

Great Escapes

Planning, preparation and execution of a turnaround is a complex undertaking. Mary-Anne Baldwin finds out how executives can create a viable future for a struggling business

A company in crisis is like a ship with no sails. If tasked with navigating through a turnaround, it'll take swift, decisive action to steer the company straight.

There's no margin for error. "You need some really sound advice in the first 72 hours because you have to make some big calls," said **Richard Pennycook**, CEO of The Co-operative Group, speaking at a recent Criticleye Discussion Group on [turnaround strategies](#). He recommended bringing in a good lawyer and external advisors to analyse the company's finances, culpability of the board and strength of the brand.

The event, held in association with Accenture Strategy, sought to benchmark

best practice when an organisation falls into financial difficulty. **Richard**, a seasoned turnaround expert who has revived the fortunes of a number of troubled businesses – including motoring organisation RAC and fashion concern Laura Ashley – noted that a company's demise is often the result of a broken brand, and that the trick is assessing whether it can be rebuilt. "Are your customers prepared to go with you on that journey and if not, what's the reality of it?" he asked.

While **Richard** acknowledged that nostalgia alone will not save a company, he also said regarding The Co-op, that the "one thing that helped us believe we could turn it around was the huge amount of goodwill and the

strong heritage the business has". So far, progress is being made and the organisation is again profitable after a £1.5 billion shortfall was revealed in 2013.

Finding out what went wrong and why can be an arduous process. **Stuart Laird**, Group COO of construction company United Living Group, asked: "Is it because the market has fallen away, or because the management's bad? You've got to drill down to find out what the real problem is."

There will be bruised egos as people try to save their careers and reputations. **Stuart** asked: "Are the people in the senior management team capable of delivering? Nine times out of 10 you find that they're not – certainly collectively they're not. ►

So you may have to get rid of a few people and bring in some interim expertise.”

Paul Cardoen, former Managing Director at the Bank of Tokyo-Mitsubishi UFJ, advised that you ask the CEO and CFO about the business on the ground and then compare it to your own findings. He also recommended three questions to ask non-executives:

1. What was the most difficult decision you made this year?
2. What's the style of management and momentum of the board?
3. What's the biggest strategic issue the business is facing?

“These will enable you to understand who can help execute the turnaround... And give you an idea about the trust, mutual understanding and effectiveness of the board,” he explained.

An indication of a toxic leadership team is an environment in which the NEDs are too ‘cosy’ with the executives. According to **Richard**: “Almost inevitably, the incumbent executive team whose watch it's on are the primary culprits, but then non-execs can be a close second.”

Once you've cleaned up the top team, **David Wingfield**, Partner at UK private equity house Rutland Partners, advised that you over fill it with new executives and advisors, as it's hard to bring in new people part way through the process: “At the beginning there's an awful lot of ground to cover because you've got to manage the day-to-day business, as well as accelerate a number of projects and plans.”

Communicating your strategy will provide assurance to employees and other stakeholders, but it has to be done with

“Are your customers prepared to go with you on that journey?”

skill. “You must have a combination of confidence with realism. If people think you don't believe in the company you'll lose them,” explained **Graham Maundrell**, HR Director at specialty polymer chemical business The Vita Group.

This sentiment was echoed by **Andrew Minton**, Executive Director at Criticaleye: “Communicate the way forward with clear, achievable objectives to get you there. You must be honest and don't promise things you can't deliver.”

It's important to get that message to all stakeholders as quickly as possible. **David** said: “At Bernard Matthews, the Executive Chairman went round to all of the major supermarket suppliers and explained what was going on, where the business was and what they were doing. It bought us some time.”

It's a painful process but one that can change the culture from lethal to lucrative – HR should be there to help. “More fool you as a leader if you go into a business charged with *a turnaround agenda* and you don't quickly get your HR leader on board,” said **Yetunde Hofmann**, Non-executive Director at the Chartered Institute of Personnel and Development. “They know the culture you're coming into; they probably know where

all the skeletons are, they know the strength of the leadership team and can tell you where the talent lies.”

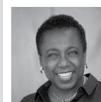
When an organisation has returned to calm waters, it's important that the senior executives and NEDs stay self-reflective. “A healthy paranoia in business – even when it's seemingly going well – is valuable. If it isn't present in the board, that's very dangerous,” said **Richard**. “The depressing feature of so many turnarounds is that intervention could have happened a lot earlier.” ■

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Featuring Commentary From:



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