



# Turnaround Management: Does Digital Really Disrupt?

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## ***Turnaround Management: Does Digital Really Disrupt?***



**Bob Fonow**

*Article Synopsis: Many commentators suggest that the role of turnaround management changes due to the overwhelming impact of digital developments, like robotics, automated warehousing, online ordering , etc. This article argues that some management practices remain the same throughout a long history of disruption in industrial and post industrial management. The writer uses his career as a turnaround manager to assess the impact of digital disruption on the art, craft, practice or profession (whichever you prefer) of turning around troubled companies*

A current management meme suggests that digital disruption changes everything. But does it? Perhaps a better meme is that digital disruption distracts from the essential issues of management.

Let's explore this newer, updated meme in the context of turnaround management, which for me most often means fixing a troubled company or division of a corporation.

Turnarounds are a specialized form of management, often including crisis management, but encompassing many more activities. Digital or not, turnarounds are necessary when companies and divisions start to lose money.

Losing money is the symptom that something is wrong , which usually means that management has missed a market change, or a new product development, or perhaps a long term team is unable to deal with the usual changes of time and circumstance.

There is no such thing as a standard turnaround; each is different, disrupting, and complicated. When companies start losing money people start doing crazy things, ranging from poor decision making to criminality. The goal of a moral turnaround, the best kind, is to return a liquid operation to its owners with the minimum of operational and community disruption.

Disruption has existed since the industrialization of modern societies. Most students of economic history are familiar with the Luddites of 19th Century Britain, destroying the automated looms and logistics that improved production efficiency in the British textile industry, enriching owners but impoverishing manual workers. Anyone concerned with quality learns the continuing improvement processes of Deming and Ishikawa that led to better cars but employee reductions in the automobile and other manufacturing sectors. The Internet has disintermediated almost every mid-management activity. Disruption is a feature of advanced industrial societies. Digital disruption is today's new normal.

Yet, “digital” has little effect on turnaround management. Throughout any type of disruption turnaround managers maintain a consistent set of procedures, though styles differ greatly. As a practitioner, I’ll share my method for doing turnarounds, even those digitally disrupted or impacted by Internet apps.

First, I introduce myself, then keep my mouth shut and ears open. In my experience within a week or two of listening carefully, people at the wrong end of poor management will spill the beans and start talking. They just can’t help it. That is true whether you are in Japan, Switzerland, China, or the United Kingdom. You will quickly get a picture of what is happening.

In most countries you can believe what people tell you. The exception is Russia and the United States, where people have somehow learned the art of lying to your face without embarrassment or shame. So you need additional verification in those places. Once you know the core problem, and who is lying or not, you have a basis for action. Hint: the problem is always, always - and let me be clear about this – always, at the top.

Second, look for sloppiness. This means checking bills of material, expenses and any buying activity. When management is disengaged, or spending too much time on other boards of directors, or playing golf every Thursday morning, or insisting that young women employees stay in the corporate apartment when management visits because hotels have become so expensive these days, everything starts to fall apart. People sense the deterioration, even if they don’t know all the details. So they start looking for new jobs, and hedging their commitment. The consequence is encroaching sloppiness.

Third, recognize that people in a distressed organization end up in the wrong places. When CEOs and general managers start to lose money they will listen to every promise. I once just started an engagement where the spreadsheets were a mess and budgets incomprehensible. The recently appointed finance director, a friend of the CEO who promised investment, told me she “just wasn’t very good with zeroes.” That’s a problem for someone in finance. Stories like that are not unusual in a full blown turnaround.

Fourth, take charge. This is really quite easy because most people try to avoid responsibility in a crisis. Telecom reconstruction work in Iraq was easy for me, because everybody was in the wrong place in Baghdad. I just quietly took charge of ICT reconstruction, got people into the right positions, let them do their jobs, and the telecoms and Internet systems in Iraq are widely viewed today as a reconstruction success.

In Shanghai I had to pull four Chinese partners together in a high tech, digital joint venture that was going nowhere, set up manufacturing lines, establish supply chains, train sales teams, somehow fire a corrupt sales manager who was selling contracts to other suppliers, etc. Then the company started growing and eventually became part of Cisco. Sometimes, you just have to dig in and figure it out. I had help from the young technocrats who wanted it to succeed, but no partner was straightforward in negotiations. A certain ability to function when confusion, anger and angst are aimed your way is a helpful quality in a turnaround.

The takeaway: none of this is dependent upon, or unique to, or a consequence of digital disruption. Distractions and disruption are the standard operating environment of turnarounds.

So, is digital disruption just a marketing affectation? A scare tactic to sell consulting services?



No, it's not simply an affectation. Digital disruption exists in the same way laptops and cloud computing replaced local mainframes. No one can deny that Amazon has ripped the heart out of department store retail sales. Digital can disrupt. And when it leads to a turnaround, the hard slog needs to be done. And it's needed in the most digitally disrupted highly educated app intensive enterprise, and the trash hauler that lost its contract with a change of local government and can't make the payments on their fleet of garbage trucks.

We all have to change, and we all have to deal with the distractions of digital disruption. For example, I have a social networking and podcast presence on China's WeChat, a sorry old information only website in the USA that really needs updating, and I seem to be distracted by and addicted to Facebook pages concerning anything about Steubenville, Ohio, where I grew up but rarely visit. (They say that DiCarlo's on Third Street really is great pizza. They have this special recipe.....oops. See what I mean?) Digital attraction is a powerful distraction. But so was the telegraph, telephone, and television.

I keep updated with anything about turnaround management and other start up business activities that include digital processes, but I try not to be overwhelmed by them. Turnaround managers, above all, need to remain flexible and open minded. So, does digital disruption change the nature of turnaround work?

No. Digital disruption does not change the nature of turnaround management.

Turnarounds are face to face, intensely human activities. Fixing a company, saving jobs and careers, and returning a better operation to its owners continues along a very long time line of advanced management development. For a good turnaround manager, digital disruption is just another disruption, a distracting disruption, and disruption is what we fix.

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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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