



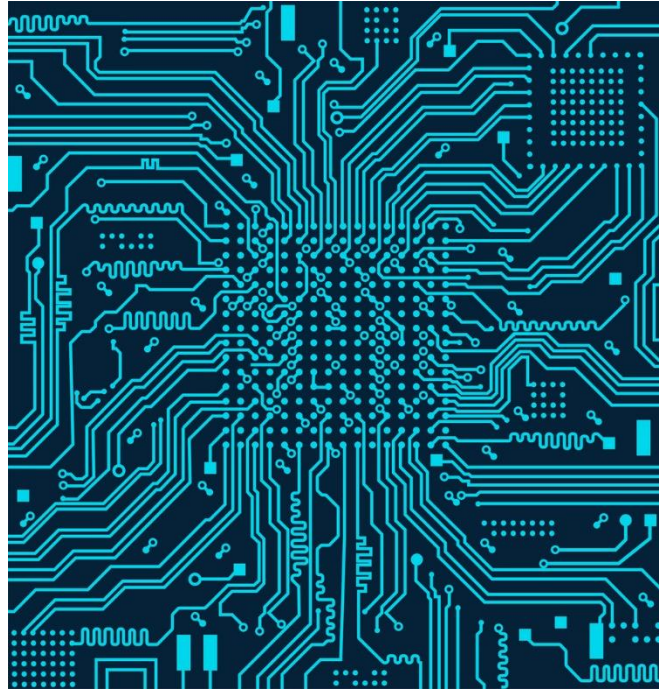
Golden Oldies

Tales from the Vault

***From 2005: “Business Recovery: the First 30 Days”
Rowland Chen***

The Situation

- Global high technology hardware firm in 2005
- B2B and B2C
- Multi-billion USD in revenue
- Losing \$400 million in net income per year
- Translated to losing more than \$1 million per day
- Turnaround critically needed
- Firm's CEO launched a "Business Recovery" program
- Tactical 30-day plan presented to the board of directors (this document)



Business Recovery: the First 30 Days

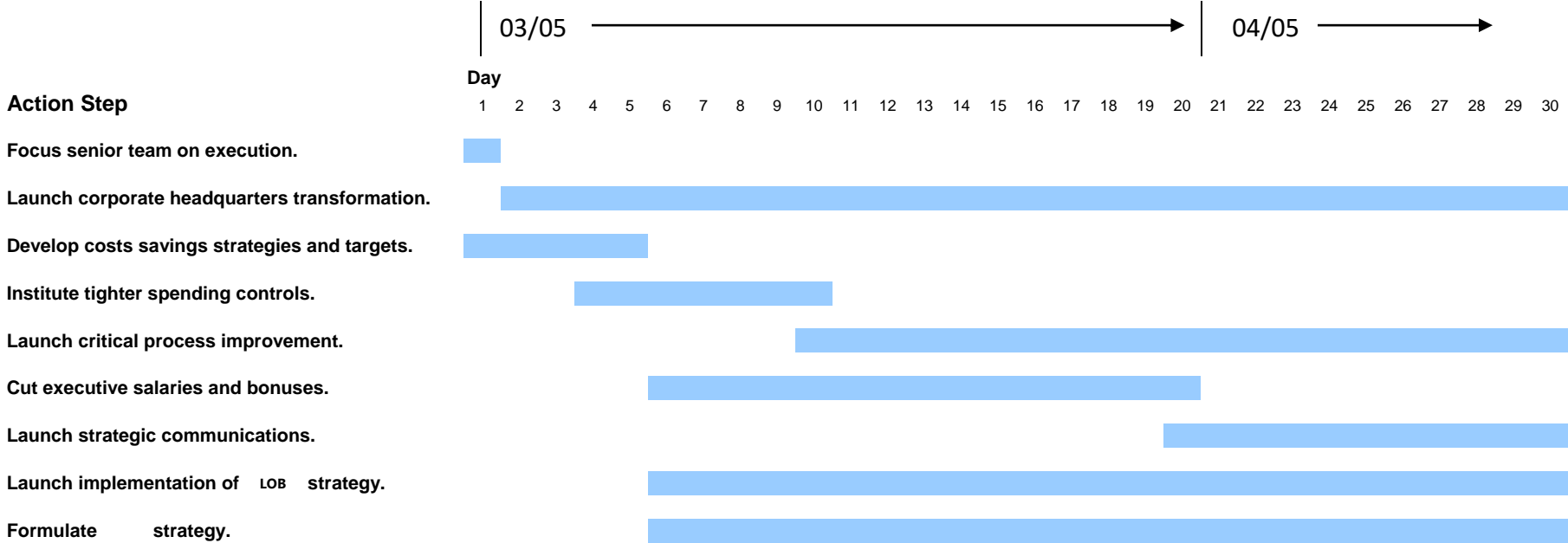
Board of Directors

February, 2005

9 Specific Actions for the Next 30 Days

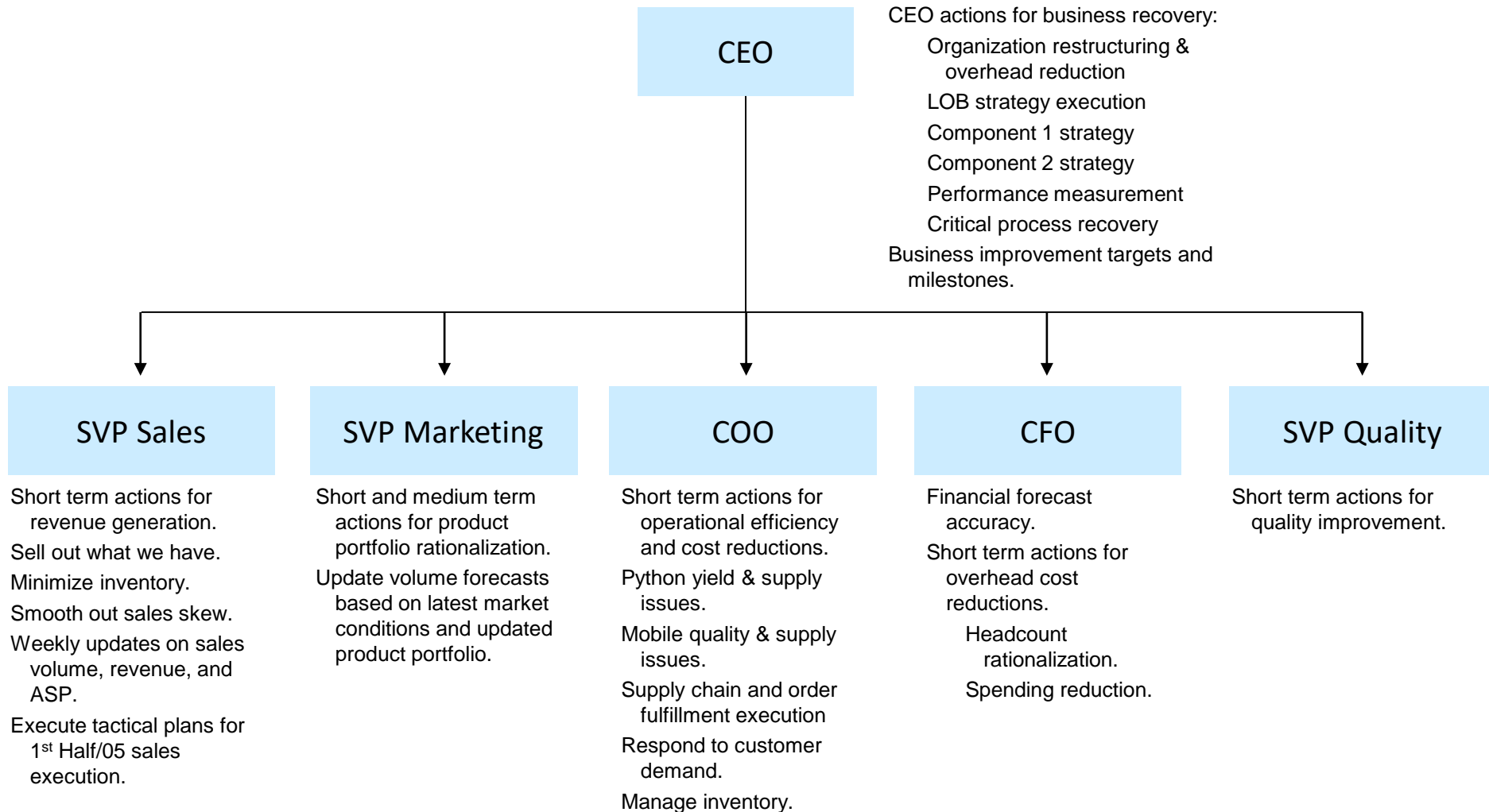
1. By Day 1: Focus senior team on execution.
2. By Day 3: Launch corporate headquarters transformation.
3. By Day 5: Develop costs savings strategies and targets.
4. By Day 10: Institute tighter spending controls.
5. By Day 10: Launch critical process improvement and reengineering program.
6. By Day 20: Cut executive salaries and suspend executive bonuses.
7. By Day 20: Develop and launch strategic communications.
8. By Day 30: Launch implementation of line-of-business (LOB) strategy.
9. By Day 30: Formulate Component strategy.

The First 30 Days *



* Work days.

1. By Day 1: Focus Executive Team on Execution



Executives are developing 30 Day Plans for their areas of responsibility.

2. By Day 3: Launch Corporate Headquarters Transformation

- Establish restructuring team with clearly defined scope
 - Formulate strategic intent for Virtual Global Headquarters
 - Perform analysis of the current state organization of all indirect functions
 - Develop organization architecture
 - Develop detailed design
 - Select global locations
 - Determine staffing requirements
 - Define implementation plan
 - Methods to eliminate headcount (severance, early retirement, voluntary packages)
 - Relocation of key personnel as required
 - Costs
 - Legal compliance
 - Define financial benefits and time to achieve the benefits
- Reconcile and align of restructuring financial benefits to cost savings targets

3. By Day 5: Develop Cost Savings Strategies and Targets

- Functional department budget cuts
 - Headcount reductions
 - Outside spending reductions
- Elimination or reduction of low value added services
- Strategic supplier negotiations to cut spending
 - Product costs
 - Services costs (example, outsourcing)
- Establish dates for actions

4. By Day 10: Establish Tighter Spending Controls

- Rescind budget authority from indirect organizations
 - Example: IT, finance, human resources
- Establish a hiring freeze for non-critical positions
- Reduce number of temporary employees and contractors
- Require CFO approval for indirect purchases > \$1,000
- Establish a cost reduction team and define its scope

5. By Day 10: Launch Critical Process Improvement and Reengineering Program

- End-to-end supply chain transformation
 - Global supply chain strategy implementation
 - Technology-independent improvements
 - Processes (demand planning, supply planning)
 - Organizations
 - People requirements
 - Technology dependent improvements
- Product development cycle time and productivity improvement
 - Increase Product B development productivity
 - Eliminate or mitigate risks to pipeline for other new products
- Manufacturing Quality Improvement Tiger Team

6. By Day 20: Cut Executive Salaries and Suspend Executive Bonuses

- 10% salary reduction for all members of the Global Leadership Team (GLT)
- Suspend 2005 bonuses for all members of the GLT
- Understand legal restrictions which would cause exceptions
- Timing
- Communications
- Anticipate reactions and possible resignations

7. By Day 20: Develop and Launch Strategic Communications

- Internal audience
 - Global Leadership Team
 - Employees
 - Extended staff
 - Messages
 - Dates
 - Communication vehicles
- External audience messages and announcement dates
 - Key customers and distributors
 - Key suppliers and service providers
 - Messages
 - Dates
 - Communication vehicles
- Board of Directors
 - 30 day plan
 - Schedule progress updates
 - Requests of the BOD and timing of the requests

8. By Day 30: Launch Implementation of LOB Strategy

- Establish and kick-off LOB business rightsizing team
- Charter
 - Product B development team rightsizing
 - Global Development Center downsizing
 - Reductions in spending
 - Reductions in associated indirect headcount
 - Transition LOB into form factor unit
- Link tightly with corporate headquarters transformation
- Develop plan to “gracefully” discontinue product lines
 - Customer plan
 - Supplier plan

9. By Day 30: Formulate Component Strategy

- Sourcing and partnering analysis
 - Global sources
 - Industry capacity
 - Supplier capabilities
 - Technology
 - Quality
 - Supply performance
 - Internal and external sources
- Global Requirements Definition
- Global Component Supply Strategy Formulation
- Coordination with yield improvement initiatives

Next Steps

- Discussion

So What for 2020?

- A business recovery program is an essential major initiative for almost all companies as they emerge from the COVID-19 crisis period
- Business recovery calls for swift action during the first 30 days to set the pace and the tone across an organization
- Specific actions during the first 30 days will vary and are specific to each company and its situation
- Business recovery starts at the top of an organization with all leaders aligned
- In this particular case, an emphasis was placed on costs as they were easier to influence in the short-term than sales
- In other cases, all aspects of a business should be included during a recovery inclusive of revenue, costs, capital expenditures, and most importantly revitalized customer engagement

Questions?

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