

## 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 **Historic benchmarks** are no longer valid, processes seem to work well and yet results are declining.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 losing 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]