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# 5 Lessons on Resilience for Thriving Businesses

Success has the habit of breeding complacency, which can put an end to a business's run of good performance. **Emma Riddell** speaks to senior business leaders to find out what can be done to ensure executives stay focused

Success can quickly result in complacency within leadership teams, which can leave a business vulnerable. So, what can CEOs do to ensure senior executives stay focused on performance, but also retain a healthy understanding of the risks around finance, talent and market disruption?

Here, Criticaleye speaks to senior business leaders to understand how thriving businesses can maintain their resilience.

## Consider Acquisitions Carefully

There are plenty of chief executives who can testify to their high hopes for a new acquisition rapidly disintegrating into a nightmare of disappointment.

**Nigel Howell**, CEO of FirstPort, presided over the turnaround of Peverel (the property management company that post turnaround was rebranded as FirstPort) first as CFO and then as CEO. He explains how historically Peverel made acquisitions that failed to integrate well. Ultimately, the business was driven into bank administration, despite always being capable of performing well financially.

"The business's customer service was poor," he says. "Clients lost faith in us and stopped giving us business; rebuilding trust took years… So, one piece of advice is to be alert to seismic changes, such as making an acquisition, and be aware of the risks and rewards they bring."

Lessons have been learned, as noted by the way **Nigel** has approached recent M&A opportunities. "This year at FirstPort we've seen two acquisitions: one we made, and one we walked away from, because we didn't think it matched us and brought the right qualities. It's hard to walk away when you've invested time and effort, you're really keen; your original logic for looking at the acquisition is still there, but you reluctantly reach the conclusion that it brings more risk than you want."

> *"It's better to walk away than knock a company that's working well off track"*

For **Nigel**, there's a simple message for his fellow chief execs: "It's better to walk away than knock a company that's working well off track."

## Set up Effective Decision-Making Structures

Decision-making structures that allow you to act with agility are useful in the good times but will become critical should problems arise.

**Roger Bayly**, Managing Director at Alvarez & Marsal, finds that executing decisions quickly and safely is a common challenge for many organisations: "It's surprising to me how so many businesses haven't changed their operational ways of working and decision-making to suit the situation they're in.

"I see healthy businesses having problems with growth initiatives and major projects; it's clear what they want to do, but they are getting stuck in the mud while making decisions and executing them. So, getting that internal plumbing right is really important."

**Roger** recounts how that "internal plumbing" was addressed during the turnaround of a global automotive business: "We pooled all diaries, reviewed the cycle of meetings and the management information. We changed the governance of the company and where decisions were being made.

"The upshot was, when plans came to be executed, the business was ready to move quickly, and decisions were made at the right level."

## Understand your Cash Position

A healthy business can learn a lot from adopting the discipline of turnaround-style cashflow forecasts, and then using them to drive operational decision-making. It can also provide an early warning signal of approaching problems. "Cash tells you the truth about the business in a way that P&Ls sometimes don't," says **Roger**.

"The way that you track the cash, the KPIs you use, the style of forecasting and how it features in decision-making and in management information is all different: it has a much higher profile and there is a lot more detail."

And the outcome of this focus on cash can be significant. "Most companies we talk to, healthy or otherwise, can improve their cashflow and working capital position by 5-15 percent," he reveals. >

## Establish the Right Leadership Team

A chief executive needs the ability to stay objective when evaluating the leadership team: are these people right for the business over the short, medium and long-term?

**Beth Butterwick**, CEO of Karen Millen, comments: “When debating people changes, a past mistake, when I didn’t remove a member of my leadership team quickly enough, is always in the back of my mind as a prompt to act. It’s human nature to want to try and make it work... If someone isn’t right for the role, or a good team-fit, you will never regret removing that person too quickly; you will only live to regret holding on to them for too long. Separating emotion, and attachment to people, from business needs is critical.”

She has not made the same mistake twice. “Identify your business priorities and quickly secure a team with the skills to deliver those results. You cannot underestimate the value of having the right team around you from the start,” she explains.

At the clothing retailer Karen Millen, **Beth** says the two most valuable people in her team are the CFO and HRD: “One will support you with the right financial structuring and those critical cashflow moments, and the other is there to ensure you have the right organisational design, great talent and a culture energised to deliver the strategy. I call them my right and left arms,” she says.

“We’ve just completed our four-year business plan, so my own HRD’s priorities are not only helping me

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with the here-and-now, but also identifying what type of organisation, people and culture we will require through this period, to drive the required business growth.”

## Constantly Scan for Risks

**Roger McDowell**, Chairman of Avingtrans, views all businesses – well-performing or not – as being in a perpetual state of turnaround. He believes that organisations should look to their risk registers to help them identify where any “unexpected avalanches” may come from.

“You need to be paranoid, to be constantly looking at the principal areas of risk and mitigating them, because circumstances can change so quickly that you can be caught unawares,” he says.

“It’s a mentality, it’s an approach. It’s driving efficiencies and bearing down on costs. You need to be ruthless in those areas.”

**James Boot**, Senior Relationship Manager at Criticaleye, works with senior leaders in the competitive private equity arena. “The business environment is challenging, especially in PE,” he says. “The pressure to add value is massive and disruptors are everywhere.

“It would be all too easy to be blindsided by an unforeseen risk, even in a healthy business. But stepping back from the day-to-day operations of your business and identifying areas of vulnerability, even when current performance is good, could be what makes the difference.” ■

Criticaleye’s CEO Retreat, which is being held in association with Accenture and E.ON UK, will take place on the 17th to the 18th of May 2018. You can find out more about the event here and see the full agenda here.

Featuring Commentary From:


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