



**International Top Executives recruitment service
from interim assignment to permanent placement**

Success Story

Profile COO/Managing Director
Manager CEO Europe Id # : 22188

"FIX IT OR CLOSE IT"

The Assignment.

A six month project to assess the potential for the loss-making Italian sales and marketing subsidiary of a UK group manufacturing and supplying industrial equipment. An extremely clear mandate to "fix it" or close down the operations in Italy.

The Problem

The company had experienced declining sales and operating losses of 15% on sales.

In an attempt to stem the losses, the Group had eliminated the position of General Manager and created three divisions (two sales and one service) with division heads reporting to head office divisional directors. This resulted in a deterioration of performance and the group urgently needed to stem the increasing losses.

The Project

With a very short timescale, an in-depth analysis of the organisation, structure, sales and marketing and the market had to be undertaken to prepare a strategic turnaround plan for submission and approval by head office.

The critical areas to be addressed were soon identified by talking to all levels of employees, looking at the competition and through experience previously gained in other companies finding themselves in difficult situations.

1. Divisional structure – the imposition by the group of a divisional structure had created rivalries and hostilities between the divisional heads which permeated throughout the organisation creating a confused and de-motivated staff. This was addressed by introducing company-wide results related bonus objectives for all senior personnel, and the institution of management meetings involving all divisional managers and putting the overall results of the company above those of the divisions. The interim General Manager also acted as a filter between the Group's Divisional Directors and their input to the subsidiary.

2. Staff communications and involvement – was an essential element in involving the entire organisation in the mammoth task of achieving profitability. Facilitated by addressing individual work problems, delegating responsibility to each employee, setting individual targets and following up on achievement and most importantly motivating the personnel into "proving to head office that it can be done"

3. Sales – had to be drastically reorganised with the following key points:

- a) Change from a primarily distributor driven sales to development of direct sales and key accounts concept.
- b) Sales pricing was changed from a cost-plus approach (how much can we get away with mentality) to a list price – less discount approach where an incentive was introduced inversely proportional to the discount given by the salesman (the more I give the more I lose).
- c) Re-designing of the territories to maximise efficiency and penetration and allow for the introduction of sales agents into non-developed areas.
- d) Joint strategies between sales and service functions on key accounts to increase overall joint sales penetration.

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e) Involvement of key distributors in the direct key account strategy through shared targeting and involvement in service.

4. General – other key issues in the process were:

a) Reliability of forecast data to build up credibility of the Italian operation within the group. Exceeding Group expectations wherever possible (sales targets, cash collections, inventory reductions etc.) Weekly Group senior management meetings had to change from “problems in Italy” to “positive trends in Italy” so that all senior management was aware of developments. This also helped improve the support given to Italy. From a scenario where no-one wanted to be involved, people were now looking to be a part of the success story and were willing to help.

b) Clear communications to the group as to the problems and opportunities that were being addressed by the Italian operations so there were no “nasty surprises” or “hidden agendas”.

The Results

Positive sales trends were already seen in the fifth month leading the group to a “stay of execution” and the extension of the interim mandate for a further 12 months to consolidate the trend. A monthly profit was seen in the ninth month and the last financial year saw a sales growth of 20% with a consolidated profit trend in the final quarter. The assignment was completed with the recruitment and paralleling for a month of a junior general manager who’s task was to continue guiding the company along the path it had been directed on.

The Key Lessons

1. Standardised organisational structures (pyramid, matrix, divisional etc) are not always suitable for every country or market.
2. Clear communication between head office and operating subsidiary keeps staff motivated and committed.
3. Delegate (and monitor/control) as much as possible to make staff responsible and involved (motivated). Feedback is also essential.
4. Create shared objectives for senior managers and not individual objectives which could conflict with another manager’s objectives.

About the author:

John Lenarduzzi is an Anglo-Italian General Manager with a 360° experience in R&D, manufacturing, sales, marketing, service and finance in multinational quoted and private companies. He managed acquisitions, mergers, turnarounds and business development in international roles.

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