

## **A Positive Approach to Turnarounds**

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Robert Peiser views turnaround management as a makeover, not a mauling.

The veteran turnaround executive eschews slash-and-burn tactics, such as plant closings and employee reductions, which he deems myopic.

"A lot of turnaround specialists do this thinking they're going to save the company over the next nine months and go on to their next assignments," Peiser says. "Then the company sinks more after they leave."

Peiser prefers to increase value by adding new products, refurbishing company image and changing the target market. At a Presidents' Forum, Peiser discussed his current assignment as CEO of Imperial Sugar Co. in Sugarland, Texas, which he joined in April 2002.

The company, which supplies sugar and sweetener products, had filed for Chapter 11 bankruptcy in January 2001 and emerged a year later.

"That was too early," Peiser says, noting that Imperial Sugar had an over-leveraged balance sheet and a business plan "hyped" to support that debt. "We had angry lenders and no discipline inside the company. We had what I call the plan-of-the-month."

Since then, Peiser has introduced a number of changes:

- *Improved relationships with growers.* Imperial Sugar doesn't own cane fields, which means alliances with suppliers are important.
- *New packaging.* Because sugar is a commodity product, it's difficult for Imperial to differentiate itself in consumers' minds. In response, Imperial has created new package designs, such as standup pouches and easy-pour cartons.
- *Supply-chain efficiencies.* Besides selling to grocery and retail stores, Imperial Sugar supplies companies such as Hershey Foods and General Mills. Peiser has involved Imperial's information technology, logistics and finance departments to improve the supply chains of these commercial customers.
- *More emphasis on branded goods* where there is higher profit margin than private-label products.

- *Improved execution of business basics*, which includes improving forecasting, accountability, credibility and communications.
- *Unified company*. Imperial Sugar is an amalgamation of several acquisitions that were never integrated correctly, Peiser says: "If you called a plant in Savannah a year ago, people would answer 'Savannah Foods.'" Peiser is breaking down silos to create one company.

When Peiser began his assignment at Imperial Sugar, the company carried \$300 million in debt. Virtually none exists today, he says. What's more, net income has moved from a \$6.5 million loss in fiscal 2001 to a \$16.4 million profit in 2002 and \$76.6 million in 2003. Stock prices have jumped from a low of \$1 per share to dollar values in the teens.

### **What you won't hear from a consultant**

Peiser admits that his perspective contrasts sharply with most turnaround specialists, who work with companies as consultants. As outsiders, they differ in motivation, compensation and tenure.

"I don't have any end in my time frame," Peiser says. "Consultants are hired to save a company. I'm also hired to save it — but also to grow it and make it even more profitable in the future. It's a really different mindset."

A proponent of servant leadership, Peiser first tries to build a framework for his team and establish goals and incentives. Then he steps back and asks how he can help, whether it's calling on customers or seeking support from the board.

Leaders need five key traits: credibility, commitment, consistency, competency and courage. Nothing is more important than your reputation, whether you're talking to employees, board members or customers, Peiser says: "If you're credible, you're going to communicate."

Here are other lessons on leading a turnaround that Peiser has learned:

**Really listen.** "A leader does not come in and start creating havoc. A leader listens to what's necessary first," Peiser says. "A leader empathizes. You have to respect people. They're not stupid just because they were there, and you're not so smart just because you weren't there."

**Keep your cool.** Leaders are under constant scrutiny, which means you need to maintain a calm demeanor — and stay balanced. "You can't be too high, and you can't be too low," cautions Peiser.

**Cultivate a sense of humor.** Even gallows humor can help people enjoy

what they're doing.

**Be decisive.** If you look back, look back to learn — not to recriminate.

**Respect corporate culture and appreciate its power.** The right culture can create greatness while the wrong one can kill a company. "You want to change the culture, but you have to do it in a way that respects the existing culture."

Companies have different "organizational pathologies" that can inhibit the success of a turnaround, such as secrecy, blame, isolation, avoidance, passivity and a feeling of helplessness. Replace these negative pathologies with dialogue, respect, collaboration and initiative.

"Get people focused, not on self-protection and isolation, but on how they can work as one team," Peiser says.

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