



MITCHELL PHOENIX

LEADERSHIP AND MANAGEMENT TRAINING

*"Turnaround is not everyone's forte,
Not everyone has the right aptitude."*



Ross Stuart

Turnaround and decisiveness

An interview with Ross Stuart - Divisional MD Linpac Industrial Europe

What were your early influences and education?

Boarding school and then the family moved from the UK to Australia, I went to the University of New South Wales for 4 years to study Engineering.

A part of the course was a period working in the BHP steelworks, 6 months work experience. You know steel mill, hard-hat environment, and raging furnaces. I had the job of maintenance supervisor.

Sounds rugged, what did you learn from this very early management experience?

That quite a lot of what could be done was obvious! Very little thought was applied to the maintenance jobs, random selection of work, they did what they like doing, no deadlines, no logic, no system

What next?

I finished the degree did some general labouring during a downturn in Australia & returned to England to re-join the family who had moved back some years earlier. I was recruited as a project leader, building a petroleum storage depot in Canada, the first part in the UK and then onto site supervising part of the build in Quebec. £10m, 21 tanks, and a 'drop-dead' date of November when the snowfall arrived – The site closed until spring when commissioning took place. This is where I learned about objectives.

"By November the big freeze arrived, everything had to be completed before that; there were no alternatives, no plan B, no other options."



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This was your first real job and one that involved management, what did you learn during this early period?

In Canada they have a system of 'Registered Engineers' and to hold any position of responsibility you had to be registered. I had registered and towards the end of the build my Bosses left and I was left to assume the more senior position on site, more by accident than anything else. I acquired senior responsibilities more quickly than would have been planned

It was a very hostile environment, not just the weather. The site was Unionised, the type where Union Bosses arrive in Cadillacs and wear gold chains, they dictated who came on site, who was employed and when. There was also resentment about a UK company working in Quebec; the local community thought a local company should have the job. We issued 250 complete tool kits to artisans – not one of them was ever returned! I learned quickly about what you can and cannot change.

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A big part of this learning curve was how to manage sub-contractors. Quotations were just the starting point on these big contracts – when dealing with £1000s of value – a little bit of haggling produced great results. We would make money out of the discounts we won.

Yes Ross we have been on the end of this from time to time ...

The other bit was how to manage delivery, once I had been let down a couple of times I learned that 'he who shouts loudest gets the delivery...'. You get better service by being on their backs ... all the time managing the crucial delivery points. We were heavily bonused and these delivery points were critical to the success of the project and the amount of bonus we received. I bought my first Aston Martin from the final bonus on this job!

Great stuff. I know from our talk that you spent an unfulfilling time in sales with the family business, could we move forward a bit and talk about your time at Cranfield? Why did you go for that and what were the major influences on you?

I was looking to get back into industry and found out that Cranfield were offering bursaries for a new programme sponsored by the Engineering Industries Training Board.

This body was quite visionary and formed idea that by creating a bespoke, senior level, Fellowship in Manufacturing Management (Post Graduate – The EITB commonly focused on skills training) they could breathe extra life back into British Industry. They saw the need and acted on it. It was unusually intensive, 6 months in industry and 12 months at lectures in Cranfield – 9.00am to 5.00pm every day plus evening fixtures and some weekends

What realisations emerged from this, what guiding principles did you take away?

I learned about modern techniques, learned the jargon and process of manufacturing and gained confidence in the things I had been doing and my own ability to make improvements. I met a great deal of people, the right people, we had formal dinners speakers from industry and saw the type of thinking I would need to be successful.



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At what point did you realise that you could be very good at this management game?

During the Industrial placement, 6 months with Edwards High Vacuum (now subsumed into part of British Oxygen).

I was put in charge of the repair facility, they were months late on their customer repairs, generally disorganised, no systems, the fitters decided what they would do from day to day Did what they liked to do, literally! I gathered up all the job cards, took them away from the staff and started to put some order into the place. It all sounds so basic and obvious, it the basics was just what was needed. I gave the customers an idea of when they would get their units back, initiated the introduction of their computer systems into this area of the business. They would record and track work and so on. We quickly became better and the people liked it and got into it, it was better for them. The resistance melted away.

Why could you see these obvious improvements and others could not or had not up until now?

Well that's interesting. They could see it but nobody did anything. It was dead-men's-shoes and they simply carried on as before, it worked in a fashion and the low expectations were met.

These were great experiences and I feel a trend developing as we talk, after you graduated from Cranfield what did you do?

I joined Suffolk Lawnmowers as production manager, my first real job – 500 people. Little did they know I didn't know anything about this work, lawnmowers the whole thing!

How did you get the job?

Well there were a lot of interviews, I had the jargon and the qualifications and they must have seen the potential.

What were the first steps you took?

Production in this factory was all about scheduling and shortages. They staggered from crisis to crisis with shortages, lines shutting down with no methods for predicting these. I had seen the possibilities of good computer systems with Edwards and brought them in immediately. Very quickly the business started to run better, I would get into the factory and ask a lot of questions – I didn't know anything and had to find out – By asking these questions I stirred up the thinking among the people. They would say things like "I've been thinking about that, we could change this and make it easier/faster/better/ and so on.

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Why had the workforce not instigated these improvements themselves?

This was some years ago and that was not the culture in this business. I had a very good foreman, he knew everything, where to get things, how to do this and that but he lacked the credibility with the senior management and could not be heard. His opinions were right but not listened to. The old guard prevailed. Working together we could get things done, it needed leadership at the right level. It would be different now we broke those barriers down.

To what extent do you search out those people today, people like that foreman? And are you able to recognise them?



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Yes, they are not always there but when they are I can spot them quickly. Its like interviewing people, you may know early on that they will/will not be successful. I know you should give people a proper chance to show you what they've got but in a turnaround you have to be decisive about people, quickly. You don't always have time to assess everything, fully, all the time.

How much could be achieved without this speedy decision-making?

No, you don't have the time; there is only a short time window to make first steps. If you delay on something crucial people revert back to the old ways and you've lost the impetus. Try to change them after that! It is much more difficult.

How long have you got?

I aim at something in the first week!

The first week?

Yes, the first week there will be small changes and by the second week a plan starts to be formed – it is that quick. It depends on how deeply they are in the sh*t.

How easily can you see that?

Very, just walk around the place. I will stop and ask someone "How are you getting on? What would you change?" and listen – they may say " Oh I do OK it's always been like this, but if it was my decision, I would do this, this and this..." "Well why don't you do it then?" You get all the information you need in this short exchange!

I'll give you an example of how accurate the ordinary working people can be. I talked with an operational guy in one of our factories about a product we are making right now. He said that he guessed was that we lost £5.00 on each item. I checked everything and he was spot on. Not only that, the £5 lost is on manufacturing costs before any overhead recovery!

This ops guy knew but could not influence any decisions. We did two things based on this. First we went to the customers and said this product is going up in price immediately by 25%, some continued to buy and we are happy, some did not and we are still happy. The second thing we did was to adjust the manufacturing output to reflect the profitable selling price not the factory capacity. We could make a lot of this product and be busy fools, or a little and make profit.

Again it begs the question as to why the existing management did not take these decisions?

They were not brought up to be 'bottom-line' people. They had all the skills of their profession but not enough skill in business. You must have both today, in all parts of the business.

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What is an example of that?

A great example of how change can be brought about but completely miss the commercial target is the reform of Health and Safety practices. I am fully supportive of this; don't get me wrong on this subject it is too important to be misunderstood.

The point I'm going to make is how H&S practices have profoundly changed the culture and methods of businesses all over the world. Fantastic efforts had to be made to change the very culture of the workplace – it worked worldwide! When this was done there was almost no focus on the commercial aspects of the business and yet if the equal efforts were made in changing the business culture, businesses would change beyond recognition.

Culture drives a lot of things and you have to change that to change businesses. H&S improvements get measured at every stage, and if you're not measuring it, you're not improving it. It's the same for business.

I know you are complimentary about the financial and commercial disciplines of the BTR Group; you spent some time with them? What impressed you?

They drove the bottom line through the budgeting process. They had good financial disciplines embedded in their management approach. Once you agreed your budget, and that was a tough exercise, you had to be super prepared; they let you get on with it. You could run your business as you like as long as you delivered your budget. They acted like modern day Venture Capitalists (Private Equity), allowing the management on the ground to operate as long as the numbers were delivered. If you asked for £1million and could justify it, you got it. You then had to deliver what you promised.

I always have a strategic plan in place.

You invested heavily in management training during that period, how does that square with the pressure to deliver tough financial targets?

Good training gives confidence, strengthens peoples will. They meet other managers from different companies and come back with fresh ideas. Training re-vitalises people.

You said that as if it were unusual?

How do you prevent these managers slipping back to the old ways?

You have to help them be different, you have to be seen to be doing things differently yourself. Set the example.

*It was, and it is!
People talk about it, but they don't do it.
I always have a plan,
It's very good to show your Boss."*

I know you employ much of the BTR type of regime in what you do today, how do you deal with your direct reports in this respect?

I set them targets and we agree those. You can't let them get just on with it like the way BTR dealt with divisional MDs. Direct reports need closer help and management.

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It was, and it is! People talk about it, but they don't do it. I always have a plan; it's very good to show your Boss (laughs).

It is important to fix things in the short term get rid of the bad things that spoil the business. Equally you have to put in the good things, this is a long-term process. There is a lot of myths around strategic planning but is simple.

You start by finding out who your competitors are, what they are doing, how big the market is. It's easy to do, just get the accounts of all the competitors and add them up! You will not be a million miles away from the truth. You don't need a great load of consultants to do this.

There are lots of industry myths, people talk of massive competitors and yet when you get their accounts you find they are not big, often quite small. Show these to your people, deal with the facts, and they say "right now we have a chance". Your people start to act differently and more confidently.

With some basic market intelligence you can do a lot. You can break down the imagined barriers, it happens by itself you simply feed in the information, ask the questions, or get the people to find out for themselves.

In stalled businesses people have often stopped asking questions, they start to believe industry gossip because it is their only source of intelligence. They start believing the myths, the industry propaganda.

Let's talk about the people and what your approach is to them in the early stages, how do you tackle this?

The first thing I do is to talk to them individually, I ask them "What's gone wrong?" Invariably they know – "Well this, this, and this" They don't often see that they contributed to the downfall. I ask them "If you were the MD what would you have done?" And they know. "Well then why didn't you do it?" The answers are there, you tease them out but they are already there. Like consultancy without the fees.

How quickly can you spot who is going to help you in the turnaround?

Straightaway! I have a good idea who can be re-motivated, a good idea who blocks progress, a good idea of the steady people – you need them to keep the business running - and a good idea who will get on with it.

How confident are you that you can re-motivate the people?

Taking people out of their comfort zones, that's how it starts. You quickly see who is motivated and who switches off.

What then?

If they will not join in, and there are always a couple of people in the team who will eventually go. You have to remove them. Any one you can't re-motivate has to go, yes definitely.

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You have demonstrated the ability to just take things on, throughout your career. From the Canadian project onwards, not everybody will do that. How so?

You just get thrust in there, I see the challenge and I will take it on. If you get it right there is a lot of reward. Hopefully you get more right than wrong. You have to recognise that, I can do that.

A recent example is in the business I'm in at present. They had recruited a GM for another part of the business, and asked me to look over it. I spent a little time with the people and the business and said.

"You've got the wrong guy!"

"But we only just recruited him" was the reply.

"Well you made a mistake"

"OK we'll do something about it"

They investigated, agreed with me and got him in to call it a day. He managed to persuade them otherwise, but shortly afterwards he went. That kind of indecisiveness does not work. You have to act quickly and decisively.

What do you look for in the people you inherit, because for the most part that's the scenario; you inherit the team that caused the problems. In this day and age you cannot sweep the board clean?

I look for ideas, suggestions, and options. People who come to me for decisions not to solve problems. I always ask them "What would you do then?" Sometimes they sit there open mouthed; most times they do have an idea of what to do. I help them with that.

What qualities do you look for?

They must have core skills, professional skills. It is the basic foundation for what they do whether manufacturing, sales, and finance. They must have good people management skills. They must have leadership. Leadership is needed everywhere, supervisor to MD. You have to set standards and defend them. If you don't defend them they slip. The first time you retreat people won't follow you if you retreat from your own standards.

When you are trying to change things quickly, not building on continuing success like most businesses, you have to have strong standards.

I don't work well in a Matrix. In fact I don't believe a matrix can really operate well in turnaround. What I do, there is not time for consensus. Consensus comes later by going through the process of change.

What I will say is that if you get these aspects right (leadership, decisions, standards) you build a very powerful team. This year in one of our businesses they have hit every target, against the odds. They had a mountain to climb at year-end and they did it. When you come from a bad position and make it work, it is very powerful.

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One example is in a small production supply area. The supervisor had £110k stock of one item and got it down to £10k in one year. If I had asked her to do that at the beginning we both would not have believed she could do it. Now she is confident in every area that she can make changes.

What about handling the fallout from tough decisions, how do you deal with that?

I have no problem with making difficult decisions. You need time to think it through and I rarely make gut decisions. I take counsel from those involved.

Tough decisions all come down to people issues, always. I debate it, always, "should we do this or that, what options do we have" and so on. Some people have to go in turnaround situations. You have to make the business good and often that means taking decisions that should have been taken beforehand. (I still have the psychometric report that I had from the early 90s. It says exactly this; I can do it.)

It is not all bad, 15 years ago it was frowned upon to be changing jobs, now it is frowned upon if you have not moved around. Big companies do it as part of their strategies. Push you up the ladder until you fail, see who can make it.

Sometimes of course the challenge is not achievable and you fail. But I still took on some of those. Ambition is amazing it has you taking things on against your better judgement – just to see if you can do it.

"Ambition is amazing it has you taking things on against your better judgement – just to see if you can do it."

How about pursuing business turnaround as a career, what advice would you give to someone considering this?

Turnarounds just happen, and if you enjoy the difficulty it becomes a career. I recently joined the Society for Turnaround Professionals. What strikes me is that all those involved are highly individual people, some fairly arrogant and some very arrogant. You know you do it a few times and think you can always do it.

It can be a career. Many are on contracts and can be earning £1000 a day, for a fairly long-term contract. The top guys make £2-4k a day. They are mostly in financial re-structuring. The very big deals you see in the press. I do operational turn-around which is not the same thing.

How would you suggest young managers find an entrepreneurial company?

Most companies say they are! But how do you breed that into an organisation? Rigid management practices normally take the entrepreneurial people out.

Best to find a good leader and get lots of variety, get autonomy, step up to the plate, put yourself in the firing line, get noticed.

I have a recent example where several middle managers have been given big jobs; they took on more and found they could do it. At the same time some took on more and have failed. It was obvious to me who delivered and who didn't – it's highly risky.