

Video Interview Questions: Turnaround

How to recognize if you are in a challenging situation (1:30 mins)?

1. What are the symptoms that indicate a challenging situation for your business?

Typically, **discussions** in the **Supervisory Board** or even in the **Executive Committee** about the business strategy **indicate something is not right**. When results are persistently deteriorating or sales are already **declining** it's a clear sign that **crisis is imminent**. Also, there may be **frustration** within the team and rising staff turnover. **These are all indicators** that you need to have an **external diagnosis** done and consider a **turnaround project**. [21 secs]

2. What are the most important KPIs to look at in times of economic downturn?

Key financials are the **starting point**. A simple unadjusted P&L by segments starting from when business was still going well reveals a lot. It shows whether a company has the **ability to earn its cost of capital**.

Next is the top line, where you look at the **order backlog**, order intake **and how fast you work** through that backlog.

On the strategy side, it's all about **matching market prices**, having the **right cost structure** to fit those prices, and **executing orders without delay** or margin **shrinkage**.

In personnel, it's resource utilization, staff turnover and retention you need to analyze. [32 secs]

3. How can you differentiate market trends from organization-specific situations?

There are three cases with clear symptoms.

Case 1 concerns a **steady-state business**. Here, **historic inhouse benchmarks help identify** if internal or external factors **are to blame**.

The **second case** is when there's been an **event** like a **takeover** or **organizational transformation**, leading to **dysfunctional processes** or the **loss of key people**. This indicates **internal challenges**.

The **third case** is a bit more **complex**: This is when companies are **facing disruption**. **Historic benchmarks** are no longer valid, processes seem to work well and yet results are declining. **In this case**, the reasons are mostly **found outside the business**. [33 secs]

What to do during a turnaround (1:30 mins)?

1. What is the goal of a turnaround program?

When crisis is imminent or even in full swing, **restoring profitable growth** is the first priority. That is the basis for ensuring a continued and sustainable existence and meeting the expectations of your stakeholders. So taking effective action to ensure a **substantial Return on Sales uplift** is most important in turnarounds. It generates early confidence that you are moving onto a positive trajectory and opens up a **new time-window** for growth in parallel. [22 secs]

2. What are typical measures for companies to take when engaging in a turnaround?

In the past, it was a lot about someone coming in and turning the company around **by tackling the cost** side. While this remains one aspect, turnarounds have become more holistic, with structural adjustments and growth to be managed in parallel and **more focus on changing and improving the underlying operative business**. So typically, the first step in a turnaround is to **re-model a functioning business** based on **actual market prices** and **matching cost structures** and then **adapt the company accordingly**. [22 secs]

3. What is the organizational setup of a turnaround project?

To **re-model the business**, we typically set up **four workstreams**. First we stabilize the top line with a **sales and service push** and **revised pricing**.

Next it's about **reverse engineering key products** to match market prices.

Then we improve **order execution** to eliminate **margin shrinkage and delays**.

The **fourth workstream** is when the **structural adjustments** are made.

So the **project scope is very broad** and we install a **program office** to track progress and **keep the implementation moving**. [24 secs]

4. What is the role of senior management during a turnaround?

The first thing is for the Executive Committee to acknowledge the fact that the **situation has changed** and **with it the validity** of their business assumptions.

Secondly, management needs to **keep the organization running** and the **daily business on track**, provide the **necessary resources** and be the **leader that helps key players** remain engaged and committed.

Lastly, management has to decide on **their core team**. The people they **trust** and **with whom they want to go through the transformation**. [22 secs]

What is needed for a successful turnaround (1:30 mins)?

1. What kind of skills and competencies do you need for a turnaround to be successful?

Managing a company **facing disruption** takes experience – not just in the industry, but with the transformation process itself – and it requires **effectiveness** and **speed in delivery**. That's why an **experienced** turnaround manager needs to come in from outside. **Sometimes other experts too**, like in **operations** – for **pricing, purchasing or project execution**. Or in **change management** to ensure organizational health, or when **refinancing** is on the cards. [22 secs]

2. How much time do you need to allow to sustainably reinvent your organization?

Turnarounds entail the risk of loosing speed, looking inward or simply neglecting customers. Like in sailing **when you're turning**, it's also critical for the company not to lose momentum **during the maneuver**.

That is why **turnarounds have to happen fast**. Client projects typically **last for 12 to 18 months**, but the **first major EBIT improvements** and the **post-turnaround growth drivers** should be firmly in place within the **first 3 months**. [22 secs]

3. What criteria are most relevant when deciding whether or not to engage in a turnaround project?

Turnarounds can generate very high value but at the same time, they are a **risky investment**. Two things result from that: 1) the **importance of selecting** the right person and team to execute the turnaround cannot be overstated, and 2) a **payback period of 1-1.5 years** at most must be ensured, as is normal for any kind of high-risk project. [21 secs]

4. What stakeholders in the company need to be addressed during a turnaround program?

Operational managers and especially the **Workstream Heads** are the **key players** in a project.

A direct communication line to the **shop floor** is crucial and, with **structural adjustments often involved**, it's essential to build open and constructive communications with **workers' representatives**.

It may be necessary to involve **lenders, investors, financial auditors and trade credit insurers**. And of course, you need to **maintain proactive public-facing communications** in the case of an **emerging situation**. [24 secs]