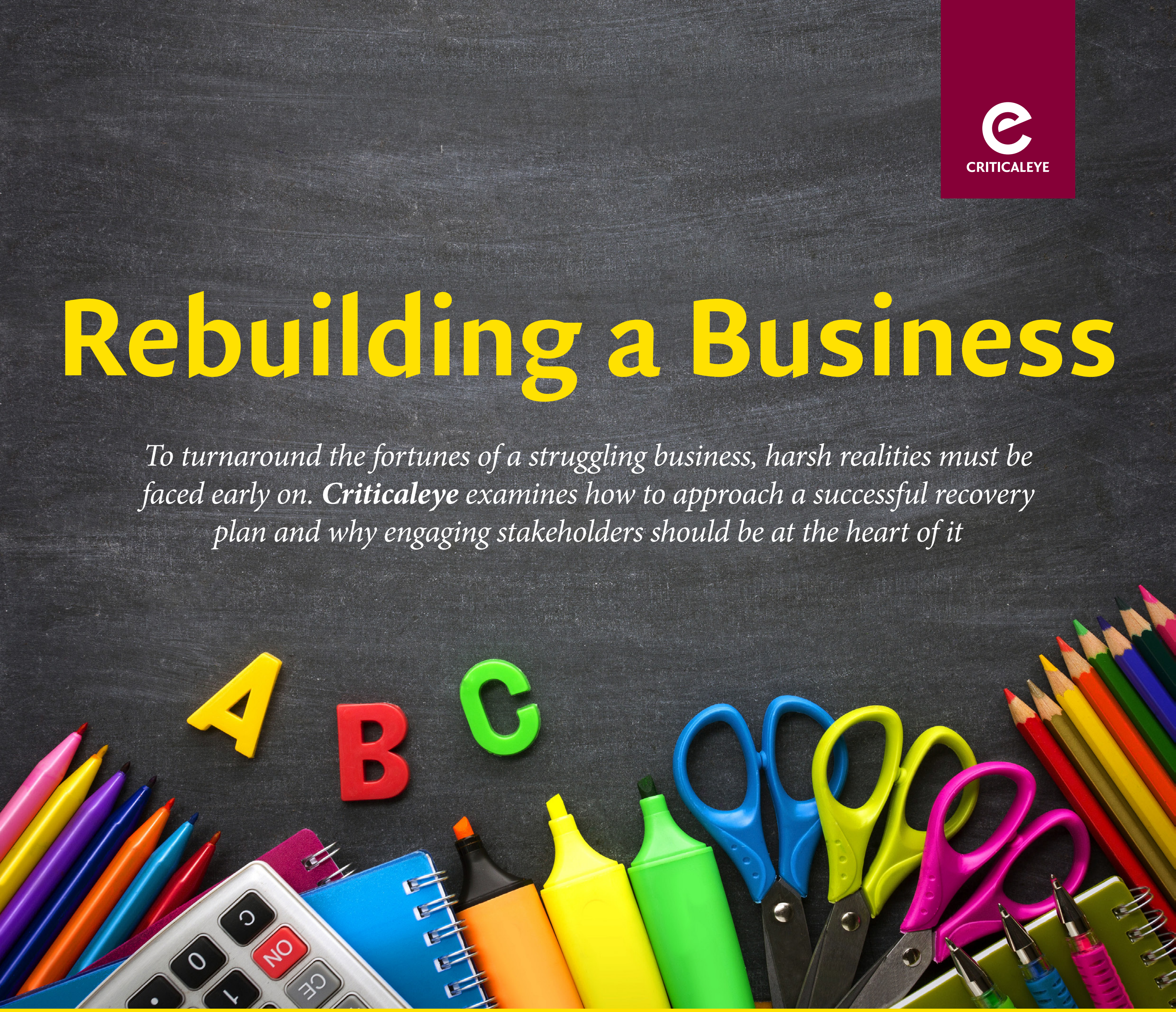

Rebuilding a Business

To turnaround the fortunes of a struggling business, harsh realities must be faced early on. ***Criticaleye*** *examines how to approach a successful recovery plan and why engaging stakeholders should be at the heart of it*

Cool heads are required to reverse the fortunes of a business that has fallen on hard times. The priority for anybody coming in will be to stabilise the company by examining the balance sheet and communicating with all of the relevant stakeholders. After that, it's a case of implementing a plan for recovery which has both internal and external buy-in.

"You're focusing on the daily control of cash-flow [and engaging] with the various groups of stakeholders [to] understand what their positions are," says **Roger Bayly**, Turnaround Partner at professional services firm KPMG.

The board might be unaware or simply in denial about the root causes of the problems, so it's prudent to go deeper into the business for answers.

Stuart Laird, Group COO of construction company United Living Group, who formerly led the turnaround of support services giant Jarvis, says: "People might not understand the type of information that you require or simply don't have the capability of getting hold of it. You want reliable financial and statistical operational information and you may find that there are people blocking you [from] getting it, perhaps because they wish to protect themselves from mistakes that have been made in the past."

Lord Stuart Rose, Chairman of online grocer Ocado Group and former CEO and Chairman at retailer M&S, comments: "My technique would be to interview the top 20 people in the business and say, 'Tell me what you think is working; tell me what you think isn't working.' At the end of that period... you'll find they all tell you the same thing."

It's an approach which others also believe to be effective. **Gary Favell**, CEO of retail concern Bathstore, says: "You need to go down a couple layers, below the board and senior management team... [and] talk to the people who are actually doing the day job, because their perspectives on where the issues are will normally point you in the right direction."

All of the main stakeholders need to be engaged. "The shareholders, lenders, employees, customers and suppliers, the pension fund and credit insurers can all get involved," says **Roger**. "When you are in the critical period, any one of these groups can destabilise the process and trigger a terminal tailspin.

"Understanding the positions of the different stakeholders is key – you can have the best plan in the world in theory, but it's worthless unless you can get sufficient support across the stakeholders, each of whom have different and often conflicting interests… Getting agreement around a sensible plan is a great balancing act."

Pam Powell, Non-executive Director at Premier Foods, which earlier this year completed extensive refinancing, comments: "In our case the business was being strangled by debt; everything was about the balance sheet. It was probably one of the most complicated refinancings in history, because there were so many stakeholders to deal with – banks, equity investors, bond investors, pension trustees – and they were all contingent on each other. So we needed to have lots of conversations."

Without that security around finance, discussions about recovery will be treated with scepticism. **Stuart Laird** says: "It's a case of interrogating your plan to make sure it's credible, communicating with other stakeholders... and saying, 'We want to come and tell you about our plan because we want your support in delivering it.'

> *"Understanding the positions of the different stakeholders is key"*

"Certainly, if you've broken or are about to break some bank covenants, the bank's main advisors will be demanding to know what it is you're going to do to move the business forward."

Once the most immediate threats to the business have been dealt with, the next step is to establish a longer-term strategy. **Paul Cardoen**, Managing Director of Bank of Tokyo-Mitsubishi UFJ, says: "You need to find and form a group of people that have enough power to lead the turnaround; you can call it a kind of guiding coalition. [Then] you have to remove from that group, or at least avoid having, blockers – people who may sabotage you during the process... It's about finding trusted people that have the right skill-set and resources to help you."

Neil Matthewman, CEO of the charity Community Integrated Care, says: "Restoring trust and confidence in the business is essential. Setting targets and being recognised for achieving them internally, as well as externally, creates a definite 'can do' culture and builds on tailored communications and good leadership."

It will be important to celebrate where the business is changing for the better. **Martin Hess**, VP of Enterprise Services at IT concern Hewlett-Packard, comments: "You've got to highlight the successes, point to heroes, hold them up and amplify them... You name the successes and talk about the impact on customers."

For those brought in to conduct a turnaround, there will be harsh realities that must be dealt with head on. Then, as ever for any leadership team, the focus has to be on building confidence and inspiring others to see where the future of the business lies. ■

Featuring Commentary From:


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