

# The Issue

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## Empowerment, Alignment and Responsibility in Turnaround and Fast Growth Management

### By Jack Doty

Partner and Practice Lead: Food & Beverage and Fast Growth Management



Turnaround Management has often been criticized for being excessively punitive towards the employees of the target company. Quite often, the definition of Turnaround is seeking bankruptcy protection in a liquidation. Fast Growth Management has often been criticized as being focused on growth and profit above

all else. After years of working in both arenas, I have found that both criticisms are too often correct and neither are necessary.

The Consulting CFO's at CFOs2GO that provide the assistance to keep those jobs and build (or re-build) the wealth of the entrepreneur are well aware of the possible validity of those criticisms. Yes, we generally work for CEO's; yes, the character traits necessary for the success of a CEO are often misunderstood to be narcissistic; yes, that role is necessary. In fact, we often tell the unhappy victims of the overly focused CEO that he/she is just acting like every other CEO we have known. The CEO sets the vision, drives the company, faces outwardly. Too much of that can create isolation, loneliness, and maybe even precipitous decisions on the part of employees.

But those Consulting CFO's in the Turnaround and the Fast Growth Practice Groups at CFOs2GO handle Turnarounds and Fast Growth differently. Years of experience have taught us that the employees that remain after it is recognized that a company must go through a Turnaround are notoriously the most loyal to the brand and to the company and the most talented in the previous team. When the stress of a difficult time for the company bears down on the disloyal and incompetent, they tend to quote the time worn phrase: "I don't need this" and abandon the ship.

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Likewise, only the strong hearted remain very long under the fast pace and heavy burden of a Start-up or a Fast Growth company. The others like the possibilities but cannot take the sort of heat that comes out of that type of kitchen. The old expression, “It takes a real professional to stay with a new company after the excitement of the adventure has worn off”, is often proven to be true - and great is the turnover.

While those remaining and loyal employees may very well be demoralized and disorganized, experience has proven that employees at those stages in the business cycle are the best of the best. They have been picking up the ball for those no longer around, they have been covering each other’s weaknesses, and they have taken pride in the institution and the mission even without the trappings of success.

When the Vision and Mission are sound, the Partners in the CFOs2GO Turnaround and Fast Growth Practice Groups know from their deep experience that what is needed is leadership. And, that leadership must be applied quickly; the external factors of loss of sales credibility, disruption of supply chain, loss of access to financing can quickly mark the end of the enterprise. And that brings us to the point of this newsletter: what are the primary action philosophies that can be brought to bear not only effectively but also quickly. Those action philosophies can be summarized in three words: “Empowerment”, “Alignment” and “Responsibility”. Let’s spend a minute with each:



1. **EMPOWERMENT.** With the reduction of staff, a Turnaround tends to centralize decision making power; likewise, Fast Growth starts with the center of power with the Founder. Both are severe limitations on the ability to respond to threats. Only one head is not nearly as good as many – the CEO simply cannot process the multitude of decisions that must be made, let alone the research that will allow those decisions to be correct. Not only do the decisions tend to be weak, but there is a more severe disadvantage: the disempowered are demoralized by the decisions which cannot be well considered and might even be wrong to the person having to execute them. In its worse ramification, that demoralization becomes paralysis and the value of those loyal employees becomes increasingly

lost.

However much the organization might be paralyzed by disempowerment, the opposite is true when a policy of Empowerment is implemented. It is hard to resist the joy of a loyal, hardworking, intelligent employee when he/she comes to believe that her/his recommendation will not only be listened to, but will actually be implemented. Collaborative decision making is now possible and the role of the leader becomes one of simply coordinating between the competing priorities and protocols. Yes, of course, many decisions must ultimately rest with the CEO; but they no longer have the character of “What do you want me to do now, boss”, but instead sound like “I have carefully considered the research in front of me and have concluded that we should do this - unless you object”.

Empowerment gives those good, loyal, intelligent, members of the team the ability to “Do the next right thing”; experience tells us that is exactly what they will do if encouraged to do it. The long years of leadership possessed by each member of the CFOs2GO Partnership makes it easy to execute on the benefits of Empowerment



2. **ALIGNMENT.** But Empowerment without discipline is another word for Anarchy. One can readily imagine a company with very intelligent, strong-willed, hardworking, loyal employees each pursuing what she/he considers the most important immediate task, not only for him/herself, but for the company at large. But, with no respect for timing, coordination, even synergism, each effort is undone by another equally as beneficial initiative working at cross purposes.

The solution is, of course, Alignment. Alignment is where the leadership is seen. The interdepartmental meetings, the copying of e-mail to all interested parties, the action approval process, come together to encourage each interested party to speak to the effects of an initiative on him/herself, the others or the company at large. It is the place where the leader can bring out the weaknesses of a program by allowing the full team to participate. It is also, of course, where the leader must not allow attitudes to move back to negativity but must always allow the benefit of the doubt to the proposer.

The most valuable attribute of consciously building Alignment is the opportunity to publicly celebrate the contributions to the good of the institution by each individual. The positive results of the Empowerment process give the leader the opportunity to offer the celebration of those achievements to the entire team. The Turnaround and Fast Growth CFO's at CFOs2GO find the opportunity to publicly encourage team members to be addictive.



3. **RESPONSIBILITY.** At first, we thought that the combination of Empowerment and Alignment covered it all: it encouraged thought, it gave appropriate rewards, it gave those who cared a sense of ownership. What more could we want?

And then our good friend, the Chief Sales and Marketing Officer, pointed out a pretty important short coming: if each individual team member's initiatives were not checked at some level, the amount of time to properly vet each would increase geometrically and conflict would increase. The decision might be right in itself and might even benefit the company but it might be detrimental to the other team members and their initiatives. And, worse, the time it would take to tease out an improper decision by those not intimate with the circumstance would be large, even if that team member were not unduly bitten with pride of authorship.

The answer is the third leg: Responsibility. While leadership is applauding empowerment and negotiating alignment, it must also imbue each team member with a sense of responsibility. A sense that there might be more to a given issue than is apparent to an individual advocate, a sense that the whole is greater than the sum of the parts, a sense that each member of the team achieves more when the entire enterprise succeeds, a sense that sacrifice is worth it.

Each CFOs2GO Consulting Partner has been around long enough to know that Responsibility is not only worth it, but that it is a reward in its own right.

So, we would all like to see our organizations continually succeed and grow, and gain a greater presence in the market both financially and intangibly. Hopefully, the lessons learned in Turnaround and Fast Growth Management might even be translatable to more conservative situations. Are there tools that might work to build that Empowerment, Alignment and Responsibility?

Yes, of course there are, and they generally fall into Leadership Skills. CFOs2Go can provide an enterprise with several types of finance executives: hands on tax work, systems design, auditable separation of duties performance and so on. We can interface with the CEO to develop the strategy for a major sales expansion; we can layout the personnel-product-data flow in a plant. And none of these require team leadership skills. But Turnaround and Fast Growth Management does.

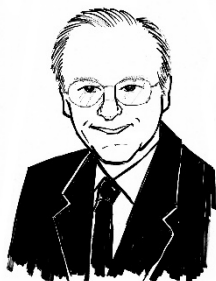
These skills fall into several categories:

1. Meetings. Quite often meetings are employed to communicate from the top down, making sure everyone has the same information. That type of meeting must be replaced with the collaborative model. A regular meeting is established to replace the instinctive house-is-on-fire ad hoc meeting. By knowing that there will be a meeting on a certain date each week, the team members can plan for a deadline for the review of their work by their peers. Substantial pressure is then brought for the highest quality of product
2. Kindly Confrontation. If the assumption is that many heads are better than one, then each head needs to be heard. The natural tendency of avoiding controversy must be replaced with an open direct communication style, allowing each member to state plainly how an action might affect the mission of her/his department. In weekly department head meetings, for example, we have installed a section called "Who is messing you up?" After reports are given and after the leader has followed up on outstanding company-wide issues, the floor is opened to complaints from one department to another. To assure fairness and positivity, each department head is expected to, and does, voice places for increased inter-departmental cooperation.
3. Celebration. Since these meetings are designed for reporting, it follows that each department will report achievements effecting the company and/or the other departments fairly often. To assure the complete honoring of those hard-earned achievements, a consistent means of celebration is not only fun but imperative. We have found that applause directed to the individual as often as possible, maybe even constructed, results in massive improvements in morale and in interpersonal relationships.
4. Openness to CEO. Individual empowerment requires the trust of those who might disempower. It is imperative, then, that the CEO must not only be welcome but must also be encouraged to attend all meetings. There is a rule, however: the CEO must also understand that she/he is there to build trust not to dictate outcomes. The privilege that comes from being a Consulting CFO makes that learning so much easier.

5. Keeping the Loop Open. At the risk of overwhelming the other department heads, each should make it a policy to share e-mails with any of the others who might have even the slightest interest in an initiative. Far better to be accused of blasting e-mails than to be accused of being secretive.



CFOs2GO Practice Leads have found Empowerment, Alignment and Responsibility to be essential to Turnaround and Fast Growth Management. It may also be true that those three approaches may allow companies to prosper without the specter of Turnaround.



Jack leads the Food and Beverage and the Fast Growth Management Practice Groups at CFOs2GO. He has held CFO and executive level positions in food manufacturing and distribution for over thirty years. Jack serves on the Board of the San Francisco Chamber Foundation and is an active member of the Specialty Food Association and the Institute of Management Accountants.

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