

What does it take to be a Turnaround Leader?
The Stalled Project

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(This article is based on an interview held with Dr. Rosalind Wilson, for the MBA Course, "Managing Corporate Turnaround" at The London School of Business.

From a marketing and sales perspective, making projects work has many intangibles. There is a fine line, many times, between success and failure. Rarely, is there total failure. Usually, there is a period where sales goals have not been achieved, but where the project has 'good legs' and it needs specialized talent.

Turnaround leaders deal with both tangible (finances, operations, strategy, process improvements) and intangible (leadership, team changes, coaching, development, cultural change) elements simultaneously. This blend is evident throughout the entire process and this duality of the role of the leader is critical for success.

My experience at turning around a stalled project is in the resort/shared ownership industry. However, it is apparent that these lessons can be readily applied to most sales organizations.

The turnaround leader is an external catalyst for change – his/her arrival provides a focal point around which to distil the organization's concerns. The turnaround leader singularly expresses the organization's dissatisfaction with the status quo. Through their initial interactions and autocratic involvement they create a sense of urgency and awareness of the need to change. Finally, they help to drive changes by making the tough decisions, and eventually by refining the skills of the team. Eventually they may even reach the point when their involvement is no longer required.

Being a turnaround leader mirrors the entire turn around process. First, understanding, then breaking, then fixing the business in a new form is a succinct description of the turnaround process.

Leadership in turnaround balances judgements about performance and expectations. The turnaround leader must not only assess what is achievable with the available resources, but also communicate his/her findings both internally and externally. Internal communication is critical to get a stalled project back on course, while external communication is critical to manage stakeholder expectations. Thus the turnaround leader acts, on the one hand, as an agent of change on behalf of the stakeholders, and on the other, as a reality check for the stakeholders on behalf of the resources under his care.

Finally, leadership relies on personal experience as in any other setting. The strength of a leader results from the way in which their combination of practical skills and experience are applied to the problem. This, in turn, is driven by his/her personal style and qualities.

The Nature of Leadership

There are major differences between managers and leaders. Managers manage tasks that can involve people; leaders lead the people who manage those tasks. Managers generally have stronger analytical skills while leaders need to have analytical skills that are maximized by their social/people skills.

Managers can be leaders – and most often are to some extent. Managers who can also lead are themselves better managers.

The more you seek to advance in the corporate world the more leadership skills you need to develop.

The importance of leadership in changing the momentum of a stalled project is paramount. The leader of a turnaround assumes a significant level of responsibility and accountability for both the project and the team.

Turnaround situations in the resort business are the result of the project failing to meet its sales goals. Before the specialist is called in there have invariably been attempts to “turn the business around” using existing in-house talent and these have also failed. The line personnel are scared of losing their jobs and generally have been made promises that management has, for whatever reason, been unable to keep. The turnaround specialist enters a hostile arena. The personnel are cynical and sceptical of the “outsider” who now will be determining their and the company’s future.

Leadership 101

In a turnaround setting, there is a tremendous responsibility on the leader. If the wrong decisions lead to failure of the project then the leader has failed in their responsibilities. On the other hand, if those decisions lead to success then while the leader’s decisions were the right ones, the credit goes to the team because they have successfully executed the plan.

A true leader accepts responsibility and deflects praise.

Ingredients of Turnaround Leadership

Hands-on involvement from day one is clearly evident, involving an approach that is intended, not only to take control of the techniques that will stem the project’s losses, but also to send a clear message to the team about the leader’s role. The order of tasks may vary slightly depending on the prevailing circumstances. They usually encompass the following:

- Establish credibility with the team as quickly as possible – having a reputation helps
- Do not “sugar coat” the situation, either with the team or stakeholders. It is vital to identify the issues and look for solutions
- Determine the financial viability of the project
- Determine why the project is stalled or (more frequently the case) not living up to expectations – consider whether expectations are realistic
- Find the “skeletons” – look under every rock, be sceptical of all information, don’t take anything at face value
- Listen to everybody’s opinion – even if you know it is wrong

- Identify the staff that you think can be retained
- Determine which programs or products are profitable and which need to be cut, in the short term to stem cash burn and in the long term for the project's future viability
- Look for redundancy in responsibilities to determine which staff cuts can be made without crippling the organization
- Determine if current reporting systems are accurate and supply the information needed for decision-making – if not, create reporting that accurately measures what you are trying to manage
- Stop the financial bleeding
- Look for corruption – kick-backs to vendors, phantom staff
- Create the plan (for short-term survival as well as long-term success) and determine, based on the human and financial resources available, how much you can accomplish in the shortest amount of time.
- Prioritize accordingly. Timelines are negotiated with the developer and this process often requires "upward management" to re-set expectations, which may also involve the lender.
- Set realistic goals that are time-bound and get buy-in from the developer and the team

Get involved from the get-go. Make sure you are copied on every memo; even if you don't look at it. Your level of involvement early on sends a clear message and sets a standard for the type of decisions that need to be made and actions that need to be taken. For example, no new expenditures, no terminations of personnel, no new hires, no payments of invoices without your approval. This approach is severe for all involved, however it accomplishes several things:

- It establishes the absolute authority of the turnaround leader in all areas of the project
- It gives the leader access to all information on how the business is currently operating and the current status of the project
- It enables the leader to interact in a natural, day-to-day fashion with each department head – as opposed to a formal briefing – and helps to build rapport so that the leader can more quickly determine the value of the department head
- It shows the department heads that the leader is competent, or at least understands each person's area of responsibility and the challenges they face
- By being "hands on" the leader shows they are "in the fight" with the team

In my case, I realize "day one" is a bit frightening for all involved. As I go through the first meetings, I have to be sceptical of everything and everyone until I begin to sort out the players, their agendas, and the basic problems. I try to put people at ease while at the same let them know that the situation is serious and that it is my job to act in the best interests of the company at all times, because by doing so I am acting in the best interests of the people. If I can save the project but some people have to go in order to make the project work, then I have done the best for the people that have been retained because they have their positions – and those who are not retained would eventually go anyway, or the project would fail and everyone would lose their jobs.

Details, Details, Details

Until you have determined who on the existing team is competent and can be trusted, or until you have been able to bring in your own key people, you have to involve yourself in every detail. Clearly, it is not possible to micro-manage every aspect. However, once you have

prioritized the issues you have to be involved in “drilling down” into each of them, to analyze the problem and then instruct your managers on how to turn it from failure to success.

During the first week continue the due diligence by gathering information and beginning the priority tasks listed above. At the same time learn about your people. They will be learning about you too, so both sides are making judgements and decisions. Generally during the first 30-60 days the turnaround leader absorbs the particulars of the stalled project, the market and the personnel, determining who goes, who stays, what programs to cut and how to fix the remaining ones.

Improving the Organization

The people you are meeting during the first 30 days are generally not going to be there by 60 days – almost 100% of the senior team members will go. is **Sales and marketing is a business that is all about human interaction and relies on the ability to lead people;** if the team has lost confidence in management it is hard to get it back. Within the first 30 days try to identify a second-tier manager who is viable as the next project leader, someone who can be coached, who has some rapport with the team and who knows where the “skeletons” in the project are. Once that person is identified, it is time to let the project director go – this is brutal and instant. It is not their fault, but the fact is they have done everything they can but they are not delivering.

Identify all the available talent in the second- and third-levels of management – people who have the ability to take on more and grow. You may need to bring in people from outside, often a sales manager. It’s very important, with so much going on, to create “pockets” of activity where you feel comfortable that things will be handled effectively – it’s impossible to fix everything at once.

Talk about improvement, not change

The first six months is roughly divided into – 90 days to understand it and break it, followed by 90 days to put it back together in its new, improved form. A five-year plan is nonsense – the focus is on 18 months, or shorter, in which to get results. The nature of this business enables results to be seen relatively quickly, due to the level of measurement that is applied.

In the period between days 60 and 90 make necessary people and program changes and put the longer-term strategies in place. During the next 90 days these changes are taking hold and should be moving the project in the right direction from the human resource perspective, the operating cost perspective and the revenue perspective. Mistakes are made during this period – the early phase requires rapid decisions to be taken and it is inevitable that some of those decisions are wrong. During the next six months you are correcting those mistakes and in this time you should be seeing results and gaining momentum.

Building momentum is about encouragement, lots of pats on the back for the team. Let them feel they are getting close to you and vice versa. People often are afraid and may not see the progress being made, so point it out. Achieving the goals that have been set is an obvious time to congratulate people.

Realistic Goals

Accountability to stakeholders and the importance of stakeholder management is revealed is a function of upward management. . You may also discern a reality gap appearing in terms of setting and managing realistic expectations on the part of the stakeholders.

At the end of the first year you should have reached your baseline goals, undoubtedly determined with the client early on as part of the process of setting realistic expectations. By the end of the first year you have either obtained acceptable results and are moving on to growing the business or you have been terminated because the plan did not work or they did not like what you were telling them. These are the preferred timelines – however your client may want all this accomplished in 90 or 180 days and that is why the analysis of realistic expectations and financial resources in the initial phase is so critical.

Stakeholder management is part of the art of “managing up” and a constant challenge. Be patient, over-explain. They are dependent on you to fix the project but they are also strong personalities who want to keep some control and have their say. Sometimes you act as the messenger – they don’t know what you’ve discovered out about their project and you have to tell them, which is part of the process of setting realistic expectations. Sometimes the only way you know you are doing a good job is if the assignment gets extended or they offer you a permanent position.”

What does it take to be a good leader in turning around a stalled project?

Turnaround is a unique situation and being a turnaround specialist is not for everyone. Being involved in multiple activities, many to a significant level of detail, is a tremendous personal challenge. A turnaround leader must prioritize and work long hours.

The business is in trouble and you are there to fix it or kill it – that is a huge responsibility and, for lack of a better term, it’s a triage situation. This is why the specialist is highly compensated and it takes a special kind of person to do it. It takes a special breed of person to do this and the fundamental components are that you love what you do, you do it with passion and you are durable and persistent.

The relevant personal qualities and the importance of experience

In addition to fundamental skills (such as sales, marketing, budget development/management, communication and human resource management), there are a number of key qualities that make a turnaround (or any other) leader successful:

- *Integrity and acceptance of the fiduciary responsibility* are critical to make the decisions to best serve the goals and interests of the company/client.
- *Respond and not react.* There should be no “knee jerk” reactions. When in doubt sleep on it, think about it, and be sure to detach your personality from the situation.
- *Be confident and consistent.* Confidence comes from training, experience and success. Only when you are confident can you be a risk-taker and that is part of every minute of the day for a leader. And you must be consistent with a clear-cut management style which your reward loyalty and results.
- *Listen.* At the same time, you must interpret the input from your team from an individual perspective as well as in relation to the project.

- *Be human.* Much of what you do comes from a very hard perspective so try to treat all with respect. You cannot have *charisma* without humanity and you cannot lead without charisma.
- *Do not be deterred.* The work is about solving problems and setbacks are a part of any project. Persist and develop the judgment skills to determine if and when it is time to press forward with the plan and when it is time to make a new plan.
- *Exude enthusiasm and passion.* Leadership is ultimately a transfer of knowledge and emotion, especially in the turnaround situation. If you don't know what you are doing, your people will know and they will not respond with their highest level of effort.
- *Pass on what you know.* Your knowledge, activities and insights will always be valued.

This Article is my commitment to this last axiom. I am always available to answer questions.

This article was derived from an interview conducted by Dr. Rosalind Wilson for the MBA Course, "Managing Corporate Turnaround" at London School of Business. Ron Frank is known throughout the shared ownership resort industry as a top-level executive with a straightforward approach and a "can do" attitude. With more than 25 years in the resort industry Ron has held executive positions with such industry leaders as Fairfield, Shell Vacations, Sunterra Resorts and Radisson Hotels and Resorts. As a Regional VP of Sales and Marketing for Sunterra Corporation, Ron was part of the team that brought the corporation out of Chapter 11. With an extensive Sales and Marketing background specializing in start-ups and workouts, budget management and strategic planning. Ron is highly regarded in the areas of staff planning, recruitment, supervision, training, evaluation and organization, and is recognized as having a natural talent for managing and developing all levels of resort staff. An innovative thinker with extensive international experience, Ron has been responsible for creating and managing Sales and Marketing Teams that have produced in excess of US\$67 million annually. Ron is a Registered Resort Professional, the highest designation given by the resort industry's professional organisation, the American Resort Development Association (ARDA).