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How to Reignite High-Performance

Even successful businesses can suffer from a sudden decline in performance. When you are on a fast-growth trajectory this can come as a shock. **Emma Carroll** looks at how leaders should respond.

All businesses will face a dip in performance at some point. Whether it's caused by internal weaknesses or a shift in the market, CEOs must acknowledge what went wrong, take action and learn from the experience, while bringing their people along with them.

Kim Horsburgh, Senior Relationship Manager at Criticaleye, says: "When you are growing at pace there is increased pressure on talent, structures and maintaining financial discipline. If that growth slows, underlying problems may suddenly be exposed."

At Criticaleye's Private Equity & AIM Retreat 2019, which focused on fast growth and was held in association with Brewin Dolphin, leaders of both private equity-backed and listed businesses candidly shared their experience of under-performance and the lessons they learned. Here is what they said:

Keep Your Investors Aware

Early in his career **Nick Burns**, now Chair of Engage Works, oversaw the sale of PIFC, a small corporate pensions consultancy, into private equity ownership. A lot of PIFC's business relied on a healthy M&A market. "As the market changed, it became clear that the projections we'd put together to do the deal were looking pretty racy," says **Nick**, who was MD and then CEO of the business.

"While we were still profitable, we were a long way off what we'd projected in the investment memorandum. We could still achieve the numbers, but only if the M&A market remained buoyant."

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Up against a challenging trading environment, he made the mistake that he urges all the businesses he works with today not to make: "I didn't communicate enough with the PE House; you think you can bury things that aren't going according to plan. I should have been much quicker to communicate to the investors that I could see a problem coming."

Nick found the support of the Chair, put in by the PE house, invaluable. "He was really supportive in guiding us through this difficult time and keeping the PE house informed, but equally at bay – if it's not quite going to plan it can be death by analysis. He kept them calm as we let the new team that I'd brought in have time to bed in and perform," he says.

Pivot Your Business Model

Anthony Fletcher, CEO of Graze, recently led a successful exit of the business to Unilever. However, it hasn't always been plain sailing for the healthy snacks business.

After they entered the US market, two things happened in quick succession: firstly, Royal Mail was privatised and subsequently increased Graze's postal costs; secondly, in order to become profitable in the US, Graze's pricing strategy there had to be adjusted.

"When your economics change, you should alter your behaviour on recruiting new customers," **Anthony** advises. "These changes had disadvantaged our core business model, and as a leadership team we had to acknowledge that was a problem and decide what to do about it."

Graze pivoted to enter the more traditional retail market, but to do this its vision had to shift. "The old vision was wrong. I'd repeatedly told the business that we were disruptors; it's a very motivational story," he says.

It was a period of uncertainty during which the business fundamentals had to be revisited, and **Anthony** realised they did not have all the new skills they needed.

The repositioning was ultimately successful, and the flexibility of its ownership model may have contributed to this. "The advantage of the private equity model is you have intelligent people, you educate them on the new plan, and they say: 'Yes, let's do it,'" he says. >

Secure Quick Wins

In 2014, **Chris Jagusz**, former CEO of Redcentric, was brought in to fix the beleaguered Azzurri Communications. It was a business he felt deserved to be saved. "I'd always been impressed from afar by the quality of the people and innovation the business demonstrated. It did something great for its customers and had a good reputation in the market but had been damaged by excessive leverage," he says.

Chris knew they must secure quick wins. "Before we got too deeply into the strategy of the business, we just had to do something, because heads were down; we'd lost energy within the company and people had lost their belief in it," he says.

This resulted in four workstreams designed to pull the workforce together: War on Waste; Bring out the Skeletons; Law and Order; and Investing in Growth. "We set up campaigns which addressed the really obvious issues within the business. They were four things that were quite easy to remember; you could publicise them, put posters up all around the business, mobilise action and report against them," he says.

Adapt Your Organisational Structure

When **Jaidev Janardana**, CEO of Zopa, first joined the business he was aware it had been the darling of the UK Fintech press, but that growth over the previous 12-15 months had been relatively flat. "There was an expectation from the Board that we needed to move back to a growth trajectory," he says.

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It was clear to him from Day One that the organisational design needed to change. "If you're truly a Fintech business, then the Fin and the Tech need to be together and working closely to deliver the final product to the customer," he says

The traditional structure was organised into business, product, commercial and tech. "When I first started most people in the company would say: "We don't know what those guys do," and I said: "Well, you're sitting right across the table and it's a 60-person organisation."

Jaidev eased the change in by adapting how they on-boarded new customers on the loans side: "We took two or three people from each area to form a cross-functional team. Towards the end of 2015, we decided that's how we would be organised – in what tech companies call tribes and squads. These squads should all be focused on solving key business problems," he says.

Even when things are going well, business leaders need to remain alert to a sudden decline in key metrics and be ready to act. "It's important to be able to lift your head up from the day-to-day and take a wider view," **Kim** says. "As a CEO, when you identify under-performance, you need to respond quickly by getting the right people, structures and strategy in place." ■

Click here for more information on this year's Growth Company Retreat, which is being held on 19th and 20th March 2020.

Featuring Commentary From:


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