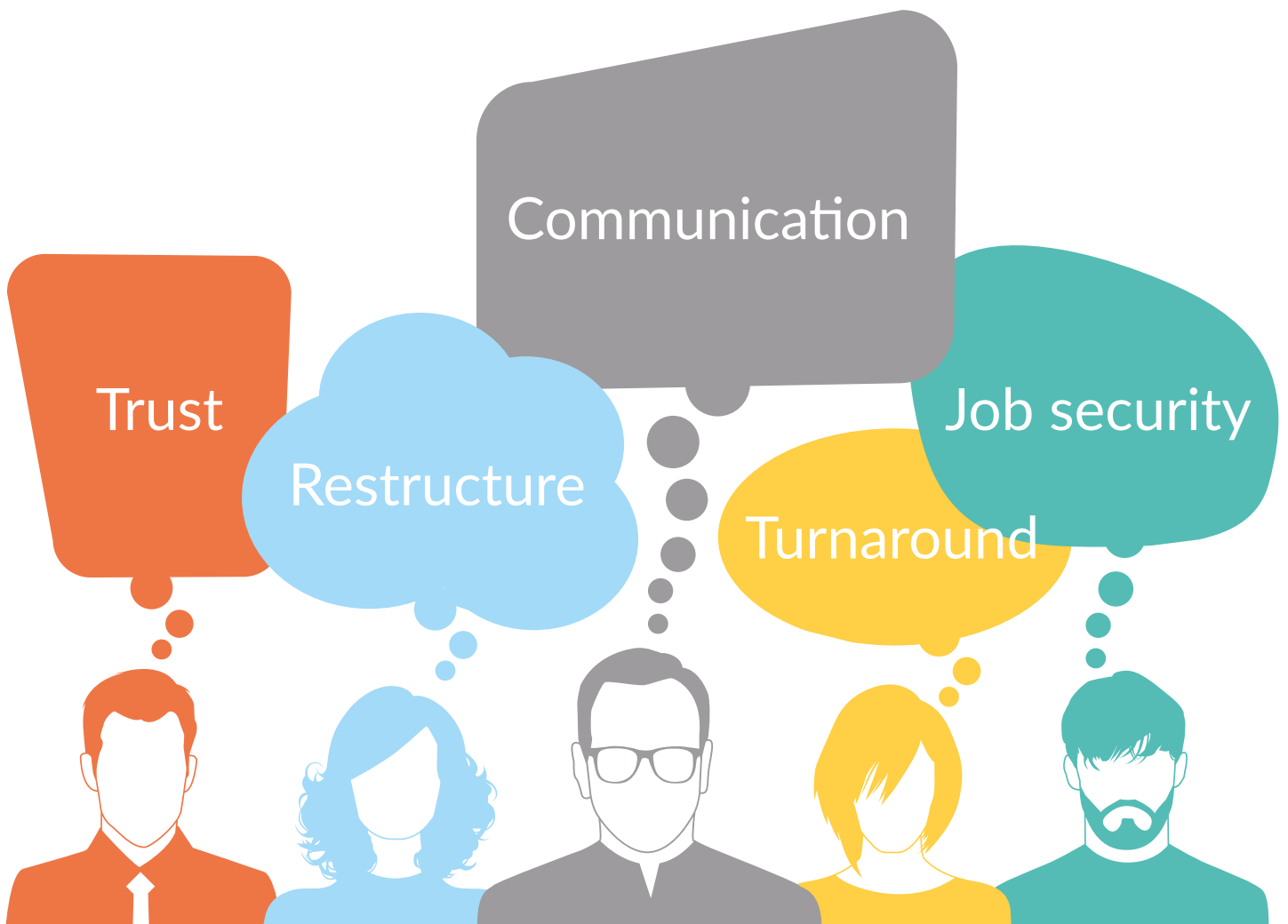


Turning Around Your Team

A turnaround hinges on the confidence and capability of staff, so it's crucial that leaders and HR work side-by-side. **Criticaleye** brings together **Yetunde Hofmann**, Non-executive Director at the CIPD, and **Richard Pennycook**, turnaround expert and CEO of The Co-op Group, to offer their advice





Richard Pennycook
CEO
The Co-operative Group

“A company’s near-demise has an emotional impact on morale”

Turning around a business is painful. It involves harsh realities, brutal decisions and an admittance of prior failings. It’s something I’ve seen throughout my career, from my first role in turnarounds at the age of 25. That was at Allders, one of the first big, highly-leveraged buyouts in the UK. Since then I’ve worked on the restructurings of Bulmers, Laura Ashley, Welcome Break, Morrisons and currently, The Co-operative.

A company’s near-demise has an emotional impact on morale and personal wellbeing. There’s this sort of existential issue when those affected see their career potentially collapse, although often it’s no fault of their own. It’s a grieving process, and so it’s very natural that there will be a denial phase, followed by anger, before there’s acknowledgement and recognition. The company goes through the same transition and it’s the leaders’ responsibility to guide everyone through that.

When a company fails, it’s often shrouded in a fog of mistrust, fear and dejection – all of which threaten to block your vision of the company’s root problem and how to fix it. There’s self-interest involved, there can be denial. There can be a continuing belief

that despite all the odds, this has to be the right strategy. The culprits are the worst, and should usually be the first to go. If they’re allowed to stick around, they’ll want to re-write history.

The Need for HR

A strong, trustworthy board will guide you through, but how do you build it? If a leadership team has driven a business so badly that it’s nearly failed, you’ll need to quickly land some HR support. A fundamental role of the HR director during the early days is locating what skills, knowledge and talent were lacking during the company’s downfall and to seek them out.

The dilemma is in knowing who to trust and retain. Look for the right-thinking people, the people who want to lean forward and fix it. In any organisation, however badly distressed it is, there are great people who saw it coming, didn’t know what to do, or weren’t empowered to do anything but want to be part of the solution.

All too often in turnarounds, you find that somewhere along the way there was wrong behaviour. It’s not necessarily

fraud or for personal gain – it can be, but very often it arises from having gotten in too deep and then trying to cover up. The wrongdoers are often the worst deniers because they have the most to lose. They’ve lost their fortune and may never work again.

In a good situation you might retain half of your senior management team, in a bad one it might only be 10 per cent. Each company has to make the right decision for itself but it shouldn’t hold back from that.

In the early days of a turnaround, often the only people who have got the right interests of the shareholders and the organisation at heart are the independent turnaround advisor and trusted advisors to the board. You really have to think hard about what is motivating other people, and if they don’t have the right statutory duties, bear in mind they’re not necessarily going to act for the greater good.

Once you’ve selected your team, you need to get them believing in the organisation again. To do this, make sure that you set achievable targets. Some easy wins in those early months will build confidence that the company is on the right track again. >

The Co-operative Group’s Turnaround Timeline

May 2013

A £1.5bn capital shortfall is revealed

March 2014

Co-op Group CEO Euan Sutherland resigns. Richard Pennycook takes interim CEO role

April 2014

The Group announces a £2.5bn loss for 2013

May 2014

Lord Myners’ review is published, his reforms are adopted under a unanimous vote

June 2013

Richard Pennycook named as interim CFO. Bank recapitalisation plan is announced

December 2013

Lord Myners leads the governance review – he leaves four months later

November 2013

Co-op Group confirms rescue of the Bank. Later, its previous Chairman Paul Flowers resigns

September 2014

Richard Pennycook appointed Group CEO permanently

April 2015

The Group posts a 2014 pre-tax profit of £124m



Yetunde Hofmann

Non-executive Director
The Chartered Institute of Personnel Development (CIPD)

“There is an opportunity to create a lot of hope”

A company is a living entity, much like the people it encompasses and both go through a state of grief during a turnaround. You've got to let people go through that emotional cycle of change, which is why it's crucial to have your HR team on board to guide you through.

You need to create an opportunity for the valves to be released and the steam to be let out – but not forever, because you've got to move them through to the next phase.

Morale will inevitably drop but the key thing is how low you allow it to fall, and that's determined by the conversations you have. People want to understand why there is a turnaround, what the consequences are, what will happen if the company doesn't succeed and what will happen if it does.

You've got to give information that you can provide answers on – or be clear and say: 'I can't share that with you because we don't now right now.' Honesty and transparency are key.

You must determine the turnaround strategy and then locate the staffing requirements to support that. The right leadership style will matter as much as skills and experience.

As a leader, you will have to make some very singular decisions and move fast. This is particularly important when it comes to making decisions about staff. You must also show confidence without being inauthentic. A mistake some people make is that they are too

influenced by divergent opinions, or think: 'Maybe I should give this person another chance', which later they regret. Make sure you're taking the right decisions and be aware that the entire company must walk the path you choose.

If the Shoe Fits

Sometimes leaders without the right advice can be over zealous in purging their board. I've been in an organisation where an entire team was cleared out and the people that were brought in created more damage to morale and finances. Sometimes those old shoes you have are nicer than the shiny new shoes you're looking at – they're more comfortable and can help you move faster and further.

Thankfully, turnarounds can create positives. At the end, you'll have a more efficient, more successful company and it can be a great way to promote talented staff. That gives individuals a reason to be part of the change process. There is an opportunity to create a lot of hope, momentum, and aspiration by making symbolic promotions in a calculated way.

When you promote people, give them the resources they require and establish an environment that encourages them to flourish. It's amazing how high they'll rise. The results can be extraordinary.

Hansen – where Richard cut his teeth – had a reputation for promoting people very quickly, and it led to success. I worked for a business called Imperial Tobacco, which divested from Hansen in 1996.

Some of the key leaders who stayed after the split were promoted because layers were taken away from above them. It went from a share price of £2.60 to a share price of £27 and is currently at around £33. ■

These interviews were conducted for the Criticaleye Discussion Group, [Effective Turnaround Strategies](#), held in association with Accenture

YETUNDE'S HR TIPS ON MANAGING A TURNAROUND

- Use an external agent to create a focus group and analyse staff morale and effectiveness
- Identify key opinion formers whose support may be pivotal in driving change
- Use personal stories and examples from companies, past and present, to explain the situation
- Retention bonuses can be used to keep staff and build future leaders, but money will only take you so far
- Ensure your whistleblowing policy is up-to-date and that people know how to use it
- Ensure redundancy packages are up-to-date, legal and fair – then publicise them
- Use town hall meetings to explain the change, why it's happening and the support that's in place
- Celebrate your wins through meetings, emails, webinars, videos and blogs. Create an atmosphere of hope!