

Management Styles of a Newly Appointed Leader in a Turnaround Context



C O N O R O ' K A N E *

ABSTRACT¹

Some disillusion pervades much of the research on leadership in turnaround contexts with Castrogiovanni, Baliga and Kidwell arguing that the 'research on performance turnaround following CEO change has been limited and inconclusive' (1992: 27). More importantly most research on corporate turnaround offers results that are inconclusive and of little assistance to turnaround managers (Winn, 1993). Significantly, Kanter (2003) argues that it is these turnaround situations where leadership matters most. This paper reviews the turnaround and leadership literatures and highlights two gaps: firstly there is no reference, theorising and empirical research regarding the role of a newly appointed leader in a turnaround context; and secondly, the issue of the timing of this new leadership has not been the focus of much theoretical debate or empirical investigation. Using a longitudinal nested case study design, this paper examines the triggers for change and the timing, actions, strategising role and key management styles of a newly appointed leader in Dairygold Co-op.

Keywords: Turnaround; Leadership; Management Styles.

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LITERATURE REVIEW

Introduction

The literature explored in this paper, namely turnaround and leadership, uncovers a dearth of theoretical and empirical research on newly appointed leaders within a turnaround context. This gap is uncovered in the turnaround literature and further rationale for this gap is then provided in the leadership literature by making specific reference to the importance of newly appointed leaders and leaders in general during transformational change or crisis situations.

To this end in addressing the turnaround field, the paper reveals the focus of study within existing empirical investigations and the role of CEO change as a trigger for turnaround activity. Furthermore, a critical view of the content, methodologies and results employed within existing research demonstrates how poor our understanding of the phenomenon actually is. A look at the evolution of leadership studies is followed by a review of the typical leadership role and activities required to direct a change effort within a turnaround context. The literature is then brought to a close with reference to the appropriateness of and/or need for a newly appointed leader to initiate a turnaround effort.

Turnaround and Change

The change management literature has been the focus of an increasing amount of research attention (Johnson, 1990; Rajagopalan and Spreitzer, 1997). However, research concerning the link between strategic change and organisational performance remains inconclusive (Kraatz & Zajac, 2001) and must deal with many complexities including environmental turbulence, industry structure and the actual nature and context of the change initiative (Grewel & Tansuhaj, 2001; Mezias, Grinyer, & Guth, 2001; Trinh & O'Connor, 2002 as cited in Parnell and Lester, 2004). One particular area which has been the focus of much research interest has been the issue of turnaround. Successful turnarounds are most often associated with the reversal of a survival-threatening decline (Barker and Duhaime, 1997) and the 'use of strategies, systems skills and capabilities to achieve growth and sustainable performance recovery' (Chowdhury, 2002: 250). However, this topic of turnaround remains

largely idiosyncratic and open-ended due to an overwhelming focus on the content of turnaround situations rather than the actual process of subsequent recovery or decline (Chowdhury, 2002). Consequently, Pandit (2000) argues that future research should be more concerned with the contexts and processes of turnaround cases, not unlike Pettigrew's (1987) content, context, and process framework.

Empirical Studies of Turnaround

As previously referred to, turnarounds are associated with perseverance and recovery following an existence-threatening decline (Pandit, 2000; Chowdhury, 2002) or a master plan of actions necessary to reverse a declining business situation (Barker and Duhaime, 1997). Similarly, Arogyaswamy, Barker and Yasi-Ardekani (1995) argue that firms in 'turnaround situations are sustaining resource losses that will cause the firm to fail if unabated' (1995: 497). Though several business variables may reflect crisis scenarios, a substantial decline in financial performance is often considered the key motivation in initiating turnaround activity (John, Lang and Netter 1992; Denis and Kruse, 2000).

According to Pandit (2000) five distinctive studies have investigated turnaround's prevalence as a phenomenon and highlight its empirical importance (see Table 6.1).

Other significant studies of note include Grinyer, Mayes and McKiernan's (1990) study of twenty-five UK companies, Hofer (1980), who discusses the impact of the severity of the decline, and Hall (1980), Goodman (1982), O'Neill (1986) and Robbins and Pearce (1992) who each attend in some part to the role and influence of efficiency or retrenchment led moves in a turnaround situation. Table 6.2 below provides a more comprehensive list of prominent turnaround studies carried out to date.

An examination of the core focus of these studies reveals a dearth of theoretical and empirical research on newly appointed leaders in turnaround situations. For example, Remick's study deals with the everyday management challenge of turnarounds, Whitney examines the task of a typical turnaround leader, Di Prio presents six steps to turnaround management, Scherer emphasises the turnaround consultant's role, Thietart looks at the relationship between strategic

114 *Management Styles of a Newly Appointed Leader***Table 6.1: Empirical Research on Corporate Turnarounds**

Author	Subject of Analysis	Successful (Author's criteria)	Failure
Schendel, Patton & Riggs (1976)	Standard and Poors's Compustat database 1952–71, 1,800 firms	68 (10%)	—
Bibeault (1982)	4,090 listed companies 1967–1976	396 (33%) out of 1,094	66%
Hambrick & Schechter (1983)	PIMS database	53 (20%) recovered, 260 (33%) low performers out of 770	80%
Slatter (1984)	UK publicly quoted Companies, 1961–1976	105 (25%) of 420	—
Chowhury & Lang (1996)	US small firms 1984–1987	27 (17.6%)	—

Adapted from Pandit (2000)

actions and performance variables, O'Neill examines turnaround strategies in the service industry, Hameremesh examines the management approach to turnaround while Hambrick and Schechter, Robbins and Pearce, Barker and Mone and Chowdhury and Lang each discuss in some way the benefits between either efficiency or retrenchment moves and entrepreneurial responses. Furthermore, studies by Modiano, Reichert (Brunswick), Rose (Woolworths), Wyman (Banking), Colino (Telecommunication Company), Miller and Vaghefi (Chrysler) and Brege and Brandes each deal with the specific turnaround case of a particular company or industry. However, while some of those authors listed (e.g. Grinyer and Spender, 1979; Hofer, 1980; Bibeault, 1982; Grinyer, Mayes and McKiernan, 1990; Stopford and Baden-Fuller, 1990; Pant, 1991; Castrogiovanni, Baliga and Kidwell, 1992; Kotter, 1995; Bennis, 2004) do admittedly deal with the subject of turnaround leadership or make reference to the need for a change in leadership to trigger or achieve a specific type of turnaround, studies which have examined the exact role or timing of this newly appointed leader within the turnaround context have not been uncovered.

Table 6.2: Previous Studies on Turnaround

Anecdotal Studies	Large Sample Studies	Longitudinal Studies
Remick (1980) <i>Time For a Turnaround? Take Comfort, Take Stock, Take Action</i>	Schendel and Patton (1976) <i>Corporate Stagnation and Turnaround</i>	Hamermesh (1977) <i>Responding to Divisional Profit Crisis</i>
Taylor (1982/3) <i>Turnaround, Recovery and Growth: The Way Through the Crisis</i>	Schendel, Patton and Riggs (1976) <i>Corporate Turnaround Strategies: A Study of Profit Decline and Recovery</i>	Graham and Richards (1979) <i>Relative Performance Deterioration, Management and Strategic Change in Rail-Based Holding Companies</i>
Brunetti (1987) <i>Management Control Requirements in Organisational Turnaround Processes</i>	Bibeault (1982) <i>Corporate Turnaround: How Managers Turn Losers into Winners</i>	Hofer (1980) <i>Turnaround Strategies</i>
Modiano (1987) <i>Made in Great Britain: Lessons From Manufacturing Turnarounds</i>	Hambrick and Schecter (1983) <i>Turnaround Strategies for Mature Industrial-Product Business Units</i>	Bellisario (1985) <i>The Turnaround at Italtel</i>
Whitney (1987) <i>Turnaround Day</i>	Slatter (1984) <i>Corporate Recovery</i>	Melin (1985) <i>Strategies in Management Every Managing Turnaround</i>
Di Primio (1988) <i>When Turnaround Management Works</i>	O'Neill (1986) <i>Turnaround and Recovery: What Strategy Do You Need?</i>	Müller (1985) <i>Corporate Crisis Management</i>
Reichert (1988) <i>Brunswick's Dramatic Turnaround</i>	Thiéart (1988) <i>Success Strategies for Businesses That Perform Poorly</i>	Colino (1986) <i>Turnaround Strategies for an International Organization</i>
Ramakrishnan and Shah (1989) <i>A Systems Approach For Corporate Turnarounds</i>	Gopal (1991) <i>Turning Around Sick Companies – The Indian Experience</i>	O'Neill (1986) <i>An Analysis of the Turnaround Strategy in Commercial Banking</i>

(Continued)

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Table 6.2: (Continued)

Anecdotal Studies	Large Sample Studies	Longitudinal Studies
Rose (1989) <i>Woolworth's Drive for Excellence</i>	Pant (1991) <i>An Investigation of Industry and Firm Structural Characteristics in Corporate Turnarounds</i>	Zimmerman (1986) <i>Turnaround – A Painful Learning Process</i>
Scherer (1989) <i>The Turnaround Consultant Steers Corporate Renewal</i>	Barker and Mone (1994) <i>Retrenchment: Cause of Turnaround or Consequence of Decline?</i>	Miller and Vaghefi (1987) <i>The New Chrysler Corporation: Fall and Rise</i>
Wyman (1989) <i>Turning Around the Troubled Bank</i>	Chowdhury and Lang (1996) <i>Turnaround in Small Firms – An Assessment of Efficiency Strategies</i>	Zimmerman (1989) <i>Managing a Successful Turnaround</i>
Armenakis and Fredenberger (1995) <i>Process Strategies for Turnaround Change Agents: Crisis and Non-Crisis Situations</i>		Grinyer, Mayes and McKiernan (1990) <i>The Sharpbenders: Achieving a Sustained Improvement in Performance</i>
		Hardy (1990) <i>Strategies for Retrenchment and Turnaround: The Politics of Survival</i>
		Stopford and Baden-Fuller (1990) <i>Corporate Rejuvenation</i>
		Thain and Goldthorpe (1989) <i>Turnaround Management: Recovery Strategies</i>
		Brege and Brandes (1993) <i>The Successful Double Turnaround of ASEA and ABB: Twenty Lessons</i>

Adapted from Pandit (2000)

Triggers for Turnaround

According to Schendel and Patton, severe performance deterioration beyond a certain level is a precondition for radical/transformational change (1976: 237). Interestingly, a study by Grinyer et al. concluded that the appointment of a new CEO triggered turnaround activity in 55 per cent of the cases studied (see Table 6.3 from Grinyer et al., 1990: 120). This argument that top level changes are required and have a positive relationship with the turnaround effort is supported by the work of Mueller and Barker (1997), Bevan (2002), O'Neil (1986), Harker and Sharma (1999), Pearce and Robbins (1994), Stopford and Baden-Fuller (1990) and Thietart (1988 (as cited in Boyne 2004)). However it is also worth noting that no relationship and a negative relationship between CEO replacement and turnaround performance is reported in the work of Sudarsanam and Lai (2001) and Barr et al. (1992 (as cited in Boyne 2004)) respectively. Interestingly, Jarzabkowski (2003) also warns that a new head was not necessarily the cause of change in her study, thus one must exercise caution before assuming that change is a function of new top management appointments as presumed in much of the literature.

Critics of Turnaround Research

Notwithstanding the wide variety of turnaround research methodologies available, Pandit argues 'few studies elucidate in formal terms the key aspects' (2000: 42) and consequently, he argues that

Table 6.3: Triggers for Turnaround

Trigger	% of firms citing this factor
Intervention from external bodies	30
Change of ownership or threat of such change	25
New chief executive	55
Recognition by management of problems	35
Perception by management of new opportunities	10

Grinyer et al. (1990)

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our understanding of the phenomenon is incomplete. The criticism of previous turnaround research is nowhere as evident as it is in the words of Winn (1993) who bemoans the fact that most research on corporate turnaround offers results which are unconvincing and of little assistance to turnaround managers. Similar sentiments are voiced by Castrogiovanni, Baliga and Kidwell (1992: 27) when stating that 'research on performance turnaround following CEO change has been limited and inconclusive' and Chowdhury (2002) who argues that while content-specific turnaround research is more convenient, it tends to offer little more than static descriptions of turnaround strategies. With Meyer alleging that turnaround researchers are currently a long way up the empirical creek without a theoretical paddle (1988), it is not surprising to hear other critics call for systematic theory building based on carefully designed and skilfully executed empirical research on turnaround situations and responses (Pearce and Robbins, 1993). Furthermore, given that previous studies have been methodologically suspect, have overlooked crucial research questions and have employed a degree of theoretical neglect, there appears to be ample scope for future research to make a significant contribution to the literature on corporate turnaround (Pandit, 2000). As previously referred to, the scarcity of research carried out on newly appointed leaders in these turnaround situations provides the perfect opportunity to make such a contribution.

Leadership

Leadership is an integral part of any turnaround (Kanter, 2003). The approach to the study of leadership has usually been and perhaps must always be through the study of traits (Cowley, 1931). Trait theories assume that successful leaders are 'born' and have innate qualities, which distinguish them from non-leaders (see Stodgill, 1948; McClelland, 1961; and Katz, 1955, as cited in Yukl, 1989). However, this predominant view of leadership was soon replaced by a behavioural focus, which was more concerned with the specific leadership style being adopted (Stodgill, 1948; Lewin and Lippitt, 1938; Tannenbaum and Schmidt, 1958; and Flanagan, 1951, as cited in Yukl, 1989). Whilst in search of the 'one best way to lead', the behavioural style approach was criticised for overlooking the

impact of situational factors on the leader's role (Mullins, 1999). Consequently a move towards context-specific, namely 'Situational' and 'Contingency', theories of leadership arose. Leithwood et al. (1999), prominent academics within the area, noted:

What is important is how leaders respond to the unique organisational circumstances or problems...there are wide variations in the contexts for leadership and that, to be effective, these contexts require different leadership responses...individuals providing leadership...are capable of mastering a large repertoire of leadership practices.

(1999: 15)

In supporting this view, Yukl (2002) argued that the managerial job is too complex and unpredictable to rely on a set of standardised responses or events. Similar sentiments are apparent in the work of Robbins (as cited in Senior, 2002: 245), Hersey and Blanchard (1993), Greiner (1972), Vroom, Yetton and Jago (1988), Graen and Schlieman (1978), House (1971) and Fiedler (1978), who argue that leadership effectiveness can be either person-oriented or task-oriented.

Leadership and Change

In turnaround situations it is essential for today's turnaround leaders to have a viable strategy or vision as well as a cadre of key people to buy in to that vision (Muczyk et al., 1998; Kanter 1992; Beer et al., 1990; Baum et al., 1998). Additionally, leaders are required to set the direction, define the context, produce coherence, give meaning, manage boundaries, inspire voluntary behaviour and bring about passion, conviction and confidence in others involved in a changing organisation (Kanter, 2000). This need for passion and conviction is echoed throughout the leadership literature (see Furnham, 2002 and Gandz, 2000). Another aspect of leadership which gained some popularity in the literature is the issue of symbolic management (Johnson, 1990) and how the effectiveness of a leader can often lie in their ability to make activity meaningful to others (Pondy, 1978) through role model behaviour (Bennis and Nanus, 1985) and communicating meaning and vision in symbolic

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ways (Peters, 1978). Furthermore, Pfeffer (1981) argues that symbolic acts can often legitimise leadership behaviour by providing an organisational language ‘with sufficient power and relevance yet requisite ambiguity to implement strategic change’ (Johnson, 1990: 193).

Whilst many leaders may view change compelled by crisis as a threat and not an opportunity (Kanter, 2000), Gandz (2000: 3) argues that leaders of change should not shirk from using power or removing people who are blocking progress as ‘it’s tough enough to move an organisation in a direction without having to negotiate the minefield of the disaffected’. That is, turnarounds always involve bloodshed (Wetlaufer, 1998) and leaders confronted with change, crisis and those employing turnaround efforts need to recognise that it is easier to change processes and structures than people, however ‘some are beyond hope and irresponsible to all aspects of change and need to be let go’ (Furnham, 2000: 26). Bennis (2004: 49) also points out that ‘major changes in the first six months will inevitably be perceived as arbitrary, autocratic and unfair, as much for their timing as their content’ and that ‘all leaders find themselves at some point in the position of having to ask others to leave the organisation’ (2004: 50). Furthermore, Muczyk et al. (1998) argue that successful turnarounds and retrenchment efforts are highly dependent on an autocratic and directive style of leadership when stating that ‘life threatening straits are most apt to be saved by a directive autocrat’ (Muczyk et al., 1998: 44). Goleman (1998) supports this view when arguing that despite its drawbacks, a coercive approach is deemed the most effective style in times of crisis and corporate turnaround.

Turnaround and Leadership

Path to Crisis

Kanter (2003: 60) outlines the path to crisis: ‘Organisational pathologies – secrecy, blame, isolation, avoidance, passivity and feelings of helplessness which arise during difficult times and reinforce one another in such a way that the company enters a kind of death spiral’. These cycles may reach a point where they cannot be turned around in a short period of time because of the large reservoir of negative past experience (Hersey and Blanchard, 1980).

Whilst there may be prolonged periods of strategic flux (Mintzberg, 1978) and confusion (Lorsch, 1986), there is still likely to be a strong adherence to existing cultural norms (Johnson, 1990). However, such flux may continue to deteriorate performance and make the paradigm less fixed until a perceived crisis results (Bartunek, 1984). Consequently, new perspectives and fundamental changes may be introduced to the organisation through active change agents (Johnson, 1990), powerful leaders (Hedberg et al., 1976) or new chief executives (Pettigrew, 1985; Lorsch, 1986; Grinyer and Spender, 1979).

Bibeault (as cited in Sudarsaam and Lai, 2001) argues that top management change is widely thought of as a precondition for successful turnarounds. Moreover, Kotter (1995) comments on how transformations can begin well when an organisation has a new head, a good leader and when CEO is key. However, among the principal challenges facing new CEOs is 'the critical entry' of the 'infant executive' who typically 'faces the misgivings, misperceptions, and the personal needs and agendas of those who are to be led' (Bennis, 2004: 46). Furthermore, Bennis warns the new executives to 'recruit a team to back you up; you may feel lonely in your job'. This is reiterated by Wetlaufer (1998) who warns against operating as a loner when holding the top job in the organisation. However, as crisis and decline become more profound, the challenges, cost and disadvantages of a change in leadership will decrease and it may well prove the most effective means of portraying a commitment to change, assuming that there is an adequate match between the needs of the organisation and the capabilities of the new CEO (Castrogiovanni, Baliga and Kidwell, 1992).

A Leader's Role

According to Pettigrew, Whittington, Melin, Sanchez-Runde, Van Den Bosch, Ruigrok and Numagami (2003), within a context of transformational change it is essential that the chosen leader is strong enough to survive the complex change processes. Indeed an awareness of the probability that things will get worse before they better when facing into an uncertain future is paramount. Thus, it becomes evident in what Whittington et al., (2000, as cited in Pettigrew et al., 2003) refer to as the 'the perils of the J-curve' that

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even the best systems during transition are likely to follow a J-curve movement from the ‘unsatisfactory performance that first triggers change, through a period of still worse performance as the old system is disrupted and then finally into a period of higher performance as the new system gets into gear’ (Pettigrew et al., 2003: 129). Notwithstanding this, Bennis (2004: 54) highlights the need for an ‘adaptive capacity to make nimble decisions’ while Whitney (1987: 49) notes that it is essential to ‘devise a structure that will keep the reviving company nimble enough to compete.’ However, one of the most vital attributes a change leader can possess is the ability to lead a psychological turnaround where they inspire, empower and restore their people’s confidence in themselves and in one another (Kanter, 2003). Significantly, Whitney also (1987: 53) makes reference to dramatising the importance of furnishing accurate, timely information, and ‘nourishing a chaos that is useful’. Similar sentiments are voiced by Kanter (1992) when encouraging leaders to promote discomfort while Kotter (1995) expands on this sense of discomfort and urgency in his eight-step model for transformational change. Other prescriptive models of note include Beer et al.’s (1990) ‘critical path’ and Kanter et al.’s (1992) ‘Ten Commandments for Executive Change’ which clearly distinguishes between the clear and rapid impact of ‘Bold Strokes’ and the longer term ‘Long Marches’ which require an organisational wide commitment to adjust behaviours and achieve ‘real change’ (Kanter, 2000). Thus, the importance attached or indeed the attention afforded to a leader’s role and style, particularly in the context of transformational change or a company crisis, adds greater weight to the research gap uncovered.

Cautionary Notes

Some authors offer words of caution to those merely complying with the aforementioned prescriptive models by emphasising the importance of contingent factors in turnaround situations (e.g. Burgelman, 1983). Thus, with Kanter stressing that corporate turnarounds are not one-size-fits all situations (2003: 66), CEOs are reminded that they should ‘pay attention to the specifics of company problems and bring their own preferred approach to the task’ (Beer, Eisenstat and Spector, 1990: 4). Additionally, reference is made

to the potential danger of using rapid progression of standardised programmes as they will 'undermine the credibility of the change effort' and though 'designed to cover everyone and everything end up covering nobody and nothing particularly well' (Beer et al., 1990: 3). Furthermore, Chowdhury (2002) notes how each individual turnaround is configured differently due to variations in, interactions between and the dynamic nature of specific contextual variables.

Literature Conclusion

A review of the literature, including a number of leading journals in this area, uncovered a significant gap in the turnaround field, namely the literature provides scant evidence of any theoretical or empirical investigations into the role and/or timing of a newly appointed leader in a turnaround context. The significance of this finding was further enhanced with a further review of the literature revealing how pivotal a leader can be in directing and/or triggering transformational change in a crisis situation.

RESEARCH METHODS

Research design was a longitudinal, multi-stage, nested case study in a single corporate setting (Yin, 1984). In order to gain an understanding, the governing paradigm was interpretive (Burrell and Morgan, 1979) and the philosophical orientation hermeneutic (Taylor, 1994). Data collection spanned two years (2003–2005) and involved both current and retrospective data. In using the case study method (Yin, 1994: 79), five primary sources of evidence (documentation, archival records, interviews, direct observation and participant observation) were identified and later utilised in the study. More specifically, in conjunction with a brief period of employment within the co-op, the researcher was also granted access to archival records and company documentation. Additionally, numerous sources of secondary data were examined, stored, archived and retrieved throughout the research.

Interviews are considered one of the most essential sources of case study information (see Saunders et al., 2003: 245; Easterby-Smith et al., 1991; and Yin 1984). Three semi-structured open-ended interviews, each lasting approximately one hour, took place

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with senior management from a variety of functional departments. Central to this selection process was the need to source those who could demonstrate, explain and confirm the leadership role and attributes required to implement a turnaround strategy. Thus the researcher succeeded in interviewing Dairygold's² newly appointed CEO Mr John Tobin, who is driving the current turnaround and directing the radical restructuring of the co-op. Interviews were also conducted with senior managers Mr Liam Cotter of Dairygold's consumer product division and Mr Tom O'Meara of Dairygold's agri-business division.

Using the case of Dairygold we endeavour to examine the two identified gaps, namely the lack of theorising and the lack of empirical research with regard to the role or timing of a newly appointed leader in a turnaround situation. To this end the principal objectives of the paper are to assess the timing, actions, strategising role and key management styles of a newly appointed leader within the Dairygold context.

THE CASE OF DAIRYGOLD

Dairygold Co-operative Society Limited was created more than ten years ago through the merger of two Dairy Co-ops in the south of Ireland. A wide ranging product line marketed through a number of valuable brand names resulted in the dairy co-op competing against an equally diverse set of prominent competitors. However, this wide-ranging product portfolio became a major contributor to the co-op's rising costs. Despite employing in excess of 3,000 personnel, producing an annual turnover exceeding €970 million and 'boasting a heritage of a co-operative which has long been a leader' (*Annual Report*, 2003: 5), Dairygold failed to realise the standard of efficiencies expected from their high profile merger. Figure 6.1 details specific developments in Dairygold's decline and subsequent recovery.

FINDINGS AND DISCUSSION

The Path to Crisis

Dairygold formally operated in a tightly regulated market, which created a comfort zone allowing it to survive whilst operating inefficiently in comparison to world-class standards (*Annual Report*, 2003).

Figure 6.1: Timeline of Dairygold's Decline, Recovery and Emerging Challenges

Year	Event	Turnaround Stage (Chowdhury, 1996)
		Decline & Crisis
2001	Interest costs amount to €7.4m in bank interest and €1.3m in share interest	
December 2001	Experience debt levels of €146m	
2002	Pre-tax profits of €2.7m on turnover of €1 billion, down from €13.25m in 2001	
2002	€3.4 million loss and its operating profits drop by 80%	
2002	Losses of €26 million are estimated by 2007	
		Response Initiation
March 2003	John Tobin takes over the reins as Dairygold CEO	
May 2003	Dairygold express concerns over structural issues, product mix and how they sell their dairy products	
May 2003	Report an operating loss of €4.3 million, compared to an operating profit of €13.5 million in 2001	
July 2003	AGM sees a vote of no-confidence in all but one of the board	
		Transition
2003	23 branches are closed. Facilities that are not profitable and which do not house core activities are removed. Also a 50% stake in a cheese manufacturing plant is sold	

(Continued)

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Year	Event	Turnaround Stage (Chowdhury, 1996)
Autumn 2003	Two beef processing plants are closed	
October 2003	Launch the new innovative brand 'Dinner Made Easy' range	
November 2003	Announce that redundancies and outsourcing are unavoidable	
December 2003	Slash 500 jobs	
Jan/Feb 2004	Appoint new MD for new DIY/homeware outlets	
February 2004	Strike action is proposed following breaches of industrial relations procedural agreement	
April 2004	Set the goal of, by 2008, being the leading value-added dairy processor in Ireland and the leader in their chosen consumer foods segments across Ireland and the UK	
		Transition/Outcome
April 2004	Dairygold reports 2003 turnaround with a turnover of €964m for 2003, operating profits, before exceptional costs, of €15.6m (up 114% on 2003) and net debt reduction of €5.8m to €126.3m	
June 2004	€30m investment into its DIY/Homeware. The chain is expected to create over 600 new jobs over the following 3 years	
14 August 2004	270 redundancies following the closure of two pig meat related operations	

(Continued)

Figure 6.1: (Continued)

Year	Event	Turnaround Stage (Chowdhury, 1996)
December 2004	Move 80 admin staff from traditional location to new headquarters	
By end of 2004	Exited beef slaughtering, pig slaughtering, pig production, livestock marketing, cheese marketing in Wales, reduced liquid milk activity, merged three dairy spread plants into one, merged two cheese packing plants into one, merged four distribution warehouses into one and consolidated Roscrea consumer foods into Mitchelstown	
Feb 2005	Dairygold and Glanbia agree to future co-operation deal for milk processing	
Apr 2004	At annual AGM, Henchy announces that business divisions are now operating to very clear objectives and sharply focused business plans, costs have been reduced, R&D expenditure doubled and significant rule change has been implemented	
May 2005	Galtee Meats plant is under threat as workers reject cost-cutting programme	
2005	Intend to have new R&D and Jarsberg cheese manufacturing plants up and running and to restructure milk processing activities at four sites	
		Transition/Outcome (continued...)

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However, in 2002 the company made a loss of €3.4 million and its operating profits dropped by 80 per cent from just over €25 million to less than €5 million. With some estimating losses could possibly amount to a massive €26 million by 2007, Dairygold was left with little alternative but to initiate a radical restructuring and rationalisation programme. Table 6.4 outlines some of the principal reasons for Dairygold's decline.

A New Leader Appointed

Pettigrew (1985) argues that the prolonging of crisis situations can require fundamental changes often associated with a new chief executive. Furthermore, Bibeault (as cited in Sudarsaam and Lai, 2001) argues that top management change is widely thought of as a precondition for successful turnarounds. Interestingly, similar developments were apparent in Dairygold, with the research findings revealing how the co-op generally accepted the need for a change in leadership. It was argued that such an appointment could prove invaluable as there would be 'no baggage and no hidden agendas' (O'Meara, 2004) and they could gain a lot from someone coming

Table 6.4: Reasons for Dairygold's Decline

Dairygold Reasons	Industry Observers' Reasons
– Involvement in non-profitable, non-core late-cycle businesses	– Falling Milk Prices – Reliance on EU intervention
– Work and IR practices	– A demanding membership who are used to high milk prices
– Higher cost base than competitors	
– Rising wages	
– National inflation rates	
– Lack of investment in new product development and growth	
– Failure to meet the needs of stakeholders	
– Poor performance of core assets	

Source: (*Annual Report*, 2003 & 2002)

in and 'seeing things clearly and just immediately realising that things were not going to survive or continue as they were' (Cotter, 2004). Thus the acknowledgement that an outsider or new CEO was required to initiate the restructuring in Dairygold sits well with existing literature and serves to support the views of Grinyer et al. (1990: 120), Kotter (1995) and Beer et al. (1990) who argue that the scarcest resource for corporate revitalisation is leadership.

In supporting the views of Bennis (2004) and Wetlaufer (1998), the findings reveal how Dairygold's leader was highly effective in recruiting a supporting team and continues to depend on a network of personnel to implement the turnaround strategy. Tobin's (2004) role he argues, is merely to 'get others thinking' and involved in the turnaround and for him to then 'sign-off' on their decisions and conclusions. Additionally, it was significant to note Tobin's portrayal of the co-op as a 'house of cards' in which everyone's contribution was essential (Quinn and Kimberly, 1984 and Bruss and Roos, 1993). These findings also sit well with the emerging view that strategy practice and strategic activity is not solely restricted to distinguished strategists (Hendry et al., 2003) but instead involves a full cast of players that extends beyond senior management (Clark, 2004) and can incorporate any bottom-up, middle-out or top-down activity (Hendry et al., 2003).

Leader Actions and Implementation of Change

Dairygold's dedication to 'short term goals', 'stabilisation', 'getting the costs and structures right' (O'Meara, 2004; Cotter, 2004) and general efficiency-led moves are well supported in the literature (Whitney, 1987; Hambrick and Schecter, 1983; Pearce and Robbins, 1993). However, it is also significant to note the overlapping entrepreneurial strategic stage, as detailed by Bibeault (cited in Sudarsaam and Lai, 2001), which represents Dairygold's simultaneous commitment to long-term profitability and growth. Perhaps the best way to convey the current makeup of Dairygold's strategic focus is in recalling Tobin's (2004) explanation of the 80:20 rule: 'they are primarily committed to short term efficiency-led moves through rationalisation and downsizing [80], however they are simultaneously concerned with the 'helicopter view' and having 'sufficient growth prospects in the pipe [20]'. This strategic

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perspective is evidenced by their decision to enter the home hardware business and their long-term objectives of becoming the leading value-added dairy processor in Ireland and the leader in their chosen consumer foods segments across Ireland and the UK.

In investigating the implementation of the change programme more thoroughly we see that, while initial developments within the co-op concentrated on 'communicating the need for change' (Cotter, 2004), subsequent efficiency-led moves concerned themselves with the restructuring process, including the redesign, rationalisation and reconfiguration of many aspects within Dairygold's line of business. Tobin (2004) makes the point that the principal content of the turnaround strategy was essentially, and continues to be, relatively consistent with the mantra: 'We must look to the future and fix the business. If there are any areas which we cannot fix, the options are stark. It's either fix it, outsource it, shut it or sell it' (as cited in *Food Production Daily*, 1 December 2003).

Leader's Skills and People Management

The effectiveness of the leader's people management skills were of paramount importance to the turnaround effort, with Tobin stressing from the outset that before leadership could be effective there must first be a 'realisation of the need for revitalisation' (2004). Cotter (2004) expands on these communication skills when acknowledging that he has an 'effective style about him at meetings and in dealing and communicating with people' and recalls how people were initially 'love-bombed with information', including leaflets, notices, weekly meetings and post, to such an extent that 'people were overwhelmed with information so there was no reason why anyone could complain about not understanding the need for change'. This skill of communication was extended to include a distinct charm, colourful language and vibrant energy which proved charismatic in its ability to achieve employee buy-in and contributions: 'he is very influential and can get people on side with him very easily with a distinctive charm' (O'Meara, 2004), to what seemed logical courses of action once underway: 'he seemed to be saying and doing things that certain people were muttering for years to be honest' (Cotter 2004). These social interactions are also significant in that they support the growing acknowledgement of how influential

mundane communications (Roos and Von Krogh, 1996 as cited in Hendry et al., 2003) and strategist talk (Samra-Fredericks, 2003) can be to an organisation's strategic routines and activities. Other prominent skills displayed include an analytical capability, which allowed Tobin to quickly digest and summarise volumes of data, a decisiveness that allowed him to act quickly and make decisions based on a speedy analysis of information and an obsession with task accomplishment and productivity, which evidently overrides any concern for employee welfare. It was also discovered that the leader was highly confrontational and stubborn when there was a conflict of interests, as noted by O'Meara (2004): 'in a conflict situation he is also very quick to point a machine gun at people too and will not back off or be prepared to step down in a confrontation'. This approach is perhaps partially justified if one considers his own admission that he will at all times be firm, through brutal honesty, and fair, by continuously being guided by numbers: 'it will be firm because I will be honest with people and it will be fair because it will always be based on numbers' (Tobin, 2004).

Leadership Styles

In response to Bennis's (2004) concerns regarding the 'infant executive', the findings revealed how this form of leadership immediately accepted 'no politics, hidden agendas or solo runs' (Tobin, 2004) and that those who would not 'contribute' or 'deliver' would be soon 'blown away' or, put more bluntly, 'would be leaving very soon' (Tobin, 2004). Thus on arrival it became quite apparent that this leader was not going to be misled: 'some people are very good at positioning but not at execution' (Tobin, 2004). Additionally, and in supporting the views of Gandz (2000), the research revealed how this CEO would avoid shirking from using power or removing people if the need arose. Thus the findings appear to support the views of both Goleman (1998) and Muczyk et al. (1998), who argue that successful turnarounds and retrenchment efforts are highly dependent on an autocratic and directive style of leadership: 'life threatening straits are most apt to be saved by a directive autocrat' (Muczyk et al.: 44). Interestingly, similar sentiments are voiced by Bennis (2004: 49) when pointing out that 'major changes in the first

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six months will inevitably be perceived as arbitrary, autocratic and unfair, as much for their timing as their content’.

Leader’s Vision

According to Muczyk et al. (1998) it is essential for today’s turnaround leaders to have a viable strategy or vision as well as a cadre of key people to buy into that vision. In commenting on specific intentions and goals for Dairygold’s future, Tobin (2004) keeps it remarkably simple. Rather than using colourful language to describe success and growth he simply states that ‘success by definition is about achieving higher numbers every year and we will only characterise success by division and numbers achieved’ (2004). However, Baum et al. (1998), Pfeffer, (1981) and Peters (1978) introduce an additional aspect to the makeup of an organisational vision. They argue that a vision which is brief, clear and desirable, containing relevant symbolic imagery and communicated by walking the talk, can be crucial to organisational performance and growth. Significantly, it was discovered that Tobin’s vision of the future is also illustrated by an example of a fish in the sea with a hierarchical of inter-dependence. More specifically, Tobin (2004) ‘warns that Dairygold cannot be the shark or big player which grows by eating up smaller players.’ However, he continues to explain that the co-op is also too big to be shielded from the radar. Consequently, to stay in front of the shark he argues that Dairygold must become Europe’s lowest cost producer of any commodity they choose to stay in. Thus, it is proposed that the co-op build the technical and market power to allow it to ‘stake out the ground of the Hoover fish which can co-exist with the shark on the basis that it brings something of value to the party’ (Rea, 2004). Other symbolic descriptions of Tobin’s plans for Dairygold include his determination to ‘rightsize’ rather than downsize a ‘sleeping giant’ of the dairy industry.

Leader’s Approach to Change

While it has been discovered that the planning and the sequencing of recovery actions do play a considerable role in the shaping of turnaround activities, it is significant to note that Dairygold’s plans are primarily concerned with immediate short-term developments

in the co-op and specific long-term objectives, whose paths to accomplishment are still very much at large. Moreover, it is acknowledged within the co-op that certain plans are incomplete and that future ones will only emerge as short term developments begin to unfold – ‘It’s impossible to plan for the unknown before concentrating and fixing our core and seeing how that works out’ (O’Meara, 2004). Consequently one can deduce that, while their compass and direction are fixed – ‘North is North’ (Tobin, 2004), the details and specifics of their route are not as evident. In referring to theoretical models of change (e.g. Kotter, 1995; Beer et al., 1990; Kanter, 1992), Tobin (2004) makes his point clear by stating his preference for ‘getting my managers, who know the business involved, and thinking, and let them get the knives out and fight for every inch’. Indeed his distinct preference for management involvement and internal contribution was accompanied by a guarded acknowledgment of the potential contribution external parties could make to Dairygold’s predicament. Thus one gets the impression that this particular CEO is not easily convinced by the ‘latest fashionable management technique or tool’ (Abrahamson, 1996 as cited in Clark, 2004) or to the perception that these external bodies ‘dominate notions of what is of value, what repertoires are available and what choices are legitimate to organisations as they work towards the strategic ideal’ (Clark, 2004: 107).

According to Schendel and Patton (1976: 237), severe performance deterioration beyond a certain level is a precondition for radical/transformational change. Preliminary findings appeared to confirm this view, with some characterising Dairygold’s change as radical and revolutionary (Cotter, 2004; O’Meara, 2004). However, further details emphasised the evolutionary movement and incremental logic behind recent decisions, with Tobin in particular putting the co-op’s recent changes into perspective: ‘recent change may have been revolutionary for Mitchelstown but was most definitely only evolutionary for Dairygold’ (2004). This appears to confirm Tobin’s earlier comments with regard to his distinct preference for ‘evolution rather than revolution’ (O’Keeffe, 2003). Additionally, it was argued that their period of performance deterioration resulted in a clear necessity for incremental adjustments to get the co-op/ship ‘in proper working order’ (Tobin, 2004) and structured accordingly.

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Moreover, the leader expressed his view that the co-op had yet to do anything 'exciting' and that while changes to date had been relatively successful, they had not at all altered the core of the co-op's business or its strategic direction. However the findings did display an acknowledgement by all of the eventual need for, and existence of, radical or revolutionary changes in response to industry 'swings'. For example, Tobin specifically recalls a revolutionary move within the food industry in which 'the lads up in Green Isle brought Mama's home-cooked breakfast fry to the nearest petrol station' (2004). Notably, these findings are consistent with the views of Mintzberg (1978), Gersicks (1991), Greiner (as cited in Orgland, 1997), Miller and Friesen (as cited in Orgland, 1997) and Abrahamson (2000) who each make reference to the frequent rotation between revolutionary and incremental movements of change.

CONCLUSIONS

A review of the literature on leadership and turnaround highlighted a number of gaps. Firstly, there is little if any reference, theorising and empirical research throughout the literature regarding the role of a newly appointed leader in a turnaround situation. Secondly, the issue of timing of these newly appointed leaders (Castrogiovanni, Baliga and Kidwell, 1992) has not been the focus of much theoretical debate or empirical investigation. Moreover, the literature review highlighted how existing research in the area of turnaround and leadership is limited and inconclusive (Castrogiovanni, Baliga and Kidwell, 1992), theoretically suspect (Hunt, 1999) and offers results which are of little assistance to management practice and today's turnaround managers (Winn, 1993). Despite this, Kanter (2003) argues that turnaround situations are in fact where leadership matters most.

The findings of the Dairygold case shed some light on these highlighted gaps. Prescriptive models of change (Kotter, 1995; Kanter et al., 1992) and the proposed necessity of transformational movements in response to declining performance (Schendel and Patton, 1976) can be refuted based on this case study research. Interestingly, emergent responses to situational factors, a combination of stabilising and entrepreneurial activities – '80/20 rule', incremental shifts and a preference for management involvement – 'get the

knives out and fight for every inch', appear to characterise the mechanisms employed in this particular turnaround effort. This combination of strategic planning and responsiveness in a turnaround situation sits particularly well with extant literature, with Andrews (1987) arguing that strategy requires a balance between focus and flexibility and between direction and responsiveness and Mintzberg (1987) detailing how strategies can be both deliberate in their broad guidelines and emergent in their specifics.

Also developments within the turnaround effort appear to confirm 'the perils of the J-curve' as detailed by Pettigrew et al. (2003) and the depiction of the co-op as a 'house of cards' seems to accurately depict more innovative forms of organising (Pettigrew, 2003) and the widening strategic arena within companies in general. Additionally, the effective role of visionary leadership in driving a turnaround is displayed on two fronts, one being the simple description of growth and success with the second being the vivid portrayal of a fish in the sea with a hierarchy of inter-dependence. Finally, the research revealed how the timely appointment of an autocratic and task oriented leader initiated a turnaround effort which to date has focused on the creation of a nimble organisation and a company-wide 'realisation of the need for revitalisation' (Tobin, 2004).

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 - 2 Due to the sensitive nature of the turnaround situation and in the interests of confidentiality, the names of the interviewees have been changed for the purposes of this paper.

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