

## Article 1 of 6 of The Race to Recapitalise: The Key Lessons of Crisis Management

Richard Baker with Julian Macedo - 8 April 2020

Richard Baker is one of the most experienced CEOs and Chairmen in the UK with previous roles at Alliance Boots, DFS, Virgin Active, and Whitbread, as well as a Director of the Lawn Tennis Association which has just undergone its own ultimate crisis response. He is an Operating Partner at Advent International Global Private Equity.

We are honoured that he's agreed to share his views on the key steps to crisis management, to help boards and management teams grappling with the response to the Covid-19 pandemic and its long term implications for their industries.

### 1. Don't Panic

The job of a leader is to recognise the inevitable and get there first. Don't waste energy on lengthy debates. Be clear on the worst case, and rally your team to focus on the response to that possibility.

### 2. Express Uncertainty with Confidence

Things happen fast in a crisis. The core team's communications internally, and to/from the rest of the organisation, also need to speed up. Identify your crisis team who will join the daily call. And coach each of the senior management who aren't in the crisis team, to understand that their job is even more important – keeping the business running.

For the crisis team, increase the frequency and shorten the time for communications by replacing the weekly meetings with daily 10-15 minute check-ins. Go around the "room" to give each team member the opportunity to report in and share the situation. By focusing on the immediate challenges, not the uncertain future, the crisis team will collectively feel more in control and will communicate that certainty across the organisation.

### 3. Do Not Run Out of Cash

Create the worst-case scenario. Avoid the temptation to paint a rosy scenario. Then plan the costs to meet that revenue forecast. As a minimum, assume twelve months of status quo. Ask what if, revenue goes to zero? What if, bank lines are pulled or credit rating slips?

Think hard about your suppliers, customers and lenders. Which are going to prosper, and therefore which should you support? Formulate a communications plan – which will give you the tools to deliver on step 5.

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### 4. Think beyond the crisis

For an entire generation, this is the first economic shock they have experienced. Assume both discretionary consumer spending and corporate balance sheets won't recover quickly. Risk aversion is likely to increase, both personal and corporate.

Analyse the opportunities which have become more apparent through the crisis. What would a more conservative spending pattern look like? Will there be increased spending on healthcare, offset by reduced spending on capital goods to favour shared models (e.g. car sharing)? Is work from home a trend that is here to stay, now that a large proportion of businesses and individuals have had to adjust? Will trends to self-care/wellbeing increase? How have online ordering patterns changed?

When your business starts to return to normal, resist the temptation to immediately revert to the old ways of working. If the crisis has improved your organisation's speed and efficiency – then formalise and embed it. Flexibility around working from home could turn out to have the single greatest impact on costs of any policy.

### 5. Communicate, communicate, communicate

Use the 80/20 rule to select your key relationships - the customers, suppliers, banks and shareholders who will have the greatest influence on whether your business survives. You cannot make lots of formal announcements, particularly if the company is listed.

So as the CEO, allocate time immediately – and every week after for the duration – to sit in a quiet room with a list of telephone numbers, to call the CEOs at each of the businesses who matter to your organisation. Ask them about their concerns and how you can help them. Remember – they will be doing their own analysis of which customers and suppliers to support, or drop. Getting that key individual to have confidence in your business, and be willing to speak up on your behalf, could be the most important factor to maintain access to equity, working capital, critical supplies, or end markets.

### 6. Do the right thing

It's been said that sports do not build character, they reveal it. The same can be said of companies' true values during a crisis.

In a crisis, the leadership and corporate culture will be tested. It's at these times that legends are made - and destroyed. For the stated values to be perceived as important internally and externally, as more than words in an annual report, the leaders of the business will have to hold themselves and the business to account. Even if doing so leads to uncomfortable compromises.

### About The Deal Team and the Race to Recapitalise series

The Deal Team is the first professional transaction manager for public equity and debt capital markets transactions and M&A, providing dedicated Deal Captains to

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project manage transactions within existing management teams. Based in London and working across Europe, we know how to maximise the speed and efficiency of execution for deals such as rights issues, high yield bonds, and M&A disposals, among others.

Through April and May 2020, we will publish weekly articles on the internal execution steps a company should consider in order to win the Race to Recapitalise. This is the first in the series – which will continue as follows:

2. Getting to an answer fast: Financials and Forecasting
3. Tapping your shareholders: Rights issues best practice
4. Managing the details: best practices for due diligence and dataroom management
5. Preparing for the first listed bond
6. Disposals – how to take control and avoid the fire sale

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