers came up with a fuel tank protection solution.

Guideline seven says: Don't be tempted to lie or “cover” for the boss or the corporation. South African National Minister of Health, Dr Manto Tshabalala-Msimang, has made a right royal dolt of herself, by refusing to make HIV/AIDS-related statements at odds with those of President Thabo Mbeki. This guideline is not in conflict with the “sing off the same song sheet” dictum. It's a warning to remember that your responsibility does not include “covering” for someone else's maverick stance. When they're discredited, so will you be. This may pose a moral and career dilemma for you. Look long-term before you act.

Guideline eight is: Go the added mile. Deliver the unexpected, go beyond the requirements of the situation. Set up a trust. Establish a bursary fund. Create an institution. Shell, Sappi, Sasol and numerous other environmental sinners have very cleverly implemented wild life, ornithological or other environmental awareness programs. You may have noticed the inordinately frequent lighting of Shell “environmental friendliness” commercials during Discovery Channel's damp-squib Egyptian, “drill through the pyramid wall” broadcast. These “show that they care” about the environment, right? Well, that stuff works on unthinking people, even if it does mean sailing a tad close to the wind at times. Thank God for Greenpeace though, to keep the record straight.

Guideline nine: When it's good, localise or take credit for it. When it's bad, globalise it and “share the problem.” Example: You've had (as did Shoprite Checkers, following the acquisition of OK Bazaars) a dreadful year, because OK Bazaars “shrinkage” had dented



their bottom line. Globalise by stating quite truthfully that no retail chain in the world is impervious to staff theft. Tell 'em that the people in the newly acquired company were disaffected and demotivated and hence, destructive. Then localise, and say what you've done to reassure and remotivate the staff, and improve the security aspect. So you're sharing the bad and claiming the good. You should not attempt to do this dishonestly, or hide the real story. It's simply being candid - but intelligently so. Tony Blair did this well, when discussing the intoxicated and very public behaviour of his errant son, Euan.

Guideline ten is: The media is your umbilical cord to your public. You need to be available to the women and men of the media day and night. You should set up a media crisis centre. Appropriately catered with food, plenty of caffeine and non-alcoholic beverages. The American mine management and their State Governor did well with the coal-mine cave-in in Pennsylvania. TV viewers valued seeing the pale, drawn, exhausted, bags-under-the-eyes Governor, investing some "sweat equity." As they did, you should have someone senior and diplomatic from your corporate affairs team, on duty at all times. Don't be smart with the media. Don't try to feed them "spin." Don't think you can manipulate them. Don't put them down, or belittle their perspectives. The better you keep them in the loop, the less vitriolic they're likely to be. You need them at this time more than any other. How you treat them will be reciprocated. If you don't already have a media relations program underway, you'd better start one. You don't know when you're going to need it. Don't use a crisis as your getting-to-know-the-media opportunity.

The bottom line? What I call the "three A's." Acknowledge or admit to the situation. Specify what Action you're taking right now to contain or repair the damage. Tell them what you're going to do to Avoid a repeat in the future. If you don't, you might well be blowing the accumulated benefits of your combined marketing, advertising, and communications budgets and efforts, in one fell swoop. You don't have to.

### About the Author:




Clive Simpkins is a South African marketing and communications strategist. He helps people and organisations communicate better. Whether

interpersonally, to groups, inside or outside of their organisation, for the press, radio, TV or social media.

A former retail, marketing and advertising executive with the JWT and Ogilvy advertising groups in South Africa and in New York City, he's been running his own consultancy in SA since 1986.

His African continent clients include four Heads of State. He was pro bono parliamentary speechwriter for the late ANC first lady, Mrs Adelaide Tambo.



“Crisis occurs when an organization’s values, beliefs, culture, or behaviors become misaligned with its operating environment...”

“...crisis provides us the ultimate signal that we have ignored, avoided, or failed to recognize the most pressing issues of our changing environment...”

“...unfortunately, most institutions resist change and prefer the safety and security of the status quo.”

# Never Waste a Crisis - A Real Leadership Opportunity

by Henrik von Scheel

Chairman of Capital Investment Partners, Advisory Board Member at EMEA, Managing Partner & Senior Vice President for Venture Capital at the 3i Group plc

The cornerstone of understanding how crisis effects organizations is to view the crisis as a continuum, without beginning or end, using a typical Life cycle approach adapted to crisis, a Crisis Life cycle would have three phases (preparation, emergency, and adaptive) and distinct zones (comfort, learning, and danger) of the crisis model.

To seize the opportunity that a crisis provides Leaders need to refined set of “Leader’s Strategies” that can be implemented to not only stabilize an organization. The leadership strategies include: Lead from the Front, Focus on the Core Purpose, Build the Team, Conduct Continuous Planning, Mitigate the Threat, Tell the Story, and Profit from the Crisis.

## Understanding the life cycle of a Crisis

As we see all around us is crisis a universal reality, nothing that just came up with the economic crisis we are going through. Simply put, it is an indelible part of the human condition. Its forces are like tectonic plates. One plate represents an organization’s values, beliefs, culture, and behaviours; while the other reflects its changing environment. In the beginning, as the plates imperceptibly diverge, small tremors or vibrations begin to signal

the organization of an emerging problem. But when the plates eventually reach an intolerable stress level, they readjust, sending out a cataclysmic eruption, called crisis.

When I attended a coaching course last year, the coach Mark Von Rosing described how crisis begins. He stated crisis begins when “existing organizations have ceased to adequately meet the problems posed by an environment that they in part have created ... the sense of malfunction that can lead to crisis...” Our failure to heed the initial signals or tremors and recognize that our relationship with the environment has changed is what causes crisis. Yet just as conflict is necessary for growth and development, crisis provides us the urgency, attention, and opportunity to adapt our organization when there was no previous mandate. I agree and believe that many organizations refuse to acknowledge a problem until it is a full-fledged crisis. Sadly to many legislative bodies will not react to a problem until it turns into a recognized crisis. To many organizations and people wrongly believe that crisis is a random, cataclysmic event that can strike without warning. However as mentioned before, crisis occurs when an organization’s values, beliefs, culture, or behaviors become misaligned with its oper-

ating environment. Until they are realigned, crisis will continue ... indefinitely.

Crisis can be broken down in a generic crisis life cycle model. This model is representative of a single event. However, it needs to be understood that crisis organizations face a continual barrage of overlapping conflicts or minor-crises. Similarly, most crises can't be defined by one event and the underlying challenge may resurface multiple times, overlapping its beginning and ending phases. But, for purposes of clarification, our discussion will focus on that single, cataclysmic crisis event, one that threatens the organization's very existence.

### Crisis Life-Cycle Model

A crisis life-cycle model could be divided into three phases: preparation, emergency, and adaptive. Prior to any crisis, an organization is in the preparation phase. During this time, leaders should be cognizant of tremors or signals of misplaced values and behaviours. Complacent organizations are ripe for crisis. Unexpectedly, almost every crisis is preceded by signals and tremors. Leaders who are listening or are in tune with them may avert or mitigate crises.

The transition point from the preparation phase into the emergency phase begins with an eruption followed by institutional awareness of the crisis. Stress and disequilibrium become intolerable and the organization's very survival may be at stake. The transition point from the emergency to adaptive phase is often hard to recognize and occurs when the immediate danger is contained. Unfortunately, leaders and followers often don't want to face these hard challenges, especially after

overcoming the immediate crisis. They ignore the urgency, attention, and opportunity gained. Staying in the learning zone after crisis is the most difficult, least understood and largest delineator of leaders who successfully navigate crisis.

Another illustration of the crisis lifecycle is a typical human response to heart disease. Imagine a young man (representing an organization) who is told by a doctor (the leader) that he has a family history of heart disease and should alter his present lifestyle. Since he was a child, he was aware that smoking, excessive alcohol, fatty foods, lack of exercise and being overweight could lead to an early heart attack; but chooses to ignore this information. As he aged, he could feel warning signs or signals of clogged arteries. He was tired, lethargic, and even had tremors in the form of light chest pain. He might treat these problems with technical solutions like fad weight loss programs, blood pressure medication, or even surgery.

The technical solutions deal with the immediate problem, but fail to address the long term adaptive lifestyle change required. Unfortunately, by not addressing the lifestyle changes, the man eventually has a heart attack. Now, as the man's life is threatened, the doctor must use technical responses in the form of life-saving actions to stabilize him and mitigate the immediate crisis. Once stabilized, the doctor finally has the man's attention. Knowing this small "window of opportunity" is fleeting, the doctor prescribes a major adaptive lifestyle change. For the man, this is tough. Not only did he just survive a heart attack, but he has to give up all his secure routines or habits that defined his comfort zone. Changing his lifestyle will mean enduring further loss and pain. However, if he successfully adapts, he

may avoid a recurrent crisis.

During the preparation phase, adaptation or change is difficult if not impossible, because organizations prefer equilibrium and the status quo.

### The Preparation Phase

Understanding why leaders are ineffective at adapting their organizations during the preparation phase is crucial to understanding crisis. The ability to move an organization from where it feels comfortable, without the urgency of crisis, is extremely difficult. Change means threatening stable relationships, balances of power, standard operating procedures, or current distribution of resources.

“People have a natural aversion to conflict in their families, communities, and organization. But deep conflicts, at their root, consist of differences in fervently held beliefs, yet differences in perspective are the engine of human progress.” Even when leaders are aware of their organization’s need for change, they struggle with the paradoxical requirement to provide direction without causing pain. Also, leaders must continuously balance the intense pressure to remove stress from their organizations while fighting the urge to return to the status quo. Therefore, in order to facilitate adaptation or change prior to crisis, leaders must establish credibility and create an atmosphere that allows people to face change in relative safety. It requires them to Lead from the Front.

Another way of preparing for crisis is to recognize, prioritize, and mobilize awareness for needed change. They must understand and Focus on the Core Purpose of the organization. This strategy is necessary to understand

how an organization’s values are related to a changing environment. Unfortunately, positive illusions, self-serving biases, and the tendency to discount the future often prevent leaders from listening to their environment. Sometimes leaders cannot overcome the state of denial or the awareness of indicating tremors.

Organizations need structured dialog, systemic decision analysis, and they must Conduct Continuous Planning to ensure actions are prioritized toward long-term organization health. For reasons discussed above, leaders often choose to ignore problems and avoid making hard choices; this is why it is important to Build the Team. Leaders who build effective teams are able to rapidly respond to crisis in a unified manner. Leaders who overcome these obstacles and mobilize resources toward learning, may avoid crisis altogether.

### Emergency Phase

The emergency phase begins as the crisis erupts. September 11, 2001 reminds us that if we fail to examine our fundamental assumptions of the world, connect the dots to see the big picture, or think out of the box, we risk experiencing devastating tragedy and crisis. The most important factor during this phase is to Mitigate the Threat and reduce disequilibrium to a safe level.

A leader can use the institution’s high expectations for security as capital for autocratic and technical solutions that reduce immediate stress; however, without addressing the underlying misalignments, crisis is sure to return. “Timely intervention is key to mitigating the immediate threat and limit long term danger.”

This is a perfect time for leaders to use quick-technical fixes to reduce stress to a tolerable level. However, the need for action must be weighed against the accompanying uncertainty that surrounds the event. During the emergency phase, leaders have a small window of opportunity to drop the organization's disequilibrium in order to stabilize the threat. First impressions are usually accompanied with limited factual information that often misses the underlying causes. Therefore, it is advantageous to Focus on the Core Purpose when formulating initial responses. Leaders must not be overcome by the urgency of the crisis, but step back and draw from the guiding principles from the guiding principles of the organization. They must carefully weigh quick decisions against the realization that stress tends to reduce cognitive abilities. Using standard operating procedures, even when they don't perfectly apply, may help lower tension since routine is calming and reassuring to members.

As clarifying information develops, action and communication become even more essential, it is essential to Tell the Story. Leaders must rapidly explain the facts of the situation and actions being taken. Similarly, the leader must go to "ground zero" to provide needed empathy. People begin to relax when they see a calm, poised leader relating to their loss. All of these responses are crucial to seizing the initiative during the emergency phase.

### The Adaptive Phase

Once the organization is stabilized, the adaptive phase begins. Although the immediate danger is under control; the leader must take advantage of the fleeting organizational mandate to address the underlying cause of

the crisis, to avoid repeating the event. During this phase, the leader has an opportunity to change and grow, develop new procedures, alter the culture of the organization, and essentially Profit from the Crisis. Technical solutions may still be required, but during the adaptive phase, a leader must focus on reorienting the organization to face tough choices. This adaptation phase requires a crucial balance between maintaining the urgency to change while reassuring safety and security. In conclusion, crisis provides us the ultimate signal that we have ignored, avoided, or failed to recognize the most pressing issues of our changing environment. As situations worsen, signals and tremors foreshadow impending disaster, giving us an opportunity to prepare for or adapt to it.

Unfortunately, most institutions resist change and prefer the safety and security of the status quo. When disaster strikes, the leader must refocus organizational resources and attention on survival. They must use this small window of opportunity to seize the initiative. However, just when survival seems assured, leaders face a crucial choice. They can either harness the urgency and attention provided by the crisis to align their organizations with the environment or risk a return of crisis.

#### Strategies for Leading through Crisis

For years crisis management has been synonymous with reactive leadership. While this type of leadership is often an unavoidable reality, this paper introduced a model that may be used to understand the general life cycle of a crisis, but what is the utility of such a model? Applied to specific situations, this model can serve as a lens through which leaders may view their organizations. This lens, introduced as the Crisis Life cycle Model, can frame the crisis and help leaders understand the situa-

tion they are facing. Further, the model provides the leader perspective and context during a crisis. This perspective helps the leader gain a “birds-eye” view of the situation. The crisis life cycle model addresses the theory of crisis analysis, but the strength of the tool is put into practical terms when the crisis leadership strategies are applied to the model. The strategies represent the prescriptive portion of this paper. Knowing where an organization is in a crisis is not helpful unless a leader also knows how to manage this new reality.

To help navigate a crisis, this paper also addressed appropriate actions or strategies that leaders may choose to pursue in each of the three phases of a crisis. These strategies are not necessarily exclusive to a particular phase and in fact may span several phases of crisis. The crisis leadership strategies were developed by gleaning the most consistently effective actions leaders have used to successfully navigate through crisis.

There are seven essential strategies that leaders must apply to successfully lead organizations through crisis.

1. Lead from the Front
2. Focus on the Core Purpose
3. Build the Team
4. Conduct Continuous Planning
5. Mitigate the Threat
6. Tell the Story
7. Profit from the Crisis

Our Leader’s Strategies were developed by reviewing the existing body of research and identifying successful strategies from historical crisis situations. Not every strategy is equally applicable to each crisis; the strength of the strategy varies with the crisis. Similar-

ly, a strategy is not confined to use during a specific phase in the crisis life cycle model. A strategy may fall squarely in one phase of a crisis, or it may span several or all phases of a crisis.

Each strategy can be viewed as an arrow in the quiver of crisis leadership, the strategies show that it is not important to hit a bull’s eye with each arrow; however it is important that each strategy hits the target in some fashion. Finally, in developing and reviewing each of these strategies, we applied them to specific historical corporate and civil sector crisis situations. This application helped to validate the theory and the prescribed actions. The leader in each case successfully implemented some or all of the seven strategies.

We believe that every crisis situation is unique and therefore it is impossible to develop a checklist that can be universally applied. However, the theory and strategies addressed in this paper may serve leaders well, if used to think about where their organization may be in the life cycle of a crisis and the appropriate strategies to be employed to meet their unique challenges.

Some key Thoughts for Crisis Leadership:

## Understanding Crisis

Conflict, and its subset crisis, is an indelible part of the human condition, and necessary for change and growth. It applies to all systems universally, whether personal, social, organizational, or national.

Because we live in a more complex, interconnected, and interdependent world, crisis is more prevalent than ever before. For this reason, it is critical that we understand why crisis

represents both danger and opportunity.

People wrongly believe that crisis is a random, cataclysmic event that can strike without warning. Although “acts of God” sometimes happen, more than likely crisis occurs when an organization’s values, beliefs, culture, or behaviors become misaligned with its operating environment. Until they are realigned, crisis will continue ... perhaps indefinitely.

Unexpectedly, almost every crisis is preceded by signals and tremors. Leaders who are listening or are “in-tune” with them may mitigate or avert crises.

During the preparation phase, adaptation or change is difficult if not impossible because organizations prefer equilibrium and the status quo. Leaders struggle to get their organizations to accept change because of the loss and pain that accompanies it.

During the emergency phase, leaders have a “small window of opportunity” to decrease the organization’s level of disequilibrium in order to mitigate the threat. This is accomplished by decisive leadership, understanding the organization’s core purpose, empathetic communication, and other “technical remedies.”

The adaptive phase begins when the threat has been stabilized. At this point, leaders must focus the urgency and attention on the underlying causes of the crisis. If the organization returns to its original equilibrium (status quo), the leader will be unable to solve underlying issues and crisis is likely to return.

### 1. Lead from the front

During periods of crisis, people defer to a

strong leader who is visible, poised, courageous, committed, and attentive. Organizations under crisis want leaders who provide assurance, direction, and inspiration. Leaders must be careful not to get so caught up in the action that they lose their perspective and wisdom; this may be referred to as “leaving the dance floor to get on the balcony.”

### 2. Focus on the core purpose

People who understand their core purpose can weather any storm. Successful leaders understand their organization’s core purpose. Organizations that succeed during crisis rely on their values, based upon their core purpose, as the foundation for every action and decision.

Leaders must ensure their organization’s values, beliefs, and actions remain aligned with its core purpose and environmental reality. Once misaligned, a leader’s primary job is to realign them. This adaptation may be extremely difficult, often causing organizational disequilibrium, loss, and pain.

Leaders must communicate their vision, grounded in the organization’s core purpose, to help reduce anxiety and ensure long-term organizational stability and security.

### 3. Build the team

No leader is smart enough to single handedly solve all the challenges an organization encounters when in crisis. He must build teams inside, across, and outside his organization. Personal relationships are the building blocks of all teams. A leader must continuously nurture his personal relationships to develop a shared identity or bond with every team member. It is this bond that keeps a team



member engaged and committed when faced with danger or the impulse to flee.

A leader should also promote trust and understanding and foster an open and forgiving environment. He must provide feedback to his people.

Leaders must not forget the “external” stakeholders to the organization. If they feel a sense of connectedness and shared identity, they will be willing to support and sacrifice on behalf of the team.

#### 4. Conduct continuous planning

To deal with the ever present crisis potential, leaders must conduct contingency planning, making as many decisions before the crisis as possible. Continuous planning begins by identifying the major categories of risk and prioritizing them with their probability of occurrence.

Every crisis sends out a trail of early warning signals. A leader must ensure that the organization is “tuned-in” to these signals. Leaders must ensure their organizations have a detailed crisis action plan which identifies the members, facilities, and actions to be conducted during a crisis. The leader must then test the plan under realistic and demanding conditions.

#### 5. Mitigate the threat

When a crisis presents itself, leaders must take decisive action to facilitate damage control and move the crisis out of danger. People will feel that the danger is retreating when they see the leader is paying attention. People want to see their leaders during a crisis. The leader must be physically on the scene as soon as possible. It gives him the opportunity to embrace his central leadership role, capture

the initiative, seize power and take control.

During a crisis, a leader should consult with experts and focus on fresh, critical thought; but be constantly vigilant that conventional wisdom may be what allowed the crisis to unfold.

#### 6. Tell the story

If a leader can communicate effectively, he can help frame, if not control, the story. Failing to communicate quickly may result in negative and unanticipated long-term consequences. Rapid, honest, and transparent communication often limits long-term media scrutiny.

The correct spokesperson is critical to communication effectiveness. The spokesperson must display poise and discipline. Whenever possible, it should be a identifiable leader, usually the CEO. The leader’s message must reduce fear and contain empathy for the victims. The message should remain grounded in the organization’s core purpose and values.

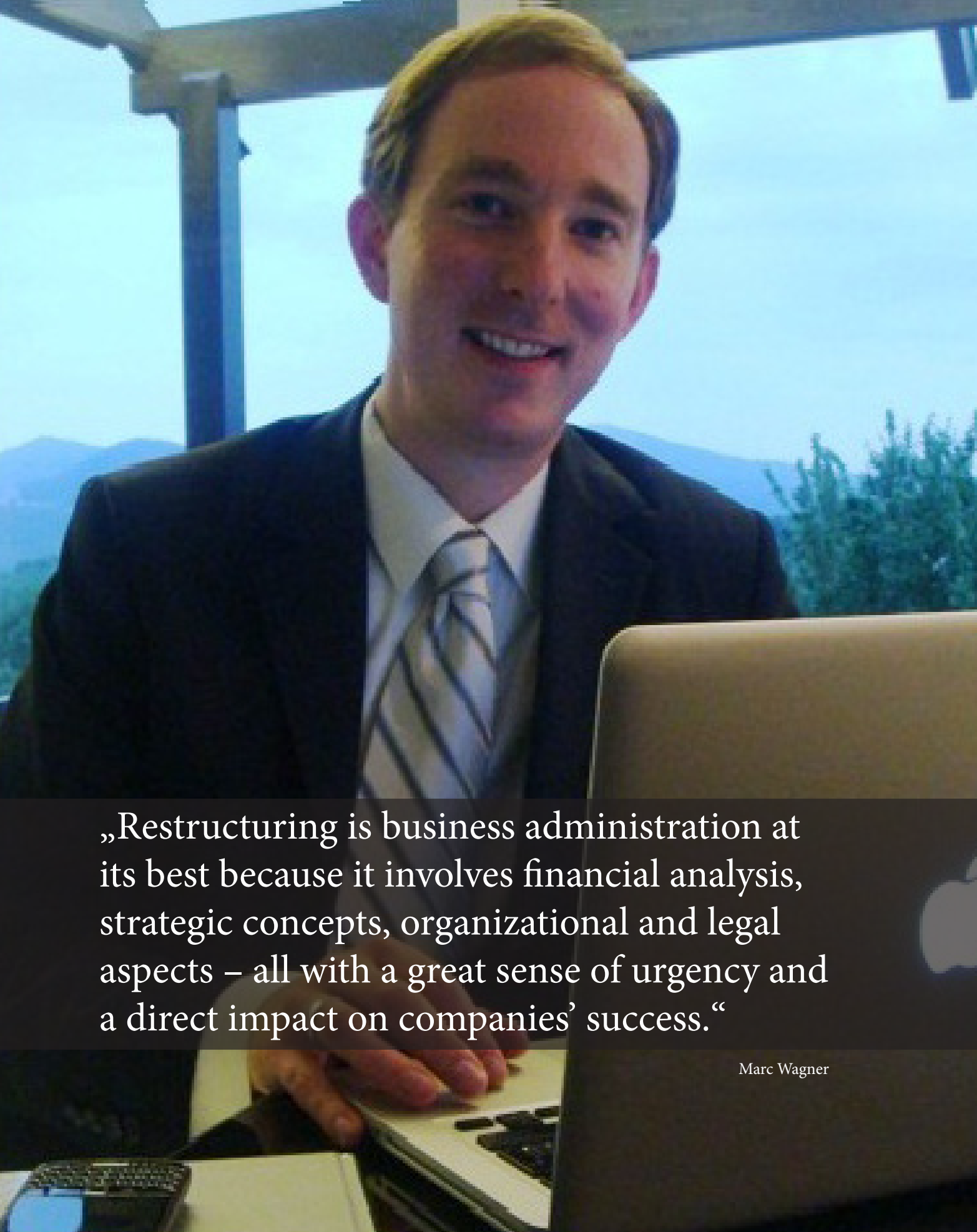
#### 7. Profit from the crisis

As soon as the danger is averted, the leader must declare the crisis over. The longer a crisis drags on, the more likely people will associate trouble and conflict with the organization.

Leaders should ensure that lessons from the crisis are documented and resolutions are implemented.

Finally, leaders should avoid the temptation to return the organization to the status-quo. He must take advantage of the urgency and attention to address the underlying issues that caused the crisis in the first place.

I know that this was a lot about crises management, but hope that this can benefit some.



„Restructuring is business administration at its best because it involves financial analysis, strategic concepts, organizational and legal aspects – all with a great sense of urgency and a direct impact on companies’ success.“

Marc Wagner

## Member Interview

### Marc Wagner

Group Head at DETECON International and member of the Turnaround Management Society  
Interviewed by Dr. Christoph Lymbersky

Detecon is a top consulting company that unites management and technology consulting in a unique way. Our history proves that: In 2002, Detecon International GmbH was formed by the merger of the management and IT consulting company Diebold, founded in 1954, and the telecommunications consultancy Detecon, founded in 1977. Our services focus on consulting and implementation solutions derived from the use of information and communications technology (ICT). We don't stop at strategy, we support our clients the whole way to implementation and operations. Around the globe, clients from virtually all industries benefit from our holistic know-how regarding strategy and organizational design as well as the use of state-of-the-art technologies.

#### **What makes your company unique or what are your specialties?**

Detecon has a strong "implementation focus": We not only define strategies that work, we also design and implement solutions that work. Our clients can count on us to deliver not only strategic and theoretical concepts but to ensure they are easy to implement as well. With extensive experience in the reorganization of corporations (focus: telecommunications industry), Detecon is the perfect partner for corporate restructuring and turnaround management projects.

#### **How did you get started in the industry?**

I started my consulting career in 1995 by founding an IT consulting company specializing in utilities / consumer goods industries.

I acquired my first turnaround management experience in 2003 working for Droege & Comp. followed by several restructuring projects in the telecommunications industry (especially Deutsche Telekom AG).

At present I am acting as a sparring partner for several restructuring and transformation programs, such as the procurement joint venture between Orange and Deutsche Telekom, and for total workforce management and working capital optimization / ROCE enhancement programs.

#### **What is it that you like about Restructuring?**

From my perspective, restructuring is "business administration at its best" because it involves financial analysis, strategic concepts, organizational and legal aspects – all with a

great sense of urgency and a direct impact on companies' success. That makes it one of the most interesting and challenging tasks in the business world.

**What makes an ideal restructuring manager in your eyes?**

The hallmarks of an ideal restructuring manager are assertiveness, toughness and stress resistance but also empathy a key resource of companies: The employee. So more or less the ideal restructuring manager is the perfect all-rounder.

In addition to these „soft skills,“ a good head for numbers and a rapid grasp of facts are crucial to successfully identifying suitable levers for optimization in the least amount of time possible. Last but not least, a restructuring manager must be determined not only to develop outstanding concepts, but to implement them no matter what.

**What are major difficulties you encountered in restructuring situations and which difficulties come up over and over again?**

In my experience, typical stumbling blocks in restructuring projects are a lack of management attention, the scope as a “moving target” and bad communication / stakeholder management.

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

To shift the focus more towards long-term effects and strategic initiatives and away from mere cost-cutting and quick win measures. Often companies focus too much on these short term measures.

**What is your secret to a successful restructuring?**

Quite simple (as always): It's all about people – so extensive stakeholder management and a strong focus on adequate communication are both critical success factors.

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

“Mission critical” and an integral part of Detecon's restructuring approach.

**In an economic downturn what should companies do?**

Don't panic! Always start with an extensive review of the entire portfolio including a “serious” financial analysis. Never neglect the strategic impact of each efficiency measure or structural change.

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

Show the individual and overall benefits of the restructuring – what's in for you / me? Make restructuring targets part of the management incentive plan.

**What really frustrates you?**

Unfair or political moves as they delay necessary steps on the way to save the future of the troubled company. Unfortunately these moves are more or less common in restructuring projects.

**What gives you the joy in working with troubled companies?**

To see that in the most challenging environment one can contribute into creating an opportunity to enable companies to become successful again.

Ultimately, the job enables you to create something “new” and to put a company back on the path to success. Seeing this is truly joyful as it safeguards employment.

**What can you offer other members of the Turnaround Management Society?**

My team and I have extensive expertise in restructuring companies (in particular large corporations) and supporting transformation programs. In addition to classic restructuring and cost-cutting approaches, we also offer best practice solutions for functional optimization (e.g. of the finance, HR or procurement organization).

With more than 1,400 clients in over 6,000

projects worldwide, we have successfully proven that our customers can count on us for strategic concepts – and in particular their implementation. We accomplish this in part by relying on the ICT know-how from our parent company T-Systems.

**Are you searching for experts for your next restructuring and transformation plans?**

If so, I look forward to hear from you.

The interview took place on 17th June, 2011 in Bonn, Germany.

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## Are you interested in becoming a member of the Turnaround Management Society?

Members receive benefits that will increase their knowledge, effectiveness, and professional opportunities:

- We take networking personally. That means that the TMS is not just a society on paper but where no one knows one another and no one really recognizes the individual members. We are your network, and to us that means we stay in touch, we introduce you to other members, we help you find the right business partner, and we visit you to meet you personally and to find out how we can support you in your business. In this way we come to know all our members personally and to know what they need and can offer to other members. ... this is what networking means to us.
- Regular industry updates
- Regular updates from university researchers
- Contacts with other companies in your industry
- Contacts with financial institutions, private equity firms, turnaround firms, crisis communications specialists, and others
- Subscription to Turnaround Management Journal™
- Full access to the TMS Successful Turnaround Cases Database
- Regular company exposure to other members through regular publications
- Opportunities to introduce yourself and your company to a wide audience of professionals and academics
- Access to discounts on Turnaround Management literature
- Free updates on the International Turnaround Management Standard™
- Opportunities to participate in the development of the International Turnaround Management Standard
- Opportunities to mentor a Master's or PhD student who is writing a thesis on a topic related to Turnaround Management or, if you are a student, support from a professional member of the TMS
- Direct access to tomorrow's turnaround professionals through our direct connections to academic institutions
- Visibility to companies looking for professional Turnaround Management

## In the next issue of Turnaround Management Journal

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:

#### per email:

TMJ@Turnaround-Society.com

#### per mail:

Turnaround Management Society  
Luetkensallee 41  
22041 Hamburg  
Germany

### Next focus:

Turnaround Management Strategies

### Submission deadline for the winter issue:

15th, December 2012

### The winter issue will be available from:

1st, February 2012

## Advertising in Turnaround Management Journal

If you are interested in advertising yourself or your company in Turnaround Management Journal, please send us a description of how you would like your advertisement to look like if case you want us to create the ad for you. If you already have an ad, please send us the ad as a picture file with 300dpi.

Three ad sizes are available:

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1 full page	1350 Euro
1/2 page	700 Euro

### circulation strength:

aproximately: 12.000 per issue  
online & offline

Members of the Turnaround Management Society receive a 20 percent discount on the offered prices. The TMJ is distributed to banks, private equity investors, interim managers, turnaround professionals, universities, project managers, change management executives, and their clients.

# Turnaround Management Journal

The Turnaround Management Journal is published semiannually in the spring and fall (northern hemisphere) of each year.

Regular authors include academics such as university lecturers, professors and students who are engaged in research on crisis management. The Turnaround Management Journal provides a forum for the presentation of their findings and results to other researchers and the professional community.

Professionals who work in crisis management are also invited to submit articles for publication in the Turnaround Management Journal. Their opinions, case studies, success stories, and company introductions are highly valued by other professionals and academics alike.

Dr. Christoph Lyubersky (editor & author)

Dr. Mike Teng (author)

Dr. Stephanie A Parson (author)

Mark Wagner (interview)

John M. Collard, CTP, CITM (author)

Mark Blayne (author)

Marcia Xenitelis (author)

Clive Simpkins (author)

Henrik von Scheel (author)