

EMERGING STRONGER – RESTRUCTURING

TRANSFORMATIONAL TIMES

The definition of volatility is “liability to change rapidly and unpredictably, especially for the worse”, and that seems an apt a description of current economic conditions, caused by a combination of:

- supply outstripping demand, causing supply chains to creak
- geo-political disruption
- raised commodity prices (energy in particular)
- rising inflation
- rising interest rates
- Covid-19 recovery plans

In light of the above factors, many businesses are having to (re)consider their strategy/core markets and assess where to focus their efforts and whether there are elements to their business that no longer work, or no longer fit in with the overall strategy.

There are 3 key factors that dictate how successful a transformational project is when a business decides to make a fundamental change to part or all of its strategy or operations.



1 UNDERSTANDING THE CHALLENGES TO SUCCESS/FORWARD PLANNING

There are likely to be a range of factors that will determine whether a transformation project can be successfully delivered, including:

- legal and regulatory challenges
- technology and integration
- operational disruption
- reluctance to embrace change
- appropriate skillset
- budget

Early identification of the factors most likely to require careful management is key to allow plans to be put in place to manage and mitigate the risks posed, and to prepare contingency plans to the extent things don't quite go as smoothly as planned.

It is vital to be forward thinking and to map out the next few weeks ahead at each stage of the process, to be armed and ready for any twists and turns that may arise. A well run project will also track and communicate progress against milestones, as well as identifying areas that become a priority if they threaten to knock the timetable off track.

2 MANAGING STAKEHOLDERS

Subject to the nature of the project, there are likely to be arrange of stakeholders affected by it, including but not limited to:

- employees
- suppliers
- customers
- lenders
- bond holders
- pension trustees
- regulatory authorities
- shareholders

Anticipating the impact on, and response of, each stakeholder is equally difficult as it is important. Our experience on transformation projects is that a clear and open communications plan delivers the best results and allows risk to be managed effectively. Counterparties tend to respond better to what might appear to be 'bad news' if they are treated professionally and with courtesy.

Agreeing the chronology of which stakeholders will be communicated with in what order needs careful thought too, to ensure that a tight handle of communications can be retained, and no stakeholder goes off on a frolic that threatens to undermine the deliverability of the project.

3 RESOURCING AND GOVERNANCE

It is hard to over-estimate how much time and energy a transformation project takes up. Change is often feared. A dedicated, skilled team is required, preferably free of (some or all of) the shackles of the day job. That leadership team need to lead by example in setting a positive, inclusive and innovative culture to deliver the change they are seeking to implement.

The nature of the project will dictate the skills required for the project delivery team (whether that be technological, operational, people etc). Whatever the make-up of the project delivery team, there needs to be appropriate monitoring of the project, governance and testing of the decision making process at each stage, especially as transformation projects often entail teams working together who would not usually do so.

A strong project lead will have the ability to bring together multi-disciplinary teams, both internal and external advisors, and will motivate by ensuring there is a clear, easily understood and deliverable vision.

FOCUSED UPON CREDITORS, INCLUDING INSTITUTIONAL LENDERS, BONDHOLDERS AND SPECIAL SITUATIONS, WE ARE ONE OF THE LARGEST RESTRUCTURING TEAMS NATIONALLY WITH OVER 40 DEDICATED LAWYERS.

If you would like a more comprehensive view of what we're seeing in the current environment and what steps you should take to maximise your chances of success, please get in touch.

Andy Bates, Restructuring Partner
andrew.bates@addleshawgoddard.com

 **ADDLESHAW
GODDARD**

MORE IMAGINATION MORE IMPACT