



## Communication is king when it comes to leading through tough times

When he joined Boots as chief executive in September 2003, Richard Baker became one of the youngest heads of a FTSE 100 company. But the company he joined was struggling. In fact the Financial Times described his new role as the worst retail job in Britain.



With that in mind I asked him how he set about reviving the flagging fortunes and modernising the culture of the 154 year old chemist.

I discovered that he got off to what, for Boots, was a radical start. Rather than turn up at head office on the Monday morning as expected, he recorded a five minute video the night before to address the workforce.

He wanted to give a clear message to all Boots staff that didn't try to hide the state of the business. He also shared his ambition to put the *chemist* back into Boots.

"I admitted the business wasn't in great shape and that we weren't in for an easy ride," said Richard. "But I also told them there were plenty of prospects for a health care focused, strongly branded, modern, competitive, and efficient company.

"I told them it would take a lot of hard work but that we would get there together. I added that I needed their help to achieve it."

### **Learning from the grass roots**

By the time the message went out at 9am that Monday, Richard had already started the first of six visits he would make to Boots stores that morning. He listened to people on the tills and to those stacking shelves. They told him what wasn't working. Based on their comments he produced a list of a least 20 things that needed to be done in a more modern and practical way.

He eventually arrived at base around lunch-time: five hours after he had been expected. He did a balcony briefing to head office staff during which he read out his newly compiled list.

"I told them if we were going to make this a better place to shop, which is the only way we would succeed, we had to start fixing basic things.

"Yes, people were shocked. For over a decade they had grown used to consultants and strategic reviews. I think they expected me to announce that McKinsey's were coming in to do a strategic plan for the next six months.

"Instead I started with what I regarded to be very practical activity for customers."

At the time Boots was a very old fashioned British company. According to Richard, the directors lived on a corridor completely insulated from the rest of the company. They very rarely went out to visit factories or stores. They certainly weren't in the habit of speaking direct to the people doing the hard work on the ground.

Richard's approach obviously engaged the workforce. When he left Boots in 2007, he received a letter which he cherishes. It was from a lady in one of the stores who remembered a conversation they had on his first day. She had been impressed when he asked her to call him Richard rather than Mr Baker.

She ended her letter with 'thank you for saving this company'.

"My aim from day one was to run the business in a modern way, which is not always about ordering a strategic review or lots of high powered theory," explained Richard.

"We did that later but I was more interested in getting people to be practical very quickly, so we could start to fix things that were broken."

### **Changing people. Or changing people**

I wondered what effect this new broom approach had on his direct reports. After all, these were people who were used to the old way of doing things. In such situations we are faced with two obvious choices; one easier than the other. We can either bring in new people who work the way we want, or we can try to change behaviours in the existing team. Richard's answer clearly demonstrated his determination to force change to the old order at Boots.

"Before I took the job Archie Norman, former CEO of Asda, gave me a very clever and smart check list for turnaround," he recalled.

"One of the points was 'people changing means changing people'. The gist of it was: one person cannot change a business. Rarely are the people who have presided over a troubled business able to change their behaviours enough to get it out of trouble. So you have to change the people."

Richard wasted little time in setting change in motion. On his first day he instigated a six week review of his top team. He enlisted the help of a senior head hunter, experienced in appraising board level people, to act as an independent assessor.

“At the end of the sixth week I had a reshuffle,” he explained. “The assessment had highlighted my best people and I moved them into the most important areas.

“I also had to let a number of top team people go. This told everyone it was for real. We had to start moving quickly; we didn’t have room for passengers.

“The space I had created gave me room to bring in new people. All that happened by the end of week six.

“New people bring in more new people underneath them. And the whole process of regenerating is accelerated by their introduction.

“New people see things as they are without any baggage. They don’t need to hide things or claim importance for things that haven’t worked out. They point out things that are broken and get on with fixing them without getting into blaming people.”

### **Modernising the traditional**

Talking to him that morning reminded me of the Richard I remembered from Asda. His style was always very engaging and direct, and always about action. His ‘let’s get on with it and we’re going to start now’ approach at Boots didn’t surprise me.

“I was very conscious that a new leader has about a hundred days to make 50% of their impact,” he told me. “Boots was a big organisation that was structurally flawed. It had dozens if not hundreds of operational flaws. Simple everyday processes had fallen into disrepair through lack of investment, lack of focus, and people who didn’t care about the practical aspects.

“Modern businesses can’t allow such errors. My attitude was there is enough that is obviously broken to keep us busy for the next six months so let’s get moving.”

Of course Richard needed to get the message out to the wider workforce. So while there was little time for grand off-site management conferences, the essential management elements weren’t abandoned. The management team communicated the mission, the purpose and values, and developed a five point plan which defined the strategic direction of the business.

Everything was based on what Richard describes as a ‘forensic inspection’ of the company’s history. An advertisement from 1902 hanging in a director’s office had caught his eye. It read: Boots the chemist. Bigger, better, cheaper, stores everywhere.’

Richard and his team converted it into a modern plan in which each point linked to one of the five things in that original advertisement. The regeneration strategy was based on a modernisation of the company’s heritage.

### **Striking the leadership balance**

I’ve often heard Archie Norman talk about the steel that people need to get to the top. But is there a paradox between the humility needed to be able to listen, and the arrogant self-belief needed to

reach the top? I asked Richard if he found it a difficult balance. His answer revealed much about his character and leadership style:

"I often think people who don't listen; who can't take criticism but stick at it are those that actually don't have self-belief. They are actually more anxious.

"If you have a steely inner belief you are much more likely to hire great people but not be threatened yourself. You'll allow your team to munch an idea around and come out with a better, stronger plan.

"People with a deep inner confidence are more able to attract good people around them and not feel threatened. They take criticism and advice and adapt to it. They have the self confidence to accept the help of others.

"People like Asda CEO, Andy Bond and Sainsbury CEO, Justin King have it. Their attitude is: I am better with the help of everybody else, but I'm going to win here."

I've often mused about whether people are born with leadership qualities or if they can be nurtured from an early age. I put the question to Richard half expecting him to tell me that he had excelled at school and had been someone others wanted to follow. His answer came as a surprise.

"I was never an out and out winner at school," he admitted. "I was never top of the class; never the best sportsman. I was always *goodish*.

"Although I wasn't particularly brilliant at anything I did learn to work really hard. Good luck, a bit of confidence and a lot of hard work is what gets you there.

"When I did my mock A levels my results were shabby. I wanted to try for Oxbridge and was told I wouldn't make it. I thought 'I jolly well will'. I needed straight As and my mock results had been Bs and Cs. However with eight weeks to go I got my head down and grafted like never before."

### **Coping with pressure at the top**

The pressure for a CEO can be enormous: the buck really does stop there. I wondered how Richard coped with it and what kept him awake at night.

"You become a manager through your area of expertise for example in finance or production," he said.

"When you are given the big role you are no longer an expert for the first time. You are expected to make the biggest decision in each of those functions. There have been times when I have lain awake all night and for the first time in my life I've thought: I just don't know what the right answer is."

Echoing Justin King in my September 2008 interview he went on to say: "No job can prepare you for when you get the big position: when you are expected to be master of all trades.

"When you reach the top position you realise, for the first time in your life, there is nowhere else to pass the problem. You are unbelievably, singularly accountable for everything that happens. You can feel really exposed if you have a bad month or your profit or costs are out of control. It feels incredibly personal."

### **Surround yourself with experts**

This is where Richard's philosophy of hiring the best people, and actually listening to them is born out.

"If you don't know, then admit it," he said. "Before board meetings I would call a one-to-one with an expert. I'd ask them what sort of questions I should be asking.

"And hire the best people. Make sure you surround yourself with experts that give you confidence.

"It's very important a leader knows what they are good and bad at. Then you hire people who are brilliant at what you are not.

"Over about 18 months I changed all of my top team for people whose judgement I really trusted. Then I started sleeping better at night."

### **The power of strong teams**

Given the rewards, financial and personal, it must have been difficult to walk away and leave it all behind. I've always thought it a strength that someone knows when the time is right to move on and is able to do just that. I asked what he had most enjoyed about being a CEO and what he most misses. He answered emphatically and without hesitation:

"Building a team. Getting a good group of people together and getting stuck into fixing something. I miss that team spirit. I like taking a problem, getting a good group together, and getting at it.

Teams are my passion so it was interesting to get Richard onto the subject. I raised the point that many senior teams are less than effective and asked for his definition of a real team.

"Unless there is a clear goal you cannot be a team," he said. "You must agree on where you are. You need a clear sense of reality of where you are and where you want to get to. If people have different views they have to make them known. Their views then need to be incorporated or discounted.

"There can be a lot of fog to peer through, so you need to agree on a few very clear outcomes.

"Then you need a definite plan. No plan will ever be without errors so you have to backtrack and review. But without the start and end, it's very difficult to hold the team together on the journey. The journey will always have unforeseeable problems. You just have to keep fixing them along the way.

"Team spirit is crucial. Get a group of people who respect and trust each other. If they like each other; that's even better. You can exist with respect and without like. If you have disrespect and dislike then it's a real problem.

I wondered if respect differed from trust and Richard gave me a football analogy. He likened it to a centre forward who constantly runs back to defend every corner. When the team breaks free and starts to run forward, there's no-one up front. The centre forward has to trust and respect the centre half to do his job. And vice versa. His point was that a team has to be committed to the collective progress for it to be successful. That's much more important than an individual's success.

"Distrust results in inactivity or flawed activity," he said. "One department is undermining another. If this happens, you have to sort people out."

### **Spotting and nurturing talent**

Talking about teams led me to ask about talent. How did he spot talent in the first instance then set about nurturing and developing people?

"I looked for two things when I was hiring," he said. "Firstly I looked for an incredibly positive attitude; humility but with an inner steel. Secondly I looked for people with a track record of delivery and success.

"I like people who have stuck around places for a while and have been promoted two or three times within the same organisation.

"My way of coaching people is by trying to give them confidence. It's a powerful attribute. You can give people confidence in all sorts of ways.

"Giving people support and encouragement allows them to take bigger steps and this leads to momentum. Celebrate like crazy: encourage, support, and celebrate.

"A good team, with a common goal, and confidence, is very powerful."

### **Building on people's strengths**

Too often we look for weaknesses in people. We concentrate on them and they are the things we work hard to improve. Richard's next piece of advice turned that thinking on its head and it really resonated with me:

"Put your best people in the best jobs," he advised. "Put people where they are likely to win. Don't spend your whole time trying to develop their faults. Focus on what they are good at and give them more and more to do."

It seemed to me a much more positive approach that would bring benefits to the individual, the team, and the company.

"I believe in playing to people's strengths," he said. "Don't play them out of position. I have never believed people can massively improve on their weaknesses. They are often just a manifestation of how someone is wired. And you can't rewire people.

"There are so many little things you can do that build confidence in a person. I learnt from some good people at Mars who were fantastic at personal touches.

"If you had done something really well, one director would send a personal letter to your home. It would be perfectly timed to arrive on a Saturday morning. You'd read that he was thrilled with your results. You'd have a great weekend. He never forgot birthdays and he was always looking for the chance to catch people doing it right. "

### **Being an approachable leader**

As we discovered at the beginning of this interview, Richard began his first day by establishing transparency and approachability. He didn't want people making assumptions about his leadership style. Nor did he want them wasting time working out what he was like.

So on that first day, he prepared a one page biography. After reading it they found out that he would usually arrive early. Meetings with him would start and finish on time.

He also told them to expect him to set the pace:

"If the top team doesn't do that, no-one will," he explained. "I told them I would be constantly unreasonable about the speed I wanted things done. Being unreasonable is part of the job of being a leader. If someone says they can jump six feet; ask for eight.

"You also need to demonstrate behaviours you want to see in others; show them the things you believe to be important. If you say detail matters, you have to prove that through your actions."

### **Using communication both ways**

It was clear throughout the interview that good communication was something Richard valued and used to good effect during his time at Boots. But how do you communicate effectively to over 100,000 people?

"Technology has made it easier to talk to everybody," he said. You cannot afford for the message to become mixed and confused as it gets passed from hand to hand.

"With technology you can communicate simultaneously and directly to everybody at the top of the organisation. Many businesses now use weekly or monthly direct communication from the CEO to everyone. That's brilliantly clarifying.

"Justin King writes a monthly news sheet of his own personal thoughts to every one of his store managers. He does that even though he has three or four layers of managers in between. You use online videos to communicate with all your employees. The power of communication is very important.

“Of course communication is two way. You also have to get out and listen. That’s particularly so in any organisation where you have a small centre and lots of operations. Retail is a classic example of this.

“In a modern organisation there is no excuse for a CEO not to be in touch with the front end of the business. You can very easily communicate out and you can equally easily get feedback. There is simply no excuse not to do either.”

During Richard’s time at Boots the chemist, the company’s market capitalisation grew from £5 billion to £11.4 billion at the time of its sale to KKR. Not a bad outcome for the worst retail job in Britain.

*Since April 2008 Richard has been chairman of Virgin Active, one of Virgin’s largest and most valuable businesses. In February 2009 Richard became chairman of Groupe Aeroplan Europe, which owns and runs the loyalty Nectar card. Among other advisory roles Richard is a non executive director of the executive search group, Heidrick and Struggles.*