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LEADERSHIP & BUSINESS PODCAST

EPISODE 163: KIM LOPDRUP – SUCCESSFUL TURNAROUNDS

Ken White

From William & Mary in Williamsburg, Virginia, this is Leadership & Business, the podcast that brings you the latest and best thinking from today's business leaders from across the world. We share the strategies, tactics, and information that help make you a more effective leader, communicator, and professional. I'm your host, Ken White. Thanks for listening. Well, virtually every leader has been faced with a turnaround situation, bringing a failing organization back to its former successful state or finding a high-quality solution to a problem that can no longer continue. A new leader is brought in to direct the turnaround situation in some instances. In other cases, the current leadership team is expected to get things back on track and most often sooner rather than later. Because turnarounds are challenging, complex, and often situation-dependent, each one is unique, but all turnarounds have one thing in common. They require effective leadership. As Rosabeth Moss Canter wrote in Harvard Business Review, turnarounds are where leadership matters most. Kim Lopdrup knows how to lead turnarounds. He successfully faced a number of them in his career at Red Lobster, where he served as CEO for 14 years across two different stints before retiring this past summer. Under his watch, Red Lobster has more than exceeded expectations through the pandemic. He joins us today to talk about the elements of successful turnarounds, including communicating with employees, believing in the plan, and getting it done quickly. Here's our conversation with the recently retired CEO of Red Lobster, Kim Lopdrup.

Ken White

Well, Kim, thanks for joining us, and welcome back to William & Mary. It's nice to have you back.

Kim Lopdrup

Thank you. It's great to be back, Ken.

Ken White

And you'll be seeing some students later on today. I'm sure that'll just be a lot of fun for you.

Kim Lopdrup

Yes, I'll be in Professor Ron Hess's class. Really looking forward to that.

Ken White

When you and I talked about sitting down again for the podcast, we thought turnarounds might be an interesting topic. You've led quite a few of these in your career. Tell us about that.

Kim Lopdrup

Yeah, actually, I've been part of five turnarounds at this point. The first was when actually my first chance to be CEO. I was CEO of what really the international division of Dunkin Brands, which was Dunkin Donuts, Baskin Robbins. The business was losing money, and the parent company frankly lost confidence in it and said the assignment was, please stop losing money quickly. And we did within 90 days and went on to get profits 82% above the previous record in about three years. The second one, I was not CEO, but Chief Operating Officer at Burger King, which was suffering declining same sort of sales. The parent company was looking to sell it, and we were able to turn around same thing. Get the trend from like minus five to plus five. Get the company restaurants from being some of the lowest-performing in the system to some of the best performing in the system. Third one was at Red Lobster, where the brand had really kind of become dated and suffering declining results, and Wall Street had lost confidence in it. When I joined, there was an analyst report from one of the investment banks titled Dead Lobster. But we were able to build a very comprehensive turnaround that dramatically improved the guest experience and updated the brand, and led to the seven most profitable years that the brand had to date and then went off and did some other things, other assignments at Darden and the parent company at the time. But while I was away, unfortunately, things eroded at Red Lobster, and they decided they were going to either spin it off or sell it. Asked if I wanted to be CEO, so we sold it to a private equity firm. I came back as CEO for a second seven-year stint, it turned out, and we were able to again get it turned around quickly by dealing with solving some of the mistakes that had been made and really improving the kitchen and the quality of the food and building the off-premise business. And then the third turnaround was really one sparked by COVID, where the government required that we closed all of our dining rooms across the U.S.

Ken White

Wow.

Kim Lopdrup

And then, of course, that's not very good for sales in a casual dining restaurant. So we work to triple our off-premise business and make some very rapid pivots to putting in rapid red curbside pickup, touchless delivery. Areas of opportunity and we simplified our

business model, and we were able to get through the crisis and refinance the business. And anyway, those are the five turnarounds.

Ken White

Wow. Fantastic. So what's the key to success, so to speak? When you're thinking of a turnaround? What made things work for you?

Kim Lopdrup

Well, by definition, if you're in a turnaround, you're in a crisis, so you have to very quickly take steps that will, first of all, retain your employees. The key ones are going to be successful who are key to making you successful in the future. And so they need to understand what the current situation is because you're going to have to do some tough things, and they need to know why you're going to have to do tough things. They then need to see you've got a solution to the problem pretty quickly because their patience is thin. Actually, I remember with the first turnaround of the international division of Duncan Brands when I took over, they've recently done an employee survey, and an alarming percentage of employees didn't really expect to be there in three years. And it was a situation where we were losing a lot of money because of the financial crisis that had hit Russia and East Asia. But what we were able to do is I took 30 days to decide which of my senior team was going to be on the team.

Ken White

Hmm-mmm.

Kim Lopdrup

And we then took and to work together with a team to come up with a future plan. Took 30 days, and in that 30 days, we not only simplified the senior team, but we looked at all of our markets around the world based on whether we thought we could have a future there or not. And we looked at the unit economics of the business, the growth potential of the business. Obviously, if there was a lot of growth potential and good economics, we would fund those markets. If it was low potential and bad economics, we would exit those markets. If it was good economics but limited potential, we would support them in a really efficient way. If you had a market with a lot of theoretical potential, but the economics weren't working. You'd figure out, can we change the business model? Japan Baskin Robins Japan was an example of that, where it actually was a public company. And following the bust, they had years of decline in Japan, and the stores had lost average sales, and they'd raise prices to try to make up for it. And we did decline to like half, I think from 500 units to 322, and those 322 were only breaking even. But we were able to figure out we backed into the solution. We said we have to grow. We're operating our factory at way too low utilization. We have to grow. We think we need a 30% ROI to the franchisee to get people to invest to grow. But we're only at break-even right now. We knew we had

a new design, a store design that could raise sales 15%, but that wasn't nearly enough, and we've actually backed in to give franchisees 30% ROI. We'd have to cut ice cream prices by 23%, and our J.V. was already only at break-even. So we backed into okay, how do we save money to enable a 23% price reduction? And we went to franchisees and said, tell you what, if you invest to remodel your restaurant to this design, we'll cut your ice cream prices 23%. They all signed up. They all signed up, and we were able to over-deliver on our cost savings targets. And it turned out that 15% sales increase. Well, that was the year one number. It was 20% if you include the year two growth. So we dramatically turned around Japan, there are over 1000 stores now and very profitable.

Ken White

Wow.

Kim Lopdrup

But here's the thing. We took 90 days to implement that plan. So on day 90, we were above break-even again, and we were able to tell communicate to employees why we were going to have to do some painful things but assure them there were no other shoes to drop. And we kept that promise. And surprisingly, on our next employee feedback survey, the percentage of people planning to be with a business in three years had tripled despite the fact there were some tough things. I thought I was going to be viewed as Darth Vader. This is my first time doing it. I thought I was going to be vilified for having to part company with some employees who've been around a long time, which we had to.

Ken White

But like you said to say that no other shoe is going to drop. And then you follow through, that's huge.

Kim Lopdrup

Right, and we saved a lot of jobs we wouldn't have saved had we not taken decisive action.

Ken White

We'll continue our discussion with Kim Lopdrup in just a minute. Our podcast is brought to you by the William & Mary School of Business. You know, the great resignation of 2021 continues as record numbers of people are leaving their jobs. Gallup reports, almost half of all professionals in the U.S. have their eyes on other opportunities. If your company or organization is interested in retaining your best people, consider enrolling them in one of our MBA programs for working professionals. William & Mary's online MBA, the part-time MBA, and executive MBA programs are all designed for the professional who works full time. So both the employee and the organization benefit. Employees expect to feel

supported by their employers. Show them your organization cares by investing in their growth. Check out the MBA program at William & Mary by visiting wm.edu. Now back to our conversation with Kim Lopdrup, the former CEO of Red Lobster.

Ken White

What's interesting about your store you never said I it was always we. It sounds to me like your team was extremely important to you in this. How do you choose the team? How do you decide?

Kim Lopdrup

Well, first of all, it was a great team. And the interesting thing is, they were all there when I came in as CEO. I had to part company with some people because we had more people than we should have had, and that made it too hard to make decisions. Some of those people had contributed to the problems, frankly. But in life, it's easy to say. I wish I had all perfect people, but yet I'm not one, and I haven't met one. You got to make it work in a turnaround. You really don't have the time to totally rebuild a team. You've got to figure out it's like an Apollo 13 when they had all the systems go out, flight director Gene Kranz says, well, what is working and start with that.

Ken White

What type of motivations involved? If I'm one of those team members, I kind of contributed to getting us in this spot, right? And now you're looking at me to get us out. So, where's the psychology and the motivation? Where's that play into that?

Kim Lopdrup

Well, first of all, you don't go in blaming people. That's completely unproductive. You have to focus on what we're all in this together. Failure is just not an option. For all of us to have jobs, but more importantly than us for all the people in the organization to have jobs, for this organization to have a bright future. We have got to get through this, and you have to be willing to look at all options, including those that are painful. And what's fascinating is what I found is when you explain to the organization what needs to be done and why they actually are willing to accept a pretty high degree of pain to get to a bright future. But you can't come out and just shock them. Like when we were reorganizing, and we were going to make some jobs go away. We didn't just blindsided people with it. We actually told them we were going through this process. We were looking. We'd give them an answer on a certain day. Nobody was blindsided. And I think that is so important as you're leading an organization along the way, giving people foreshadowing what the next step is and then directly telling them, so they're not surprised. Credibility is everything, building and maintaining credibility. And to do that, you can't surprise people even on bad news.

Ken White

Yeah. I mean, the trust that builds is incredible. Speed, you're saying 90 days, 30 days, boy, that's fast.

Kim Lopdrup

People can put up with uncertainty, but only for so long. You have to move extremely quickly in dealing with a crisis. Some people are dusting off their resume, sending it to other employers if they're not sure about the future. So you have to compress that time by articulating a clear vision and then following through on it. Now, sometimes you have the problem. Well, gosh, to figure out the very best solution, that's going to take all this research and this time. Well, actually, I had a boss once, Joe Lee at Red Lobster, who once said, if you know, you need to be over in the other corner of the room someplace, but you're not sure the exact spot. You might as well start walking and then figure out the exact spot as you get closer. So on that first turnaround at Red Lobster. Interestingly. We looked at our research, and we said, Gosh, the most important things to consumers are that the food be fresh, that the restaurant be clean, the service be friendly. Those are the three most important things. And our gap versus our targeted competitors was widest on those three things. It was pretty obvious we needed to work on those three things.

Ken White

Yeah.

Kim Lopdrup

And so phase one was fresh, clean, and friendly, and a whole bunch of things designed to enable that. But over time, through research, refined a more precise and more compelling brand vision that was built around that but in far more detail. You remember the old Polaroid pictures where you take the picture, and it's like, well, okay. I think I can see there's sort of a car there, and there's sort of a house over on this other corner. But then it just gets clearer and clearer and clearer. And that's sort of the approach we took. There was a vision, but it was blurry

Ken White

Right.

Kim Lopdrup

in the early days. But then, as we got more research, we were able to clarify it for people and ultimately lead people through a transition that got pretty remarkable improvements in guest satisfaction and allowed us to outperform the industry by a pretty strong margin over a seven-year period.

Ken White

What'd that do to the team? I mean, when you experience something as a team, they tend to get a little closer and turnarounds like that when you come out the other end, a winner. What's that do to team dynamics?

Kim Lopdrup

Well, it obviously helps a lot. When things are not going well, unfortunately, people tend to start pointing fingers at everybody but themselves. But when things are working, people are really happy to take the credit. And I think it is important to give the credit to the team. And I think finger pointing is completely, utterly unproductive. But the other thing is, it builds confidence. When you go through a turnaround, it builds confidence. And one of the things I've learned in life is that because, candidly, when I was a William & Mary student, I wasn't a terribly confident individual. And you started getting some successes, actually, here at William & Mary that built confidence and led to greater challenges that built more confidence. And now I'd say I'm pretty high on that scale. But to lead other people effectively, confidence is actually one of the biggest determinants of success because everybody will have massive challenges and struggles in life. I don't know anybody. I know lots of incredibly successful people. I don't know anybody who hasn't gone through extreme challenges,

Ken White

Sure.

Kim Lopdrup

but what allows them to keep going that they're confident. They can overcome things. People who start companies, they have to be confident, they can succeed, or they won't even try. And to lead other people, people look you in the eye, and they say, do you really believe we can do this? You can't fool them. They can see right there. At least I can't fool them. Having that inner confidence that people can see is absolutely critical to leading others successfully. So it's kind of like Tom Brady just completed his 50th game-winning drive the other day for Tampa, and he's got all these comebacks. But when he gets in these impossible situations, it's like, yeah, we've done that before. No problem.

Ken White

Yup.

Kim Lopdrup

And he just calmly keeps doing what he needs to do. Anyway, those situations build confidence that makes people better equipped for the next challenges that come along.

Ken White

There's always times where the confidence is waning a little bit, right? You're just not feeling super confident tomorrow, as you might feel today. And we all hear about the imposter syndrome. There's got to be times where you're saying I'm right. Right? What do you do in those situations?

Kim Lopdrup

First of all, I'd say choose your assignments wisely because what I found is that if I'm working on something that I truly believe is incredibly important, you start to forget about. Well, what are the risks here? You're doing it because it's important, and it's necessary that you be successful. And when you get to that point, you quit thinking about the risk. But it's really important that you choose an employer, a job, an assignment. That's something you're really passionate about, and say no to those things that you really don't care about because you won't be a great leader unless you are passionate about it.

Ken White

That's our conversation with Kim Lopdrup, and that's it for this episode of Leadership & Business. Our podcast is brought to you by the William & Mary School of Business. Companies, organizations, and businesses are seeking professionals who think strategically, communicate effectively and manage ambiguity. You'll learn those skills and more in the William & Mary MBA program offered in four formats, the full-time, the part-time, the online, and the executive MBA. Check out the William & Mary MBA program to learn more. Finally, we'd like to hear from you regarding our podcast. We invite you to share your ideas, questions, and thoughts with us by emailing us at podcast@wm.edu. Thanks to our guest, Kim Lopdrup, and thanks to you for joining us. I'm Ken White. Wishing you a safe, happy, and productive week ahead.