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Computer Department Priorities During a Turnaround

A Discussion of How the Information Technology Department Can Best Help a Company In Trouble.

"SWAT" Team Approach to Finding Information to Aid Survival

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Suppose that you are a CEO called in to turn around a company in trouble. Let's say the company is a services or manufacturing firm of about $200 million in annual sales. What are your priorities and how can the IT department help?

Your computer systems are beat up, tired and have been under-maintained for some time. The handful of computer people you have left are also beat up, tired and under-maintained.

You are making life and death decisions for the company and you need solid information. What should you do? Go back to paper systems until the crisis is past and organizational survival is assured? Or, should you invest more in systems and processes to help aid the turnaround?

The answer lies between these extremes – in the high payback regions where a small amount of effort and cost can return big results during a crisis. As a veteran of several crisis situations, including a couple of turnarounds, let me offer my suggestions:

Understand Your Cash Flow: As the life-blood of corporate survival, cash is certainly the first priority. You will, of course, focus on collecting accounts receivable and deferring outgoing payments as long a possible. You will probably be presented with reams of computer printouts, and your first task will be to sort through the masses of data to identify the collectable receivables and truly urgent payables.

You will be tempted to create your own lists of these critical items, but I would suggest putting some attention to the validity of the processes and systems that create this data. By organizing a process and computer "SWAT" Team under a competent leader, it should be possible to shore up the validity of the cash flow reporting in a week or two. This would leave you with numbers you can trust as the turnaround progresses.

Understand Your Costs: The next question on your mind will probably be, "What parts of the business do we keep and what parts do we jettison?" Many managers make that assessment by gut feel, but it is likely that your computer systems contain some useful (if imperfect) data. It would greatly help you to know how much it costs to operate each segment of the business. Again, a SWAT team is needed. They should dive into the existing data to get you some answers about how much it costs to produce a dollar of revenue from a "widget" or from a service. What you want to avoid is spending a lot of money and time on precise answers.

Again, in a couple of weeks, your SWAT team should be able to provide you enough information to group all parts of the business into three categories:

1. Profitable (definitely keep)
2. Unprofitable (definitely jettison)
3. Marginal (possibly worth keeping).

Operations Improvement Through Process, Project Management & Technology

Your computer people will complain about the short time frame and the fact that they can only give you rough information, but this is not a time for absolute precision. You may want to find a way to get them some help or relief from their other duties, however. All of this assumes that competent and motivated leadership is guiding the SWAT team. You may even want to consider some "pay for performance" bonuses for your computer people.

Get The Information You Need To Make Inventory Decisions: This can be a difficult and complex area, but the first task is to roughly identify the potentially productive inventory and separate it from the "wishful thinking" inventory.

At first glance it may appear that the inventory information is untrustworthy and useless. Have your SWAT team dig a little deeper. I have often found that useful information can be gleaned by tracing it through the computers back to its source.

Generally, your computer people should be able to provide reports on inventory turns, the age of inventory items and other data that can tell you, approximately, whether the inventory can be useful to survival. Just make sure your SWAT team believes you can trust the data.

I would again sort the inventory into three categories: Keep, liquidate and marginal. Keep in mind that, once the survival period is past, you will probably have a large task to bring the inventory records into a state where the accounting people will sign off on valuation.

Improve Customer Service for Your "A" Customers: In the middle of a turnaround is the last time to initiate a new six-month customer service program. On the other hand, I have seen several situations where process changes alone have made dramatic improvements in customer service. These can often be done with no programming and using software tools at hand.

Assuming you have also segmented your customers into "keep", "jettison" and "marginal", you may find it worthwhile to direct your SWAT team toward helping retain your best customers.

Sales Productivity, Key Business Measures, And Pay For Performance: Each of these areas could benefit from a similar approach. To summarize the approach, I suggest that you:

1. Think through the "keep", "jettison" or "marginal" triage step for each aspect.

2. Remember that data results from people and processes interacting with computers. While large changes to programs and computer systems may be impractical, smaller changes to processes and personnel can yield rapid results with minimal costs.

3. Form your "process and computer" SWAT team and keep them focused on tasks that can be completed in two weeks.

You will need the right leadership for these SWAT teams. The team leader must first be a manager and process person who sees technology as a tool to help the business. Your leader should also have experience with turnarounds, understand the priorities and pressures and know that there is life after.

Summary: Many executives assume that computer departments take too long to produce anything productive for a turnaround. While this view has much experience to back it up, keep in mind that there are exceptions. There are ways to get vital information and benefits from computer systems in a crisis. If you have the right people…