

Business turnaround – facing the demons and regaining control

Anthony Holmes is an experienced British executive and turnaround specialist, frequently called in to turn around ailing public and private businesses. He talks to Arif Mohamed about his experiences of helping troubled businesses and why they don't like to talk about their problems

Business recovery and turnaround goes on all the time, but most businesses that have endured the process are reluctant to talk about it, said Anthony Holmes. The experienced British executive has had a hand in turning around many large corporations and public sector organisations.

"If the business is currently in difficulty, talking about the situation publicly can add to their problems and exacerbate the situation. Their creditors get more concerned, the people who they owe money to tend to think they can't pay and are going to go out of business, and employees and potential contacts get jittery," explained Holmes.

"It's also an emotional thing, because no one that's running a company wants to advertise their dirty linen in public."

Holmes added that once a business has escaped that difficult place, they are still reluctant to talk about their experiences. "Companies that have got into problems once tend to get into problems later. Talking about difficulties advertises: 'I am an uninsurable risk'. Then there is also the emotional element: that executives don't want to be reminded of past difficulties.

"Most of the people involved in the situation at the time see it as a direct criticism of them, and they also become stigmatised by it. Also, many people who lead the business into the problems are not the sort of people who can get them out of it. Emotion is therefore a big issue."

With expertise in marketing and finance, Holmes's career spans strategic consultancy, investment banking and senior corporate management in a diverse range of industries, in the UK and Western Europe, the US and the Middle East.

Holmes has witnessed an array of businesses that have faced difficulties, and is regularly brought in as an outsider to turn them around as their acting chief executive officer.

Turning the tide

In 2000, Holmes worked with Global Crossing to help it to

turn around Racal Telecoms, the UK telecoms business it acquired for \$1.7 billion.

Holmes said that on acquisition, Racal Telecoms' business was profitable with revenues of around \$900m and, crucially, it provided Global Crossing with a key trans-European fibre optic network. But by summer 2000,



the UK business was projecting a very substantial loss and headcount had risen from 850 to 1700, and was projected to grow within 12 months to 2200.

The brief was to regain control of the business, reverse the trend of headcount growth and prepare and execute a plan to return the business to its planned profitable performance.

Holmes successfully returned the UK business to an annualised EBIT profit of \$30m within 18 months.

Prior to that, in 1999, Holmes was appointed by TXU, a major US corporation, to direct, as chief executive officer, the restructuring and turnaround of their £2.6bn revenue UK subsidiary Eastern Energy. This was the second largest electricity and gas

supplier in the UK and was generating substantial and increasing losses.

Holmes has also acted as chairman and chief executive of Bestwood after the sudden departure of its executive chairman, following the announcement of substantial losses for 1987. He has worked with Arthur Young, the New Zealand Dairy Board, Colefax & Fowler Group, and many others.

Holmes said he enjoys working with larger companies and has noticed that when they come into difficulties, they have particular issues. "You're dealing with peoples' reputations. A person running a large company



Anthony Holmes

gets changed too late in the day, and is allowed to remain during the process of denial and concealment, by which time the problem's turned into a crisis. People are human beings after all, and get into defensive positions, and also financially defensive positions," he added.

"The important thing is to go into any business turnaround situation without any preconceptions. There are no two cases that are the same and the solution for each is different to the last one. A common element is that, usually, the balance sheet problems are symptomatic of the problem. If you fix that and stop at that point, you don't actually deal with the underlying problem," said Holmes.

To do this, creative management is required, and the desire to look into the organisation's "dark corners" to discern the problems. Holmes has been successful in doing this, and has frequently been appointed as the interim executive who makes the tough decisions to get the business back on track.

"I have learned about myself that leadership isn't a superior type of management. It is a different skill set. I'm good at changing businesses, and good at getting people to change things, but after a while, that impetus disappears. I know it's time to move on when I'm getting used to the business, and am not looking in the dark corners anymore.

"My going away is a good indication that the business has returned to stability. But I always play a very central role in recruiting the people who follow after the business has gone through turbulence. It's very important that they can consolidate afterwards," Holmes said.

doesn't want to be stigmatised, from a career point of view, by the acquisition that didn't work out, or the decision that went wrong, or that they should have made but didn't."

Holmes said that the manager's psychology, when a business begins to fail, tends to follow a pattern. "It starts with denial, and then comes concealment, then negotiation, followed by confrontation, and then collapse. This is one of the reasons why you have to remove the key managers if you the business is to move on."

All change

In larger companies, it is relatively easy to change the management, said Holmes. "The problem is that most senior management in a company in difficulty