

The Perils of Slash and Burn

Every organisation will underperform at some point. **Emma Carroll** speaks to CEOs and senior execs to find out what steps you can take to improve business performance



The steady creep of underperformance can, if left unchecked, easily result in a crisis situation. Leaders need to be honest about results, taking the time to identify where problems exist and then commit investment, where possible, into a practical plan for recovery.

Michelle Chikanda, Senior Relationship Manager at Criticaleye, says: “Leadership teams play a crucial role in business improvement. They must communicate a vision of the future that will galvanise the organisation and bring people along with them.

“As a leader in a large business, you can’t do everything. So, a clear vision that people can understand and apply to their everyday role, will empower them to make informed decisions at a local level.”

For **Steven Cooper**, CEO of the private bank C. Hoare & Co and former CEO of Barclaycard Business Solutions, the important first step in addressing underperformance is to understand the causes.

Earlier in his career, he faced a situation at a company where the cost base was higher than those of its competitors, but they weren’t seeing any benefits – in fact customer dissatisfaction was a problem.

“We asked ourselves why our cost base was so high, and in this case it was due to our tech and information: we ranked tenth-out-of-ten in our banking peer group for technology and innovation. Our processes were very manual, and so expensive, plus customer experience was poor as a result.”

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Steven’s team told him that the technology was performing okay, but he realised their assessment was based on average performance results. “You need granularity around the data. When we really dug into it – by technology point and automation journey – we found that some systems were working really well but others were operating badly. I had to unpick what wasn’t working, as that was turning hearts and minds against the investment we needed,” he explains.

Roger Bayly is Managing Director at Alvarez & Marsal and co-leader of their Corporate Performance Improvement team in Europe.

He finds that one of the most common causes of underperformance is a failure to keep up with changes in the external

environment. Conversely, organisations can lose sight of their core business and what makes them successful.

“Businesses often forget the basics – what made them good in the first place. Way before Tesco and Carillion hit their real problems you could see specific issues emerging with day-to-day delivery of service to their customers. Anyone looking hard could see they had challenges, but they weren’t doing enough of the right things about them early on.”

The metrics you need to keep an eye on depend on the business you are in, but **Roger** believes that customer-facing metrics are always important, as are turnover of key personnel, market share and margin in the core business.

“If you look at the operational performance of a business then you can see the signs. I’m always surprised people seem to wait until underperformance shows in the P&L – which is backwards looking – before they do anything about it,” he says.

Investing in Your Recovery

When addressing performance problems, focusing entirely on cost cutting is rarely the solution. “All the good turnarounds I’ve worked on have focused on finding profitable growth within the business and working hard to find the resource to invest in that. It’s not about slash and burn,” **Roger** says.

Steve Richards is the CEO of Casual Dining Group, the operator of restaurant brands including Café Rouge and Las Iguanas, which was formed following the acquisition of >



the troubled Tragus Group. He recognises the struggle to secure investment when times are tough. “If you’re the CEO in a difficult trading environment – facing a wall of sceptical investors focusing on the short term – your job is to get buy in to the vision and lead them into growth.”

Future-Proofing

Steve pushed for investment in digital capability, but it wasn’t easy. “Three years ago, digital was all cost. We were building up a team and expertise by investing millions of pounds in something that was just a belief.

“We had to replace all of our EPOS systems, build a CRM database, put in new digital platforms. It took two and a half years; we hired a big team to do it and spent £6-7 million. Today digital is one of our big revenue levers and is growing by 25 percent per year.”

5 TIPS TO IMPROVE BUSINESS PERFORMANCE

1. Set out a clear vision which everyone can grasp
2. Analyse the data and make informed decisions
3. Create customer-facing metrics to understand operational performance
4. It may be difficult, but keep telling your recovery story to investors
5. Speak to employees, customers and suppliers as they will often know what needs to change

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In the early stages, when the revenue doesn’t match the cost, it’s hard to shift minds and get people to back new initiatives. “Getting some ‘green’ on the P&L, amplifying success and showing people the results, is important. You need a bit of momentum, so people can back those things,” Steve says.

Tea Colaianni, Founder and Chair of WiH2020, former Group HRD at Merlin Entertainments and a Board Mentor at Criticaleye, recognises the value of leadership but also advocates involving the rest of the organisation in a business’ recovery.

She recounts an example, within the public sector, where the senior team had the “humility” to recognise they didn’t have the complete answer and decided to involve all their employees in coming up with a solution. “The organisation gained a wealth of information from the bottom up by asking people: ‘What is your recommendation? How can we improve the services we

provide?’ And people felt empowered, because their opinion was not just listened to but also acted upon.”

This insight came from face-to-face conversations, roundtables, employee surveys, traditional suggestion boxes and an app which people could use to submit a photo or a quick thought. People also volunteered to become change agents in addition to their day jobs.

“If you open up as an organisation, and are willing to listen, then you can make real change, because people want to be heard and to make things better,” Tea says. ■

To find out more about Criticaleye, click on the link to our film: [understanding the value of an external mentor](#)

Featuring Commentary From:



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