



A&M Helps Boards Navigate the Challenge of Extraordinary Disruptions

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Research Study Provides a Practical Framework for How Boards Should Lead Through Complex and Discontinuous Challenges

Leading global professional services firm Alvarez & Marsal (A&M) today reveals the findings of its major 18-month research study which explores how Boards should address the unique, extraordinary disruptions that can challenge the very existence of a business. In developing the research entitled “Boards in Challenging Times: Extraordinary Disruptions,” A&M in conjunction with Henley Business School, analysed the real life experiences of more than 70 seasoned U.K. Executive and Non-Executive Board Directors. The research has identified four distinct types of disruption that firms may face and provides a three-stage framework of leadership approaches, qualities and core disciplines that should be used to tackle each type.

Four Types of Disruption

The first step in dealing with disruptive events is for the Board to call out, identify and size the issue being faced, which then enables the type of leadership to be determined.

The four types of disruption identified are:

1. Transformational Disruptions are those where, often, the leadership plans to transform the company in response to a performance challenge which may require disrupting existing cultures, systems, processes and structures. Examples: Turnaround, strategic transformation
2. Reputational Disruptions are unplanned, making them unpredictable and often stem from an own goal. Examples: Fraud cases, misconduct, management conflict
3. Hostile Disruptions are caused by a disruptor or disruptive event, are unplanned by the affected company and pose a threat to its survival. Examples: Credit crunch, hostile bid
4. Creative Disruptions are planned, with the company itself being the disruptor, through a new product, business model or technology. Examples: A start-up disrupting established players

Malcolm McKenzie, Managing Director, Alvarez & Marsal said, “This study exposes a number of complex issues and factors that have been overlooked by previous research and which come to the fore when a Board faces an extraordinary disruption. We often hear about the predicament of companies facing disruption from new, start-up technology, but this research looks more broadly at the context and the type of leadership required across the spectrum of disruption. As activist investors increasingly examine under-performance in European companies, the importance of both Board and Executives recognising and leading correctly through disruptions is key.”

Research Methodology

The research is qualitative, comprising horizontal (cross-industry) and vertical (case study) in-depth interviews and analysis with Executive and Non-Executive Board members* holding a variety of roles during disruptive events. The methodology was overseen and the findings were discussed at regular intervals by a Steering Committee chaired by Sir Peter Gershon (Chairman of Tate & Lyle and National Grid plc) and also comprising Mark Clare (former CEO, Barratt Developments plc), Mark Gillett (Global Head of Value Creation, Silver Lake), Stephen Hester (Group CEO, RSA Insurance Group plc), Malcolm McKenzie, Managing Director, Alvarez & Marsal), and Professor Andrew Kakabadse (Henley Business School)

Sir Peter Gershon said “I am delighted Alvarez & Marsal has studied this previously unexplored issue in detail. They have developed practical guidance for leadership teams facing out-of-the-ordinary situations, which I am certain many Boards and Executives will find a valuable route map and will help make a real difference for U.K. business”.

The research also outlines seven vital disciplines business leaders need to employ in order to successfully navigate challenging circumstances. Specific combinations of these strengths are better suited to different disruptions, but the findings suggest if leaders can develop proficiency, they will be more effective when facing difficulties.

U.K Corporate Governance Code

Furthermore, the research highlights that current guidance on the U.K. Corporate Governance Code does not take sufficient account of the extraordinary responses required from Boards facing extreme disruptions. One indication of this is the different roles that Chairman or CEO need to play in tackling the different types of disruption. The research reveals that when dealing with reputational or hostile disruptions the Chairman is most equipped to tackle the challenge, whereas the CEO is best suited to take the lead when addressing transformational or creative disruptions.

Professor Andrew Kakabadse, Professor of Leadership & Governance, Henley Business School, said “Many Boards are often found unaligned and ineffective in addressing the most pressing issues. With the paucity of research into this area when businesses face a major disruption, this study throws an important spotlight onto how Boards might frame these events, determine their approach and mobilise their organisations to resolve these often complex and extreme challenges”.

*For a full list of interview participants please see Notes to Editors

About Alvarez & Marsal

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) when conventional approaches are not enough to activate change and achieve results.

Privately-held since 1983, A&M is a leading global professional services firm that delivers business performance improvement, turnaround management and advisory services to organizations seeking to transform operations, catapult growth and accelerate results through decisive action. Our senior professionals are experienced operators, world-class consultants and industry veterans who leverage the firm's restructuring heritage to help leaders turn change into a strategic business asset, manage risk and unlock value at every stage.

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As the UK's first business school established in October 1945, Henley has distinctly addressed the challenges faced by leaders and managers in the private, third and public sectors. With an international presence in countries as Finland, Denmark, Oman, Dubai, South Africa, China, Henley Business School has focused on growing leaders across all sectors across the world to realise their full capability. The research undertaken by faculty on the nature and qualities of world class leaders is globally recognised. Thus the joint study with Alvarez & Marsal further adds to the unique position held by Henley concerning the development, coaching and mentoring of senior managers and public servants.

<https://www.henley.ac.uk/> [6]

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