



Release information

Press Comment: New Chief at Woolworths' Helm

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Following the ousting in June of Chief Executive, Trevor Bish-Jones, Woolworths has today announced his successor as Steve Johnson, former head of the Focus DIY business.

Ron Koprowski, Executive Vice President at The Forum Corporation, comments:

“Appointing a turnaround specialist at Woolworths is a clear signal of just how urgent a change strategy has become to the business. The long economic boom has left many senior executives with little practical experience of dealing with an economic downturn; this kind of appointment is a candid admission that a strong, managerial hand is required.

“However, the scale of the rejuvenation needed is certainly beyond one man. Above all else, it is essential that Woolworths articulates its brand differentiation and enlists a strong management effort so there is a consistent experience for customers across its stores. If Johnson is really to deliver value for the shareholder, the financial restructuring will be a lagging indicator to how the business at large is doing and how staff are responding to his vision.

“The entire retail sector was running a highly competitive ship when the economy was booming, now leaving retailers little slack to cut costs for penny-conscious consumers and tackle the inflationary pressures they themselves face. This is an unenviable task even for those on the High Street who made hay when market conditions were ripe and tightly defined their product and customer strategy. For Woolworths, it will mean mapping and delivering a major restructuring effort during the harshest climate we have seen in years.”

Executing strategy in a downturn

The Forum Corporation, which specialises in helping businesses execute strategy through people, outlines the steps businesses must take in the current climate.

The following strategies are based on research it has conducted into what brings about successful business leadership and growth.



Financials

1. **Move quickly to reduce costs** and control spending but narrow your focus. Winners in a downturn focus on a few critical priorities where they are aware they can develop a clear lead; losers chase unprofitable sales in an attempt to bolster their top line.
2. **Refrain from “across-the-board” cutbacks**, being sure to preserve areas that customers value most. Businesses that uniformly cut costs often find that they end up damaging their ability to sell and deliver the products and services their customers value most.
3. **Consider alternatives to layoffs**. Downsizing tends to bolster the bottom line and share price in the short term, but often creates long-term negative repercussions. Alternative strategies include cutting management bonuses, freezing salaries, and reducing compensation options. It’s critical to clearly communicate the rationale and impact to employees.
4. **Invest in opportunity**. A bad economy can present bargains, both in new assets and in new talent. Investing in customer-perceived quality and the marketing effort is important, whereas investing in working capital, manufacturing, and administration doesn’t pay off as well.

People

5. **Retain and develop top talent**. Workers with a high impact are often more susceptible to being poached by a competitor in a downturn. Organisations that provide development experiences and rotational assignments have better employee retention rates.
6. **Focus on “aligning” your staff**. When alignment on key goals is absent, performance suffers. Top leaders frame an agenda and meet with key members of staff to gain support and build commitment to overarching goals and values. Ineffective leaders let hidden agendas dominate.
7. **Encourage questions and new ideas** by making it safe for employees to raise them. Leaders who admit they do not have all the answers and ask for input often give staff the opportunity the freedom to contribute their best ideas.

Climate

8. **Manage the heat**. Leaders are often tempted in difficult times to relieve the organisation’s stress by making unilateral, tough decisions – a mistake. Leadership by dictate often fails because it lacks a broad base of support and eliminates constructive conflicts that challenge the status quo and fuel good decision making.



9. **Communicate authentically.** Strong leaders acknowledge the challenges they struggle with and (by doing so) build trust among followers. Rather than being a sign of weakness, it's a sign of strength.
10. **Create a positive vision and attitude** that acknowledges reality. Businesses at the top of their markets often fall while "sleeper" companies sometimes jump to the top in a tough economy. When leaders exercise discipline and focus the staff effort on responding to customers' interests and values, they increase the chance of their coming out on top when the downturn ends.

Additional insights on this topic are available in Forum's point-of-view paper, "Leading in a Recession." For more information about Forum and its capabilities, or to obtain a copy of its leadership for growth research report entitled "One Size Doesn't Fit All," visit www.forum.com.

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If you would like to speak to Ron Koprowski, please contact Joni Hollis on 020 7608 3222.

About The Forum Corp.

Forum is a world leader in helping organizations execute strategies through people. For 35 years, its work has helped clients increase profitability, market share, revenue growth, and customer and employee loyalty. Forum combines experience and research-based insights in learning design, consulting, and facilitation to bring about changes in attitudes, beliefs, and behaviours that enable employees to achieve and exceed the desired benefits of a strategic change, to reduce time to improved performance, and to sustain the change over the long term.

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