

## VIEWPOINT

## Focusing On People Is Key To Turnaround Success

By Diane M. Pfadenhauer, Esq.



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### The Scenario

The company is performing poorly. There is poor leadership. The industry is in distress, and employees, particularly the valuable and marketable ones, are fleeing the company like a burning building. The organization has two choices. First, it can operate under the traditional paradigm, or it can recognize the opportunities to engage the people so that the turnaround isn't only successful, but wildly successful.

### The Traditional Paradigm

The company begins to focus on firm performance by looking solely at the numbers. Top management is replaced, and an outside turnaround expert is brought in. The rest of management becomes aloof, most likely because they are so focused on crushing debt, angry creditors, overcapacity and revenue problems.

Employee engagement is viewed as a retention package for a select few key contributors, such as executives. The roles of human resources, performance management and employee engagement become an afterthought, and the organization slashes expenses in the areas that will help it retain the talent needed to transform. The reason cited for slashing of these expenses - the creditors are in charge now. How could we possibly spend money on these soft expenses?

### The Problem With This Approach

1. Employees are barely engaged, if at all. They don't understand the real deal. They lack an understanding of bankruptcy, the process, the direction of the company and how they fit into the puzzle. They conclude that they don't fit in at all, except for a few high-level employees who are suddenly "engaged" as the result of a financial windfall held out like a carrot in the form of a future retention bonus.

2. Communication is distilled into periodic memos from senior-level leaders or periodic all-hands meetings. The communication is one-way: top-down. Employees ultimately get their detailed information from vendors, the media and each other, and most of the time it's wrong. When they ask their managers, the managers have no answers. They haven't been told what to say, aren't themselves in the loop and have no information to share with their subordinates. The result is that midlevel management begins to coalesce with employees.

3. In the new environment, there will be dramatic change - new direction, new leadership and an entirely new world order. When the organization fails to evaluate the effects of these changes on day-to-day job design, employees continue to engage in the same behavior that got the organization into the mess in the first place.

### The Right Approach

Jim Collins, in *Good To Great*, wisely said employees need to be "on the bus." In other words, all the good management in the world won't turn a company around if the employees aren't part of the process. If, by chance, the organization does succeed, it will be at a greater cost and commitment of time and energy. This inefficiency is a disservice to the very constituents and the stakeholders that we hold out as the reasons for the cutbacks in the first place.

Proper communication means paying specific attention to employee concerns. This isn't just

*continued on page 8*

One of a series of opinion columns by bankruptcy industry participants.

# VIEWPOINT

*continued from page 7*

being warm and fuzzy. Employees need to make an affirmative commitment to stay with the organization, both literally and figuratively. This will only happen when they have enough information about their roles, they understand the risks and intricacies of bankruptcy, and they know where they fit in and what they need to do to be successful. Employers risk losing the key players and being left with the mediocre employees unless they:

1. Make someone responsible for explaining what's going on clearly, relentlessly, often, and in a manner that all employees can understand. Turnaround professionals and experts in the nuances of this area thrive in chaos, uncertainty and insufficient information, but the average employee doesn't. If the CEO, COO or CFO is busy dealing with other stakeholders, assign someone else with the task. Demonstrate the seriousness of this role by making sure that person has the information and the authority to do what needs to be done.

2. Develop communication programs that deliver the news - good and bad. Where change must occur, explain why, get input where you can and make sure employees are part of the solution.

3. Recognize that employees have different needs, and how they hear the message is filtered by these needs.

4. Tailor the communication to different employees. For example, how you explain something to your midlevel management staff should be different from how you explain it to your rank-and-file employees.

5. Avoid the "sandwich" outcome. This occurs when an all-hands meeting is conducted to bring employees up to speed. The communication, being a one-way, blanket approach, hardly ever elicits input from employees. Even if it did, most employees are too bashful to stick their necks out and ask what could be perceived as a foolish question in front of their peers. The first thing that happens following the meeting is that these employees ask questions of their managers, who have no more information. The result: managers are sandwiched in the middle. They heard exactly what their subordinates heard and become frustrated because they can provide no further guidance to their employees.

6. Conduct "cascading communication." Several years ago, I developed the "Pforty-six Pfadenhauer Questions," with answers, for a company going through a transition. The answers were shared so everyone walked the same line. What are your pforty-six questions, and how are they being communicated?

Really think about whether you want to come out of bankruptcy or if it's just a precursor to throwing in the towel altogether. If you really want the company to survive, act like you and your employees are in it for the long haul. Cut the human resources people who can't help you. Don't expect that your employment lawyer or accountant is going to deal with human performance issues, employee culture or employee engagement issues.

Turnaround professionals have an obligation to creditors to turn the company around at the lowest cost and as efficiently as possible. By factoring in the employee side of the equation, organizational leaders are more likely to achieve the desired results.

***(Opinions expressed are those of the author or authors, not of Dow Jones Newsletters.)***

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