

Complex and Fast Turnaround

By Mike

Revitalised the company , successful Due Diligence, acquired a start up and established a Joint Venture with a fortune 500 all within 12 months followed from fast growth, global expansion and acquired within 3 years .

My Journey starts from System Integrator to Leadership. I feel that the real contribution is exceeding a goal by fostering innovation at the work place. The first career challenge got me to design the Digital Data Logger Product.

Company: Medium Size, 5 years in B to B business, offices in 7 countries (Hong Kong (Headquarters), USA, 4 EU countries, Japan), selling in approx. 15 countries through partners and company present across the whole value chain from Product/systems planning, design, manufacturing (outsourced) to marketing and sales with partners.

Industry: Renewables – Lighting Solutions

Job: Hired as Global Managing Director to turnaround the company with a 2 years contract and the founder kept the CEO title with focus on Business Development.

How Hired: I had met the founder and CEO in a conference 3 years ago and after 2 failed turnaround attempts he approached me and asked me if I could help.

Company Status When I joined:

- Various Shareholders were managing the different subsidiaries and there was a very fragmented strategy as well as no agreement on fundamental common policies. So No 1 company
- People competencies and skills not up to the level for a fast growth and global company ambition
- Lack of adequate processes for a full value chain and multinational footprint.
- Product/system/quality issues
- Lack of product strategy, product management, innovation processes and outsource processes
- Slow design process
- Slow manufacturing and supply partners
- With a few exceptions low quality sales partners

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- Loosing money every month
- Good brand name in a few countries and won a few key projects. Something to build upon.
- Execution of projects: Not mature with delays and quality issues
- Relatively ok from Cashflow point of view. One problem less among so many.

Turnaround Phase I

- After 1 month talking to all key people and attempting to understand the Business starting from Customers and Sales (B to B was slow and new to me as I came from a fast and global Consumer Electronics background with many restructurings/turnarounds) I decided to focus first on the whole value chain excluding Marketing and Sales. Before the Marketing and Sales area could be addressed, the Shareholders Structure had to be simplified/changed as these minority shareholders were controlling marketing and sales subsidiaries.
- After 30 days it was disclosed to me that the founders had the ambition for a Joint venture with a Big Global fortune 500 company and the serious talks could even start within 2 months with due diligence within 5-6 months. I said wow, let's make it happen and sharpened the focus.
- As all companies are succeeding or failing due to people, I decided as first step to focus on people changes starting from the 2nd month. After I decided with which functions I needed to start first, I hired a few key and experienced professionals which I knew personally from my previous career and together with the very few existing competent people started redesigning the processes and planning replacements. Together with the experienced professionals we made a plan to change 60 % of the people (within 6-9 months) in the Headquarters (Hong Kong) without yet touching the marketing and sales subsidiaries worldwide.
- It was clear that this was a risky process but, we did not have any other option with what was coming to us.
- With the better people we brought on board many of the existing employees decided to leave themselves, making the life partly easier.
- Evaluated all short term expenses that could be reduced and took the necessary actions.

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- Within 60 days, I met all subsidiary shareholders and all key employees outside of Hong Kong. It was clear to me that with the current shareholders it was impossible to create a serious global company and I made it clear to the major shareholders in Hong Kong that this needs to be addressed within the current year otherwise this 3rd turnaround attempt is planned to be a failure. It was agreed to happen at the right time within the coming 6 months because such process takes time.
- After 90 days the first negotiations started with the fortune 500 company and within a few months we reached a basic agreement of preliminary terms for a Joint Venture to be followed within months from a due diligence before we go to the negotiation details including the legal lengthy process.
- 8 months later and preparing for the due diligence process we had replaced 60 % of the people to be replaced, redesigned all processes and started working to buy out the minority shareholders (6 legal entities around the world). When this process had been finalised we started to replace and add a few new marketing and sales employees.
- 9 months later a successful due diligence process took place with a delegation with as many people as all of our HQ employees. We have been complimented about a few processes that have been considered world class and many good people!
- At the same time and in order to increase the value of the company before final negotiation started we acquired a start up partner, a company crucial for us to create competitive solutions. This has been discussed a few months earlier and executed within a few months.
- As all above was going on we had to improve our product quality, make our offerings more flexible, increase speed of design and execution, address delivery reliability and finally sales growth and profitability improvement. To achieve that beyond focus on internal process improvements we decided to improve the quality of our supply and demand partners. 2-3 new and more competent manufacturing and component suppliers have been chosen, we started evaluating a few new downstream solution sales partners with better capabilities as well as we pursued partnership with 1-2 partners we could create new innovative solutions together.
- The last 3 months of the first year on the job have been devoted to the execution of all improvements, introduction of a new company operating model and Joint Venture negotiations which were very lengthy with great leadership from the CEO, but at the end we signed the JV agreement 12 months after I came on board. Moreover we started the preparation to execute the new JV Business Plan.

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- What an unexpected first year with so much work, much broader focus than originally requested, many successes AND the key message that any turnaround focus can be different than for what you have been hired for !

Turnaround Phase II

- After the JV agreement was signed, our main focus was to deliver the JV business plan which had as main focus min 50 % sales growth per year for 3 years.
- Started by establishing a new Mission, Vision and Operating strategy for the new JV which we deployed worldwide.
- With more competent & experienced people, better processes, new customer creation and interaction process, better products and systems in the pipeline, better suppliers and better downstream partners we were optimistic to achieve our growth.
- To find out more about our customers and what to improve we started a detailed NPS (net promoter score) process including many qualitative questions.
- To strengthen our brand in a competitive way we decided to devote more attention to marketing with focus on website, superb marketing content & materials, PR, partner events and digital social networking to create a community!
- **The main challenges we had to eliminate and/or solve were:**
 1. Avoid to be slowed down being in JV with a big company. We negotiated in advance as much autonomy as possible
 2. Life cycle of the most of our projects/solutions were average 2 years and we needed to grow sales with above 50 % within 1 year. We managed to achieve it with a list of strategies and tactics :
 - i. Attempted to leverage the JV partner for short term sales : It did not work as we had a completely different business model than the partner who did not have access to our market segment
 - ii. Extended our business model with a different distribution strategy to enable shorter term sales: that worked only a bit
 - iii. With the newly introduced design processes + new more flexible systems + new supply partners we could speed up our systems design and delivery by 6 months as well as offer a lot of flexibility and satisfy many more customer

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- requirements : Consequently we focused to find and win faster projects (1 year lifecycle) and this strategy worked partly .
- iv. With the better people that came on board as well as more flexible systems and faster deliveries we started to win projects from competitors as we could deliver faster and better systems & solutions!
 - v. Some of the better newly acquired sales partners helped also to increase sales.
3. As we became more competitive (faster, better quality, more flexible, better partners that build a better ecosystem,...) we set the foundation for structural growth and we reached agreement (Lead from the CEO) with the JV board to invest in more sales resources so we started hiring people in 10-12 additional attractive locations worldwide. People were located in existing premises of the JV partner but kept autonomy reporting to the JV. We were hoping in more future synergies as well but it did not happen as much as we expected because of our different business model and market segments.

The first 2 years after the JV establishment we managed to achieve more than 50 % growth in sales per year and the 3rd year went also well when the JV partner decided to fully acquire the remaining stake of the JV shareholders and make it a 100 % subsidiary. I will stop the story here without explaining what happened afterwards but I will focus on the key lessons learned.

What we learned as this was a Team Effort:

- Assembling a core team with the best people available for the task is number 1 priority
- Such a drastic, complex and fast turnaround can only happen with a good team of top professionals having the right experiences. Preferably from a different industry , are determined to succeed , are able to think out of the box and are lead from an inspiring and disciplined leader.
- To achieve breakthrough a focus on only 1 key business attribute is not enough. You need change of multiple business attributes. In this case we focused on:
FLEXIBILITY AND SPEED AND BETTER PARTNERS AND BETTER PEOPLE AND new customer interaction process AND
- The Turnaround Leader + Team needs to be determined to follow the plan even if it is needed to disturb individual shareholder interests.
- JV Partners with different business models and market segments can rarely add value to each other on short to medium term.
- A JV needs autonomy to deliver.

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- To seriously Innovate cannot be done within an established company which protects the established core business model without full autonomy!
- Software and systems/solution thinking becomes more and more important in our networked world.
- Learning by establishing fast feedback loops from market to the company is vital for success
- Leadership to inspire and focus people behind a bigger vision/purpose than themselves is key for success
- Embracing more and more digital marketing , crowdsourcing and all the new exponential technologies that go across many industries becomes vital for success
- EXECUTION. We delivered what we planned with many challenges but we did and that is what counts!
- Finally we inspired and nurtured many better managers and employees that started with low level of exposure and learned so much with such a wealth of experiences within 3-4 years time period!

About the author:



Mike Mastroyiannis is a highly experienced CEO of Business Units in Global Multinationals as well as CEO and/or Co Founder of technology start ups.

He lived and worked in many countries and understands East and West. He created innovative scalable global systems and businesses (15 million to 2 billion USD sales, 100 to 5000 people) as well as reinvented, simplified, automated and grew effectively. He handled many fast turnarounds (6 - 12 months turnarounds) for big businesses as well as Start Ups.

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