



A Polish Success Story

General Management 'Objective – Turnaround and Sell'

The company had achieved remarkable growth in its first 10 years – on the surface it looked good, with a new large factory just opened and well equipped in the capital-intensive industry that Print is. The then institutional owners asked me in to provide them with a consultancy report based on my previous extensive Print Industry background. They had bought the company two years earlier but the company was under-performing - their overriding question was – “is the company broken or can it be fixed?” A question often asked by Institutional Investors having invested money in a business that was under-performing.

The company sales performance had been impressive, growing quickly and steadily since it's founding just 10 years earlier. A second new larger plant had been commissioned and the Investors had backed the company with a generous capital expenditure program. However it became clear to me that the company growth had outgrown the management's ability to turn sales growth into profits. It is often not understood by executives that the challenges of managing a large company are significantly different from managing a small or medium size one.

In the beginning of the next year a decision was made to replace the President and most of the existing management team. I was appointed Chairman and President of the Group shortly afterwards. Working closely with the Investors, we were able to recruit and replace the key management positions from the local (Polish) job market. We hired a few good young managers into the key positions of Sales, Finance and Operations. Following a quick business analysis we gained agreement with the Investors to implement our strategy and make the changes designed to move the business into sustained profit growth, through efficient production, world-class customer service and fully utilising existing assets.

We implemented new ways of leading and managing the business including improved and regular communication with employees, suppliers and customers and a more open approach to benchmarking, company performance and the sharing of financial and operational results. We installed a continuous improvement culture and ensured that employees who performed well were rewarded and recognised.

A new plant maintenance program was implemented ensuring that machines were kept to the high standard recommended by their manufacturer. Regular maintenance programs were carried out in the 24 / 7 production environment. As a result machine breakdowns improved dramatically, the press crews voices were heard and also acted upon. Working closely with Press Operators, I was able to gain an insight as to what actually worked and more importantly - did not work - in terms of systems and procedures. I learnt that often managers have great ideas, but before getting too excited, you should ask the employees what they think before adopting it as your new culture! We stopped prescribing solutions and turned instead to making the crews more responsible for their own area of expertise.

Written by
Alex Walker,
iCEO #15146,USA

Find us on the Web:
www.ceo-europe.com

+33 (0) 970 448 417



In order to take the company International we had to be able to speak several languages if we were going to be attractive to our target European customers. So we established a language-training centre, with a focus on driving the business from a multi-lingual base. Existing employees were encouraged to learn an extra language, which they embraced enthusiastically. The production people soon became respectful of the new broadly based and well-trained customer service team. A funny thing happened as we moved from being a manufacturing centred to a customer centred organisation - sales increased! Customers not only continued to place their work with us, they told everyone in the industry how good we were!

Finally our sales had grown by 15%, despite disposing of non-core assets including an office stationary business, hand paper making plant, publishing business and the company head office. EBIT had improved by 180% and Profit before Tax had improved from a (9.5m PLN) loss in two years earlier to 11.1m PLN profit.

We had refrained from spending major capital whilst the existing assets were under-utilised. However, now, the performance of the company and relationships with shareholders and our banks, suppliers and employees improved to a point where we could recommend to the supervisory board that the company could take on increased debt and enter a period of expansion.

A program of investment was approved resulting in the installation of a new Web Press. The business continued to grow profitably and further investments were approved. The increased sales enabled further investments in the latest Digital and Finishing equipment and the creation of a new Fulfilment Service business.

The company's performance soon drew attention from the Global Print industry. Articles appeared in leading Trade Journals in Poland, Germany, USA, Asia and the UK commenting on our progress and emergence as a serious European Print competitor. Our improved financial, commercial and production performance enabled us to open up a substantial gap over companies which two years previously were seen as being at our level, and the company's two main competitors, both supported by major international strategic corporations, were showing increased respect and co-operation towards the new kid on the block.

This was demonstrated most clearly when the process of selling the business was implemented. Six of the largest global industry players expressed interest in purchasing the company. Anyone involved in selling a business will tell you that as the process unfolds it becomes essential for the long term good of the company for the process to be concluded as quickly as possible, so that the new owners can make the longer-term strategic decisions necessary for the good of any company. The selling Investors become increasingly focussed on their exit whilst the incoming Investor can't wait to push forward their ideas for the business.

And so it was that one year later the business was sold successfully to a strategic investor, who was then able to apply their global expertise and take the business forward.

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A final word about our Polish workers – without their extraordinary hard work, skills and loyalty no turnaround could have been achieved. If you are thinking about investing in Poland – stop thinking and just do it! When I left the company, the employees gave me a farewell present, a nice watch. But the best bit was engraved on the back of the watch “thank you for making us stronger” A success story it is then.

ABOUT THE AUTHOR



iCEO profile

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by CEO Europe

Alex Walker now lives in youthful retirement (his 3rd attempt) in Cyprus. He worked his way up through the ranks from apprentice and after only 34 years, 6 companies, 5 countries and doing just about every job in the industry, became the CEO of RR Donnelley (UK). Donnelley is the world’s largest printing company. His focus has always been on developing key people to take businesses forward. An innovator, he once successfully started a multi million pound International business - despite Corporate refusing to back him! Alex enjoys public speaking and mentoring and driving young executives to do better.

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