



## Six "Don'ts" for Turnarounds in Asia

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**LEHMANBROWN**  
雷博國際會計  
International Accountants

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Turnarounds are intense forms of management practice. The demands on time and energy are magnified and often unrealistic. Every turnaround is different, so getting a grip on a troubled company or corporate division can be challenging. But after long years of practice I can at least offer some advice on what you shouldn’t do in an Asian turnaround.

Don’t accept a turnaround assignment without thorough consideration, even when the assignment is introduced by people close to you, especially if they are associated - in any way - with the target company. In every turnaround your integrity is challenged. Be aware of people who ask you to look the other way, or not make a fuss about suspect numbers, inter-company loans or operations issues. Otherwise you might lose a friend, your integrity, or both.

Don’t accept the first reason offered for any business problem or personnel issue. Troubled organizations may have many problems in their normal operating milieu, but the management might refuse to truly and fully explain these problems to you. My standard operating procedure is to be quiet and listen. In any Asian turnaround you need observe and listen to explanations from everyone in the organization. Often you will find the best explanations from the least likely people, often younger, lower level finance and operating managers who are really familiar with the daily operations of the company.

Specifically regarding China, don’t assume you understand the country or the business problem you were hired to resolve. Countries in Asia have their distinct culture and business styles. And China is a complicated country with ongoing development on its way of governing and legal system, and many regional business cultures. Refer to number two. Be quiet and listen. Be very wary of spreadsheets and unfamiliar systems.

Don’t exceed formal business relationships, especially your interpreters. Some disqualified interpreters may share confidential information and cause unnecessary loss or turnaround failure. And don’t overestimate your foreign language skills in negotiations as formal negotiating languages may be very different and tricky. Getting reliable interpreters is crucial for any turnaround assignments especially when dealing with non-native languages, even if you think you are fluent.

Don’t be imprudent on business problems and simply assume that the corporation or people hiring you are guilt free. Many of the problems you will encounter in Asia will have their source in the United States or Europe – or Hong Kong or Sydney. Remember, you may be hired to take the heat and take the blame. Solving the problem is the only clean way out, and that’s where the turnaround manager’s skills count the most.

Finally, keep a comfortable distance with your colleagues and don’t get involved into any sexual relationships with your staff. Many turnarounds have sexual dimensions and the turnaround manager sets the standard for appropriate sexual behavior. This is not a small consideration among consenting adults when dealing with different cultures. Complexity is the rule, not the exception. However, we can be reasonably clear on two dimensions.

First, you may be dealing with job losses in production lines or services industries with large numbers of lowly paid staff. This may lead to sexual harassment or special job inducements in the turnaround company, especially when people's livelihoods are threatened as they may fight for precious job opportunities. The turnaround manager must be qualified enough to stop harassment, predation, and bullying.

Secondly, the previous occurrence of sex harassment between managers and staff may be one of the proximate causes of the turnaround. The rule might be that doors should be left open with meetings with foreign female executives. Turnaround managers need to be very cautious about the distance between them and their staff. It isn't appropriate for visiting senior executives to insist that staff from provincial offices to stay with you at the corporate apartment for any reasons.

Every turnaround manager must decide their own moral boundaries. But predatory behavior and outright failure to deal with fraud are when I notify the board that this stops or I leave. Both are too corrosive for a turnaround to succeed. Don't accept either as normal or acceptable.

What makes turnaround management so interesting is the breadth of challenges and innumerable tests of skills – coming thick and fast and unpredictably. Turnaround managers must be able to deal with ambiguity and conflict. Turnaround managers without those two essential qualities will get sick or worse, give up and go with the flow, and take their money and try to recover their damaged reputations later. You stand a much better chance of success, and maintaining your reputation, if you keep in mind these essential "Six Don'ts".

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*LehmanBrown has years of experience with working with turnaround professionals and companies in distress or need of transformation and helping companies out of awkward business situations. LehmanBrown is a Corporate Sponsor of ATTA and Russell Brown was a founding member of ATTA.*



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Founded in 2001, LehmanBrown is a China-focused accounting, taxation and business advisory firm, operating in Beijing, Shanghai, Hong Kong, Macau, Shenzhen, Guangzhou and Tianjin. Our firm also manages an extensive affiliate network, providing service throughout China and reach across the globe.

Combining years of international expertise with practical Chinese experience and knowledge, LehmanBrown offers expert advice and support to both local and international clients. Within the mid - tier, we are regarded as a market leader and our clients enjoy access to a combination of senior and experienced counsellors from both China and abroad.

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M&A Divesture

M&A Integration

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China Visa Services for Expatriates

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US GAAP Conversion

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GAAP Conversion

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Financial Statement Preparation

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IFRS Financial Statement Preparation

IFRS Public Company Compliance

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SEC Public Company Compliance

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