Unlocking Value, Saving Jobs:

The Contribution of Turnaround to Business and People

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We are indebted to FRP for market intelligence and PwC for analysing data.

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A Message from the Chair

The roll call of corporate failures in recent times has been harsh. The footprint of Jamie's Italian on the high street and Carillion on our civic infrastructure contracted overnight.

At the time of writing in April 2020, the challenges ahead look even more acute, as the Covid-19 coronavirus takes its toll on the health of the nation – and our economy. The sweeping measures to contain the virus will, we hope, protect human health. Sadly, they are also likely to claim even more firms in 2020, despite the wide range of government measures announced to protect jobs and companies. The skills of turnaround professionals in providing immediate viability and confidence to businesses and stakeholders in those businesses, with the space to recover and where necessary build a long-term plan in response, are an asset to UK plc in avoiding unnecessary insolvencies.

High-profile names are the public face of the 300+ companies that fail every week in the UK, with multiple knock-on effects: employees lose their livelihoods, customers lose access to services, suppliers, creditors and shareholders lose money. Some of these firms might still be operating today had they called on the skills of the turnaround professionals that The IFT represents.

Not every company can or should be turned around. The rise and fall of companies due to competition, or advances in technology, is an important part of the cycle of economic renewal. But there are also many stressed businesses that, with swift professional support, can reverse their decline and prosper, protecting suppliers, customers and employees. It is these organisations our members seek to help.

At The IFT, we believe the professionalism and success of turnaround as a business discipline should be recognised and used more extensively as an informal and essential means of avoiding unnecessary business insolvency. Turnaround executives are highly experienced businesspeople who breathe life back into businesses on the cusp of failure, rehabilitating them to compete again.

In this report, we have tried to shine a light on this, to show the huge contribution our members make, and the value they create for society.

Steve Swayne

Steve Swayne
Chair, The IFT

A Message from the CEO

Turnaround and restructuring is high stakes, high pace and high stress. It is also hugely important to society. It protects people's jobs and livelihoods, ensures continuity of service to customers, supports suppliers and a return to UK plc.

Who are the people behind this remarkable work? They are the independent business advisers – operating as firms, or individually – and the lawyers, bankers and investors who make up our membership. Many are former CEOs who have been at the sharp end, running businesses themselves. They are, however, united by a single motivation: a deep-seated desire to resuscitate viable businesses that have been brought to the edge of insolvency. In this report, we have quantified the social impact of our members' work for the first time. In 2019, we conservatively estimate that our independent members saved 44,000 jobs and protected £2 billion in enterprise value. This does not include the contribution of corporate members, which would increase the numbers of jobs saved to more than 200,000.

Yet our research also suggests that, with over 130,000 companies showing signs of stress – and this data pre-dates the Covid-19 disruption in the early part of the year – the use of professional turnaround skills and supply of professionals is dramatically lower than the economy needs.

That is why The IFT and our members are so keen to broaden understanding of turnaround as a business discipline, explore the key characteristics of successful practice in the real world and develop the next generation of turnaround professionals.

Milly Camley
CEO, The IFT

Executive Summary: Saving Jobs & Businesses

When businesses go bust, the economic fallout can be catastrophic. Individuals – and sometimes large parts of the community – lose their jobs. Vital services cease overnight. Enterprise value – a vital underpinning of a dynamic economy – is lost.

While not every firm can or should be saved, turning around troubled but viable firms is an unequivocal social and economic good - protecting jobs, services and capital.

Individual assignments saved 44,000 jobs in 2019

A large proportion of these jobs were in the manufacturing, construction and retail industries, which were the sectors suffering most distress in 2019. Seven IFT members worked on assignments that secured over 1,000 jobs each in 2019. This does not include the contribution of corporate members, which would increase the numbers of jobs saved to in excess of 200,000.

Over £2 billion in enterprise value created by IFT members

The enterprise value of turnarounds completed by independent IFT members increased by £2 billion in 2019. Five independent members each achieved an increase in enterprise value of over £65 million, and overall, 38% of IFT members oversaw an increase in enterprise value of between £2 million and £8 million in their assignments in 2019.

Distressed companies, and demand for turnaround, on the rise

Prior to the impact of Covid-19, over 130,000 companies in the UK were showing signs of distress.

Regionally, companies in the North, and Wales and the West were most likely to be in trouble. Companies in Scotland and the Midlands were showing the lowest signs of distress. While a more modest proportion of businesses in London and the South East were showing signs of distress, this region accounts for the most distressed businesses overall, due to the intensity of business activity in this part of the UK.

Executive Summary: Saving Jobs & Businesses

The growth in troubled companies is forecast to drive higher demand for turnaround services in 2020, with nearly four out of 10 IFT members reporting they were busier at the end of 2019 than the previous year.

Casual dining troubles increase, with travel and leisure also expected to be hard hit

Pressures on the struggling casual dining market are expected to intensify this year, following a steep increase in distressed companies in the last quarter of 2019. It will join the manufacturing, construction and retail sectors, which had the highest rise in distressed businesses in the previous year, in being the sectors providing the most work for members. Given the impact of the lockdown, social distancing on businesses with high customer contact and complex supply chains, the spread of Covid-19 in 2020 can only massively exacerbate problems in these sectors. It will also put intense pressure on commercial property, and on the travel, leisure and hospitality industries.

Turnaround directors motivated by the human impact of their work

IFT members are strongly motivated by the human impact of their work. Saving jobs and local industries, protecting economic value, and saving founders from personal bankruptcy were cited by a large majority of respondents as key motivating factors.

Soft skills as important as hard skills in successful turnarounds

Soft skills are as important as financial expertise in successful turnarounds. That's because the range of stakeholders has become much more diverse. Sources of company funding have become more diversified, with private equity and debt funds joining the banks, customers, suppliers and employees as key stakeholders.

Turnaround professionals still need a firm grip on the finances. Finding ways to quickly generate cash, restructure debt and capital to provide the time and space for a longer-term fix remain core competencies.

Covid-19 aftershocks

Covid-19 has quickly emerged as a shock to the global economy. It is clear that the short-term economic impact has been severe. The big question is the length and depth of the downturn. The evidence from past diseases is that a trough in activity is followed by a bounce, helped by fiscal and monetary policy.

In the UK, economists now expect a sharp contraction in activity in the first two quarters of this year. Growth is forecast to rebound in the second half, but much depends on whether the spread of the virus abates, and the duration of restrictions on mobility. Even if growth rebounds in the second half, most economists predict a full-year contraction for 2020.

2020 outlook

Demand for turnaround expertise looks set to rise, with the Covid-19 disruption certain to push otherwise viable businesses to the edge of insolvency, despite the extensive support packages put in place by the government.

In the medium term, uncertainties surrounding Brexit persist, and financial trends and legislative reviews may impact the sector. Among large corporates, operational restructurings may become more important after a decade in which financial restructuring has dominated. For SMEs, government reviews arising from experience of pre-pack administration and proposals to reform corporate insolvency law could, if legislative time permits, radically change the way operating liabilities are handled in a turnaround situation.

Methodology

The IFT conducted qualitative and quantitative research among independent turnaround directors, advisers, lenders and private equity providers in its 'state of the industry' survey, in addition to analysis of data on successful turnarounds through IFT awards over the past decade, facilitated by PwC. This was combined with bespoke analysis of data on distressed companies from Companies House and FRP.

Understanding Turnaround

When the FTSE100 celebrated its 35th anniversary in 2019, only 30 of its original companies were still in the index[1].

Some firms, indeed industries, are the inevitable victims of Schumpeter's 'gale of creative destruction'. Last century, buggy whip manufacturers fell victim to mass car ownership. This century, the rise of smartphones casually eliminated numerous technologies, from fax machines to CDs, and the changing perceptions of environmental impact is beginning to affect fossil fuel producers.

"Market conditions can help or hinder a business," says Mark Raddan, Partner at KPMG. "Some CEOs can be in the organisation at the right time, and some can be in at the wrong time, and no matter what they do the business will fail."

But not every failure is inevitable. A troubled business can survive – even thrive – provided it has the right management, financing, strategy and governance. When those skills are lacking, turnaround professionals can provide the necessary catalyst for change, taking a business from the brink of insolvency, through radical change, to renewal.

Defining turnaround

While a cash crisis catapults many firms into turnaround situations which, without rapid intervention would result in insolvency, not every turnaround is facing a cash crisis[2].

Three features define a turnaround business:

1. Stressed not fatal
These firms lie on the spectrum from underperformance through to distress.

2. Decline and fall
Failure to reverse business decline will lead to failure.

3. A viable future
If it can overcome its immediate troubles, the business has a good chance of succeeding in the medium to long term.

Stressed not fatal

The decline curve for a business usually starts with underperformance, progresses to a state of stress, then distress and crisis[3]. Underperforming firms can address their problems through a transformation programme. A company in crisis is usually on the point of insolvency and a workout to reduce losses. For companies on the decline curve between stress and distress, turnaround is an effective and critical business process.

Decline and fall: causes of corporate crises

Externalities: Hard to predict or control

A crisis can come in many shapes and sizes. Changes in the economic cycle can affect consumer and business sentiment and spending. Black swan events, such as terrorist attacks or outbreaks of disease, like the Covid-19 coronavirus that spread worldwide in 2020, can dramatically reduce demand, as can a product recall, factory fire or litigation.

Competitor innovations can disrupt whole industries overnight, as mobile phone operators discovered with the launch of the iPhone. Regulatory or government intervention can also dramatically change a company's operating environment.

Internal factors: Within the firms control

Most internal factors leading to decline are within the firm's control. Failures of people, governance, finances or strategy can paralyse a business, contributing to stagnation and decline:

- The wrong people, such as poor leadership and management. Ineffective leadership, an autocratic CEO, or a simple lack of management depth, can insulate a business from contrarian views, and leave it poorly placed to respond to a changing market environment.
- The wrong governance, for example, an inadequate set of documented control procedures which are not understood or practised throughout the business. They are often too lax, but can also be too bureaucratic.
- The wrong strategic choices, including a lack of a clear strategy, over-diversification, growing too fast, poorly judged acquisitions and organisational inertia.
- The wrong financial structure, from a lack of cash, inadequate capital, high debt and expensive financing to insufficient management information and accounting systems, poor budgetary controls.

Understanding Turnaround

The stages of a turnaround

A business has to be capable of being resuscitated – that means ultimately there must be a profitable market for its goods or services. If a business has called in a turnaround adviser of their own accord or at the suggestion of their bank or advisers, what should they expect to happen next?

1. Diagnose the problem

Urgent, high level analysis of the problems the business faces, to determine whether there is a pathway to a successful business

2. Build stakeholder confidence and support

Get everyone on board with the plan, including shareholders, lenders, investors, suppliers, employees and customers.

3. Stabilise the finances

Cash generation – get cash flowing into the business, reducing debt, extending credit, reducing inventory, cutting costs

4. Rehabilitation

Fix the finances, restructuring the financing, cost base and cost controls. Refresh leadership skills. Develop strategic vision and a turnaround plan.

5. Articulate a strategy for growth

Develop a sustainable business strategy for future growth

6. Exit from turnaround

Keys to a Successful Turnaround

There has been 'a noticeable development of soft skills as opposed to having tunnel vision on the financials, understanding the implications of decisions at both the personal and business level'

Andy Davis, Business Support Unit, Lloyds Banking Group

1. A pathway to success

The first step in turnaround is identifying and prioritising the key issues to be tackled, and formulating a short-term plan to address them. "The first thing to do is assess the state of the business to see if the turnaround is achievable – or whether you are just prolonging the agony," says Ann Davies, an independent turnaround consultant.

"Restructuring is about searching for the jewels in a business," says PwC's Rob Lewis. "Once saveable elements of the business are found these components can thrive."

Turnaround is not for the faint-hearted, so it is also important to establish at this early stage whether the management team has the "stomach for the fight" according to John Playfair, Senior Partner at turnaround specialist Playfair Partnerships.

2. Build stakeholder confidence

After a crisis, when trust levels between a company and its stakeholders are at an all-time low[4], identifying key stakeholders, and managing their expectations, is a key aspect of a turnaround director's role. This has become a greater challenge in recent years as the sources of company funding are no longer bank-dominated, but include private equity, venture capital, debt funds, alongside banks: the stakeholders are much more diverse.

As a result, "crowd control in multi-stakeholder restructurings" has become a more important aspect of turnaround, says Chris Howard, Partner at City law firm, Sullivan & Cromwell.

Engaging with people on the 'shop floor' is as important as the C-suite, "as they often have an extremely valuable point of view the Board are ignorant of", says Keith Bordell, Restructuring Partner at Osborne Clarke. "It can be difficult to get people on board," turnaround specialist, Nina Warwick says. "You have to win them over so they can see the value in a turnaround."

What it adds up to is "a noticeable development of soft skills as opposed to having tunnel vision on the financials, understanding the implications of decisions at both the personal and business level" says Andy Davis, National Director of Mid Market Business Support Unit at Lloyds Banking Group.

Keys to a Successful Turnaround

3. Fixing the finances: cash flow, debt and capital

Running out of cash is often the trigger point for a crisis that pushes a firm into turnaround. Fixing the finances is not a cure in itself, but it provides the time and space for a cure.

“Not collecting cash is a major issue and people find it difficult as they fear upsetting clients or partners,” explains Steven Norris, former Government minister, and board executive, and finding “simple opportunities to exploit” is a priority. The quick sale of a non-core business – as he engineered at Jarvis, with the sale of a road marking business – can put money in the bank and create breathing space for the longer-term fix.

Steve Benger, Managing Partner at Accelerus, notes how the “lending environment and debt structure of companies has changed, with Private Equity and Venture Capital sitting alongside retail banks”.

Added to that, “a growth of leverage, with very little discipline, creates real pressure for turnaround professionals” according to Chris Howard, Partner at Sullivan and Cromwell.

David Morris, Senior Managing Director at FTI Consulting, agrees that “turnaround has become more difficult because of more complex ownership structures,” but the goal is still “consensual debt restructuring to create a long-term, stable and viable capital structure to enable management to deliver its strategic plan.”

While fixing the capital structure won’t in itself turn the business around, it will provide time and liquidity to effect operational changes.

4. Organisational renewal

In Steven Norris’s experience “most businesses fail due to wrong management or people being in power who do not know the business”.

“Management who are arrogant or in denial are very destructive,” Chris Howard agrees. “They often don’t survive the course.”

Putting in new management can help bring fresh perspectives, instil urgency and restore confidence, but can also result in the loss of firm-specific knowledge[5], or corporate ‘memory’, so needs to be undertaken with care. Sometimes specialist skills will also be required in the short, medium or longer term.

Change at the top is not always required. Some of the most satisfying turnaround assignments are those that enable an existing management team to carry out the business renewal they need themselves.

Another pressing challenge is being able to motivate people from the top to the bottom of the organisation. “Hidden heroes are often found in the lower levels of the organisation and are essential to turnaround,” explains Steve Swayne, Chair of Kingsgate.

Some of the most satisfying turnaround assignments are those that enable an existing management team to carry out the business renewal they need themselves.

Keys to a Successful Turnaround

"They are often well-connected change agents with a hunger to get stuff done. Sometimes they are mavericks who don't quite fit into the prevailing culture but when recognised, given permission and nurtured they can create change and be very effective within successful turnarounds."

Redundancies are sadly inevitable in some turnarounds, but are by no means the norm. Nearly two-thirds of IFT respondents said redundancies were not required in their last assignment. When they are necessary, they must be handled with sensitivity and humanity. "You should never say to someone whose job is at risk that 'it's nothing personal'. It is always personal if you are losing your job," says Duncan Parkes of DDS Advisory.

5. Long-term strategy

For a turnaround to take place, a re-growth strategy needs to be put in place before the turnaround director exits[6]. That means finding a way to do things better, cheaper or differently than competitors, and having a vision that can be turned into a long-term recovery plan.

It may mean that "elements of the business that are not sustainable need to be addressed, for the greater good of the company and society as a whole," says PwC Partner Rob Lewis.

But it crucially also involves "developing and implementing a long-term stable structure," says FTI's David Morris.

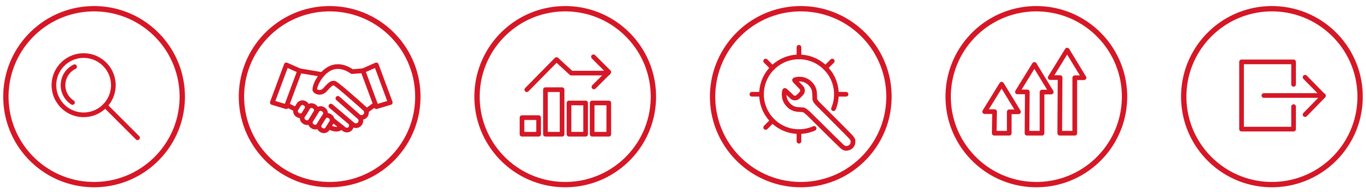
6. Knowing when to step back

Turnaround is an intervention, not a job for life. Once the patient has been nursed back to health, it is time for the turnaround team to say goodbye. "Your face is associated with the moment of darkest crisis," says independent turnaround director Steve Francis. "Executives don't want to see the open-heart surgeon once they have recovered."

"When the run rate profitability is acceptable, and there is a new CEO in place, I am ready to handover to someone as Chairman," says Bill Reeves, IFT Fellow.

Turnaround timeline

0-1 months | **0-6 months** | **6-18 months**



Diagnose the problem

Build stakeholder confidence and support

Stabilise the finances

Rehabilitation

Articulate a strategy for growth

Exit from turnaround

Keys to a Successful Turnaround

Key Turnaround Measures

Cut costs

66%

Improve governance and controls

64%

Change organisational structure

63%

Improving leadership

60%

Secure short-term funding

45%

Analysis of IFT Awards data showed that these were the key turnaround measures.

Social Impact of Turnaround

> "Saving jobs, preserving wealth, directly but also in the supply chain, the company carrying on paying their taxes; these are the ripple effects through the company, suppliers, employees and their families and the communities where they live."
>
> **Bill Reeves, IFT Fellow**

Turnaround professionals create social and economic value

According to research by The IFT[7], its members saved an estimated 44,000 jobs in 2019, and restored enterprise value to the tune of £2 billion. The estimates do not include the contribution made by turnaround and restructuring members within corporate firms, which would increase the number of jobs saved to in excess of 200,000.

The IFT surveyed independent turnaround directors, advisers, lenders and private equity providers in its 'state of the industry' survey, and combined that with bespoke analysis of data on distressed companies from Companies House and FRP.

As put by turnaround specialist Nick Alexander "salvageable businesses that fail impact the economy, communities and society in so many different ways".

It is not surprising then, that the qualitative research showed that IFT members are strongly motivated by the human impact of their work. "The most satisfying engagement is the one that has the greatest human impact" explains Steve Hanlon, Head of Business Support & Recoveries at Barclays. Thus, saving jobs and local industries, protecting economic value, and saving founders from personal bankruptcy were cited by virtually every respondent as key motivating factors.

IFT members saved 44,000 jobs in 2019

When businesses fall on hard times, people's jobs and livelihoods are put at risk. This problem can be particularly acute and distressing in areas where a business is a major local employer, such as Anglesey's Holyhead Boatyard (see p16).

Overall IFT members saved 44,000 jobs in 2019, with a high number of these being in the manufacturing, construction and retail industries. Seven members of The IFT worked on assignments that secured over 1,000 jobs each in 2019.

IFT members work across all size of businesses. In the last year, turnarounds that saved up to 20 jobs, and ones that saved between 200-1,000 jobs, were the most common assignments for independent IFT members.

This does not include the contribution of corporate members, which would would increase the numbers of jobs saved to in excess of 200,000.

In the public and not for profit sector, saving businesses can also protect vital services to vulnerable people. A successful turnaround at Ark Healthcare safeguarded the care of 4,000 vulnerable care users as well as 2,500 staff jobs (see p26).

Social Impact of Turnaround

Over £2 billion in enterprise value created by IFT members

The destruction of enterprise value[8] carries human as well as financial costs. In turnarounds completed by independent IFT members, enterprise value increased by £2 billion in 2019.

Five independent members each achieved an increase of enterprise value of over £65 million, and overall, 38% of IFT members oversaw an increase enterprise value of between £2 million and £8 million in their assignments in 2019.

This does not take into account the longer term transfer of skills and value from working with turnaround professionals, in terms of the ability to adapt business models, more effective governance controls, and a more effective structure.

Distressed companies, and demand for turnaround, on the rise

At the start of 2020, over 130,000 companies in the UK were showing signs of distress, according to The IFT's analysis, and the number has been on an upward trend since 2017.

Regionally, companies in the north, and Wales and the west, are the most likely to be in trouble. Companies in Scotland and the Midlands are showing the lowest signs of distress. While a relatively modest proportion of businesses in London and the South East are showing signs of distress, this region accounts for the most distressed businesses overall, due to the intensity of business activity.

The growth in troubled companies is expected to drive higher demand for turnaround services, with nearly four out of 10 IFT members reporting they are busier at the end of 2019 than the previous year.

Manufacturing, construction and retail most distressed sectors, with casual dining on the rise

IFT members' work fell predominantly in the manufacturing, construction and retail industries, reflecting the highest rise in the number of distressed businesses in these sectors. They are expected to be joined by the struggling casual dining market in 2020, which saw a steep increase in distressed companies in the last quarter of 2019 and is likely to come under intensifying pressure during 2020 after the government called an abrupt 'time' on pubs, bars, cafes and restaurants in the wake of the Covid-19 outbreak, constrained construction, and put increased pressure on property and commercial real estate in particular. Leisure sectors, including airlines, travel companies, gyms and theatres, are likely to struggle in the aftermath of the Covid-19.

The destruction of enterprise value carries human as well as financial costs. In turnarounds completed by independent IFT members, enterprise value increased by £2 billion in 2019.

This second-generation family business and key employer in an area of high unemployment is now very well positioned for future growth.

Case Study
Calmer Waters: Holyhead Boatyard

“Holyhead Boatyard was a classic case of business hit by sudden changes in its external environment,” says independent turnaround specialist Ian Gray. Having started life in the 1960s designing, building, refitting and repairing leisure boats and then commercial vessels, the firm had later diversified to provide towing services to the oil, pipe laying and dredging sectors, and crew transport services to windfarms.

“It had made a strategic move to diversify into servicing offshore windfarms, but when government subsidies were reduced this changed the economics of the business, putting the whole company at risk,” explains Ian.

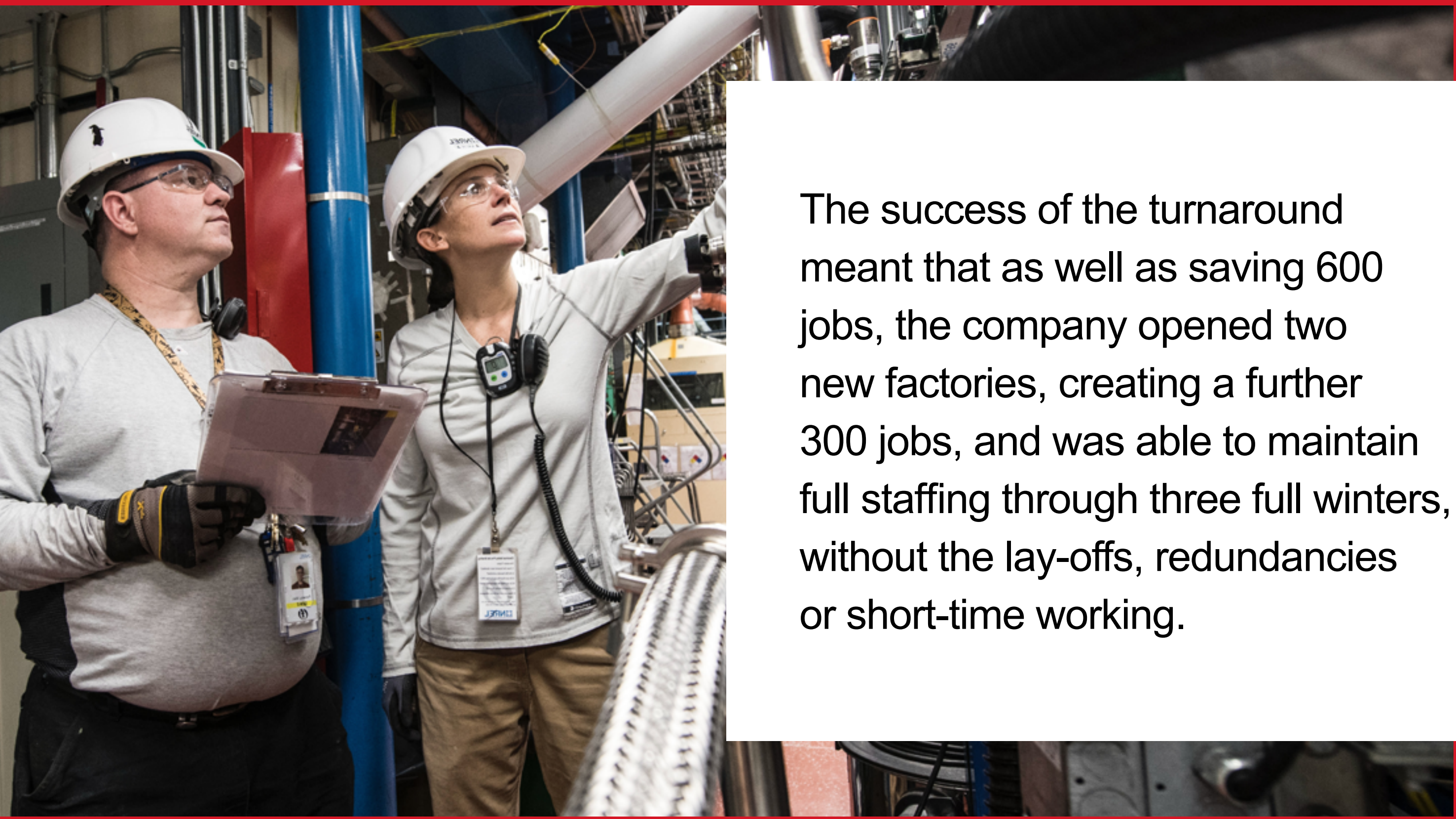
The firm had too many vessels and £49m vessel financing debt when, in 2015, the second-generation family firm called in business advisers, BDO, to help.

Luckily, the firm wasn’t holed below the waterline. The first job was to negotiate a standstill agreement for its finances. This was backdated, so instalments already paid were reimbursed, bolstering the firm’s liquidity. BDO also introduced Ian Gray to work with management to craft a turnaround plan.

This involved the sale of vessels and a share in a joint venture to release cash, and an exit from the windfarm market.

Getting lenders on board was crucial. “It was a real challenge to get all eight lenders aligned and supportive,” said Ian. This bought the time needed to reduce debt and start to rebuild a streamlined business. “It’s been really great to see management change and deliver the turnaround,” adds Ian. “In three years, EBITDA improved six-fold, and the company once again has the wind in its sails.”

As a result of the turnaround, this second-generation family business and key employer in an area of high unemployment is now very well positioned for future growth.



The success of the turnaround meant that as well as saving 600 jobs, the company opened two new factories, creating a further 300 jobs, and was able to maintain full staffing through three full winters, without the lay-offs, redundancies or short-time working.

Case Study
Manufacturing Success

For more than 70 years, this national manufacturer and regional employer created products that were part of customers' live. But an ill-fated buyout saw the once proud firm, and employer of 600 people in the North East, enter a decade of decline during which turnover fell by 40% and profits by 80%.

With product quality and service in freefall, costs rising, and sales staff jumping ship, the firm drafted in a turnaround expert in 2015 to rebuild the business.

"The product range had become confused, units were badly designed, with serious technical flaws, unappealing interiors and overly high prices". The plan to rebuild meant streamlining the product range into new product families; re-engineering the design, manufacture and sales processes to regain its best-in-class reputation; and engaging and empowering staff in the recovery process. "The fabrication is manually intensive,", so "engaging the hearts and minds of highly-skilled, specialised workers" was key.

Within two years, the company was not only back on track, but expanding with confidence. Turnover increased 60% in three years, EBITDA rose 280%, and market share grew from 30% to 35%. The firm diversified into related product lines. The success of the turnaround meant that as well as saving 600 jobs, the company opened two new factories, creating a further 300 jobs, and was able to maintain full staffing through three full winters, without the lay-offs, redundancies or short-time working.

Who's Who in Turnaround

Today's restructuring profession is a broad church.

"From the super-star company doctors of the 1980s and 90s," says IFT Fellow Richard Farr, "the market for turnaround professionals has evolved to a more team-based approach today."

Typically, a team might include the talents of independent turnaround directors, business advisers, solicitors, banks and private equity or other finance providers – depending on the size and needs of the business.

SME turnarounds are likely to steady the ship with a polymath turnaround director, but a large company will almost certainly need a team of different professionals working together.

Independent Turnaround Directors (TDs)

Independent Turnaround Directors are an eclectic bunch, reflecting the many and varied routes to becoming a TD. Steve Benger, like many others, "stumbled into turnaround, and stayed on", motivated by a real desire to resuscitate viable businesses, saving jobs and unlocking their inherent value.

Ann Davis

Independent turnaround consultant

Since 1984, Ann has helped numerous businesses come through crises, first as a partner at a large accountancy firm and, since 2010, as an independent.

"Earning the trust of stakeholders and building the right management team to lead the business in future are two of the key requirements for a successful turnaround. "You must build relationships with key stakeholders. The turnaround plan won't work unless you have this trust, especially when you have to financially stretch creditors, investors and other stakeholders. In a big business turnaround, it is your role to influence leadership and management so they can lead. Ultimately, to me turnaround means leaving the right management team in place to continue to run the business after the crisis is over."

Who’s Who in Turnaround

Peter Charles

Independent turnaround director and founder of Peter Charles

Peter has helped fix a wide range of troubled organisations from brewers to manufacturers to universities since 1996.

“The key issue in any turnaround is to decide which problems to solve first. Often the starting place is to take a highly detailed look at the cashflow. People want to do a good job – you just have to take away the things that stop them. Often the most damaging problem in a business is invisible to those inside it.”

Ian Parker

Managing Director at Verve4growth Limited

Ian became an interim transformation leader in 2005 before leading an MBO in 2008. Ian founded Verve4growth to focus on SME growth, change and improvement. As Chairman, CEO or Managing Director, Ian has led 10 transformation projects for corporate, private equity or family investors

Transformation and turnaround is about achieving “hard yards” in time limited circumstances. Sustained turnaround frequently means changing the business culture. The key is supporting employees, management and owners and working with them on the journey."

Keith Pringle

Independent turnaround consultant and founder of Jakema Programme Management Limited

Keith left senior corporate management to become a specialist in financial improvement across a broad range of markets, in both the private and public sector space, with a recent focus on the NHS and healthcare.

"Opportunities for successful change management in the NHS are vast, which is why working in this sector is hugely satisfying. The vehicle driving successful change management and corporate transformation is effective formal programme management and equally, strong and effective leadership from senior management. My role is to impart these disciplines and skills to the client, migrating ambition and drive for continuous gains in financial efficiency and operational effectiveness.

Who’s Who in Turnaround

Solicitors

Commercial law firms often have a specialist turnaround unit who ensure that a turnaround respects the rights and responsibilities of stakeholders and is on legal safe ground. “A turnaround lawyer needs to be commercial and pragmatic,” says Keith Bordell, Partner at Osborne Clarke. “They need to have a grounding in key aspects of finance, corporate and insolvency law and be close to the key players in the turnaround, and the turnaround plan, so that they can be like the conductor of an orchestra in harnessing other relevant legal advice relating to, for example, commercial, employment, property or pensions issues".

It’s important that turnaround lawyers “see the law as a tool rather than a shrine to be worshipped at,” says John Pennie, and that they combine the skills of a “polymath, generalist and practical type who is willing to get involved.”

“Directors need lawyers who have been in these situations many times before, in the trenches with them, so they can be confident in knowing the law will be applied sensibly and commercially to achieve the best outcome, avoiding a damaging insolvency process wherever possible,” says Richard Obank of Brown Rudnick. “The best turnaround lawyers possess natural empathy and emotional intelligence in bucket loads, an ability to “walk in the shoes” of directors when they are experiencing extreme stress, coupled with a talent for plain talking when not everyone in the board room wants to listen.

Chris Howard

Partner, Sullivan & Cromwell

Chris heads the European Restructuring Group at City and Wall Street law firm, Sullivan & Cromwell after a restructuring career that spans almost 30 years.

“Companies and shareholders can boost the chances of a successful turnaround by asking for help early, accepting they have problems and by being prepared to compromise. Early engagement and being brave enough to embrace help are the keys to preserving a company’s value for all of its stakeholders and the communities in which they operate. Management also need to understand the importance of compromise and that treating all stakeholders fairly will help achieve a fair outcome.”

Elizabeth Wood

Senior Associate at DLA Piper and winner of The IFT’s Rising Star award in 2019

Elizabeth joined the Restructuring practice at DLA Piper in Leeds having also trained at the firm and has developed her practice to focus on Corporate Restructuring, and in particular, distressed M&A.

Breadth of experience and soft as well as hard and technical skills are important aspects of turnaround today. “Grief and loss, fear and guilt… the turnaround manager has to absorb the negative emotions while they assess the situation and find a solution. They need to inject pace and urgency, while carrying stakeholders along the journey.”

Who’s Who in Turnaround

Advisers

Advisers are typically retained by one of the stakeholders – such as lenders or shareholders, or, for larger transactions, sometimes the TD themselves – and are usually qualified accountants. They provide valuable accounting and financial due diligence to their client and the turnaround director. They are also the largest source of referrals for IFT members, accounting for about a quarter of all projects.

Mark Raddan of KPMG cites ‘a capacity to deal with uncertainty, resilience, agility and flexibility’ as key skills, and points to the increased importance of people leadership to ensuring effective teams.

David Morris

Senior Managing Director, FTI Consulting

David has advised on 88 turnarounds at companies with total debt of £25 billion and over 500,000 employees and is motivated by “saving businesses I love and care about”.

“

Advisers’ role is “to protect companies’ economic value, avoid business failure and save lenders some money.” That requires different skills at different points in the turnaround process. In the short term, “immediate actions to preserve and protect value,” and “to create a long-term stable and viable capital structure” are needed. Once the existential crisis has passed, “turnaround experts should look to value creation.”

Claire Fox

Director, PwC

Claire Fox leads the Operational Restructuring team for PwC across the Regions and for Retail and Consumer sector.

“

Claire is an innovative and empathetic business advisor with experience in troubleshooting across a number of sectors: “in my experience the key to delivering a sustainable outcome is to truly partner with clients – it’s essential to take people with you.”

Who's Who in Turnaround

Banks

While the role of the clearing bank has reduced over time, as debt structures and funding sources have diversified, the focus is on providing troubled companies with "management support and capacity" says Steve Hanlon, Head of Business Support & Recoveries at Barclays. Working with stressed businesses requires a very human understanding alongside financial sophistication, with the ability to work and support business directors. Finding the right solutions and support is based on these skills. Banks account for about 15% of referrals to The IFT's members.

Joanne Mountford

Area Director in Lloyds Banking Group's Business Support Unit

31 years with Lloyds, including 12 years in turnaround.

"Treating customers fairly, sympathetically and positively in an open and professional way is extremely important while you are working with businesses to achieve a turnaround and return to financial health."

Private Equity funds

The role of private equity funds has grown substantially, and by their very nature, they have more experience of through-the-cycle financing of businesses. That makes them easy to engage with, and more flexible in finding solutions.

Steve Keating

Founder and Managing Partner at Privet Capital

Steve has over 25 years' experience in investing in, fixing and growing SME businesses, and is the founder of Privet Capital, which focuses on mid-market investment in special situations.

"It's a truism that once management are tackling challenges, they wish they had started sooner, so we always encourage early intervention. It increases the chances of success and leads to more enthusiasm from niche private equity providers such as Privet.

"Plentiful liquidity has allowed management to avoid operational turnaround by repeated financial reengineering. This period is now clearly coming to an end."

DNA of a Turnaround Director

Public Sector Turnaround & Transformation

When public money and vital public services are at stake, rescues and turnarounds can be even more sensitive than those in the private sector.

Politicised process

Intense political and media scrutiny frequently follows public sector turnarounds because they not only involve taxpayers' money, but also the provision of vital services such as health care and education. This means that rescue attempts can become highly politicised, especially at crunch points in the five-year electoral cycle.

Too important to fail

Public services – health care, further education colleges – cannot simply be discontinued. Even if there is a catastrophic hole in their finances, public bodies are rarely permitted to fail. "If you have a loss-making private business, it will fail," notes public sector turnaround specialist and Accelerus Managing Partner, Steve Benger. "But if a further education college is insolvent, an administrator is appointed by the Secretary of State, and the primary driver of the turnaround is not the main creditors, but the welfare of the students."

That means management are sometimes unwilling to accept the severity of their problems. In one college turnaround, turnaround specialist Nina Warwick found "the management teams were difficult and resistant to start with, but there was a turning point where they realised the problem."

Complex stakeholder relationships

For the turnaround professional, stakeholder management can be incredibly complex in the public sector. As well as lenders, service users, and suppliers, turnaround executives may need to engage with government departments, public bodies, regulators, commissioners and funding bodies, and the agencies whose job it is to oversee public bodies who are in financial difficulty. Managing these multiple relationships deftly and having "a detailed understanding of the context and stakeholders - for example, in the NHS, winning the respect of clinicians" is critically important to success, according to Bob Alexander, former Deputy CEO and Finance Director, NHS Improvement.

Longer cycle of financial recovery

The lack of a burning platform to act as a catalyst to recovery, combined with the need to continue to provide services, means that financial recovery in a public sector turnaround can take longer.

In Further Education, for example, where funding is lagged, financial crises tend to cause a fall-off in student numbers and funding in the second year, before a rebound in the third year.

In healthcare, getting NHS finances back onto an even keel is a recurring challenge in light of rapidly growing patient demand from the UK's ageing population. The complexity of the health service is another challenge. On the plus side, repeated financial crises have improved financial management, as "turnaround techniques have been assimilated into standards for good organisational management and leadership" says Bob Alexander.

Success criteria

One of the major challenges in the public or not for profit sectors is how to define success in measurable terms. In the private sector success is easily measurable in financial terms as, for example, enterprise value growth or total shareholder return, and in human terms, such as jobs saved.

In the public and not for profit sectors, the overall goal can be more diffuse – improving or protecting health or education outcomes. The challenge for public sector turnarounds therefore is to clearly define stakeholder objectives which can be tracked and measured.

Over three years working with Kingsgate, the Trust delivered £100 million in cost savings while improving the quality of patient care.

Public Sector Case Study
NHS Trust Finances Restored to Health

Turnaround experts at Kingsgate were called in to help an NHS Trust, formed from the merger of three hospitals, which was facing a deficit forecast to reach £100 million.

The significant synergies forecast from the merger of three hospital sites had not been realised. Integration of clinical services and back office support had not materialised, and agency staff costs had ballooned to 12% of pay costs.

Interventions to bring the Trust back into a more stable financial position included improving the Trust's leadership, reducing the use of agency staff by a third, better retention and training of staff, and action on excessive overtime costs to reduce waiting lists.

Over three years working with Kingsgate, the Trust delivered over £100 million in cost savings while improving the quality of patient care.

"Kingsgate supported our Trust through a period of significant challenge," said the CEO of the Trust. "Working closely with clinicians and managers alike, they have helped us develop a more stringent performance-based culture and business acumen amongst senior leaders, and to deliver a major and complex cost reduction programme whilst improving the quality of service provided."

Turnaround in SMEs

SMEs are prone to the same mistakes as bigger businesses – too much debt, poor management or a difficult external environment. Working with SMEs has some specific challenges too, whether it's a longer turnaround period, the need to embody different types of support, or the complex and varying challenges of family businesses.

Longer road to recovery

By contrast to larger businesses, SMEs often require a longer turnaround period, of between two to two-and-a-half years. The first 12 months is about stopping the haemorrhaging, understanding what has gone wrong and resetting the direction. In the second 12 months, you will begin to see change.

Turnaround 'chameleons'

SMEs are less likely to have a team of advisers to help them through difficult times, so the role of the TD can be chameleon-like: they need to bring all the skills to the table, from negotiator to manager, from strategic adviser to financial adviser. Emotional intelligence is as important as technical skills, and "using these skills to win people round" is vital. "You can't add value if people aren't on board and can see the value in a turnaround" says Nina Warwick, independent turnaround specialist.

A family affair

Turnaround in SMEs can often be complicated by the fact that many are family businesses. When the personal and professional are entangled, both in terms of management and finances, the stakes can be very high for all concerned.

The dynamics of managing a family turnaround are complex, with the complexity increasing in relation to the number of generations the firm has been in the family. First generation turnarounds tend to be quite straightforward, and third generation or beyond much more problematic. Turnaround CEO Barry Leahey took on a directorship of a firm that had been in the family for nine generations, "making change quite difficult".

Sometimes blood is thicker than water, and the family bonds work in the business's favour. "A family lingerie business lost 60% of its turnover virtually overnight, and faced significant operational, financial and legal problems," recalls John Playfair, a specialist in SME turnaround. "We needed to win every battle… and we did because everyone brought their A game to play and it was a real team effort. They were lovely people and we saved them from personal bankruptcy."

Larger SMEs that have brought non-family members into senior positions bring the different challenge of "competing dynamics and interests" in the experience, Nina Warwick. "Some of these partners only want to protect their equity, but don't want to see the business progress further, and this can cause issues."

A family conglomerate comprising engineering, property, agriculture, horticulture and garden centre businesses, had a complex shareholding structure, with some family members involved in different parts of the business. John Playfair succeeded in buying time to restructure the business. After two years, which involved closing some parts of the business, selling others, and bringing the remaining businesses back to profitability, "we had £1 million in the bank, and the family even began talking to each other again."

An Owner's Perspective

"My bank introduced me to Playfair Partnerships who forensically examined our accounts and produced a report detailing where we were haemorrhaging money – and more importantly, why. Working together, we outlined a plan and a set of actions that we would need to work through to try and save the company.

"The whole difficult process took possibly 18-24 months to work through and, being a family-owned business, it was a difficult time as I always felt I was letting my family down. The entire turnaround process was one which I learnt a lot from, both about the financial side of running a company and about me.

"The sense of relief when you get through the other side, everyone gets paid and suppliers want to again trade with you is palpable, but one thing I do know, is that our successful business would not be trading had it not been for the skills, expertise and support of our turnaround partner."

SME Case Study
Built for Success: Orchard Care Group

"Orchard Care Group (OCG) was a strong business which over-stretched during its acquisition and re-furbishment activities" says IFT Fellow Steve Benger, CEO of Accelerus. Having made a success of one care home in Wrexham, OCG owner Dave Atkins had an opportunity to acquire a second care home in a different part of the town. He made the decision to acquire with support funding from both his existing lender, Barclays, and support from the Development Bank of Wales.

In the next 12 months OCG used funds generated from the existing home, plus some of the raised funds to refurbish the new home. However, time and costs over-ran and combined with poor Care Inspectorate Wales (CIW) rating ,which limited new admissions for a period, cash started to become tight.

Barclays suggested and independent turnaround specialist to mentor and support the owner through the next 6 months. Steve was then engaged by OCG and worked with the owner to:

- Stabilise cash through better debt collection and cost control, enabled by better management information
- Improve management accounting to make the underlying position clear
- Build a stress tested 18 month forecast with a supporting short-term action plan and additional headroom from the bank
- Implement the key action plan, focused on tighter management rigour in day-to-day, week-to-week operations and weekly review of KPIs

Over the subsequent months the CIW rating was improved, admissions were re-started and the stronger management rigour recovered cash and profitability to a point whereby the business was self-sufficient operationally and financially. The loan extension was re-paid within 9 months and the business returned to mainstream banking within 12 months. The business has gone from strength to strength following the period of recovery.

Dave Atkins commented "I knew that we had a good business model to grow from but the operational challenges in the transition over-stretched us. The support from Barclays and Accelerus were very timely and helped me re-gain control of the business and build a stronger platform for future sustainability"

The care of 4,000 vulnerable people, and the jobs of 2,500 care staff were at risk when domiciliary care provider Ark Healthcare ran out of cash

SME Case Study
Ark Healthcare

The care of 4,000 vulnerable people, and the jobs of 2,500 care staff were at risk when domiciliary care provider Ark Healthcare ran out of cash.

The business had run into difficulty after an acquisition that underperformed. It had run up arrears of over £1 million with HRMC, and debts of £4 million with an asset backed lender (ABL), when turnaround specialist Begbies Traynor Group (BTG) was called in.

Ark was funded by local authority contracts, and BTG had to maintain daily contact with the both the Care Quality Commission (CQC) and creditors to maintain confidence and continuity of care and cashflow while they sought a solution.

The BTG team quickly concluded that the best option was to find a purchaser for a solvent transaction. They split the business into three separate areas and within three weeks had identified a buyer for each and completed the sales.

Safeguarding all 4,000 care users, 2,500 staff jobs while also repaying creditors was an “outstanding outcome for all” said Alan Couzins of Leumi ABL.

About The IFT

The Institute for Turnaround (The IFT) is the UK's leading membership organisation for turnaround experts.

Being an IFT Member is a badge of quality for turnaround professionals

We bring together independent professionals, bankers, investors and advisers to evolve the profession and respond to new challenges and trends.

We are an incubator for turnaround talent, connecting, nurturing and developing a community of experts at all stages of their career. We are particularly keen to encourage a more diverse community of people into this rewarding profession.

IFT Members' Accreditation

Being an IFT Member is a badge of quality for turnaround professionals. Every IFT Member goes through a rigorous accreditation process: they must submit evidence of their turnaround experience and success, including three detailed recent case studies, with referees; complete a core competencies assessment form; and secure two sponsors who support their application.

A formal interview with IFT Accreditors completes the Membership accreditation process. Professionals from all branches of turnaround are invited to apply for accreditation as a Member, including independents, advisers, bankers, investors and lawyers.

About The IFT

Networking & Special Interest Groups

Being parachuted into troubled companies and asked to deliver a turnaround against the clock makes for an interesting life – but at times a solitary one. The IFT provides valuable networking opportunities for professionals involved in all aspects of turnaround, allowing them to share skills and experiences formally and informally.

We run three Special Interest Groups – addressing the health and education sectors, and large and complex special situations. These groups allow members to share their knowledge of individual markets and the dynamics affecting them, provide a forum to discuss key topics and influence developments.

IFT Fellows

Fellowship of The IFT is awarded to those professionals with the most highly developed skills and capabilities in turnaround. IFT Fellows not only have a strong track record leading the most challenging of turnarounds, but are also committed to developing the turnaround profession, including being a mentor to less experienced IFT members, and participating in The IFT's 'Academy' programme.

Incubating turnaround talent for the future

The IFT is an incubator for the next generation of turnaround talent. While many of today's leading turnaround professionals 'fell into' the profession, turnaround today is proving attractive to younger professionals who can see the immense social and economic value that arises from successful turnarounds.

Through our Next Gen programme, The IFT hosts networking events to allow younger professionals to learn from seasoned experts about the opportunities and rewards a career in turnaround offers. We also organise workshops – in person and online – on a wide range of subjects including business development and CPD seminars.

The Next Gen programme is a stepping stone towards achieving Associate membership. Associate members have access to a wide network of professionals, a mentoring programme, as well as our Academy, to help them develop their skills and grow in their careers, and achieve full membership.

The IFT Academy

Through The IFT Academy, we help the next generation of turnaround professionals develop and maintain the highest standards of professional expertise. The IFT Academy , headed by a recognised leader in restructuring, Shaun O'Callaghan from Grant Thornton, is a structured 10-month programme providing a thorough grounding in turning around distressed organisations to high potential individuals. The programme covers all the technical, commercial and functional skills needed in turnaround and is underpinned by the Business Insight Framework, which encourages business leaders to consider all the factors affecting a business from multiple viewpoints. This is a vital skill for turnaround professionals, who frequently manage complex stakeholder relationships. "Turnarounds demand multiple perspectives," says Academy graduate Paris Clarke-Roden. "The Academy exposes you to those through its content, variety of speakers and its diverse cohort. I certainly feel I am being equipped with a wider view – that will help me add more value."

The course covers:

- how businesses make money, including sustainable revenue and value generation;
- the importance of customers, innovation and brands in generating revenues;
- the principles of turnaround investing;
- complex stakeholder management, including debt markets, investors, and assessing management capabilities; and
- cashflow, forecasting, financial and balance sheet restructuring.

The programme combines over 60 hours of structured self-study and over 10 days of face to face learning with practising turnaround specialists. More information on The IFT Academy can be found at: **www.the-ift.com/the-ift-academy/**

About The IFT

The IFT has a range of corporate partners, spanning restructuring experts in advisory firms, law firms and the main clearing banks.

Outlook for 2020

As this report went to print uncertainty was in plentiful supply, with the timetable for Brexit trade negotiations under pressure and the full impact of the Covid-19 pandemic unknown. Both have the potential to derail the economy and put further sectors at risk. Other trends that might affect turnaround include changes in the debt structure of companies and government reviews of legislation on company insolvencies.

Economic outlook

By Maximilien Lambertson, Economist, Deloitte

Covid-19 has quickly emerged as a shock to the global economy. In late January, the immediate impact was a shutdown in Chinese economic activity owing to restrictions on mobility. As the virus spread outside China, many economies, including the UK, experienced similar halts in activity.

The research into the impact of such viral outbreaks finds that the greatest economic effects come from reductions in movement, not from illness and deaths themselves. The impact of travel restrictions was immediately visible in weaker demand for leisure activities, travel and tourism, and in disruptions to production that cannot easily be shifted online. In addition, the path of Covid-19 outside China has not followed a smooth trajectory from peak to trough. This uncertainty has meant significant price volatility in equities, commodities and traded goods.

It is clear that the short-term economic impact of the Covid-19 shock has been severe. In the longer term the big question is the length and depth of the downturn. But the evidence from past diseases is that some of the activity that is lost is pushed back, with a trough in activity followed by a bounce. Fiscal and monetary policy should help that rebound. External shocks, such as diseases, have significant economic effects, but they tend not to change the trajectory of the very long-term economic cycle.

In the UK, economists now expect a sharp contraction in activity in the first two quarters of this year, which would mean a technical recession. Growth is forecast to rebound in the second half, but much depends on whether the spread of the virus has abated over the summer and the period for which restrictions on mobility are still needed. Even with growth back in the second half, most economists predict a full-year contraction in activity for 2020.

Outlook for 2020

At risk sectors: casual dining joins retail, construction and manufacturing

In 2020, the retail, construction and manufacturing industries will continue to struggle, according to The IFT's analysis of FRP data[9].

Turnaround directors were already reporting an increase in demand for help from casual dining operators before the Covid-19 crunch. After several years of falling revenues, rising costs and overcapacity, the sector had experienced growing distress between 2017 and 2019, followed by a sharp uptick in distressed operators in the last quarter of 2019. The sudden closure of bars, pubs and restaurants to contain the spread of Covid-19 looks certain to damage the sector further, despite the government's support package.

'Given the impact of the lockdown and distancing on businesses with high customer contact and complex supply chains, the spread of Covid-19 in 2020 can only massively exacerbate problems in these sectors, as well as putting intense pressure on commercial property, and on the travel, leisure and hospitality industries'.

Revival of organisational turnaround alongside financial turnarounds

In the decade since the global financial crisis, financial – rather than operational – restructurings have dominated the world of large corporate turnarounds, according to Sarah Paterson, Associate Professor in Law at the LSE. This reflects the ubiquity of complex, leveraged capital structures in big corporates, and has the advantage of leaving a business with a secure value chain, which retains the confidence of suppliers, customers and employees.

However, this trend may reverse in the decade ahead as a result of the rise of covenant-lite loans and high yield bonds in leveraged capital structures. Today's leveraged loans typically include covenants requiring the business to meet financial ratios or thresholds which are tested periodically providing an 'early warning' of distress. By contrast, covenant-lite and high yield bonds have few financial covenants, and no 'early warning' system of periodic testing, as they are only triggered when the borrower tries to raise more funds. The risk is that troubled businesses will delay seeking help until it is unavoidable – at a point where they are experiencing operational as well as financial stress. "This means that operational reorganisation could become a more significant part of corporate re-organisation once again," says Sarah.

Even with growth back in the second half, most economists predict a full-year contraction in activity for 2020.

Outlook for 2020

Legislative change

Though turnaround itself operates outside of formal insolvency structures, decisions relating to insolvency can have a knock-on effect by influencing stakeholder behaviour. The government's review of the current insolvency and rescue regime has the potential to radically change turnarounds, particularly in the SME space.

Public and creditor discontent has increased pressure for a more transparent pre-pack process. Proposals have already been tabled for the reform of corporate insolvency law, which include measures to give companies breathing space to restructure or refinance, including a moratorium on creditors taking action against a company, and a ban on suppliers terminating contracts as a result of counterparty insolvency.

Broadly speaking, whilst turnarounds may use some insolvency tools, turnaround skills and processes are based around consent and negotiation. Indeed, there is a positive trend toward recovery outside formal processes and this enables the realisation of value for all stakeholders for viable businesses before the most acute distress conditions are experienced. The IFT is in favour of this trend and greater recognition of role that turnaround skills can make in making distressed businesses viable again, preserving value and saving jobs. We would encourage government to support turnaround outside of insolvency.

Another proposal is to give higher priority to crown creditors such as VAT and PAYE. It is important that this does not have unintended consequences, such as reducing appetite for offering secured lending.

However, with legislative time under pressure from Brexit and from the Covid-19 disruption, it remains unclear whether meaningful legislative change will be enacted in the foreseeable future.

Risks of defined benefit pension schemes to rise with Pensions Bill

The 2005 Pensions Act, which encouraged trustees to take a more proactive role in rescues, has generally worked well, according to Richard Farr of Lincoln Pensions, with pension trustees, supported by the regulator, showing more teeth in troubled situations.

However, after 15 years of relative stability, the collapse of Carillion and demise of BHS showed that there were still loopholes, creating worry and uncertainty for scheme members, and leaving the Pension Protection Fund to pick up a substantial bill.

Enter the Pensions Schemes Bill 2020, which will broaden the sanctions the pensions regulator can impose on directors and trustees, to include criminal charges, unlimited fines, tests of insolvency and reduction of employer resources, and bans on dividends when the employer is weak.

These changes increase the personal risk to directors of rescues that involve a defined benefit pension scheme. How can this be mitigated? "Insolvency Practitioners are exempt," points out Richard Farr, "and there is an underlying defence of 'acting reasonably'. But interim management and turnaround professionals would be well-advised to take professional advice before they dip their toe into these turbulent waters.

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