

KordaMentha



Interim leadership in distressed organisations

Charting a course through
complexity and difficult times.

kordamentha.com



Interim leadership in distressed organisations

Driving change through stabilising, collaborative and decisive leadership.

A special type of leader is required in environments of distress. In these situations, leaders need to prioritise the urgent and important, develop and communicate a change agenda to build confidence and delicately manage various stakeholder interests. At the same time, they need to inspire and empower management and staff to step outside their comfort zone.

The combination and balance of these qualities is rarely found in management teams and boards. Distressed leadership is a trained skill required for short transitional periods. Our involvement can be short-term and helps to navigate turbulent times.

KordaMentha provides assistance through appointments to interim leadership positions. We act for companies and government organisations that are managing serious challenges and that have significant financial, operational or reputational value at risk.

Our experience and hands-on approach enables us to serve a diverse range of clients in both public and private sectors. We work on businesses and projects that are time-sensitive and critical to the ongoing success of the organisation.

What makes us different?

We do more than advise. We own our clients' most complex problems and work alongside them to develop and implement solutions.

Our team are experts in managing through periods of financial, operational and organisational stress.

We tackle entrenched problems, often considered too difficult or intractable, that may be limiting the performance of the business or organisation.

We partner with our clients to provide focus and leadership, and to create solutions that deliver results under time pressure.

How we work with clients

We collaborate with clients by providing experienced leaders that deliver material change.

Measurable results Our clients come to us when they need results. We can rapidly embed our staff into various interim leadership roles. We agree outcomes for filling these positions upfront, including finding our permanent replacement. Success is measured by results achieved and performance delivered across financial, operational and cultural key performance indicators (KPIs).

Implementation partners We partner 'in the trenches' by providing additional bandwidth to executive and operational teams. In bringing a proprietor's perspective, we see the organisation's challenges as our responsibility to solve and we work collaboratively to make meaningful changes.

Flexibility We know that large, complex commercial challenges require agile thinking and flexible delivery models. We approach interim leadership roles with this mindset, ensuring we engage with the teams we lead and bring them along the journey.

Bias to action Our clients do not ask us to adopt a passive caretaker approach to interim leadership. When assuming leadership roles, we energise and empower the teams we work with. Our strong implementation capability and bias to action builds confidence in our people and provides momentum to the organisation.

Our focus on successful implementation

We bring an evidence-based approach to our work with a strong emphasis on action and results, delivered through a three-phase process: Diagnose, Plan, Implement.

Indicative activities

Diagnose

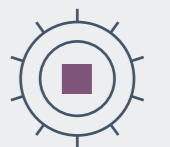
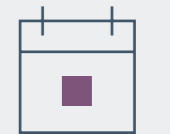
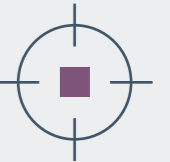
- Engage with staff and stakeholders to gain on-the-ground insights.
- Understand the organisation's baseline functions, processes and controls environment.
- Rapid review of the team's capability and current work status. Our success is built on understanding and engaging the team, so we listen before taking action.
- Understand the team's current priorities and reconcile to the actual priorities.
- Understand and map key stakeholders, including relationship owners.
- Identify internal talent suitable for acceleration/promotion.

Plan

- Undertake detailed planning to address key priorities identified in the diagnostic phase.
- Agree on objectives, milestones and KPIs.
- Partner with key personnel in the organisation to develop cooperative plans.
- Develop a communications and engagement strategy to guide the implementation phase.
- Develop succession plans to find permanent replacements for our team's interim leadership positions.

Implement

- Provide leadership throughout, including engagement with key stakeholders, such as employees, unions, customers and financiers.
- Regularly report on performance aligned to agreed KPIs.
- Apply an agile approach to change. Focus on building confidence and momentum with quick wins and realising high-yield opportunities.
- Implement the succession plan, finding permanent replacements for the interim leadership positions.



Case studies

Media company

Outcomes and benefits delivered

- A transformation program identifying circa \$100 million in year-one savings and a sustainable cost-out program.
- A reshaped operating model, structure and workforce to support growth and adapt to market decline, including a 10% reduction in workforce and redeployment of capability to growth areas.
- A strengthened, more focused and capable leadership team following a 50% turnover of executive leadership.

Background

KordaMentha was engaged to work with an iconic Australian media organisation operating across multiple traditional media platforms. With a new ownership structure, the company required support to make tough calls, reduce the recurring cost base and enhance long-term opportunities and value.

Approach

In need of action and a different mindset, the company appointed a KordaMentha Partner as Chief Transformation Officer. We prioritised establishment of a transformation program focused on returning the organisation to profitability, navigating and stabilising through significant organisational distress and strengthening organisational leadership.

Fitness First

Outcomes and benefits delivered

- Detailed and timely visibility of financial performance to key stakeholders.
- A human resources capability audit, resulting in the replacement of 25% of club managers.
- Sold, handed back or renegotiated leases for 24 sites with NPV lease liability totalling circa \$160 million.
- Assisted in recruitment of a permanent CFO.

Background

Fitness First underwent a global turnaround and financial restructure to address a circa \$900 million debt burden. The Australian operations, which employed 5,000 staff and had 300,000 members, faced a desperate need to rationalise operations and cost.

Approach

Our initial role to undertake a financial and cultural diagnostic evolved to filling the interim CFO position. The new owners wanted insight and needed a trusted independent party to provide visibility. Our approach was to stabilise the team and overhaul the reporting and information flow. Once stabilised, we set up a transformation office and developed a turnaround plan focused on financial and working capital performance, site rationalisation and capital expenditure and planning.

Central Adelaide Local Health Network

Outcomes and benefits delivered

- >\$150 million annual financial improvement.
- An overhauled budget design process.
- New organisation structure, reducing spans of control and embedding new leaders.
- New performance management framework with patient, people and financial KPIs.

Background

Central Adelaide Local Health Network (CALHN) is South Australia's largest healthcare network with circa 13,300 staff, five hospitals and a \$1.8 billion annual budget.

CALHN was an organisation in systemic distress, forecasting a \$274 million FY19 forecast budget overrun.

Approach

Several consultant-led transformation programs had been attempted prior to our engagement with minimal success. Using our different mindset, we tailored an innovative solution where KordaMentha staff were employed as public servants as the Administrators of CALHN. The Administrators had financial delegations and worked alongside the CALHN Executive to set up and implement the transformation program.

Slater and Gordon

Outcomes and benefits delivered

- A streamlined business with a renewed focus on core operations.
- Divested 12 unprofitable legal practices, transferred/exited circa 250 employees and transferred circa 1,400 client legal files.
- Contributed to a \$100 million improvement in EBIT over two years.

Background

Slater and Gordon is an iconic Victoria-based law firm, providing personal injury and general legal services. Slater and Gordon narrowly avoided insolvency via a recapitalisation backed by US hedge fund. In Australia, Slater and Gordon reported a \$67 million EBIT loss in FY17 and had 1,100 staff operating in 51 locations.

Approach

Brought in initially by a US hedge fund to undertake a financial and cultural diagnostic, our role evolved following several C-suite departures. Throughout the engagement, we temporarily filled CFO, Head of Workforce and COO roles. Our transformation plan stabilised teams and replaced our interim roles with suitably qualified internal and external candidates.



How we can help you



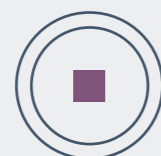
Chief Restructuring Officer/Chief Transformation Officer (CRO/CTO)

A CRO/CTO is a concept, not a title. CROs/CTOs are most effective when facilitating and coordinating an overarching financial and operational restructure/turnaround.

Leading a large scale program is a time consuming process requiring unique and specialised skills. By leading the process, CROs/CTOs relieve pressure from management enabling them to focus on day-to-day activities.

A CRO/CTO role may include:

- Acting for the company to coordinate various restructuring advisors.
- Temporary appointments to navigate process and embed capability.
- The provision of restructuring and turnaround advice.
- Managing the restructure engagement process for impacted stakeholders (employees, unions, financiers).



Interim CEO

The departure of a CEO is one of the most disruptive events any organisation can face. It can destabilise the organisation and its stakeholders.

We assist clients by taking interim CEO positions, leading the turnaround and giving the board time to recruit a new CEO.

As interim CEO, we provide:

- An unwavering focus on the turnaround and recovery program.
- A stabilising force for the organisation and employees.
- A fresh perspective immune to historical context and internal politics.
- A trusted, truly independent advisor to the board.



Interim leadership and crisis management

As part of our turnaround services, we can assume interim c-suite or leadership roles within the organisation. In addition to CRO/CTO and CEO, we also provide interim CFO, COO and Head of Workforce services.

We deliver focused leadership of core functional areas during times of uncertainty, distress and turnaround.

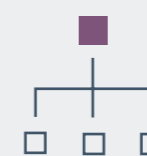


Third party stakeholder relationship management

Distressed environments invariably involve multiple stakeholders, including unions, suppliers, financiers, legal advisors, customers, employees, government and the media.

We identify stakeholders and assess how they will be impacted and plan how to guide them through change to optimise success and minimise disruption. This includes preparing a coordinated communication strategy to address stakeholder needs.

Where required, we take an active role in stakeholder negotiations. Our involvement can assist by providing an independent third-party perspective and voice.



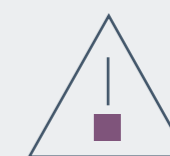
People and organisation design

An organisational reset is often required to reboot a distressed company.

With our guidance, internal functions are aligned to support the overarching strategy of the organisation.

Additional improvements include:

- Developing a labour framework aligned to operational needs and financial objectives.
- Improving labour management and controls, such as recruitment measures and optimisation of the labour base.
- Active assistance with industrial relations challenges, including strategy, negotiation and implementation of transformation reform.



Buying and integrating distressed businesses

We are experienced in navigating the uncertainty and complexity that comes with acquiring and integrating distressed businesses.

We work with acquirors to undertake due diligence activities, including establishing valuation and purchase price and advising on bid strategy and negotiations.

Following a successful bid process, we work with the purchaser and acquired business to complete operational integration. This may include realising synergies and exiting unwanted business units or service lines acquired as part of the larger transaction.

“KordaMentha’s professional conduct and approach was paramount to the success of the transformation project. Most importantly, the support and guidance delivered by KordaMentha provided our stakeholders with confidence in the outcome which benefited both the organisation and key stakeholders. It is clear to me that KordaMentha is committed to delivering real results and is adept at balancing competing and complex interests.”

Chairman, Defence

Key contacts



Chris Martin
Partner

+61 3 8623 3425
cmartin@kordamentha.com



Henriette Rothschild
Partner

+61 3 9908 8949
hrothschild@kordamentha.com



Suzanne Wauchope
Partner

+61 7 3338 0278
swauchope@kordamentha.com



James Wagg
Executive Director

+61 3 8623 3446
jwagg@kordamentha.com



Sophie Gibbons
Executive Director

+61 3 8623 3453
sgibbons@kordamentha.com

KordaMentha

Contact us

Brisbane

+61 7 3338 0222

Gold Coast

+61 7 3338 0230

Jakarta

+62 21 3972 7000

Melbourne

+61 3 8623 3333

Perth

+61 8 9220 9333

Singapore

+65 6593 9333

Sydney

+61 2 8257 3000

Townsville

+61 7 4724 9888

For more information visit
kordamentha.com

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