

DELIVERING AT PACE

A Benchmarked Analysis of the Traits, Skills and Drivers of Turnaround Leaders



Thanks

Thank you to Steve Francis for instigating this important collaboration between Korn Ferry and the IFT.

The IFT and Korn Ferry would like to thank the many senior turnaround professionals who made the time and effort to undertake the KF4D Assessment which underpins the findings in this report. We thank them for their considerable and generous contribution.



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A Message from Korn Ferry

For over 50 years Korn Ferry has been at the forefront of helping companies unlock value through their key asset – their people. We help clients to design their organisational structures, roles and responsibilities, advise them on how to reward, develop and motivate their workforce and, not least, hire the leadership teams who pull it all together.

We are delighted to co-sponsor this important study. At Korn Ferry, we are leaders in supporting companies, shareholders and creditors in managing complex turnaround situations. We have sourced new leaders for many high-profile restructurings and transformations; whether identifying the new Chair and Board to bring governance and direction to a business in distress, or the new CEO and CFO who will drive the strategy which restores a company back to growth and success.

Hiring top talent into challenging situations is rarely straightforward. In selecting a Chair or CEO, you need to determine not just a candidate's experience, but their style, approach and motivations: in short, 'who they are'. Of course, the latter is difficult to determine; surface elements only tell a small part of the story - the critical thing is understanding what lies beneath.

There is a well-recognised caricature of what constitutes the 'tough turnaround leader', but experience has taught us that the best turnaround professionals have a complex, varied and nuanced role, requiring a broad range of skills and experience but, most importantly, a particular set of personality traits and drivers. Driving costs and cashflow is critical; but so too are managing culture change, creating winning teams and improving engagement.

Korn Ferry owns world leading management assessment tools. This study has been a terrific opportunity to apply that science in putting a

group of renowned turnaround experts 'under the microscope' to find out what makes them tick and what skills set them apart as a group.



Neil Goble
Head of Private Equity EMEA



Tim Powell
Private Equity EMEA

A Message from The Institute for Turnaround

"We wish we had brought you in sooner"; when engaging with businesses that have benefitted from accredited turnaround expertise, this is a familiar refrain. At The IFT, we believe the professionalism and success of turnaround as a business discipline should be recognised and used more widely as a means of avoiding unnecessary business insolvency.

Turnaround executives or 'company doctors' are highly experienced business leaders who resuscitate troubled but viable firms. Their innate competencies, traits and drivers, evidenced in this report, have been developed at the most challenging edge of leadership within businesses – their professional experience is at the deep end. With their situational experience, turnaround leaders are able to rapidly understand the key challenges and instigate the most effective plan for recovery at pace. Initially this may involve immediate stabilisation, but also involves right sizing and adapting operational and financial models, and achieving a shift in management practice for sustained results for the benefit of all stakeholders. Possessed with a strong business 'read across', turnaround professionals are able to apply the right levers, and tap into the right skill sets to shore up and achieve transformation at pace. They work with leadership teams to enable sustainability beyond their departure from the business.

The skills of turnaround professionals deliver outcomes and provide certainty for all stakeholders – owners, investors, lenders, employees and the economy. In 2019, we conservatively estimated 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 increases the numbers of jobs saved to more than 200,000.

Evidently, the societal as well as financial value of preventing business failure is hugely important to the UK. Turnaround interventions protect jobs and livelihoods, uphold local industries, ensure continuity of services to customers and strengthen public service organisations. In a benign economy, turnaround leaders help companies to run themselves better. In a hostile economic environment, they are essential for our recovery. As the COVID-19 pandemic pushes more businesses to the edge of insolvency, the need to engage professional turnaround leaders will be even more important to people and to the economy.

Therefore, as we look ahead to further challenges in 2021, this study shines a light on the crucial skills of the turnaround leader.



Milly Camley
IFT CEO

Introduction

We believe that this study represents the first close analysis of the competencies, traits and drivers associated with turnaround leaders – the Chief Restructuring Officers, Chairs, Chief Executives and Turnaround Directors who have developed a specialism working at the most challenging edge of leadership for distressed or underperforming businesses.

At the time of writing, at the end of 2020, the turnaround skillset has never been more relevant. At present, even the most able leadership teams are stressed by unprecedented challenges. The most successful businesses have built up debt, depleted working capital and deferred obligations to stakeholders such as landlords, lenders and government to minimise job losses.

When the myriad of important government schemes are withdrawn, there will be a crucial window of opportunity for businesses to engage the situational expertise to restructure debt, build working capital back up, transform their operational models and cost base, and deliver on a plan for recovery and growth that benefits all stakeholders.

The skills of turnaround professionals in providing immediate viability and confidence to businesses and their stakeholders, with the space to recover and where necessary build a long-term plan in response, will avoid unnecessary insolvencies and accelerate the national recovery.



Our Findings

Methodology

Through a combination of IFT’s membership base of accredited turnaround professionals and Korn Ferry’s network of CEOs, Chairs and Non-Executive Directors, we identified a group of senior business leaders with deep experience in delivering successful transformations and turnarounds (referred to hereafter as the 'Turnaround Group') . The Turnaround Group, some 50 in total, completed Korn Ferry’s Four Dimensions Assessment (KF4D), an assessment tool designed to get under the skin of people’s experiences, competencies, traits and drivers using Korn Ferry’s benchmarked data on best-in-class performers.

In analysing this assessment data, we have been able to identify the attributes that make up successful ‘change agents’ in troubled situations. The key findings are summarised in the overleaf.

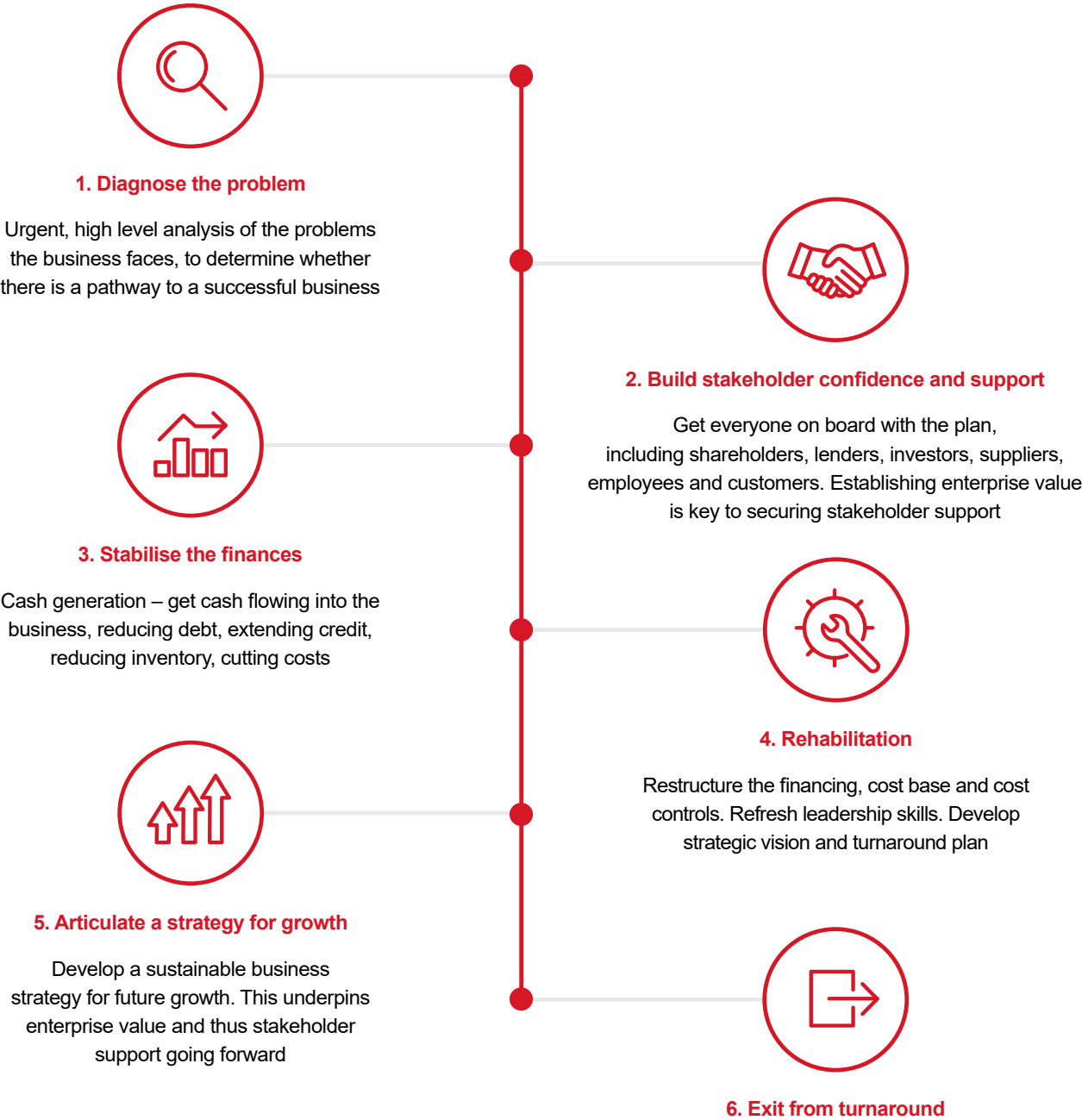


Our Findings

Experiences

Experiences are the roles, assignments, and challenges comprising a person’s career history. They sum up major work-related events and accomplishments, highlighting what an individual has had the opportunity to do and learn.

The leaders in our dataset have all managed many companies through periods of transformation and turnaround. These businesses vary in sector and scale, but all were on a spectrum from underperformance through to distress. As previously described by The IFT, the stages of this journey are commonly:



Our Findings

Competencies

Competencies are skills and behaviours that individuals develop over time – think of them like muscles, the more they are used, the stronger they get.

The KF4D assesses 15 different Competencies, ranging from *Manages Ambiguity* to *Strategic Vision*. When comparing the data for the Turnaround Group with the benchmark data of a ‘non-turnaround’ leader we notice higher levels of the following:

Persuasion

An effective change agent is adept at influencing others, winning people over and changing the way they think.

Courage

Delivering a turnaround often necessitates tackling tough issues and challenging situations optimistically and confidently. This couples with elevated *Persuasion* to enable turnaround leaders to be honest brokers in challenging and complex situations.

Aligns delivery

With little margin for error in an underperforming business, setting and prioritising objectives, identifying key milestones and the resources needed are essential in achieving organisational goals in time critical situations.

The Turnaround Group scores lower on one competency when compared with the ‘non-turnaround’ benchmark, which speaks to the shorter time horizons often involved in turnaround work:

Develops Talent

With higher stakes, limited resources and a relatively short time horizon, there

is less priority on developing others to help them achieve their career goals.

However, as identified in recent IFT insights, turnaround professionals are often able to rapidly identify talent – the hidden heroes, often below leadership level, who become core to the turnaround and sustained growth. In addition to delivering persistent improvement, the turnaround experience typically transfers long term skills, successful models and approaches to companies and people.



Our Findings

Traits

Traits are personality characteristics that exert a strong influence on behaviour – these are less susceptible to change in a person over time. Depending on the business situation, specific traits can be more or less crucial for success.

In best-in-class business leaders, some of the hardwired traits we expect to see accumulate under the Super Factor of “*Energy*”, defined as a drive for achievement despite obstacles, consistently seeking to exceed expectations, and showing resilience even in the most challenging situations, recovering quickly from setbacks.

The Turnaround Group rated highly in *Energy*, and also demonstrated high *Agility*, which on deeper analysis was driven by elevated scores related to:

Tolerance of ambiguity

In a difficult market, even when the way forward is unclear, leaders must continue to make progress and be comfortable with uncertain information. The individuals in the Turnaround Group excel in creating confidence and certainty in the most uncertain situations.

Focus

When businesses require change, effective leaders must attend carefully to details and identify the root causes of problems, and address inefficiencies in organisational processes. Together with high levels of competency in aligning delivery, this trait creates a powerful ability to deliver at pace.

Adaptability

An agile leader is flexible and continuously considers alternate ways of doing things, readily adapting to unfamiliar situations. They are able to alter their approach as needed to meet the requirements of the task at hand, welcoming experimentation and questioning the status quo.

Conversely, the Turnaround Group score lower on the Super Factor of “*Positivity*”, defined as being optimistic and non-judgmental to present experience. This is not to suggest that the Group lack this attribute altogether but, rather, that it may be less crucial for success. Instead, the Turnaround Group are more likely to display the characteristic of *Objectivity*.

Objectivity

The Turnaround Group look at situations based on facts, and are less influenced by personal feelings or opinions

Tend to be forthright and direct in stressful or difficult situations, ensuring that others recognise the issues and are adequately prepared to handle them.



Our Findings

Drivers

Drivers are the deep internal values, motivations, and aspirations that influence a person’s choices. They lie at the heart of critical questions: What is important to me? What do I find rewarding? Do I want more challenge in my work? Stability? Responsibility?

Drivers are essentially the pivot point for the other three dimensions: if driven, an individual may moderate personality traits, work to improve competencies, or seek out experiences to progress toward a professional goal.

Of the six core drivers that we evaluate through the KF4D assessment, our analysis identified two that scored higher in our Turnaround Group dataset than in the standard benchmark:

Independence

Independence of thought benefits businesses that need to rethink. *Independence* plays a crucial role in building trust across stakeholders in stressed and time sensitive situations.

Challenge

Despite obstacles and a seemingly impossible task, these individuals are motivated by exceeding expectations, and seeing things through to the end. Turnaround professionals demonstrate remarkable tenacity, with a total commitment to achieving the best possible solution for the business.

Perhaps unsurprisingly, the Turnaround Group tend to score lower in relation to *Balance*: when integrating their work and personal life, work can often take priority. Combined with high *Challenge*, these individuals continuously seek out challenges that, for others, may seem relentless.



Conclusion

What is the DNA of a successful 'change agent' in troubled situations?

Through our assessment, we have been able to identify the Competencies, Traits and Drivers that are the hallmarks of the most experienced leaders of successful business transformations and turnarounds.



Conclusion

The picture that emerges is of leaders who show high levels of situational intelligence and are:

Courageous in the face of adversity, quick to gain alignment.

When leading a business through a difficult situation, the confidence to succeed engenders trust and followership, aligning stakeholders around the objectives and milestones needed to achieve success.

Energised by achievement and exceeding expectations, with an analytical and flexible approach.

Individuals must be energised and aligned to their roles to optimise performance. Adept at tolerating ambiguity, they are unflappable in volatile and unpredictable settings. When faced with complex information, they will seek patterns in uncertainty to create new solutions. They are adept at working at pace, motivated by achieving the best possible outcome for the business.

Driven by autonomy and challenge.

To deliver transformational change, successful leaders stretch the boundaries of what is achievable, and challenge the standard ways of doing things.

These leaders are:

1. Not invested in organisational politics.
2. Likely to challenge previously accepted approaches with tenacity and objectivity
3. Relentless, fast-paced and focused on outcomes

At the time of writing in late 2020, the UK economy continues to be heavily impacted by COVID-19. Despite the measures taken to save lives, protect jobs and buoy the economy, the challenges faced by many organisations are acute. Ensuring business and its leaders are equipped with the right skills will be indispensable for success in these uncertain times.





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