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## A Conversation With ...Tom Harig

*Director, The Keystone Group*

PF first met Tom Harig when reporting the impressive financial rebound of Kuntz Electroplating. When the Canadian finisher's revenues plunged from \$127 million in 2003 to \$91 million in 2005 and it was only a month away from not making payroll in 2006, the desperate company called in Harig, a turnaround consultant from Chicago-based Keystone Group. Within four months, Harig and his team brought Kuntz back to break-even, putting the business well on its way to profitability.

A turnaround specialist since the early '80s, Harig holds a bachelor's in engineering from Notre Dame and a masters in business from Purdue. Over his 14-year career with Keystone, he's turned around anywhere from 30 to 50 companies, most of them in the manufacturing realm.

### What exactly does a turnaround specialist do for a company?

**T.H.** You basically take a company that's losing money and return it to profitability. Turnaround takes different forms depending on the severity of the situation. It can mean restructuring the financing—infusing equity, bringing another bank into the deal, or even looking for someone who can buy the company to make it viable in a way that it would not have been as a standalone company.

### Why do companies typically turn to Keystone?

**T.H.** When companies come to us, they've been losing money for an extended period of time. That's not two bad months—it's 24 months at a minimum. And we see both operational issues and sales issues. Recently, we worked with a metal stamping company that had taken on a major John Deere job in the range of 2,000 parts. Many of them were low volume; the margins weren't good and it became difficult to control large volumes of parts that didn't make a lot of money. We were able to help them both with operational control and scheduling and organizing operations at multiple plants.



Tom Harig

### Do you have a typical process?

**T.H.** We work in a couple of phases. The first is working on an assessment of how to proceed. It takes about a month to do that. We may have the answer in a week or two, but it doesn't help if just Keystone has the answer. We've got to get the management team on board with where we are, get them comfortable, to where they know us, trust us. And then we set up a common plan. I always say I can go into any company and find 22 problems. Our role is to say which three problems are the ones we have to work together on. That second piece might take another five months, on site every day, with reasonably intense support.

### You're directly on site?

**T.H.** Absolutely. We always work with the management of our client companies, and sometimes we take on interim management roles. For example, when we were turning around a golf club company, we put someone in each key position for four months until we could find the right players to replace us from within the company. Many managers are good at leading stable companies, but bad when they hit a rocky patch. About 80% of the time, we're able to work alongside management to get them through that difficult period. Six months later, we're gone and they're running a profitable company again.

### At what point is it best for a company to consult with Keystone? Are there risks?

**T.H.** Earlier is better. What we look for is something called runway, meaning how much time the company has left before they run out of cash. We prefer anywhere from three to six months. When a

company comes to us and says they're going to miss payroll on Monday, we're really limited in the degree of freedom we have for saving the company in the right ways—saving the jobs. Management teams don't usually wake up and realize that they need to do this. The bank will tell them to do it because they're in breach of a covenant, or a board member will advise it. So there's not much choice in the matter when it's a last resort. But of course there are risks. Theoretically, we could come in and give bad advice or send them down the wrong path. But most of all, it's an ego risk—a recognition that you're not perfect.

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