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The Turnaround Man (A)

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This case was written by Mark Hunter, Adjunct Professor at INSEAD, and Herminia Ibarra, the INSEAD Chaired Professor of Organisational Behaviour. It is intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

The knock on the door was unwelcome for Wim de Boer, who was trying to concentrate on the capital investments his company would require over the next two years.

The visitor could only be one of his eight direct reports from the two factories; the other three executives and co-owners were away that day. (See Exhibit 1 for organisation charts of De Vries BV). Whoever it was, he or she was unwelcome. Just two weeks before, on his return from a leadership development course, Wim had announced to his team that he would set aside some uninterrupted time every day to work on a strategy for expanding the firm.

Wim had always prided himself on his willingness to manage all the details of making a plant profitable. But he was tired of approving and following up on every move his people made, and he knew that they, too, were tired of his constant attention. If they didn't want him to tell them what to do, why didn't they just do it? In three years, the firm's two plants had nearly reached the world-class quality and productivity objectives that he had set when he arrived. Wim wanted to move on to the next challenge, but every time he sat down to think, someone interrupted.

Carving out some time would be especially difficult that week. The day before, Wim and the sales director, who was also one of the firm's co-owners, had argued during the weekly board of directors meeting. In fact, they were arguing more and more frequently over how their departments worked together, with each accusing the other of costing the company money. The managing director (and board chairman), whom Wim privately considered a poor leader, had enjoyed the spectacle. Wim had to do something about the conflict before the next board meeting. But what?

Early Career

After obtaining his doctorate in pharmaceutical sciences from Leiden University in his native Holland, Wim began his career in R&D at Jupiter, a multinational personal care products company (see Exhibit 2 for his CV**)**. The work involved creating and testing variations in existing products, with the changes driven by demands or proposals from the marketing department. Over seven years Wim progressed from managing a project within a product category, to managing several products in parallel, and then to managing an R&D department. He liked his colleagues and enjoyed his work, and even, at first, the fact that the firm was like a cocoon: "Everything was organised – it was a world, and you didn't need an external network. Even the management courses were internal – company people from all around the world."

In his mid-thirties, he realised that he was becoming bored:

> *"At Jupiter, marketing was very dominant in new product development, and so my role was not very challenging. I wanted a more entrepreneurial role, and the challenge of working with, and motivating, people."*

Jupiter responded by offering him a position in supply chain management and manufacturing in Germany, where he had worked briefly before. Wim thrived in his new role. In production, the results were precisely measured in terms of overall line performance (the output over a given period), waste, energy consumption, and most important, man-hours-per-ton-of-

product. Unlike in R&D, where progress could be slow and it was sometimes difficult to see how work on one aspect of a project appeared in the final result, as a production manager Wim was confronted with issues that required immediate solutions, and the impact of his intervention was often visible to him right away. "I'm very much results-oriented," he commented.

Wim also took his wife's career seriously – so much so that he went back into R&D for several years so that they could move together to France, where both of them had long desired to live, and where she now had an attractive job offer. They *did* move to France, but Wim soon missed production and its day-to-day challenges. Four years later, when he and his wife had to decide where they wanted to raise their four children, the family returned to Holland, and Wim happily went back to managing a plant at a firm that belonged to Jupiter through one of its subsidiaries.

Turning around Fresh Day BV

Wim's new firm, Fresh Day BV, was specialised in personal care products for men and had a turnover of just under €100 million. Wim had nearly 100 employees under his authority. The gravity of the situation took him by surprise:

> *"I was not hired to do a turnaround, but it was necessary. I didn't even know if I could do a turnaround. People believed that the plant would be closed within a couple of months. When I came in, they thought, 'Here's the guy who's come to kill us.' So of course they kept their distance."*

His first six months were highly unpleasant. Then, a former Jupiter sales executive was appointed chairman of the subsidiary that owned Fresh Day. Peter was four years younger than Wim, and like him, still learning. Wim immediately found in him a mentor, the first he had ever known:

> *"Peter's strongest point was his vision. He gathered the right people around him in the board of directors and set a vision. He said he was taking us on a journey. He gave me lots of freedom. His predecessor also gave me freedom, but only because he was avoiding the issues Peter came by or called regularly, but he left me to manage. He was a mirror to talk to, but did not interfere."*

Wim delivered. One after the other he identified and attacked the inefficiencies in the plant's processes, line by line, supply after supply. One of the biggest problems was microbiological contamination of certain products. Producing under these conditions was like playing Russian roulette, said Wim: "You didn't know in advance if the product would be good, and there was a high rejection level." The only solution was to go through the production process from end to end, until the source of the contamination had been localised. Machines that were not performing properly were overhauled, one by one. When some batches still showed signs of contamination, Wim changed testing procedures to identify the time of day that it occurred. In the end, he said, "We did a big rebuilding of the production area, because the property was quite old, and there were some areas that were not hygienic." Finally, the problem disappeared.

The employees who had imagined that he'd be the plant's undertaker understood that he would not fix something that he planned to close. They supported the changes Wim was making, and their growing commitment gave him confidence, along with a satisfaction he hadn't felt before:

> *"It's great to get people to see they can change when they did not think they could. It is very satisfying to get these qualities out of people."*

The results were concrete and indisputable. A team from Jupiter came to the plant to meet with management, and showed historical data on production and profitability. "The old figures were dismal," Wim recalled. "Now, we were back in the black, instead of the red." He had done as much as anyone to save Fresh Day, and the team from Jupiter made it clear that he had also made himself a reputation.

From Employee to Partner

Following the turnaround, Fresh Day's parent firm was approached by a competitor, De Vries Personal Products BV, who wanted to acquire Fresh Day. Wim was not initially included in the deal, and neither was Peter, his mentor, who returned to Jupiter to run a foreign subsidiary. Jupiter offered Wim another position, but he and his family would have to move again, and they were now happily settled.

De Vries was undergoing its own changes. The firm, with a turnover of about €200 million, had just been acquired from its previous owners through a management buyout (MBO). The leader of the MBO, Thomas, was now De Vries' managing director and chairman of the board of directors. He and his sales director, Jan, asked Wim to join them at De Vries as director of operations and co-owner of the firm. If Wim accepted, he would have to invest financially in De Vries. He would join the board of directors, which would expand further to include a financial director. He would be responsible for two plants – the one he had turned around at Fresh Day, and another, larger plant that already belonged to De Vries. Fresh Day's products would remain largely the same, but with one significant change. The key markets would be sectors where Jan had developed a strong network of clients and relations – professional hair care salons and private labels.

Wim explained:

> *"They said, 'We're different from Jupiter. We have close contact with the clients. So we're very flexible, always struggling to conform to the wishes of our clients. We need good personal relations with these people, because these markets are personal markets.'"*

He found Thomas and Jan friendly and open, but the fact remained that he knew very little about them; above all, he had never worked with them before. He wondered if he would be a personal match for them, and if they would get on well together. Most importantly, he did not know if they shared a similar vision of how a business should be run. Wim discussed these issues at length with Peter, who thought the buyout opportunity could be very interesting. The more Wim reflected, he said, the more "I liked the idea of being an entrepreneur and being completely autonomous." And so he accepted.

Soon afterwards, an incident made Wim wonder if he'd made the right decision. After Wim had already selected a supplier for a new line of hair products, Thomas told him to use another supplier, who happened to be a friend of Thomas's. Wim acceded, but he thought that this was a poor way to make decisions, and it subjected him to some embarrassment with the disappointed supplier. To make matters worse, Thomas had been Wim's predecessor as operations director, and, as Wim soon discovered, he had not done very much to improve the facilities or train and motivate the employees and managers. Wim realised that to improve operations, he would have to undo things, and confront individuals that his new boss had put in place.

The Fire Patrol

As operations director, Wim was responsible for two plants in different towns: the one he had turned around earlier and De Vries' previous, larger plant. Besides a new location, he had to deal with a new company culture. Previously, he had his mentor as well as the entire Jupiter support infrastructure to toss around new ideas and help him keep abreast of new developments. But in his new role Wim had no one with whom he could exchange ideas about production.

He soon realised that making the larger site more modern and cost-efficient would require changing the mindsets of his new employees. There were 265 of them, nearly three times as many as he had managed before. The plant had a total of 15 lines, organised so that the factory was like four separate sites. Coordination across departments was poor – for example, "Hygiene workers couldn't go and talk to workers in raw materials," noted Wim. By no coincidence, output was dismally low, and costs were unacceptably high.

It also became clear to Wim that he could not rely on his employees to propose improvements. In effect, they had been trained not to take initiative. Their first general manager had been a patriarchal type who denied his people the slightest autonomy, especially when money had to be spent. His successor, Wim's new boss Thomas**,** had been a micro-manager who instituted rigid procedures for everything from punching the clock to requests for funds, without an overall vision of how procedures fitted together. The cumulative result, according to Wim, was an "extreme" passivity among employees: "When people wanted to spend money the answer was always 'no'. So now, they don't dare spend money, even if it's necessary."

One of his first moves was to institute daily production meetings in both plants with all the workers. "Before, it was just the managers," he commented. "I said, 'No, the people on the factory floor know what's going wrong, they have to be there. We have to hear about it from them, not get it second hand.'" He attended at least one of the plant meetings every day. He wanted to create a TPM[1] culture, in which line workers would share responsibility for

1 "Total Productive Maintenance (TPM) is a maintenance programme which involves a newly defined concept for maintaining plants and equipment. The goal of the TPM is to markedly increase production while, at the same time, increasing employee morale and job satisfaction. The TPM closely resembles the popular Total Quality Management (TQM) programme. Many of the same tools, such as employee empowerment, benchmarking, documentation, etc., are used to implement and optimise TPM." From Jack Roberts, "Total Productive Maintenance (TPM)". The Technology Interface, Fall 1997.

continuous improvement while managers support and coordinate them. Wim thought it was the right answer to the static situation in the big De Vries plant:

> *"The meetings were a good means of communication – we really had things on the table that were going on. I said, 'We want you, the production guys, to have responsibility. We, the managers, are only here to facilitate.' Instead of looking up to the bosses, I wanted them to identify and fix what was wrong. They had good ideas, but they didn't dare to act – they wanted permission. I wanted my direct reports and their direct reports to coach the production workers towards the new functions. Then, the managers could develop themselves and be the links between the departments."*

Reactions to Wim's management style were mixed. In response, Wim "reshuffled" several of the least productive supervisors, who had been in the organisation a long time, getting them out of "line roles, where they can spoil things." He would have liked to replace some of them with more competent people, but "the sales director and managing director found it hard to put these people aside," he said.

Meanwhile, as Wim described it, life at the big plant was "like the fire patrol, where you had to run from one corner to the other to fix things, in order to be able to continue producing." He was in the role of fire captain, and although it was sometimes nerve-wracking, in a way he enjoyed it: "It was also a challenge. When things are nice and calm, I don't like it, either. It's something I discovered in that first turnaround – I need a challenge."

Wim tried to teach his managers and employees how he thought issues should be addressed:

> *"What we did was to take [issues] one by one, not as a bunch of problems that came together. We set priorities. Everyone was talking about everything at once before, doing a little of this and that, but not getting to the roots of the problems. I said, 'We have to dive deeper, find the real causes and take them out, not have the problems coming back every day.'"*

It was a long road but the results were positive. In the daily production meetings, he showed his managers and workers data that proved that by following their action plans they were attaining most of their targets. Wim commented, "It's good for people when they realise we started a programme, we're continuing, and we're getting results. People need confirmation that they're doing the right things and doing things right. People want clarity."

Wim and the Sales Director

Although several lines in Wim's biggest plant had still not been optimised, he and his people were repeatedly confronted with orders that made their lives difficult. Wim naturally wanted well-planned volumes and runs, without which he could not optimise logistics and control costs, while the sales department naturally wanted to put the customer first. That was normal, but Wim believed that "the priority-setting is not always done on the right basis…"

> *"We are sometimes too flexible for customers. And, [salespeople] are making mistakes, especially in the sense of timing. Actions by clients are coming to the*

> *sales department, and are not transferred to us. They forget to say to the production plant, 'There's only three weeks to go and it's hot,' although they may have known it was coming ten weeks before."*

Wim sarcastically told the sales director, Jan, that to keep up with last-minute requests from sales, his line people were having to adjust the machines "every 15 minutes," and also found themselves short of necessary supplies. In an atmosphere where breakdowns were occurring, there was no slack to accommodate these situations. The result was that on two occasions with different clients, delivery deadlines were missed.

Wim felt that it was not his people's fault, but they were blamed for it by salespeople and in board meetings. He did not hold Jan directly responsible for the situation, but he believed that there were people in the sales department who should be watched more closely, if not removed. In any case, Wim mused, the board was predisposed to see production as a cost and sales as revenue. These battles, he thought, were his to lose.

The irony was that he liked Jan, and saw a natural ally in him. "When we talk about people, he has the same vision as me about how to deal with them," said Wim. In some ways, Wim looked up to Jan, and not only because he was nearly ten years older and "very experienced". Wim especially admired the sales director's comfort and confidence with other people: "Jan has a big network, good personal relations with many people inside and outside." That's what made him "a real sales guy," said Wim. Wim himself disliked networking: "I always saw it as small talk in order to get something from the other person. I didn't like doing it, and I don't like people calling me to get favors."

The conflict was having other, unpleasant side effects. At board meetings, Jan had more than once raised issues that concerned Wim without having discussed them with him first. Their dispute left a vacuum in the leadership of the company, Wim believed:

> *"We're the strategic thinkers on the board. The other guys look at the financial issues, from month to month. Thomas doesn't want to discuss [long-term issues], and the financial director just does what Thomas tells him to do. We could do better things if we thought better about the long term – what to do for sales, and about costs. There is no integrated strategy."*

Wim believed that the future of the company depended on a sound strategic plan for future acquisitions – in particular, failing plants that could be turned around. Improving his relationship with Jan, he felt, was the only way to counter Thomas' ingrained opportunism, which might lead to less than optimal choices**.** Wim proposed to Jan that they exchange jobs for a couple of days, so that each could understand the other's position better. Jan did not reject the idea, but nothing came of it.

A Learning Break

Two-and-a-half years into the buyout, Wim attended a leadership development course abroad, hoping it would help him accelerate the changes he had under way at the plant. One of the course exercises made him reflect on the way he managed his people. He was in a room with 35 participants, and the instructions were for each of them to choose two other people, and to

establish the same distance from them as everyone in the room circulated. Within four minutes, the entire group had achieved equilibrium. The instructor asked, "How long would it have taken, if one of you had tried to arrange this outcome on his or her own?" The message for Wim was that "you can leave things to people which at first, you think you have to do yourself."

Another powerful message came from a 360° feedback he obtained from his general manager, peers and direct reports, and outside observers – a total of ten opinions (see Exhibits 3 and 4 for the feedback dimensions and Wim's results). Despite some agreeable surprises – notably the fact that his boss gave him higher scores than he gave himself on empowering employees and designing and aligning functions – the results shocked Wim.

The biggest shocks came from his direct reports. They rated him near the bottom of the scale on emotional intelligence, on rewarding and feedback, on team building, and on empowering. In general, Wim's self-assessments of his qualities were strikingly different – either higher or lower – from his observers' assessments. One exception was his tenacity, which everyone agreed was high. But were these data simply telling him that he wore people down until they agreed with him? One observer said, "Wim neglects too often the experience of his colleagues," and another thought it was hard for him to accept criticism. Furthermore, for someone who genuinely believed that he tried to generate trust among his people, learning that his subordinates felt that he had to improve his control over his emotions was also hard to swallow. A colleague remarked that after an angry outburst, Wim could suddenly make a joke, as if nothing had happened, not realising the destabilising effect of his mood change.

Staring at the results, he remembered that some of his colleagues and subordinates had made similar criticisms during the turnaround at Jupiter, despite the fact that they were grateful to him for saving their plant. He reflected: "I thought that I'd changed my approach, but I haven't really changed so much since the last time."

But he also wondered if this was not a typical predicament for a leader:

> *"You have to have a good mixture of being friendly with people, but also being tough about delivering results. You can't give in – people have all sorts of reasons to explain why things can't be done, or can't be done as quickly as you need them to be done, and you should not accept them. That is reconfirmed all the time. You have to follow that rule. On the other hand, you want to leave other people some space. Finding the balance between the two, between giving people space to breathe and getting the results you want, when you want, is not easy. It* is *my job, but it's contradictory."*

After his course, Wim returned to Holland with two action commitments. The first was to end the dispute with Jan. The second was to reserve two hours a day of uninterrupted time to work on strategic issues. He knew that to do so, he would have to delegate more decisions to his employees. His goal was to make himself dispensable in the plant that was absorbing all his energy, in order to be ready when he and his partners made their next acquisition. He had turned around unprofitable plants twice, and succeeded twice. He was ready to do it on a wider scale, if only he could solve these interpersonal issues.

Back on the Job

On his return from the leadership training, Wim's first action was to invite the contributors to his 360° feedback for a debriefing, one by one, on his key learnings from the course, and to see how their individual opinions of him compared to the opinions of others. In particular, he told his subordinates that he didn't wish to be seen as "acting very tough, and as taking decisions alone." It was true, he admitted, that he was "results-oriented", and that if results lagged behind his expectations, he would often leap into the situation without allowing them time to arrive at another solution. He promised to be less authoritarian, and to avoid giving them the feeling that he was hovering over them at every moment.

One of the key tests of that promise was his relationship with the line production manager in the larger plant, Harry, aged 47, who had been with the company for six years,. Wim had made a point of giving him instructions every day, and of closely following their execution. Wim liked Harry, who was friendly, got on well with his employees, and was clearly loyal to the company. But Wim had always felt that Harry was neither tough enough with his people, nor sufficiently results-oriented. Wim also believed that Harry put too much faith in technical solutions – "He thought we could change everything just by putting in new IT and machines" – and not enough in the possibility of changing his workers' attitudes and approaches to their jobs. Harry had begun to address these issues before Wim went to his leadership training, but it was still too soon to see the results.

Wim now resolved to cut back his own appearances at the daily production meetings to once a week in each plant, although he would continue to read the minutes of the meetings. He also decided to stop calling Harry every day to discuss problems and how to resolve them; now, they would speak only when there was a major issue that required their mutual attention. In fact, Wim would make himself completely unavailable to everyone in the firm, with the obvious exception of his boss, for two hours every day. He would use that time to work alone, in his office, on strategic issues.

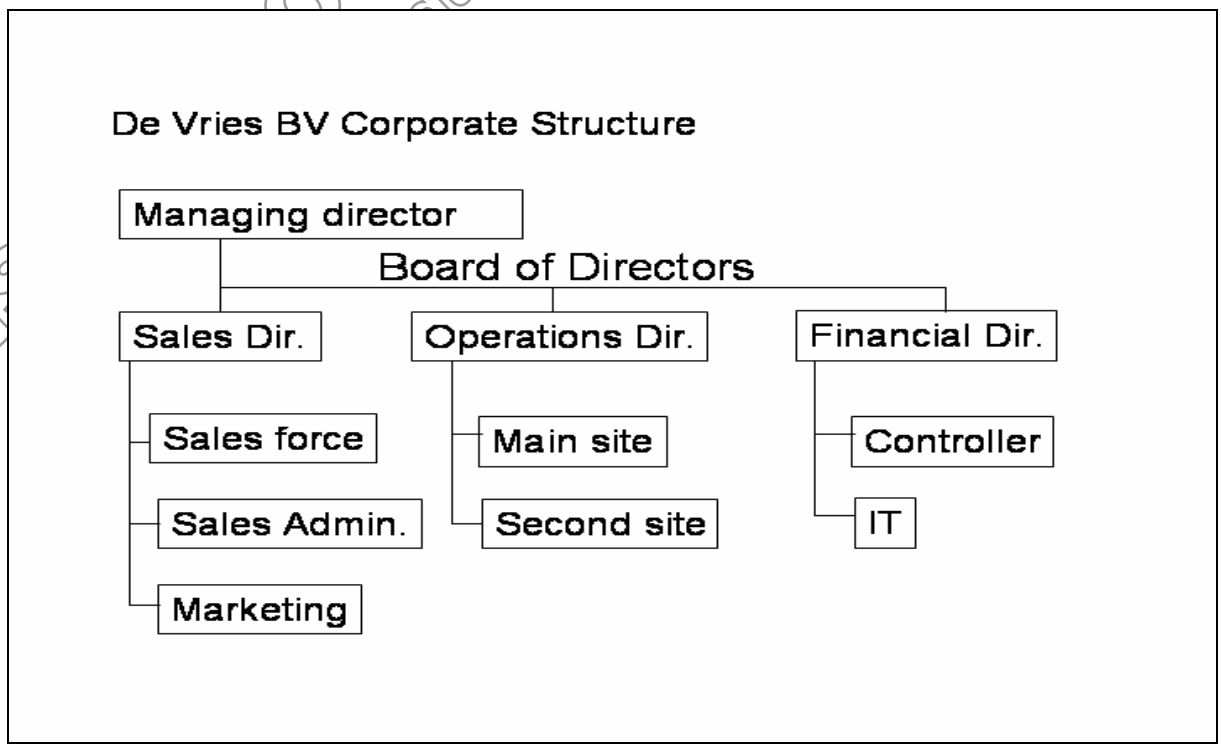
He also decided to approach Jan and suggest that the two of them work out their conflicts, now and in the future, before board meetings. They could no longer afford to be divided and isolated, and the firm could not afford it, either. He was still trying to think of how that might be done.

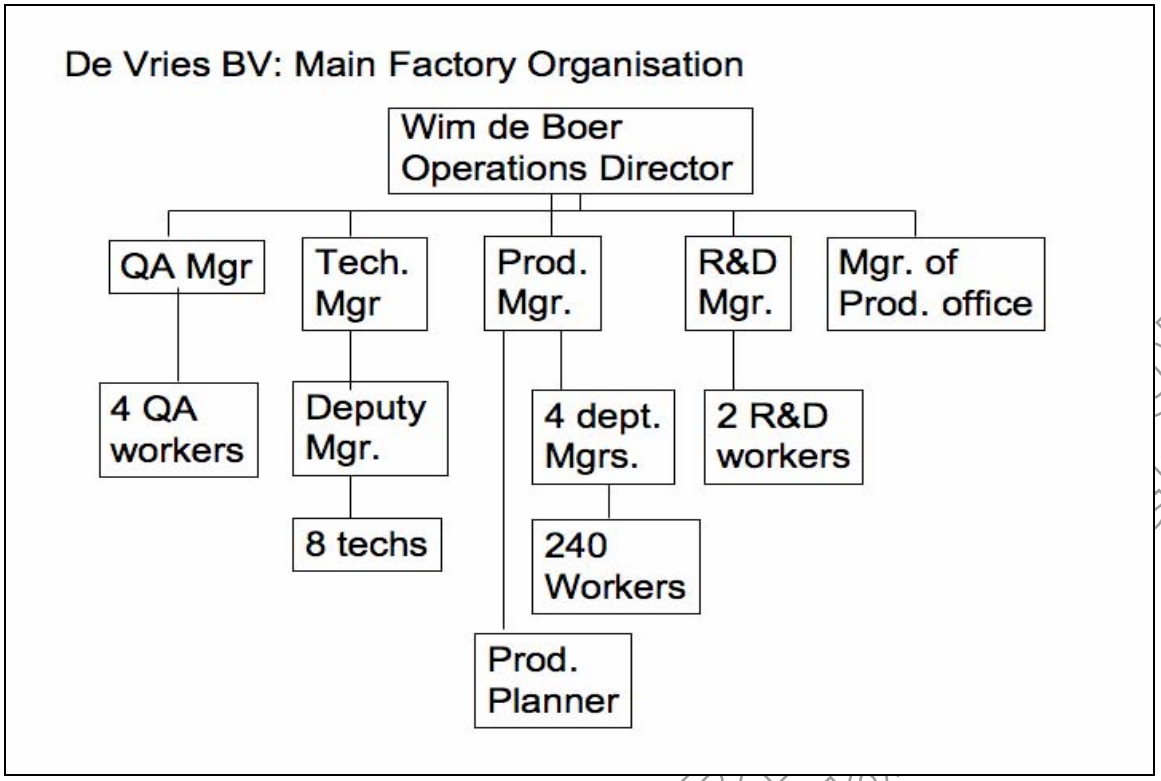
Who's That Knocking?

The banging on his door began again. Wim angrily thought to himself, "This can't be an emergency: when the building is on fire, people do not stop to knock politely. This must be just another little problem that someone has to decide how to solve. Why does it have to be me? Didn't I tell them that I would keep 'closed door' hours at the end of each day?"

Exhibit 1

Organisation Charts of De Vries BV





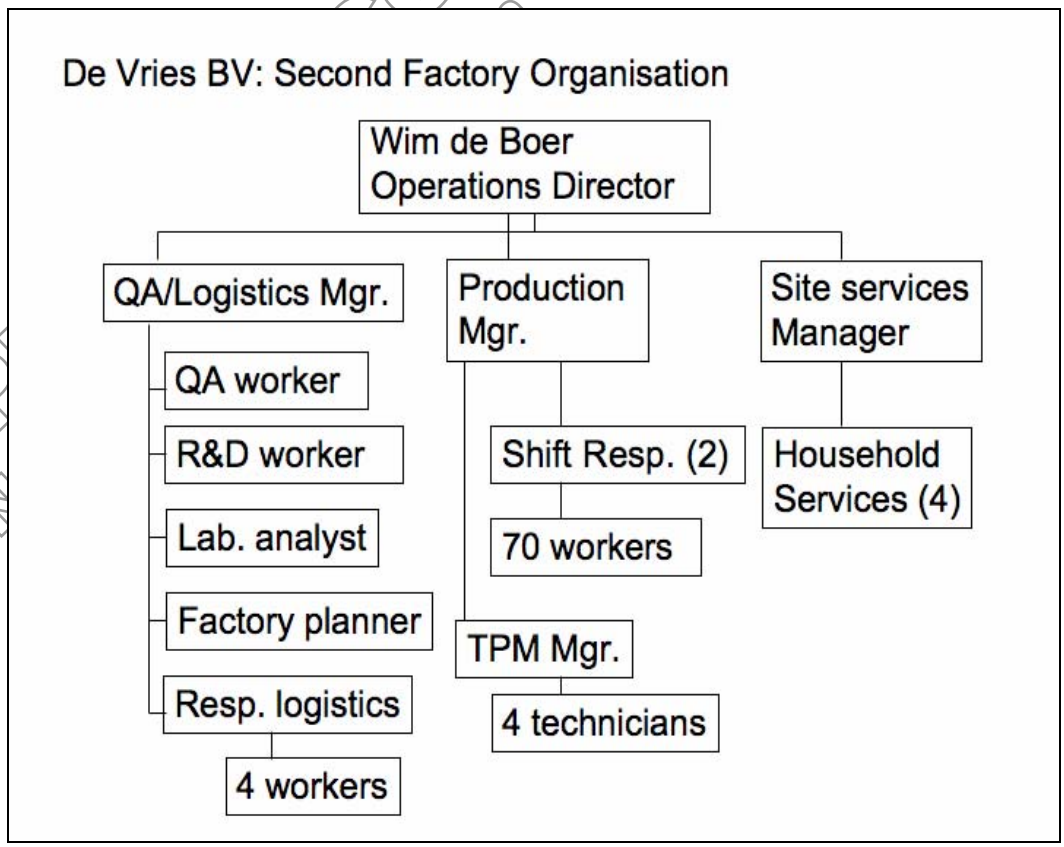


Exhibit 2
Wim de Boer's CV

Date of birth: April 3, 1959

Marital status: Married, 4 children

Professional career (through 2006):

2002-present: Operations Director, De Vries BV (cosmetics producer)
- turnover *circa* €300 million
- 365 personnel (2 factories)
- co-owner (through MBO)

2000-2001: Factory Manager, Fresh Day BV (Jupiter)

1996-1999: Company Development Manager at Peau de Reine (France/Jupiter)
- responsible for the entire R&D portfolio (hair, skin and bath products)
- turnover *circa* €600 million

1993-1995: Production manager at Jupiter GmbH (Germany)
- production of skin care products
- 150 personnel

1990-1992: Development manager at Jupiter GmbH (Germany)
- development projects on skin care products

1988-1989: R&D Manager, Jupiter Research, Amsterdam

1986-1987: Development Project Manager, Jupiter BV, Rotterdam
- hair products plant

1984-1985: Military service. Rank: Officer.

Education:

- High school 1977
- Pharmaceutical Sciences at Leiden University (NL)
  Doctoral graduation 1984 (*cum laude*)
- Various management training courses

Exhibit 3

The Dimensions of Wim's 360° Review

According to the *Global Executive Leadership Inventory* by Manfred F.R. Kets de Vries, "The behaviors that are essential for excellent leadership can be grouped into twelve dimensions, each of which represents one of a leader's twelve primary tasks."[2] The dimensions are listed below, along with specific behaviors associated with each dimension. Different types of commentators – superiors, co-workers, direct reports, outside observers, etc. – are asked to assess how a given individual does or does not exhibit these dimensions. The individual's own self-assessment can then be compared.

Dimension A: Visioning

- Sees the big picture
- Thinks strategically
- Establishes direction
- Challenges the status quo
- Seizes opportunities
- Simplifies complex situations
- Interprets the future

Dimension B: Empowering

- Shares information
- Delegates
- Pushes decision making downward
- Tolerates mistakes
- Creates a sense of ownership
- Minimises secrecy

Dimension C: Energizing

- Is proactive and action-oriented
- Displays passion
- Is excellent in impression management – knows how to inspire an audience
- Is a good story teller
- Is a role model
- "Walks the talk"

Dimension D: Designing and Aligning

- Creates management systems
- Builds alignment between vision and systems
- Manages accountability and sets performance milestones
- Monitors organisational culture
- Ensures that behaviour fits organisational values

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Dimension E: Rewarding and Feedback

- Creates all types of incentives and rewards
- Gives constructive feedback
- Mentors
- Celebrates achievements

Dimension F: Team Building

- Is a team leader and team player
- Subordinates personal goals in interest of group
- Encourages constructive conflict
- Looks for win-win solutions
- Creates a cooperative atmosphere
- Builds collaborative interaction
- Creates team diversity

Dimension G: Outside Orientation

- Satisfies customer needs
- Handles stakeholders' sensitivities
- Makes positive contributions to the community

Dimension H: Global Mindset

- Is aware of socioeconomic and political scene
- Possesses cross-cultural curiosity
- Has a sense of cultural relativity
- Avoids stereotyping
- Feels comfortable in multi-cultural teams

Dimension I: Tenacity

- Stands up for principles
- Takes risks/has courage
- Is resilient

Dimension J: Emotional Intelligence

- Engages in self-reflection
- Regulates own emotions
- Is empathic and listens actively
- Uses feedback for self-improvement
- Provides a safe environment for taking risks
- Inspires trust
- Is perceived as having integrity

Dimension K: Life Balance

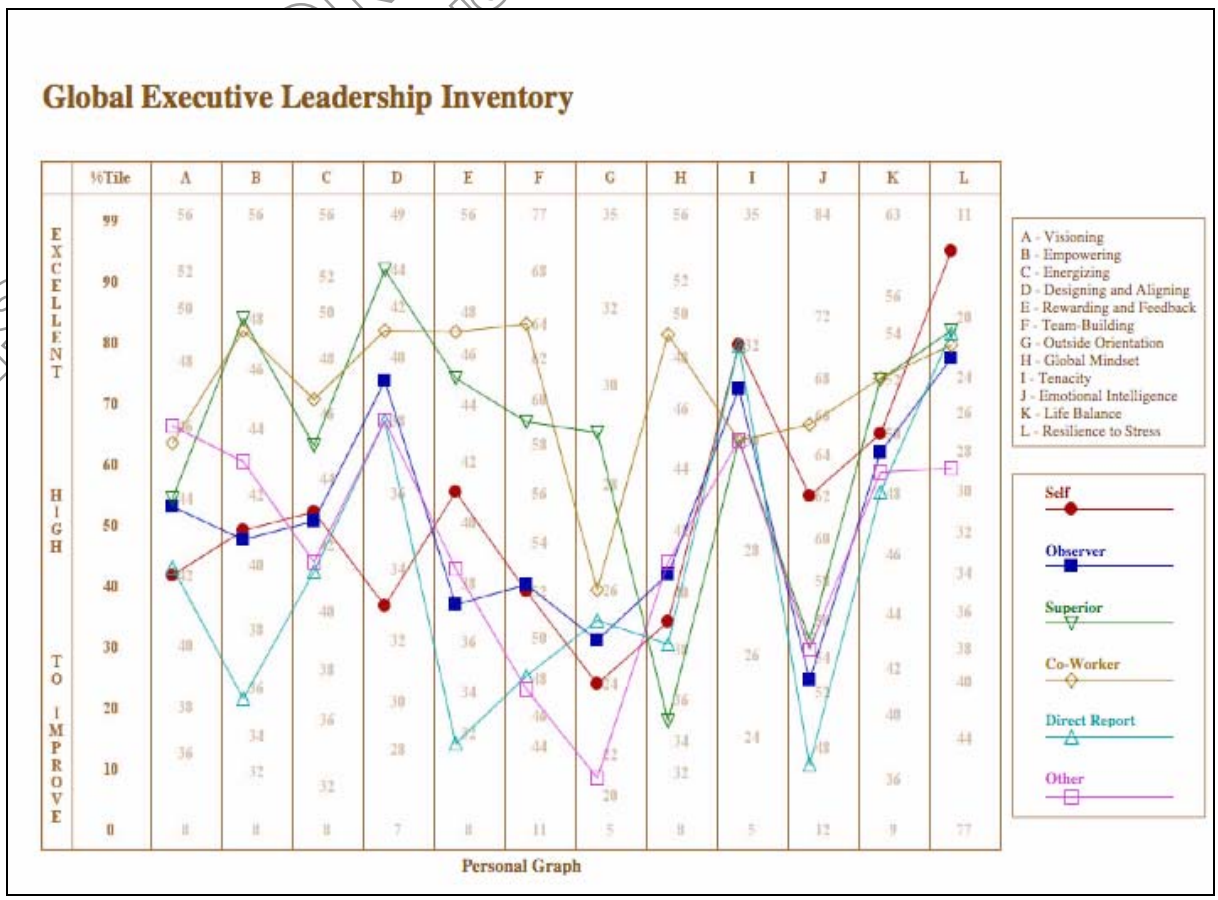
- Diversifies life interests
- Sets life priorities
- Has "confidants"

Dimension L: Resilience to Stress

- Manages stress at work
- Manages career hurdles
- Deals with life's responsibilities
- Handles concerns about health

Exhibit 4

Wim's 360° Feedback Results



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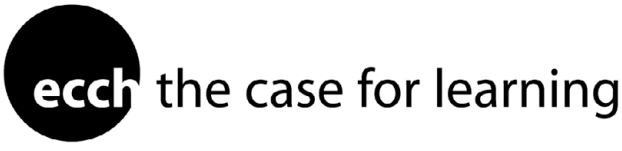

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