

# SOUNDVIEW Featured Book Review

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## The Ups and Downs of Turnarounds

Review by Andrew B. Clancy

### THE TURNAROUND KID

By Steve Miller

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© 2008 Robert Stevens Miller, 9 CDs, \$34.99

Newspapers around the globe enjoy a good rescue story. Whether it's climbers found shivering but alive hundreds of miles from civilization, or a lifeguard braving a riptide to save someone who wandered too far from shore, a rescue is welcome news. In the business world, the process of resuscitating a failing enterprise is big news on the financial pages. The news isn't always pleasant, as creditors, executives and employees sweat out months of negotiations and decision making. Sometimes, despite everyone's best efforts, the business cannot be salvaged and the impact, at least economically, can be felt around the world.

Over the last two-plus decades, Steve Miller has frequently sat at the glowing core of many a corporate reactor verging on meltdown. Hundreds of jobs and millions (if not billions) of dollars have hung in the balance as he attempted to avert disaster for a number of big-name corporations. In his book *The Turnaround Kid: What I Learned Rescuing America's Most Troubled Companies*, Miller offers a rare glimpse into the pressure-packed world of business turnarounds. He also balances the black-and-white world of number-crunching with a moving story of dedication and the enduring love he shared with his late wife Maggie.

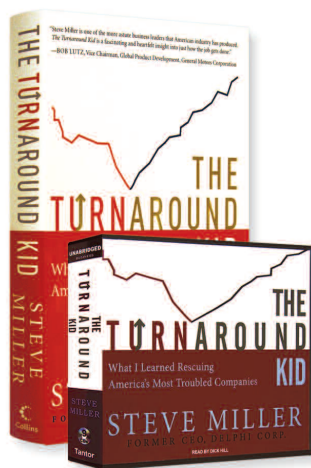
### Heartache and Hard Work

While many executives start their memoirs with an anecdote about meeting a foreign dignitary or giving a commencement speech at an alma mater, Miller gives readers and listeners a view from where he's so often been forced to stand. *The Turnaround Kid* begins with a description of the last moments of his beloved wife's life. Miller is unafraid of recounting what is certainly one of the darkest moments of his life. He shows a humanity that is often called into question when the public imagines the life of a CEO or top executive.

The author himself makes this point in a memorable way. He describes his effort to take care of the mind-numbing details that follow the loss of a loved one, all while protestors shouted for his head outside the windows of his office at troubled auto parts maker Delphi, where he served as CEO at the time. It caused Miller to hearken back over the many years he had spent in the eye of one corporate hurricane after another. He muses

on whether or not the many banks, executives and workers with whom he dealt ever stopped to consider that he is, in fact, as human as the rest. This question does a great deal to break down any negative preconceived notions readers may have about someone in Miller's position and makes the narrative very palatable. It is an advantage of the audio edition of the book that listeners can hear Miller's tale told with emotion.

While some might feel Miller had it relatively easy growing up, he truly wasn't spared a hard day's work. His grandfather, owner of a lumber mill on the southern



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coast of Oregon, instilled a work ethic in Miller from the moment he was able to lace his work shoes. Miller even spent time as a logger, and the arduous demands of the job gave him eternal respect for the efforts of the worker. This admiration most likely remained in the back of his mind while negotiating corporate survival strategies that usually didn't leave workers in the unemployment lines. He never forgot the place from which he came, and readers get the feeling that the author operated a good deal of the time with the specter of his grandfather peering over his shoulder.

It is easy to see the tremendous impact that this period of Miller's life had on his future. He gives vivid descriptions of the sights and sounds of life in the mill and the little community that surrounded it. Sadly, as frequently occurs in *The Turnaround Kid*, Miller's observations serve as a reminder of the state of American industry. Perhaps the loss of a factory town to globalization like Miller's Bandon, Oregon, is what makes him miss it all the more and fight harder than most to preserve domestic businesses when possible. He is a believer in the American spirit, and readers may find themselves inspired by Miller's reaffirmation of the "can-do" attitude. It is

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particularly beneficial in trying economic times to be open to change and exploration, something the author reminds readers of in several spots.

### **Eye to Eye with Iacocca**

After business school, Miller, his wife and their children began a globetrotting life on par with a military family. Taking a position

with the Ford Motor Company, the young executive held positions at outposts in Mexico, Australia and Venezuela. While he relished traveling and working on the fringe of the traditional corporate ladder, Miller could not have predicted the way in which he found himself wandering back to Detroit. He had been contemplating a move to a position in a less stressful industry. Instead, an old boss who had recently been lured to Ford's competitor Chrysler called with a major opportunity. Miller didn't necessarily jump at the chance, and his description of why not would quicken the pulse of any CFO.

By 1979, Chrysler had drawn dangerously close to making Detroit the home of the "Big Two." Long considered the third-place finisher in a three-horse race,

the automaker was drowning in debt. Its dynamic new CEO, Lee Iacocca, took what was considered an unprecedented step by petitioning the federal government to guarantee a complicated bail-out package. Miller, after much deliberation, accepted the offer to become Chrysler's CFO. He had the daunting task of restructuring more than \$1 billion in debt spread across hundreds of banks. All this was taking place during the economic malaise of President Jimmy Carter's administration when, as Miller points out, the demand for new vehicles was down 30 percent.

Miller's time at Chrysler fills a good portion of *The Turnaround Kid*, and it provides some of the most riveting reading. It becomes obvious that the author's incredible intellect is equaled by his ability to seemingly parachute into a company and within 10 days time master its industry and financial situation. He paints an amazing picture of the state of the auto industry and Chrysler's production and spending philosophies in the early 1980s. Time and again Miller breaks the number-cruncher stereotype by providing interesting passages that simplify issues involving billions of dollars. One gets the feeling that a CEO, CFO and director of human resources could each read the book and find unique takeaways from the same set of pages.

In the work that began his legendary career, Miller first helped Iacocca win over the federal government. He then began the painstaking process of restructuring the entirety of Chrysler's massive debt. It seems as though Miller's life in this period became one eternal meeting, as he visited one bank after another. The sheer labor of saving one of America's largest employers (at the time) resonates from the page and it is impressive to note that all the work was done in the pre-Internet, pre-cell phone world of business.

No punches are pulled as Miller depicts his relationship with Iacocca, whose level of public visibility was in the 1980s what Jack Welch achieved in the new millennium. The audio edition of the book is particularly enjoyable, as the narrator's voice gives one the fly-on-the-wall feeling of sitting in secret strategy sessions. Iacocca and Miller tussled on several occasions during the initial period after Chrysler achieved its government backing. Many of the decisions, particularly the choice to debut a new vehicle that critics dubbed the "minivan" and the purchase of the Jeep brand, helped Chrysler catapult back into a position of profitability. In fact, Chrysler's new products and smart, ruthless cost-cutting strategies gave the company the potential to pay off its debts seven years in advance.

For Miller, the choice was an obvious one. He wanted to rid Chrysler of any involvement with the federal government. In his opinion, having observed similar

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government bailouts in Great Britain, governmental caretakers tended to create a welfare state where the business becomes dependent rather than independent. Something about the prospect of Congress dictating Chrysler's moves seemed un-American to Miller. What seemed un-American to Iacocca was forgoing the windfall destined to land in stockholders' laps for the sake of early payment on a few loans. Common sense, thanks to Miller's determination, won out, and it's certain that members of Chrysler's board were thankful in a decade's time when the auto market in the United States again began to slide.

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### **“Need to Knows” for CEOs**

The problems between Miller and Iacocca continued until a seemingly innocuous story in a business publication led Miller to find himself in the CEO's crosshairs. The downward spiral continued when Miller wrote a letter concerning the succession of the CEO position. The letter's damning prose, no matter how truthful, caused it to be known in auto circles as “The Black Letter.” The damage was done, and by the early 1990s neither Iacocca nor Miller would be involved with the company they jointly saved from destruction.

The issues between CEO and CFO in *The Turnaround Kid* are not unique to the Chrysler story. Accountants, bookkeepers and controllers, regardless of industry, will likely be drawn to the audio version of the book, if for no other reason than to hear their common plight given voice and emotion. It would seem that CEOs are often the target for much of the criticism generated by the author. However, he admits that some of this may be undeserved. In many corporations, leadership decisions are spread out across such a great number of individuals, all of whom are beholden to stockholders, that pinning the tail on one man or woman is unfair.

*The Turnaround Kid* does offer executives an interesting set of ideas to help keep their power and decision making couched in responsible business practice. Miller devotes an entire chapter to disastrous decisions made by power-hungry leaders, and one would hope that readers will be able to scan the checklist of warning signs without seeing their organization's leader reflected in it. It is

clear from his anecdotes that communication and the removal of silos are essential to keeping a business, particularly a troubled one, from crumbling to dust. Many of the CEOs detailed in the book appear to have either walled themselves off from the realities of what was occurring or had intimidated staffers to the point where bad news was purposely hidden to avoid the boss's wrath. Neither of these practices puts the news (good or bad) up front where Miller believes it belongs. The truth needs to be told, he muses, even if it hurts.

A great takeaway for leaders is Miller's repeated emphasis on information gathering from all levels of an organization. As noted earlier, his career was based on dropping into a troubled company and needing to master its operations, budgetary methods and brand as quickly as possible. It is a key point that he did not rely solely on reports from advisors or a mixture of earnings reports and press releases to guide him. The author showed willingness to explore opinions from workers in every corner of a company. During his time at ailing construction company Morrison Knudsen (MK), Miller pursued a mission of independent fact-finding by heading to the company cafeteria, piling up his tray and sitting amongst the workers. Not only did it help him gain a better understanding of what was going wrong on a ground level, but it also helped to dispel suspicions that he was a grim reaper looking to mow down lower-level jobs to preserve high-paying executive positions.

Truth is continually referenced as the single most essential element to success in *The Turnaround Kid*. Beyond even employees, Miller attests that there is no greater source of this verbal gold than the minds, hearts and mouths of a company's customers. While this can make for painful listening to many an executive, the author would encourage readers to bear the brunt. Inevitably, he points out, even somewhat disgruntled customers have positive things to say. Part of what led to their anger is a sense of disappointment because they believed in the problem company at one point in time. Miller demonstrates repeatedly that he is counted among the believers with each company that he elected to aid. While not all of his efforts led to success, he fought hard in every case to see that customers, workers and even shareholders benefited equally. Perhaps this underlying theme of equal prosperity is the greatest lesson to CEOs.

### **Navigating Dark Skies Ahead**

When one considers the time period covered by Miller in *The Turnaround Kid*, the book is as much a history lesson in American industry as it is a memoir.

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The causes of the crises that beset many of the companies Miller attempted to rescue could easily be lumped under a single banner. The firms operated under the industrial practices that led to their initial success, even after the evolution of the marketplace called for change. By leaving it too late, changes that could have been implemented for a consistent cost became massive undertakings that required nearly all of a company's assets to achieve.

It may be hard to imagine, considering the shambles that Miller often saw around him, but the author remains optimistic throughout the book. The only area where he loses some of his cheerfulness is the section that deals with his involvement at Delphi. In part due to the personal tragedy of his wife's brain cancer diagnosis, Miller also suffered with what many economists hold up as the iceberg waiting to sink the Titanic of American manufacturing: the auto industry. A three-way collision of a powerful union, a sinking global economic position and a crippling benefit system made Delphi perhaps the most daunting challenge of Miller's career.

The last two chapters of the book may prove to be the most beneficial to readers. The problems at Delphi could be viewed as the plaque that lines the arteries of the American economy. Miller is more than willing to rub the paddles together and provide defibrillation in the form of brutal honesty, but it remains to be seen whether or not the country will be able to respond to the shock. The Delphi battle is a microcosm of problems that politicians and doomsday business scribes deem pandemic to the United States. Pension and health care promises were made with the best of intentions by companies. However, they were made in an era when retirement took place at 65 and death followed at 67. In today's economy, retirement can take place as early as 52 and life expectancy continues

to creep closer to the century mark. Footing the bill for this set-up drains company coffers faster than an IRS audit. In some cases, there are more retirees drawing a check from a company than current full-time employees.

In addition, Miller adds a third timely flashpoint to the explosive problems plaguing businesses. Since many of the positions he held were at companies in the auto industry, he is acutely aware of the energy crisis. Auto manufacturers feel the pinch from every side; they face skyrocketing fuel costs to build their product, potential government intervention on efficiency and consumer demands to immediately offset the rising costs at the pumps. Now try to imagine solving these problems with every step having to go through prolonged negotiations with labor unions that are bent on protecting the interests of workers despite the damage that it may cause in the long run. Not a pretty picture, to be certain.

*The Turnaround Kid* concludes with Miller attempting to answer the three-dimensional pension/health care/energy riddle that even he admits comprises government's daily struggle. Could this challenge be so great that it defies even the heroic strength of a legendary business savior? Miller's solutions are certain to cause lengthy debate. For example, one feels that the audio edition of the book probably should have required the narrator to whisper the caustic phrase "national health care." The food for thought provided by Miller should give executives plenty to chew on while examining the giant holes that pension plans rip into their companies' budgets. Still, in the end, Miller remains confident that a combination of honesty, respect, integrity and empathy can lead any company, and hopefully the nation, out of any crisis. ●

**The author:** Robert S. Miller is former chairman and CEO of Delphi Corporation. He serves on the boards of Symantec and United Airlines. In 1979 he was recruited by Lee Iacocca to lead the financial negotiations with 400 banks and the federal government to orchestrate the bailout of Chrysler. That led him to become the vice chairman and CFO of Chrysler. From that point he began a succession of restructuring efforts at various corporations, which earned him the reputation of "the turnaround kid." The book is dedicated to his wife of 40 years, Maggie Miller (1937-2006), with whom he shares the credit for his success.



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