

Swift

The Online Turnaround Times



**IFT Awards
Roundup**



**IFT Academy
2021**



IFT Next Gen



**Emotional
Intelligence for
Turnaround Leaders**

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CHAIRMAN'S MESSAGE

As we end 2021, I am pleased to report that the IFT is in great shape. I'd like to thank the members, partners, executive team and all those who contribute to the IFT. The past 18 months or so have been challenging in a number of ways. We have been privileged to draw on the excellence of our members and partners in promoting turnaround, increasing our engagement with stakeholders and supporting knowledge across the profession. This special edition of Swift concentrates on our celebration of turnaround excellence through the IFT Awards.



I was delighted to see so many members, partners and stakeholders at the awards dinner on 11 November. I would like to say a huge thank you to our event partners, Credibt. Credibt have an outstanding reputation as a delivery partner in turnaround strategies, so it's fitting that they are joining us to celebrate turnaround excellence. The volume and quality of submissions for the awards were testament to turnaround excellence in the UK. Those submissions showcase the breadth of business rescue and improvement expertise, from intensive support to weather shocks, to long term operational transformation programmes.

September marked the end of government-related covid support, with the attendant pressures on supply chains and labour shortages. We're beginning to see hints of the problems which lie ahead, which will place stress on UK plc. However, businesses need not be on their own during this process. Our members and partners are well placed to support UK businesses to grasp turnaround and transformation opportunities in the coming period, as our 2021 societal impact report, published earlier this month and summarised later in this edition. Key findings show that in 2020, our members saved 84,000 jobs – rising to over 200,000 when the contribution of corporate members is included. Total shareholder value of £2.9 billion was restored in 2020 in assignments undertaken by IFT members, an 11% rise over 2019. The report is part of our priority to raise the profile of turnaround excellence in the UK. Over the next year, we will build on our excellent stakeholder relationships and the unparalleled knowledge that resides in our membership and partnerships to increase our role in thought leadership.

We are proud of the work of our members and partners work across the UK. Over recent years we have increased our working across the regions, enabled by our excellent regional committees and members. Expanding our reach and deepening our engagement across the UK is a key priority going forward, and we look forward to meeting in person again across the UK in 2022.

I would like to thank you for your continued engagement in 2021 and wish you all the very best for Christmas and the New Year.

Andy Leeser

IFT Chairman

CELEBRATING TURNAROUND EXCELLENCE: IFT 2021 ANNUAL AWARDS



The Institute for Turnaround (IFT) celebrates the contributions made by the UK's turnaround community at its annual awards programme.

One of the most authoritative and respected industry awards, the event promotes sustainable transformations of UK businesses and organisations.

The winners from ten categories were announced at the awards ceremony on 11 November 2021 at London's prestigious Rosewood Hotel. We sat down with Jo Wright, Fellow of the IFT and founder of boutique advisory firm, De Novo Advisory, and Chair of the judging panel of esteemed turnaround and restructuring industry experts to talk about the awards programme.

Jo, you have been involved in the awards programme for 3 years now, how did this year compare?

As with all years, it was a real privilege to head up a judging panel of long-standing independent turnaround practitioners and to be given a unique insight into some of the most impressive turnarounds from the last few years.

Choosing just one winner per category was no easy task, the number of submissions and the quality of those submissions was unprecedented. When all nominees are, in their own way,

richly deserving of an award, this made the judging particularly challenging and sparked considerable discussion and debate amongst judges, in some cases, there simply was no obvious stand out winner. Fortunately, we could draw on the expertise of the judging panel so that every possible angle was explored and debated before finally settling on the shortlist and the ultimate winners. We were certainly put through our paces - it was such a tough year to judge which is testament to the outstanding work delivered by this community over a really difficult period.

How did the impact of the Coronavirus crisis feature in the submissions?

Unsurprisingly the need for support dramatically increased for many businesses, some were already at critical point prior to the pandemic. The backdrop of Covid made the submissions even more impressive, it was difficult to compare transformations that had happened under such extreme circumstances. Some of our biggest debates centred around timing, and what constitutes a completed turnaround journey. However, as a judging panel, we commended, without exception, the creative, innovative and diverse approaches taken to meet the needs of all stakeholders, communities and individuals.

What were you looking for in the submissions?

There are two main factors – the

quality of the content and how the information is presented to clearly document the journey. These should be backed up by strong references and evidence of long-term sustainability. Evidence of innovation and creative solutions helps make a case stand out – something that emerged in a number of entries this year, again demonstrating the commitment of members to finding workable solutions to complex problems.

Were there any standout categories?

The awards really do showcase the best of the best and this year, the competition was unbelievably tough. In 2021, we added new categories for Not for Profit Turnaround of the Year and Community Impact Turnaround of the Year, to better reflect the breadth of assignments that our members are involved with. I was really impressed with the entries in these categories which we hope to build on further still in future years. I would also say that, Rising Star was difficult to judge, not just due to volume of entries but also because of the outstanding talent. This is really encouraging and makes me hugely optimistic about the future of this industry.

What advice would you give to anyone thinking of entering next year?

When faced with a list of outstanding entries and extraordinary people who have made a huge difference to the future of UK businesses, it is

CELEBRATING TURNAROUND EXCELLENCE: IFT 2021 ANNUAL AWARDS

extremely difficult to choose which one deserves an award. However, the quality of this programme is what makes it so special and on behalf of the judging panel, I would like to thank everyone who dedicated the time and effort into preparing submissions. I would recommend that you speak with the IFT to gain advice on what to submit, provide well-structured information and focus on where you have made a real and lasting difference.



THE IFT AWARDS: SPOTLIGHT ON THE WINNERS

SPECIAL SITUATIONS PRIVATE EQUITY PROVIDER

Rcapital Partners LLP with Trios Facilities Management Limited

Trios is a national facilities and property management provider working with a diverse range of clients across public and private sectors. By 2019, Trios Group faced tremendous challenges, lacking leadership and exposed to risks, having been acquired by a large international plc in 2016. Management was very positive and open to working with Rcapital, given their sector knowledge and experience of working with stressed businesses. On acquisition of the company in March 2020, Rcapital appointed a senior team led by an experienced Chief Restructuring Officer to work with the management team to turn the business around, delivering both financial and operational improvements. Alongside immediate term stabilisation and cash controls, the business was reconfigured, all whilst delivering critical services to front line industries. The financial outcome is impressive, including a cash improvement of £3m - and the business is well placed for the future, with an engaged and resilient team, established values and behaviours and an effective approach to reward and recognition.

"Whilst 2020 was an immensely difficult year for everyone, the work carried out by restructuring, rescue, and turnaround professionals throughout our industry, is something we should all be proud of. Congratulations to everyone who participated in the IFT's prestigious awards programme." Phil Emmerson, COO at Rcapital.

"We are humbled and honoured to be recognised for this award which is testament to the resilience, grit and absolute commitment of the turnaround teams and our portfolio companies. We completed the acquisitions quickly and efficiently, despite the complex nature of these transactions. We provide hands-on operational support to rebuild businesses with significant growth potential. We're optimistic and excited by our portfolio companies delivering on their transformation plans despite the trading headwinds." Chris Campbell, Partner, Rcapital.



THE IFT AWARDS: SPOTLIGHT ON THE WINNERS

SPECIAL SITUATIONS PRIVATE EQUITY PROVIDER



THE IFT AWARDS: SPOTLIGHT ON THE WINNERS

SPECIAL SITUATIONS DEBT PROVIDER OF THE YEAR

Barclays

Barclays has a long history of supporting its business and corporate customers when they encounter financial challenges, with a true understanding of the requirements to deliver sustainable turnaround solutions. Over the period, customers experienced unprecedented pressure, with the need for banking support never greater.

Barclays implemented a proactive outreach, to understand impacts, address funding needs and give much needed confidence. The first two months of the pandemic were particularly intense with rapid new lending, including government backed loans. The turnaround team have worked alongside other Barclays colleagues to implement Government backed loan schemes. This included taking CBILS from concept design to delivery in two weeks and proactive engagement with the British Business Bank alongside industry peers to address post implementation challenges, ensuring consistent scheme outcomes. Additional liquidity support was provided by capital repayment holidays on existing loans and increased flexibility on working capital facilities. Barclays was at the forefront of implementation of the Restructuring Plan (RP) introduced during Covid. The bank supported the first applications of the RP resulting in approval of turnaround plans of Covid impacted customers in the travel and oil and gas sectors. Barclays has exceeded its pre-pandemic turnaround rate during the period and customer satisfaction, a key indicator, has remained consistently high.



THE IFT AWARDS: SPOTLIGHT ON THE WINNERS

SPECIAL SITUATIONS DEBT PROVIDER OF THE YEAR



THE IFT AWARDS: SPOTLIGHT ON THE WINNERS

LARGE COMPANY TURNAROUND OF THE YEAR

Teneo with Mamas and Papas

Case Study

UK-headquartered nursery and baby retailer, Mamas & Papas, was struggling to maintain the confidence of its investors and employees after racking up over £13m of EBITDA trading losses in 2018 and 2019 and required an urgent funding injection. The firm called in turnaround advisers Deloitte Restructuring, now part of Teneo, to help management carry out an urgent strategic review and develop a robust turnaround plan that showed a route back to profitability.

The business operated through stores, concessions and online, with stores driving the majority of the losses. However, closing the stores risked putting online sales at risk, so the turnaround team focussed on loss making stores, cost savings and rent reductions.

The plan put forward to investors would retain the 27 stores that were profitable on a gross margin basis, and close five loss making ones. It identified savings of £5m – 20 per cent of the cost base - most of which could be implemented within weeks, following a review of business costs and the operating model. A review of stock and the supply chain allowed the business to reduce the value of stock carried by £4m - 25 per cent. The closure of five loss-making stores and the renegotiation of rents on retained stores yielded a £2m per year benefit.

Within eight weeks of starting the strategic review, the turnaround business plan developed was backed by stakeholders with the required funding being injected and a new CEO and CFO were brought in to drive implementation.

Within two years, and despite the pandemic disruption, Mamas & Papas is now trading profitably (EBITDA of £5m in FY21, and on track for further significant increase in FY22). The turnaround plan was further supported by a return to sales growth, launching new products, opening new concessions in Next stores, signing distribution agreements across the world, and upgrading its website to deliver a better, nimbler online offer. Its market share in the UK grew from 6.5% in 2019 to 8.5% in 2021 and employee engagement and confidence in management increased hugely.

"We are very proud to have been a part of the Mamas & Papas Turnaround journey starting back in 2019. The business has had to take some difficult decisions in a challenging market and we are delighted to see such an iconic brand and business performing well. The combination of a rapid strategic review, cost out programme and rent rationalisation, supported by a new senior management team, was essential for the business to recover and prosper."
Clare Boardman, Senio Managing Director, Teneo

"The initial accelerated strategic review that Teneo performed in 2019 helped get the business pointing in the right direction strategically, and essentially was backed by the key stakeholders. This laid the foundation to allow the new and existing management team to develop the business and exceed everyone's performance expectations."
-Mark Saunders, CEO, Mamas and Papas



THE IFT AWARDS: SPOTLIGHT ON THE WINNERS

LARGE COMPANY TURNAROUND OF THE YEAR



THE IFT AWARDS: SPOTLIGHT ON THE WINNERS

SME TURNAROUND OF THE YEAR

Playfair Partnerships (Intimates Lingerie LLP)

Intimates Lingerie is a family-owned lingerie, leisure and swimwear brand founded in 1997. This profitable business was heavily reliant of one brand, creating challenges. Playfair Partnerships were appointed in March 2016 and commenced by identifying key actions needed to stabilise the position, and importantly a plan and timeline required to re-establish turnover and profitability. Key actions included management of stakeholders, settlement of a contractual dispute, and fundraising for investment in new brands. Turnover was rebuilt through the development of existing smaller brands and winning new brands. This was underpinned with a financial strategy and tight financial controls. The business is now profitable and cash generative. All key staff have been retained in the business and Intimates is now looking to recruit more.

We were delighted to receive this award, as it is a recognition by one's fellow professionals of one's work in the sector. We faced some tough challenges during this assignment, but thanks to a real team effort across Playfair and the client, some skill and a lot of hard work, we prevailed!

In more detail....

Situation

Intimates Lingerie was formed by a husband & wife team after long careers in FMCG blue-chip companies. They successfully grew the business but were overly dependent on one brand and when changes to the brand's ownership and strategy resulted in losing the business, total turnover declined by over 50 per cent and significant operating losses ensued.

Despite the contract cessation being illegal, settling a damages claim, and subsequently replacing the turnover would take some time and hence an operational turnaround plan and financial strategy to achieve this was required.

Action

Cut costs

Costs were reduced by £750,000+ over a two-year period despite an increase in high-street rents and website investment.

Grow sales

Existing products – the sales team concentrated on increasing income from existing brands through store supply, boutique, concession outlets and on-line sales.

New brands – several new brands were won and grew year-on-year, resulting in a replacement of income and less dependency of one brand.

Result – total sales under management have grown significantly and have now returned to the level prior to the major brand loss.

Conclude a satisfactory commercial settlement

An out-of-court settlement of £750,000 was reached with the supplier, settling an outstanding liability, repairing a negative balance sheet, and contributing £250k to cashflow. Although the settlement didn't fully cover the losses, it enabled the business to draw the line under a very big issue, which could have proven terminal had the case been lost – and it provided much-needed cash.

Raise capital

The turnaround was expected to take three to four years and significant additional funding was needed to cover this period. The client's bank declined to provide any further funding, so it was sourced by increased borrowing against existing properties, private loans and Tier 2 market borrowing - more expensive, but needed for a short term.

Manage cashflow

Large value orders and seasonal income produced

a very fluctuating cashflow. This needed daily management and ongoing negotiations with HMRC and short-term lenders, when large payments, such as VAT, were due. Without this, the turnaround would have failed.

Manage external stakeholders: the suppliers and the bank

The bank agreed to continue to with their CID facility and a short-term asset-backed loan but required regular meetings and feedback. At the outset, suppliers were owed large sums. Playfair devised a financial strategy to navigate this situation and assisted with managing these relationships, which was essential to the turnaround.

Communications, general and financial planning

With lots of 'moving parts' to bring together, large sums to raise and many stakeholders to communicate with, we needed to plan a lot – both short-term and long-term - to ensure the end represented the right result and was navigable. Whilst very time consuming, this was vital for a successful outcome.

Outcome

It is hard to convey the number of different issues that needed solving and the fine margins in doing so – we couldn't afford to lose any of the battles, and this was a true team effort. Ultimately, we were successful, and the business is back in profit. Additionally, net borrowings are very much reduced and the business has left the bank's support unit. Playfair Partnerships continue to provide financial control and the business continues to grow.

Testimonial

"Playfair Partnerships are the complete package: professional, knowledgeable and committed. They have helped guide us through a very difficult journey, while at the same time truly becoming part of our business family." Managing Director and Owner



THE IFT AWARDS: SPOTLIGHT ON THE WINNERS

INDEPENDENT ADVISOR OF THE YEAR

Sean Sullivan

Sean Sullivan has been an IFT Member since 2010 and a Fellow since 2019. As an independent adviser, he has undertaken a series of particularly challenging turnarounds, including entities recognised leaders in their fields, and within highly regulated environments. Sean has taken on a number of notable cases, including his position as the chair of Bourn Hall, a world pioneering IVF Clinic, where he implemented a cost efficiency programme whilst developing the strategy to break out of COVID and gain renewed eminence in a highly competitive market.

One is “only as good as your last turnaround”....well, winning this year’s Independent Award means my last assignments must have passed muster. As an independent practitioner I am very well aware that this has not happened in isolation. Assignments have always involved colleagues, recruiters, professional service firms as well as client and lender groups. I cannot understate the value and thanks due to these transitory but vital turnaround teams in my work.

In conversation with Sean Sullivan

What have been the key factors in the market?

The market is quiet, but the longer term issue is for challenged businesses to engaged with accredited expertise, so for me getting the message out into the market remains key.

What have been your key career highlights to date?

Running the field operations of both Thames Water and Eastern Electricity in the UK rank alongside being appointed as Commissioner of the Murray-Darling Basin in Australia. However, delivering the turnaround at Winterbourne View expose as an independent TD had the reward of helping those in society who need help the most.



THE IFT AWARDS: SPOTLIGHT ON THE WINNERS



THE IFT AWARDS: SPOTLIGHT ON THE WINNERS

LEGAL ADVISOR OF THE YEAR

Freshfields Bruckhaus Deringer

Freshfields Bruckhaus Deringer enjoys an exceptional position in acting for the full spectrum of stakeholders, which is key not only in terms of volume but also the variety, complexity, and innovation of the mandates that the firm has worked on. Having undertaken restructuring roles within the Debenhams and Arcadia businesses, Freshfields advised on all aspects of their administrations, including on the sale of their brands to Boohoo and ASOS. The firm has advised Ted Baker on its successful implementation of a series of high-value transactions aimed at shoring up its balance sheet and enabling continued growth. Much like retail, the aviation, travel, and leisure sectors have experienced unprecedented pressure in this period. Roles have included advising on the Malaysia Airlines scheme and Virgin Atlantic's restructuring plan. Building on its experience in dealing with complex consumer businesses such as BrightHouse, the firm has taken on roles in this area that have been rendered more complex through spikes in customer defaults during the COVID 19 pandemic.

The firm has been at the forefront of the development of the powerful new UK restructuring plan, having worked on the first case under the auspices of the new legislation, Virgin Atlantic. Through their involvement in various industry organisations, Freshfields also remains at the forefront of market developments more generally, helping shape new laws and feed comments to government and has continued to grow and promote talent in London.

"Covid brought challenges for many. We're really delighted to have helped so many clients through the pandemic. It's been a tremendous collective Team effort to help on Arcadia, BrightHouse, Debenhams, Malaysia Airlines, Ted Baker, Virgin Atlantic and more besides. We are absolutely delighted to have been recognised by the IFT and winning the prestigious IFT Legal Adviser Award 2021 has been a wonderful boost for all of the Freshfields Restructuring Team."



Freshfields Bruckhaus Deringer

THE IFT AWARDS: SPOTLIGHT ON THE WINNERS



THE IFT AWARDS: SPOTLIGHT ON THE WINNERS

COMMUNITY IMPACT TURNAROUND OF THE YEAR AND NOT FOR PROFIT TURNAROUND OF THE YEAR

Robert Griffiths, Education Training Collective – Redcar & Cleveland College

Robert Griffiths demonstrated an exceptional turnaround that netted awards in two categories.

Stockton Riverside College merged with Redcar & Cleveland College (RCC) on August 1, 2018. The merger brought with it a series of challenges, not least because RCC had just been rated 'Inadequate' by Ofsted and needed constant cash injections from the Government to stay solvent. IFT Fellow and independent adviser, Robert Griffiths managed a turnaround process that involved changes to the management team including a significant level of staff restructuring which centralised support services across the group. This removed duplication and enabled improvements to learning which were noted upon by Ofsted.

"To be recognised nationally for work that has not just had a positive impact on a single entity, but also has long lasting benefits for the wider community is a great outcome."

In Conversation with Robert Griffiths

What have been the key factors in the market?

Increased leverage, tide of Government support washing in and now going out, inflation, supply chain challenges. All of these coupled with a fairly benign turnaround market that has left some parts flat out and others quieter than they can remember have ever been.

What have been your career highlights to date?

The real highlight has been the wide range of roles that has allowed me to operate now as an interim exec. A background as Restructuring Adviser and Corporate Finance Adviser, VCT Investor and Business Support Banker gave me a great foundation for the last eight years as an Independent operating across the public and private sector.

What you see ahead for independent members?

As the role becomes more recognised and understood nationally, there is likely to be a long term increase in work for independents who can land in a challenged situation and drive immediate change. The generational leap we've had over the last few years in flexible working is likely to assist this further.



THE IFT AWARDS: SPOTLIGHT ON THE WINNERS



THE IFT AWARDS: SPOTLIGHT ON THE WINNERS

TURNAROUND ADVISER OF THE YEAR

THM Partners LLP

The COVID-19 pandemic has created an unprecedented degree of social, political, and economic uncertainty which has placed additional pressure on businesses and their management teams. Throughout this period THM has deployed small, senior led teams to alleviate these pressures and work alongside existing management teams to lead businesses through this period of uncertainty. Since August 2019 THM has worked with 34 businesses in financial distress to help them stabilise and rescue their business. These businesses spanned more than 15 sectors, including retail, leisure, energy, property, financial services, manufacturing, and telecoms, and were located across many jurisdictions from North America to Europe and Asia. In almost all situations THM has taken board appointments as part of its engagements. In the past two years, THM has taken 10 Chief Restructuring Officer (CRO), four Chief Financial Officer (CFO) and two Chief Executive Officer (CEO) roles.

“We are delighted that THM has been named as the IFT's Turnaround Adviser of the Year for 2021. We are very proud of our dedicated team, which has worked with over 30 businesses in financial distress over the last two years, supporting management teams from North America to Europe and Asia, delivering value for our clients across many sectors.” Neil Robson, Partner, THM



THE IFT AWARDS: SPOTLIGHT ON THE WINNERS



THE IFT AWARDS: SPOTLIGHT ON THE WINNERS

RISING STAR

Paul Denvers (Enact SME Fund)

The COVID-19 pandemic has created an unprecedented degree of social, political, and economic uncertainty which has placed additional pressure on businesses and their management teams. Throughout this period THM has deployed small, senior led teams to alleviate these pressures and work alongside existing management teams to lead businesses through this period of uncertainty. Since August 2019 THM has worked with 34 businesses in financial distress to help them stabilise and rescue their business. These businesses spanned more than 15 sectors, including retail, leisure, energy, property, financial services, manufacturing, and telecoms, and were located across many jurisdictions from North America to Europe and Asia. In almost all situations THM has taken board appointments as part of its engagements. In the past two years, THM has taken 10 Chief Restructuring Officer (CRO), four Chief Financial Officer (CFO) and two Chief Executive Officer (CEO) roles.

"I have been very fortunate to work with some fantastic colleagues and management teams in the past 12 months achieving some great things within the growing Enact portfolio. I was delighted to receive an award from The IFT which recognised this. Thank you and congratulations to all the other winners on the night."



IFT Academy 2021

The final module of the 2021 Academy was held on 15th and 16th November in Birmingham. The morning of day one comprised an exercise where the academy delegates were asked to compare different retailers located in Birmingham's Bullring shopping centre. The delegates were then asked to put together a presentation on the retailers including feedback on staff, accessibility, visibility and overall store presentation.

The afternoon followed with presentations by IFT Fellows Tony King and Robert Griffiths. Tony presented a case study on leadership failures and Robert gave a presentation on cash forecasting and management. Both presentations included great level of detail and were received warmly by the delegates.

The second day started with a visit to Morgan Motors, located in Worcestershire. Famous the world over for its unique blend of craft, heritage and pure driving experience, the Morgan Motor Company has been manufacturing for more than 110 years. The academy delegates were given a tour of the factory, which gave a great insight into the authenticity of manufacturing carried out at Morgan Motors.

Before lunch IFT Chairman Andy Leeser presented an automotive industry case study to the academy delegates. This was in the afternoon by a discussion on the future of the automotive industry, which included a presentation by Andrew Burn and Lee Swinerd of Interpath. Once again, both presentations were well received by delegates and provided a fascinating insight into the automotive sector.

We finished with the graduation ceremony where delegates received their completion certificates from Andy Leeser. Overall, the 2021 IFT academy has been a great success with 23 delegates graduating in total.

"The IFT academy was a great opportunity to broaden my knowledge and contacts outside of my business organisation. The external speakers that delivered sessions were insightful and really brought the theoretical learning to life. I have built valuable relationships with others in the turnaround industry that have continued even after I completed the course."

Sarah Newland, Barclays



IFT Societal Impact Report 2021- Navigating the Pandemic and Beyond: The Contribution of Turnaround to Business and People

In a normal business cycle, the reasons why businesses need turnaround support are many and varied. Since the beginning of the global pandemic, many businesses have been heavily reliant on government support which has meant that although the number of companies in distress in 2020 continued to rise during the pandemic, insolvencies fell by 27 per cent when compared with 2019.

In this report, **Navigating the Pandemic and Beyond: The Contribution of Turnaround to Business and People**, we highlight the huge contribution IFT members make and the value they create for society and the economy.

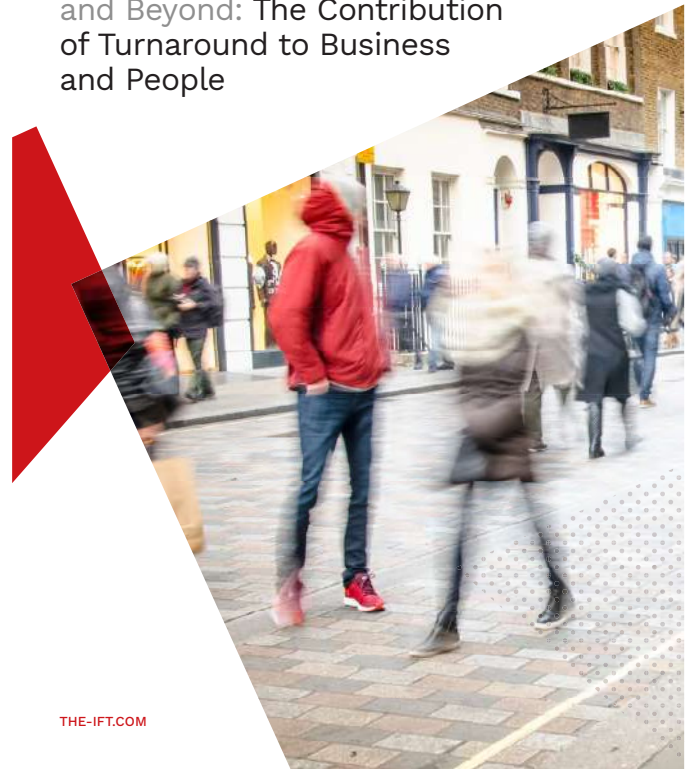
We estimate that in 2020 IFT members and corporate partners saved more than 200,000 jobs and protected £2.9 billion in enterprise value. The report analyses the profound impact which the pandemic has exerted and continues to impose on the economy and businesses, at a time when business recovery is even more important to the economy and people.

Our research, conducted during the Covid-19 disruption, highlights how we expect Covid-19 to drive higher demand for turnaround services for the remainder of 2021 and beyond.

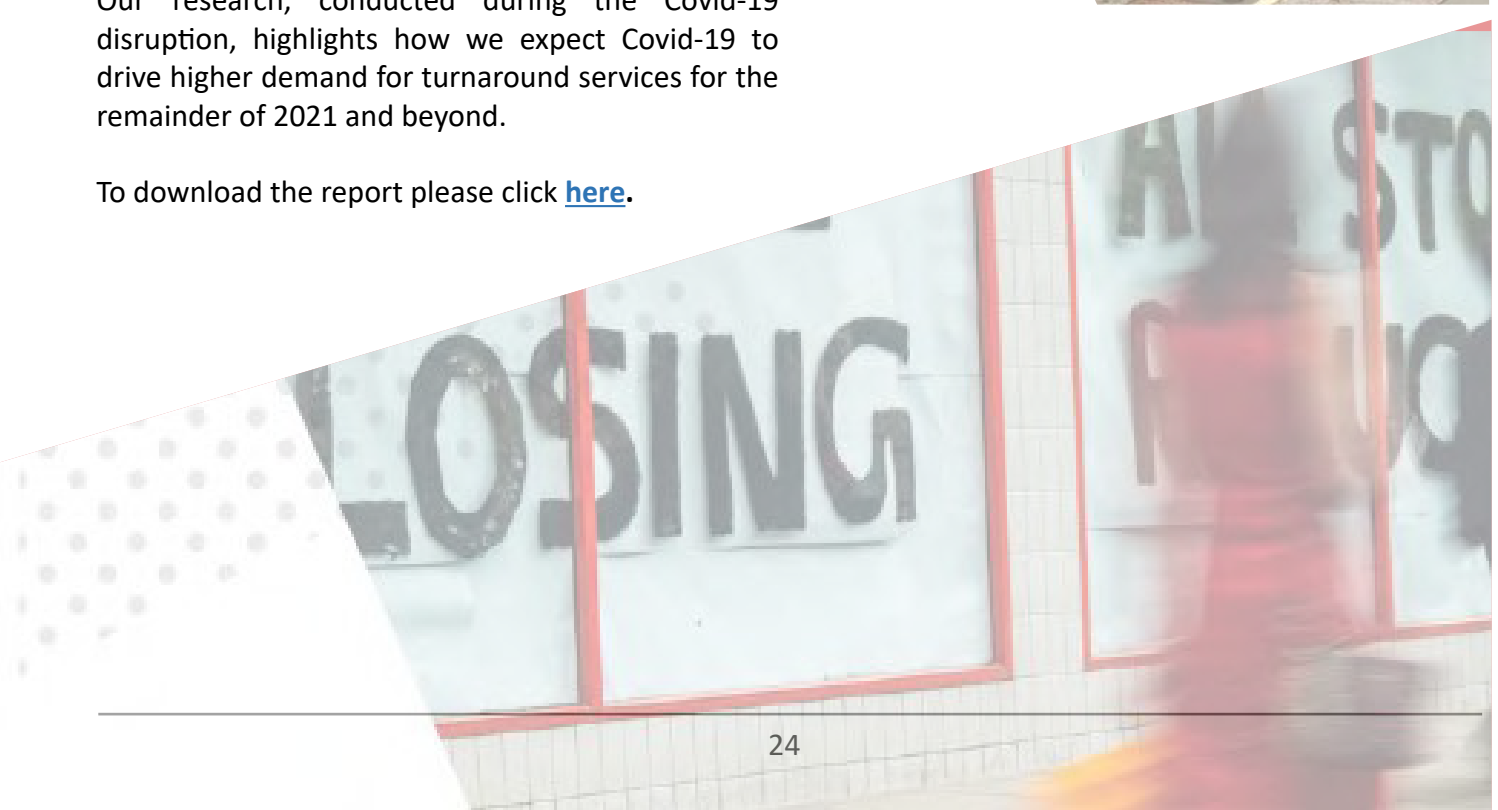
To download the report please click [here](#).



Navigating the Pandemic and Beyond: The Contribution of Turnaround to Business and People



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IFT SOCIETAL IMPACT REPORT 2021

IFT Societal Impact Report 2021

This pandemic period has been a profound shock to the economy and the jobs and businesses that contribute to it. Helping put viable but troubled businesses back on a sustainable commercial footing is an unequivocal good – never more so than now. It saves jobs and livelihoods, protects the local economy and protects the value of companies.

"Turnaround is something that society needs."

Says Rachel Richardson,
Head of Banking and Finance Policy
at Macfarlanes.

"This report identifies how many jobs have been saved by turnaround and restructuring. Preserving jobs in the real economy has obvious benefits to society and consequentially turnaround can demonstrate that it fits within the S of ESG."



1. Independent members of The IFT protected 84,000 jobs in the last year



IFT independent turnaround directors and corporate partners helped companies save over 200,000 jobs in 2020. Independent turnaround directors almost doubled the number of jobs they saved, from 44,000 to 84,000. However, the proportion of distressed companies seeking turnaround management services remains very low. If just 4.5% more distressed firms sought its members' support, the IFT estimates that jobs saved could be 10 times higher¹.

2. Turnaround directors helped restore almost £3 billion in shareholder value



IFT members have continued to protect the value of firms in 2020 by helping firms secure funding and operational changes necessary for survival during the pandemic disruption. Total shareholder value of £2.9 billion was restored in 2020 in assignments undertaken by IFT members, an 11% rise over 2019. Nineteen assignments resulted in an increase in shareholder value of over £17 million apiece².

3. Demand for turnover management expected to be highest in manufacturing, retail and casual dining



IFT members are forecasting strong demand for support from manufacturing, retail, casual dining and automotive in the next 12 months. The casual dining sector was stressed before the pandemic, but lockdowns and the ability to claim government support have protected many pubs and restaurants from failure. Meanwhile the automotive sector needs to come to terms with the long-term challenge of the transition to electric vehicles, while also navigating intense short term supply chain issues, including the shortage of semiconductors.

4. Although the number of companies in distress rose, government support protected thousands of firms from insolvency



The number of distressed companies continued to rise during the pandemic but insolvencies fell by 27% during 2020 compared with 2019³. However, as government support has tapered, insolvency rates are returning to pre-pandemic levels and distress rates are rising, as firms struggle with post-pandemic debt, coupled with labour shortages and supply issues.

5. But there were winners and losers



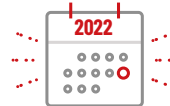
In general, retail, leisure and hospitality businesses bore the brunt of lockdown, with the pandemic further exacerbating existing difficulties in the high street retail and casual dining sectors. Manufacturers, particularly in the automotive sector, have been constrained by a shortage of semiconductors since economies re-opened. The biggest winners were logistics firms, online companies, and those bricks and mortar businesses that were able quickly to shift their business online. However, the determining factors between winners or losers are often finely balanced, with a single characteristic such as which sub-sector niche or ability to attract investment heavily influencing outcomes for a business.

6. Wales & the West saw highest rate of distress in 2020



Firms in Wales and the West saw the highest rate of distress during 2020, with 4.16% of firms struggling. The Midlands recorded the lowest rate of distress at 3.86%. However, 45% of distressed firms were in London and the south east, reflecting the size of the regional economy.

7. As government support tapers, many firms face an accumulation of financial pressures



IFT members expect the depletion of working capital to be the number one financial stress post pandemic. However, companies also have significant additional debt that needs to be repaid, and repairing company finances will test the leadership capacity of many firms, and their ability to adapt quickly to a new working normal. Inflationary pressures, including rising energy costs, are a further cause for concern.

8. Companies needed help managing cashflow, costs and stakeholders during the pandemic



Turnaround directors were most commonly called upon to help with cashflow forecasting and reducing costs, as firms struggled to cope with the tsunami of financial impacts unleashed by the pandemic. Their skills in stakeholder management were also in heavy demand.

9. Labour pains: shortage of workers



Apart from insolvency risks, labour problems are the biggest challenge for firms according to turnaround directors. After suffering a double blow from Brexit and the pandemic, which has massively reduced migrant staff, the labour market woes were compounded by the 'pingdemic' and the extension of furlough to September 2021 which kept people in jobs that are no longer viable, while reducing the pool of those looking for employment.

10. Directors need to overcome a cultural/psychological reluctance to seek turnaround support



Company directors are reluctant to call in turnaround advisers when they need to, according to The IFT's member survey. Almost three-quarters of respondents said cultural or psychological resistance to external advice was the key reason why businesses didn't seek turnaround advice when they found themselves in distress. Yet turnaround directors provide an independent and expert voice, and are positioned on the company's side, helping it solve problems during periods of distress, with particular expertise in managing relationships with the various stakeholders involved in such situations.

11. Turnaround experts want to be in the room rather than in the zoom



Turnaround is an informal process that relies on situational experience and personal interactions with stakeholders to build trust, renegotiate commitments, and transform operations. Building that trust and engagement over Zoom has been a real challenge during lockdowns.

12. ESG is on the turnaround agenda



Factoring in environmental, social and governance (ESG) outcomes is fast becoming an integral part of the turnaround agenda, reflecting the rising public and investor interest in the impacts companies have on the world around them. The Social Impact of turnaround is also a prime motivating force for today's practitioners, and is inspiring the next generation to pursue a career in turnaround.

¹IFT Member Survey 2021, ²IFT Member Survey, 2021
³<https://www.thegazette.co.uk/insolvency/content/103888>

IFT Next Regional Launch in London

IFT *Next* is our offering for professionals who are developing their career at a senior level in turnaround, whether as an adviser, lawyer, banker, or investor. We kicked off on 13th October at PWC London, with a panel discussion followed by networking. We share some key insights from the panel here. Our next regional launch will take place in Leeds early in 2022, please email info@the-ift.com if you would like to sign up for this, get involved in IFT *Next* or know a colleague who would be interested in learning more.

Introducing IFT Next



"Turnaround is always about leadership, but the skills demanded have changed over time. Empathy is essential. Communication has always been important, but in a social media world and with many more stakeholders, there is even greater demand for excellent communication skills."

Susan Moor, Director, FRP Transition

"ESG, D&I and CSR are at the forefront of Private Equity's mind and are major considerations for LPs on how and where they deploy capital. There are clear financial implications for funds who don't have a defined strategy on these matters. At an individual level we can support inclusivity by communicating in a straight forward language recognising that overuse of technical terms to explain simple commercial concepts can be intimidating."

Felix Connolly, Director – Enact, Endless



"It's so important when working with boards of directors to build up trust and confidence at an early stage of the working relationship. When situations intensify, which they always do in turnarounds, and significant executive decisions need to be made, directors need to know you're alongside them, in the trench, someone they can count on 24/7."

Richard Obank, Partner, Brown Rudnick

"My background is business transformation, which is not an exact science and, by nature, requires aspirational energy to achieve cultural shifts. To the younger Ken Scott, I would say – 1. Believe in yourself; 2. At all times, strive to be the best version of yourself; 3. Regularly come up for air!!"

Ken Scott, IFT Fellow



"Use opportunities and take risks to make yourself a more interesting and rounded person – whether that's working in a different department, in different parts of the market, working abroad and taking up learning opportunities. Network internally and externally widely to find the quality contacts and the people you want in your network and to work with in the future."

Rob Asplin, Senior Adviser, PWC

Events in 2022

New variants permitting, we are excited to be organising more face to face events and meetings for 2022. These will be accompanied with regular webinars in response to members and partners who tell us that they would like a blended approach to enable networking and flexibility.

We will be in touch with members and partners in the North East and North West region regarding in person IFT North Conference that will take place at BDO Manchester on 29th March, and we are currently making arrangements for our IFT Midlands and West and Wales Conference. June will see a return of the IFT National Conference in person in London, and early in 2022 we will be starting the awards process in advance of the annual dinner in November.



INDEPENDENT MEMBER SPOTLIGHT: EMOTIONAL INTELLIGENCE AND TRANSFORMATION



As a qualified executive coach, Derek is also an experienced Operational Executive who is at ease with day-to-day operational issues as he is working at Board and Trustee Level. In his 38-year career Derek has gained Operational experience across a number of USA based blue-chip organisations, Private Equity

buy-outs and experienced working across 8 different Industrial sectors and 6 different countries.

Derek is a member of The Institute Of Directors [IOD] and a member of The Institute For Turnaround [IFT]. Derek is qualified to ILM Level 7 in Executive Coaching & Mentoring and an accredited practitioner in Personal Profile Analysis[PPA], Trait Emotional Intelligence[EQ] and PROPHET – Predictive Role Profiling for High-Performing Executive Teams.

In his spare time Derek is a terrible golfer, cycles and loves spending time with his 1-year-old Grandson.

Here, Independent IFT Member Derek provides an overview of what Emotional Intelligence is and why it matters for leaders.

As Milly Camley, IFT's CEO has recently stated in her short video posts ... Transformation is the process of restoring a business to long term viability. That could mean examining areas such as Governance, People, Strategy and Finance to name a few. She also goes on to note the outcome of the recent Korn Ferry study which emphasised the importance of communication at all levels and stages in the transformation engagement.

Much of a transformation engagement can be focussed on the "Technical" aspects such as Cash, Debt and Credit positions. These are all important but, in all businesses, – people are key in terms of making all these factors work and become sustainable once the transformation intervention has been completed. Therefore, the Korn Ferry

study referencing Communication is a vital skill that Transformation professionals need to be aware of, good at and sensitive to how this is managed. Therefore, in a Transformation engagement are you clear how you react to people, how you understand what others are thinking or feeling and how to basically get the best from those you interact with? Emotions are likely to be at an even higher level of extreme than normal due to the pressures they are facing.

As acknowledged by participants in the IFT and Korn Ferry study, Emotional Intelligence, or EQ, is an important aspect of turnaround delivery.

Throughout this article, the term leadership refers not only to those internal leaders of an organisation, but also to the transformation professional who is working with the organisation they are helping to recover and restore its viability.

If you aspire to be in a transformational role, there's an emotional element you need to consider. It's what helps you successfully coach teams and individuals you engage with, manage stress – both that of others and yourself, deliver feedback/messages that may not be well received, and collaborate with others. As a transformational professional you may be required to take on a leadership role which may require to help create a new vision and drive this forward within the organisation, but in so doing must consider the needs the multiple stakeholders impacted by this.

Successful leadership is about being effective in three ways:

1. leading self
2. leading others
3. leading the organisation.

According to Daniel Goleman (2015)¹, there are 5 EQ competencies:

1. Motivation,
2. Self-awareness,
3. Self-regulation,
4. Social skills and
5. Empathy.

Successful leaders have sufficient self-awareness to know that they are not perfect. Mastering leadership of self requires admitting you're not perfect and striving for improvement. This self-awareness allows an individual to recognise and overcome any weaknesses they may have either through personal development and learning new skills, or by empowering others and using their skills. Leadership in a transformation setting is tough. Therefore, having the ability to keep calm, deal well with pressure and stay optimistic when others may be panicking or lacking clarity of the next move. This is very important.

As we all know and are experiencing, there is ever increasing pressures on businesses to keep up with the speed of change, even more so when the business is during a transformation process. Transformation professionals have a huge responsibility to successfully lead the affected organisations through these changes. In any situation of change, a key determinant to the level of success is the degree to which the transformation professional can communicate a need for the change to members of the organisation.

What is Emotional Intelligence?

First let's have a brief look at what Emotional Intelligence [EQ] is in relation to improving leadership capability and ultimately getting the result required as easily as possible. Emotional Intelligence [EQ] is not the same as Intelligence Quotient [IQ].

EQ is an individual's ability to identify, evaluate, control and express emotions.

IQ relates directly to intellectual pursuits such as the ability to learn as well as understand and apply information to skill sets.

Good EQ is increasingly becoming recognised as an important aspect of a good leadership and good organisations. Much of this need is driven by the increasing complexity of the business world we live in and the speed of change. In most organisations nowadays there are a huge range of internal and external stakeholders that all need to be managed – particularly in a transformation project. The increasing prominence of Environmental, Social and Governance [ESG] requirements is only adding

to this pressure and expectation on leaders and organisations.

EQ is therefore an important characteristic for anyone at any level of an organisation, but it is particularly important for those who occupy positions of leadership – in this case when undertaking a transformation task.

Effects of low Emotionally Intelligent [EQ] Leaders on Organisations

Global leadership development firm DDI states that leaders who master Empathy perform more than **40%** higher in Coaching, Engaging with others and Decision-Making². According to research by organisational Psychologist Tasha Eurich writing for the Harvard Business Review (2018), states that **95%** of individuals think they are self-aware However, only **10-15%** are, which in turn then poses problems if everyone thinks like this. Eurich states that working with colleagues who are not self-aware can cut a team's success by **50%** and so can lead to frustration, stress, and decreased motivation³.

Leadership is difficult, whether it is a large or small organisation. Leaders who have low EQ are likely to display poor personal capabilities managing stress when such situations present themselves, which can result in a variety of outcomes – aggression or strong verbal outbursts, often driven by not getting a result that is required say to stabilise an organisation, for example. This is unacceptable and can shut down positive debate and cause employee anxiety, which then affect areas such as productivity and collaboration in the workplace.

¹Goleman, D. (2015) On Emotional Intelligence (HBR's 10 Must Reads). Boston, MA: Harvard Business Review Press.

²<https://www.ddiworld.com/podcast/why-empathy-is-number-one-skill>

³Eurich, T. (2018) "Working with people who Aren't self-aware," Harvard business review, 19 October. Available at: <https://hbr.org/2018/10/working-with-people-who-arent-self-aware>

How can you understand your Emotional Intelligence [EQ] to become a better leader?

"EQ is a collection of personality traits concerning people's perceptions of their emotional abilities, these traits predict numerous outcomes (such as life satisfaction, coping strategies and rumination)."

Dr K.V. Petrides, Professor of Psychology and Psychometrics at University College London.

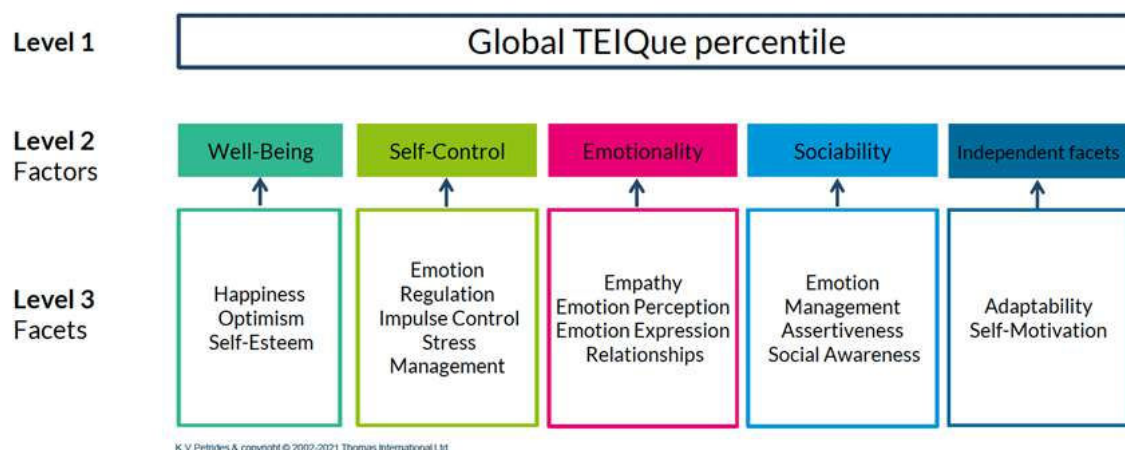
To be able to get an appreciation of where you sit with regards your EQ Thomas International have a tried and tested assessment tool developed by Professor KV Petrides of UCL that will provide a clear view of your own perceived strengths and limitations around EQ. This provides you with a self-awareness of how you manage your personality traits and,

importantly, how others perceive them. Working with an accredited coach, Thomas International's Trait Emotional Intelligence Questionnaire assessment helps an individual to clearly understand the impact their behaviours have on other people.

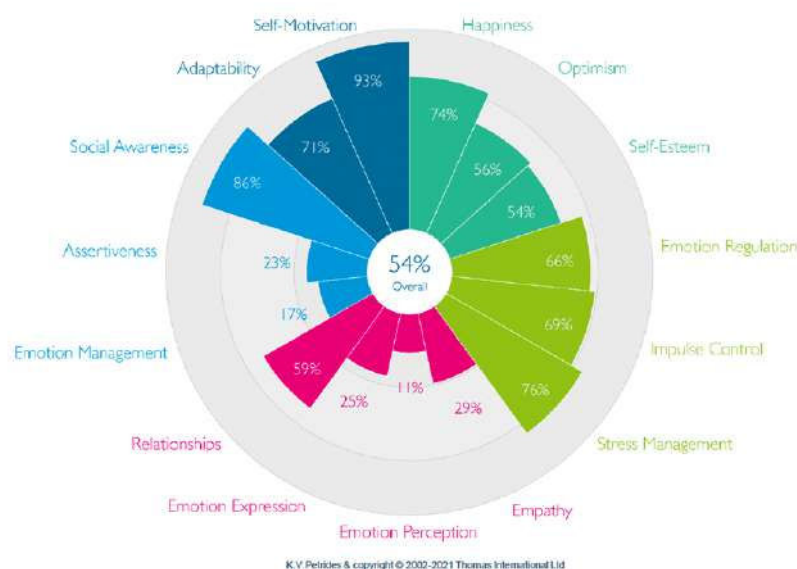
A report provided is indicative rather than definitive: the scores presented reflect how the person taking the assessment reported the outcome, based on how they answered the assessment questions.

During the assessment, the areas highlighted are as shown below:

The TEIQue Model



The areas above, are then presented in a format as shown below **as an example:**



Alongside an accredited coach, the reflective leader will then work through areas, asking a range of open questions. The questions raised and the reflective, honest, responses to these can allow the individual and coach to discuss the impact on the person, the people in their organisation and the potential around achievement of goals.

As the statistics show, greater capability in the area of EQ will enable leaders to give the best of themselves and get the best from their organisations.

Becoming more aware of your EQ does not mean you are not a good person or doing it wrong it means as an individual, you are willing to reflect on yourself in a more critical fashion to ask "Am I giving of my best and getting the best?" for myself, for my team and for those I am interacting with.

This article can only cover a summarised view around Emotional Intelligence [EQ] and its effect on a people and those they interact with. However, it is hoped that it provides an awareness that on top of the functional skill a Transformation Professional has is required to ensure the end goal is achieved effectively and efficiently.





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