



Volume 2, Issue 20 – October 30, 2018

Listening to the Market

Lessons Learned at the October 2018 Corporate Transformation Services Global Leadership Forum in London

Alvarez & Marsal's (A&M's) senior Corporate Transformation Services leaders met in London earlier this month, and when we surveyed the markets in which we operate, we found a host of disruptive trends shaping the landscape. In Europe, we see France looking to reduce social safety nets to become more competitive, Germans feeling threatened by reduced exports to countries they traditionally sell to and Poland retreating from its relatively recent democratization and the structures that accompanied those changes. We've also observed the impact of Brexit and how Britain's decision to leave the EU is requiring a great deal of planning and negotiations, from security measures to manufacturing. In North America, we see the U.S. changing the rules of engagement on geopolitical matters particularly with regard to traditional tariffs and trading protocol and at the same time, we see Brazil facing anxiety and uncertainty in its national elections.

As we have articulated in previous issues of From the Inside Out, the vortex of volatility from technology, geopolitical realignment/change and in many cases, over regulated economies, is forcing companies to rethink their business models and embrace transformation. Most corporations, however, are unable to swiftly deal with the speed of change.

The disruption we are witnessing can leave even the most successful corporations reeling and seeking out help. If one were to distill what we do in the context of corporate transformation, they need not look any further than our heritage. The bold, urgent change we ignite stems from the restructuring lens through which we view what our clients are going through. We heard first-hand from our client, the Chief Transformation Officer of a renowned multi-national manufacturer, *"the disruption is too fast and we need the brawn and the expertise that A&M brings to make the transformation happen."*

Transformation Agenda

Time and time again we find ourselves reiterating that the best transformations are ones led by the CEO. Leadership must be ready to take the necessary steps to confront disruption head-on, not delegate the transformation to someone else. A&M is prepared to be the truth teller and highlight the severity of the challenges that lie ahead and then we help leaders lead.

No agenda is complete, let alone started properly, if the transformation isn't anchored in the organization's customer value proposition. Those embarking on the transformation journey must have a maniacal focus on the customer and the changes we design and implement must allow businesses to become nimble. Often, the cost we take out can be invested in knowing the customer better, enhancing the customer experience, having a more responsive framework, and growing the top line. In the past year, we have brought in Managing Director [Kate Donaldson](#), based in London, and Managing Director [Jason Green](#), based in Chicago to build our Growth and Customer Experience capabilities even further.

The most complex piece of the transformation agenda is alignment between the Board and management team. A reluctance to change, complex Board dynamics, complacent or longstanding management teams, a new CEO or CFO, and failed transformation efforts are all very attractive to activist investors. Why? The complex political dynamics feed stagnant results, can create an undervalued stock and reflect ineffective legacy systems, preventing change. We find that while grappling with disruption, there is a lot at stake – often careers, executive performance and challenging long held cultural values. Undertaking change when the stakes are highest leave executives feeling very uncomfortable. A&M influences leaders and partners with leaders by bringing ideas and solutions to the table that are consistent with the operational challenges we see. It is all too common for Boards and/or leaders to find themselves bogged down with politics or cultural resistance and they are not able to identify these challenges nor tackle them.



CORPORATE TRANSFORMATION SERVICES

FROM THE INSIDE OUT

The focus must be on the hardest hurdles so that profitability, accountability and results can be achieved. In summary, A&M is brought in to make management “uncomfortable” but focused on change.

An “Outside-In” Perspective

We find that an “Outside-In” perspective is often what is missing. If a leader wants to confront disruption and transform their business, it is prudent to understand and embrace the activist mindset. Using publicly available information, A&M provides a critical, activist investor perspective on a company’s performance and articulates the business case for specific areas of shareholder return improvement. We then deliver a high-level business case for specific initiatives we believe the corporation should take on including but not limited to, cost reduction, reorganization, shedding non-core businesses, growth plans and strengthening the balance sheet. Conducting an outside-in analysis enables corporations to go on the offensive and buy time in staving off investors. We have developed and invested in [A&M Activist Alert](#) technology in Europe and November 1st, will bring on Nate Dwyer to build an Activist Defense capability in the U.S.

If an activist already has a seat or a few seats on the Board, it is because they want to have a voice for change at the company. A&M’s operational activism or ability to transform the business dramatically, can make businesses less vulnerable to those activists and helps the Board and management engage in discussions in a much less contentious fashion. With many hedge fund investors keeping their investments for longer, we are seeing that the implementation we can take on in terms of operational improvement may leave a once vulnerable business on a sustainable and successful path forward.

In our London conversations, both [Antonio Alvarez III](#) and [Tom Elsenbrook](#) commented that Corporate Transformation Services will be the firm’s key service offering in the non-distressed, corporate marketplace.

GOT A QUESTION? CONTACT AN INFLUENCER ANSWERS ARE ONE CLICK AWAY



JOE BERARDINO
jberardino@alvarezandmarsal.com



MALCOLM MCKENZIE
mmckenzie@alvarezandmarsal.com

For general inquiries, please email us at corptransformationnewsletter@alvarezandmarsal.com

ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) when conventional approaches are not enough to make change and achieve results. Privately held since its founding in 1983, A&M is a leading global professional services firm that provides advisory, business performance improvement and turnaround management services.

With over 3,000 people across four continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, help organizations transform operations, catapult growth and accelerate results through decisive action. Comprised of experienced operators, world-class consultants, former regulators and industry authorities, A&M leverages its restructuring heritage to turn change into a strategic business asset, manage risk and unlock value at every stage of growth.

When action matters, find us at: www.alvarezandmarsal.com

