

Pondering Business Change is One Thing . . . Enduring it is Another.

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*Pondering Business Change is One Thing . . .
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By John M. Collard

Primer for Corporate Renewal, 1993.



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Americans are eager for change. President Bill Clinton says he's proved it. In many ways he has. But change comes hard, as the owners and founders of countless beleaguered businesses demonstrate in tough economic times.

These business leaders give credence to what one of Clinton's predecessors, John F. Kennedy, said when asked how his first 100 days was coming along. "It's very interesting," Kennedy replied. "I keep giving orders and nothing happens."

Businesses in trouble can exhibit similar or worse signs of operational paralysis. As often as not, however, management and workers are not dragging their feet. It isn't some bureaucracy refusing to take easily identified and urgently needed corrective action.

On the contrary, businesses in trouble often postpone action because their own owner founders no longer can tolerate jarring change and an uncomfortable transition to something new. Surprisingly, some of them probably never could. Bringing in a professional who is trained in crisis abatement is simply outside their emotional comfort zones.

Turnaround practitioners are aware of this emotional dimension to corporate culture at the top. They know it to be a powerful dynamic, but they've been loath to discuss it. Though seldom fully hidden, it is tacitly off limits to any specialist who, if he or she is retained, surely will have to deal with it when nursing the ailing company back to health.

Diminishing sales, declining profits, mass employee exit, creditor suits, the threat of bank foreclosure, and no cash are only part of the equation. These problems can be repaired. The true dilemma becomes, who can handle the crisis management role? Clear thinking must prevail. The answer often resides outside the company in the form of a turnaround specialist.

In today's competitive climate, the wellmeaning avoidance of any relevant aspect of a turnaround challenge is a luxury that businesses can't afford. Working with all stakeholders, on a wide array of necessary steps, can't be fully successful, or perhaps even begin, until the owner founder can overcome their reticence to face the fundamental problem — themselves. Which sometimes means turning over the reins to a professional.

This became dramatically clear at our recent annual TMA conference, where I convened a panel of experts including a turnaround practitioner, psychologist and owner founder, to explore this controversial behavioral phenomenon. Our psychologist and owner president both said that denial, disbelief and anger prevent proud and talented leaders from seeking help when it's needed most.

"How could you know so much about me when we've never met?" chuckled Bob Bartlett of Midwest Polychem, Ltd., in Chicago, after following Dr. Rosemary T. Bowes to the podium at Washington's Mayflower Hotel. "Hearing you describe 'The Denial Roller Coaster,' I just went through the whole nightmare again."

The chemist said, with notable candor, he had avoided reality to the point that he was genuinely surprised when his bank expressed concerns about Polychem's financial condition. He wasn't forced to retain a turnaround or "workout" specialist, but the bank was impressed when he did. For his part, Bartlett found he could trust an outside professional who served him, not the lender.

Dr. Bowes, licensed Ph.D. psychologist, "coaches" senior executives through stressful transitions and crises as part of her private practice in Washington. Her "[denial roller coaster](#)" charts the owner founder's emotional evolution as problems and pressures within the company intensify. "Starting at a high point, this curve will fall and rise and fall again as sadness, acknowledgment and some openings to change gradually replace denial, anger and disbelief," she explained.

She cautioned the 135 turnaround managers in the audience not to let their own emotions cloud their sense of where a client or prospective client is along the curve on any given day. "Above all," she added, "understand that being willing to change and actually enduring change are not the same. Each owner founder responds in a different way."

Gregga J. Baxter, vice president in the New York branch of Saudi International Bank, told the audience that bankers are interested only in cash flow when observing companies in crisis. "They don't care about patents or marketing or creating jobs," he said.

Henry D. Barratt, resident partner in the Washington area office of CEO Venture Fund, explained that venture capitalists see troubled companies differently. "Unlike bankers," said Barratt, a former banker himself, "venture firms want to save the company so it'll realize the potential that warranted their initial investment." He went on to say "we talk with many consultants, but credible turnaround professionals are hard to find."

Be sure the turnaround specialist has been there before, and is not just an out-of-work CFO, become consultant. This work takes a special set of skills.

Turnaround specialists differ from consultants in that they must have an active line manager orientation. The good turnaround specialist will quickly and accurately cut through the symptoms and deal with the root causes of the problem. They will make decisions, often unlike those ever made before, to implement changes quickly, with long term implications.

Whether the unforgiving economy will prod more business leaders to embrace change remains to be learned. Given the vigilance of bankers and venture capitalists — and, increasingly, directors and shareholders — it seems clear that anything impeding high performance can put companies at risk. And

what an irony that this impediment so often is emotional resistance from the person who founded the firm and loves it most.

John M. Collard is President of Strategic Management Partners, Inc., an Annapolis, Maryland based transition and turnaround management firm that specializes in valuation enhancement and corporate renewal.

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The Sequel:



Riding the Roller Coaster of Denial

By Dr. Rosemary T. Bowes

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A follow-up to [Pondering Business Change is One Thing . . . Enduring it is Another.](#) An article published in the Newsletter of Corporate Renewal, written by John M. Collard.

Every turnaround professional knows how difficult it can be to persuade a client or prospective client in crisis to acknowledge reality and accept the help that they need.

Sometimes an owner/founder will stumble along for weeks or months, convinced that events yet to occur will reveal the problem to have been a figment of the accountant's imagination. Sometimes an owner/

founder will gut it out almost indefinitely, a tragic figure caught in a not so slow motion nightmare.

Everyone who has observed such agonizing situations know that something's got to give, and that sooner or later something will. All roads do lead eventually to resolution. What isn't yet known is whether this inevitable resolution will be destructive in the absolute sense — a job creating company goes under — or whether there will be a kind of "creative destruction," as economist Joseph Shumpeter put it, by way of reorganization and renewal.

Turnaround professionals waiting along these roads to resolution perhaps can be a bit more patient if they understand that the owner/founder really is in motion. No matter how stuck or immobile he appears to those around him, on the inside he is riding an emotional roller coaster. Those who would be most helpful will learn to plot the ups and downs of his path from denial to acceptance.

Denial, as psychologists define the term, means the inability to accept, process and respond to levels of information that, in other circumstances, would be sufficient to assure recognition and spur corrective action. Acceptance wins out when the weight of evidence finally overwhelms an individual's capacity for either blocking it or somehow pretending that less painful conclusions are the correct ones to be drawn.

"... a rising curve of resistance is an outward manifestation of inner denial, disbelief and anger about the situation and its origins."

The most important thing for the turnaround professional to understand is that an owner/founder's emotional roller coaster, like the visible roller coasters at theme parks, is, overall, a downhill ride. But just as thrill seeking visitors to theme parks are put through a series of uphill surprises along their guaranteed descent, an owner/founder working his way through denial will resist anew as negative information continues to appear.

Simply put, a rising curve of resistance is an outward manifestation of inner denial, disbelief and anger about the situation and its origins. The curve falls when the owner/founder experiences sadness, acceptance, and at least the beginnings of openness to change. Because everyone responds differently when under exceptional pressure, turnaround professionals should resist the temptation to project their own feelings and opinions onto the person at the eye of the storm.

Yet it surely can be helpful — both to the company and to the turnaround professional — to gain a better grasp of where an owner/founder is on his involuntary ride to reality. From an assessment of the jolts he already has sustained, one can begin to anticipate bad news yet to come, estimate how long he might take

to assimilate it, and anticipate how he finally will signal his willingness to address the facts.

Assume that denial, disbelief and anger are high when you come onto the scene. After all, you wouldn't have even one foot in the picture if the crisis were not far enough advanced to suggest that it can't be handled by existing executive leadership and staff. But don't expect your presence to make things easier, at least not initially. Like that early call from the bank, or that cryptic warning from a major customer, the very thought of sharing the helm with an outsider (not to mention relinquishing it) will reinforce an owner/ founder's resistance to change.

Eventually, as trouble at the company continues to intensify, the roller coaster curve will fall again — each time for a bit longer. Yet just when this process seems complete, just when you think you can begin a decisive, constructive race against the clock and the calendar, something new will cast a shadow over your mandate: A business writer's speculative story about the company's plight . . . some revelation from the beleaguered owner/founder's private life . . . each such blip will retard the change process before hastening it.

How fast the owner/founder works through all this ego bruising stuff, and begins to get beyond it, offers an important glimpse at "who he is" and what his best future role might be. If in the past he has successfully used denial and anger to escape from tight spots, he isn't likely to unlearn those responses soon enough to be helpful. Perhaps your most encouraging discovery would be to find, in his office, a framed copy of an old Chinese proverb: "It Is the Beginning of Wisdom to Call Things by Their Correct Names."

Be alert for off hand comments that reveal the owner/founder's inner turmoil. Denial and disbelief may masquerade as hope ("Things will get better..."), naivete ("It can't be as bad as I'm told..."), or the Founders' Syndrome ("Only I can run this place..."). Search also for evidence of openness to change ("This job is killing me..."). Owner/founders who have supportive social relationships or other outside interests, and who naturally focus on the future, are more tolerant of change. They're more likely to finally embrace change for its opportunities. In addition, they can benefit most (because they need it least) from short term mental health "coaching" that stresses the positive dimensions of initially unwelcome transition.

Once you've discovered where your client or prospective client is on the roller coaster ride of denial, and once you've sized up his tolerance of change, look for the right time to tactfully and sympathetically share your impressions with him. Then relax. The seeds of change have been planted. They will grow only as fast as they can.

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