# Saab's turnaround – A reason to go through my notes

**A short drive through the landscape of turnaround efforts conducted by Saab's top management in order to face the challenges of a troubled economy, mysterious strategies and a secret balance sheet.**

The once so proud Swedish company Saab filed for bankruptcy this month and is faced with very little support from its stakeholders. That was once different, in Saab's early years, the automobile producer was able to gain and maintain a loyal customer base of clients looking for a car that is special, a car that one cannot see on every street corner and a car that distinguishes itself from its competitors, not only by a unique design, but also by innovation and love to detail. Originating out of a company that has produced airplanes, Saab was the only company that had a speedometer counting in 10 – 30 – 50 – 70 increments and not like every other car manufacturer in 20 – 40 – 60 – 80. Furthermore they were the first to introduce a coupé shaped car with a glass hedge. The Saab 99 and its successor the 900 model turned into icons of the automobile industry, starting a wave of often high priced coupés that today nearly every car company is offering.

Saab was the first to introduce headlight wipers, front seat heaters, and a car with dual brake circuits. The list of inventive contributions to the car industry is long and includes highlight such as side-collision protection in 1972 and the first turbo engine in mass market cars in 1977.

But its success is not only due to its improvements but also to its … how should I call it … "courage to be different". In 1986 when convertibles where getting rare on the worlds' highways, Saab introduced its own convertible and sold more than it hoped for. Saab's customers were people that wanted a car that is different, innovative and always a bit ahead of the trend, or maybe even setting it. Driving a Saab was something special, and owning one, made one special himself.

The pioneer company that was almost a bit rebellious quickly lost its shine when General Motors (GM) took over Saab with first just 50 per cent in 1989, and later a 100 per cent in 2000 (Pander, 21.02.2009). The last own innovation of the Swedish manufacturer was the Night Panel Cockpit (a system that automatically turns off the interior lights of unimportant instruments at night, thus the driver can focus on the speedometer), which originated from the companies roots in the airplane industry.

Once GM took over power, they rationalized away every competitive advantage Saab had. Clearly not understanding Saabs customer base GM replaced the base of the once successful Saab 900 with the same base as the Opel Vectra, built in Germany (Pander, 21.02.2009). At that time Opel had a different positioning in the market and the last thing Saab customers wanted was a car that shares its base with a mass market car which is perceived as a cheap family wagon. The introduction of a V6 engine for Saab models (which rarely sold) further highlights GM's fatal approach to produce alongside the customer's needs and GM's strategy to sit still without innovating. This GM strategy, which only now becomes really clear to most people, certainly arrived in Saab's headquarters when the decision was made to produce the Saab 9-5 Model for 12 years, without major updates.

GM's plan to profit off Saab's special positioning and image by replacing its uniqueness with mass market parts, and saving on its independent technical and design evolution failed. The question is now, what to do with a former successful company that was led by a management that thought it could change its customers by not adapting themselves. Nobody will argue with me if I say that we need a close look into Saab's books to make a professional decision, either to agree with the Swedish government to let Saab die, if that is its course, or if we should support Saab's Managing Director's turnaround plan to run Saab as an independent entity (wires, 20.02.2009).

But what we can already say is that Saab will have to engage into a strategic as well as an operational turnaround. Last year Saab sold about 94.000 cars, which is about half as much as the company could produce in its facilities in Trollhättan, Sweden.

When I go through Saab's press releases and the media reporting on Saab's turnaround efforts, then there are a couple things that make me worry about the success of the planned restructuring process. Haven't we, as turnaround managers, learned that one of the first things a turnaround leader should do, is to reevaluate all operations that cost money and put on hold what is not directly related to generating income in the short term, especially as long as no turnaround plan is prepared? (Slatter & Lovett, 1999, S. 141) Also, haven't we learned that strict cash-flow management is essential to a successful turnaround? Keeping this in mind, I am very surprised to read that Saab is continuing its operations as usual (Saab Corp., 2009), while other car companies worldwide put their production on hold. Again, we don't have enough insight into the company's books, but reading this I am lead to think, that Saab is still selling their cars very well in these times that are so hard for other companies to sell their cars. VW, BMW and Porsche are just some companies that have been successful in recent years, and still need to put their production on hold. Saab's self appointed crisis management however does not see the urgency and possibility to cut at least some of its costs.

I went again through a couple of my old books and found that Slatter and Lovett told me in "Corporate Recovery" from 1999 that during the crisis stabilization phase a key area for the turnaround manager is to concentrate on the realization of obsolete and slow moving stock. (Slatter & Lovett, 1999, S. 140) Hence, to put a hold on the production, and to get rid of some stock in the meantime to free up some money, and invest it for example into the badly needed final research and development of Saab's new products lines, does not seem to appear to Saab's top management.

When I dug a bit deeper into my old notes, that I have taken over the last couple years, I found one thing that made me curious. A company that apparently suddenly finds itself in distress, and only now has come to realize the whole amount of dept that it has collected over the last years, should not make any long term strategic decisions before a formal turnaround plan is prepared. Even more confusion rises in my head when I read that Saab's management decided to withdraw from its planned production of Saab's promising 9.5 model line, in order to produce it in "high-labor-costs Sweden". The model was supposed to be produced in collaboration with Opel. The Opel factory is unlike the Swedish one already prepared for the production. (wal/AFP/dpa, 20.02.2009) According to an Opel spokesman, they could have started the production in April 2009 (wal/AFP/dpa, 20.02.2009) which is a deadline very unlikely to be kept by the Swedish especially at such short notice and without major investments. Now the decision to move the production site two month before the planed start of the production, could have been understandable if the Swedish government would have made it a prerequisite to support Saab financially in its turnaround efforts. However, the Swedish government has always been refusing future involvement in Saab.

Again, I don't know the real reasons behind these decisions, that are for me, as a stakeholder, so hard to understand. But wouldn't it be clear and unbiased communication (Slatter & Lovett, 1999, S. 82) that could make a stakeholder support the restructuring process? Isn't it also a characteristic of a distressed company to suffer from poor relations with their stakeholders? Well, I am still hoping for the best, and after all, I am just a turnaround professional that is afraid of not being able to find enough spare parts for his car in the years to come.

So, maybe Saab should try to convince me to support its turnaround strategy instead of shutting the public out. After all, if there is one thing that Slatter and Lovett did not anticipate in their market orientated thinking, and that becomes clearly obvious in these troubled times, is, that not only Joint Venture partners, stakeholders and banks are sources of short term financial support. No, the biggest source nowadays, are governments and through them, us, the taxpayers.

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