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RETAIL LEADER
OF THE YEAR****Winner:** Richard Pennycook, chief executive, Co-operative Group

The man who saved the Co-op

From the depths of crisis Richard Pennycook put the retailer on the road to recovery. He speaks to Luke Tugby

When Richard Pennycook was parachuted into the Co-op as finance director back in June 2013, it is no exaggeration to say it was a business on the brink.

In the space of just a few turbulent months, the group had lost a clutch of its senior management, its bank was downgraded to junk status by Moody's, a £1.5bn hole was discovered in its balance sheet and the Treasury Select Committee had launched an inquiry.

Despite being seemingly addicted to corporate dramas, boasting a CV peppered with turnarounds and management buyouts, this was a monumental job, even by Pennycook's daunting standards.

"I arrived as an interim. I was going to do other things," Pennycook recalls. "The Co-op had this problem with its bank, which was really urgent. I'd had a long association with the Co-op, not having worked for it before, but in terms of thinking it is important as an institution. So I said, 'I'll come and help for three months and see how we get on.'"

By March 2014 – having already lasted three times as long as his initial remit suggested – Pennycook was thrust into the role of interim chief executive after his predecessor, Euan Sutherland, exited acrimoniously and declared the Co-op "ungovernable".

Pennycook stepped in to what many feared

was an impossible job. But fast forward two years and, having taken on the top job permanently in September 2014, Pennycook's rejuvenated Co-op has gone from staring into the abyss to reaching for the stars.

Not only has he achieved his priority of saving the bank, he has also forced through vital governance reforms, offloaded a number of non-core businesses, appointed a raft of fresh faces to the senior leadership team and started to build a sense of momentum and confidence embodied by its quickly recovering food business.

Twist of fate

It is little wonder then that Pennycook was the unanimous choice of the judging panel to be recognised as 2016's Clarity Retail Leader of the Year.

Despite having his achievements during a relatively short but impressive reign to date recognised in such a manner, Pennycook admits he "didn't expect to be here now".

The economics and accounting graduate could easily have found himself in alternative employment had the pendulum swung the other way at the most crucial point of his tenure.

"The key thing that made it easy to go from interim to permanent chief executive was that we put through some comprehensive governance changes, which were the final part of the rescue process," father-of-two Pennycook explains. "The first part was obviously to save

the bank and the second part was to follow up on what had gone wrong.

"Two very authoritative, detailed reports from Sir Christopher Kelly and Lord Paul Myners identified what had happened, why the Co-op had got into the mess that it did. Part of that was because the governance structure was fatally flawed. Therefore, it needed to be fixed.

"When I was interim chief executive I had to help push through those governance reforms. If they hadn't gone through, I wouldn't have taken the job permanently because, as my predecessor said, the organisation was ungovernable. We had to change the governance, and we did."

Pennycook described that process as "a political campaign" and the most difficult challenge he has faced at the Co-op.

"The stuff that we were doing to rescue the group and the bank was hard work, but it wasn't as difficult," he says. "We had huge numbers of people working around the clock, so it was hard work but you knew the playbook.

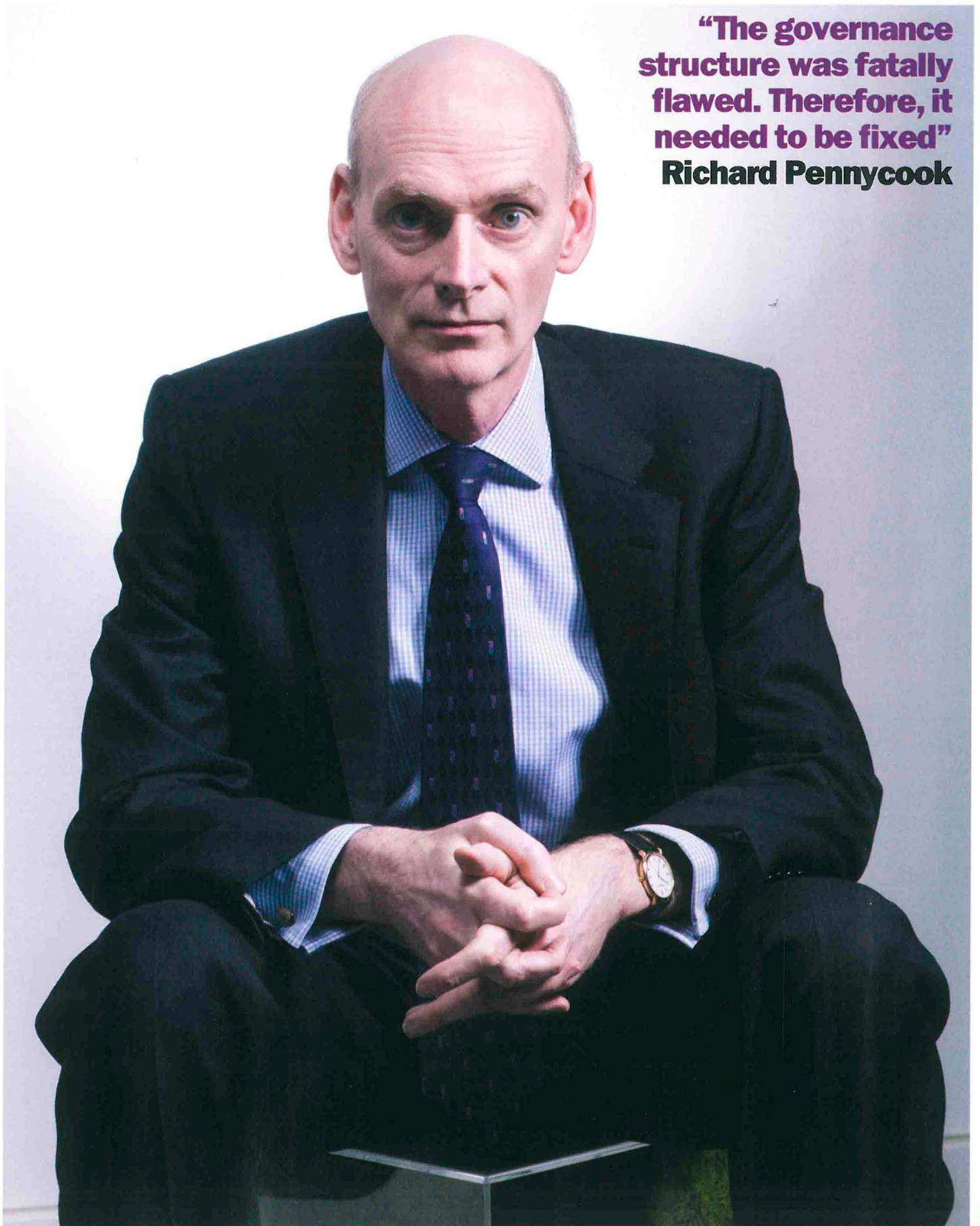
"With the governance reform you had to persuade 600 people, one at a time, to make some really tough decisions. That was a whole new experience for me. We got the right answer, but there were plenty of times along the way when we thought we might not."

Pennycook's drive to convince hundreds of members to vote through the governance reforms culminated in a speech in Manchester, the home of the Co-op's headquarters, which went down in retail folklore. But with a wry smile Pennycook reveals how dodgy technology threatened to scupper that pivotal presentation.

"I knew it was important, it was a big moment. That was a particular speech where we knew that a lot was riding on the outcome," the softly spoken chief executive remembers.

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Pennycook took inspiration from now Co-op chairman Allan Leighton (right) during their time at Asda

“The thing that probably gave me the adrenaline rush to pull it off was that I got up to the autocue and found it wasn’t working.”

But the compelling speech kick-started the Co-op’s remarkable revival – and, over the past year has changed Pennycook’s leadership style. “Turnarounds go through phases and you need different styles of leadership for each phase,” he says.

“In the Co-op’s case we call the three phases rescue, rebuild and renewal. The rescue phase is where all the fires are blazing, it’s a real crisis and so the leadership team has to be pretty decisive – making big decisions with limited information but based on sound judgement. You really have to react with urgency, so it’s a bit more directive than normal.

“Once the fires are out, once you’re stable

**“What I don’t like
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Richard Pennycook

again and you go into the rebuild phase it becomes much more about an inclusive style, where you empower the right people to get on with the job.

“We’ve built a fantastic team, which we call the enterprise leadership group, of about 80 people. Those 80 people will lead the organisation through the rebuild and my job is to find that talent, put it together in the right way and then let those guys go. They are the ones who are going to deliver the future for us.”

Pennycook ponders the retail leaders he

based that approach on. He reels off the names of “brilliant leaders” Sir Ken Morrison, Julian Richer and Lord Wolfson. But he also took “great inspiration” from the turnaround efforts of Archie Norman and now Co-op chairman Allan Leighton during their time at Asda.

Despite drawing on their efforts to set the Co-op firmly on the road to recovery, Pennycook, like anyone occupying a retail driving seat, is not content with the hard yards travelled so far. He is already busy diligently mapping out the next stage of the mutual’s long and winding journey.

“We are very focused on the fact that we are only one year into a three-year rebuild,” he says. “The first year went well, but there’s still a lot more to do so we have to keep very focused on that and making sure it delivers. We can see that we’ve got momentum across all of our businesses and we need to keep that going.

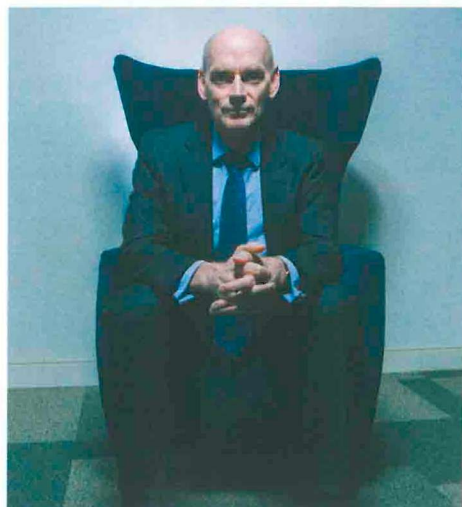
“In our food business, for example, a lot of building blocks have been put in place over the last two years and, for the last 12 months, we’ve seen that momentum building.

“Steve Murrells and his team have done a great job on sorting out own-label product that we can be proud of again, getting very competitive on price. There’s lots of work going on in terms of service and we’re investing in stores so that the experience is a good one.

“One of the fantastic things about retail is that when you’ve got everything lined up like that and it’s working, then success builds on success because the heads are up, there’s a spring in the step, people are confident, and therefore they are out there delivering and selling. When you can ride that wave, it’s a good feeling.”

Pennycook’s penchant for a crisis, coupled with his passion and pride when recollecting the Co-op’s ongoing turnaround, prompts the question of whether he prefers riding that wave, or firefighting. “I like both,” he admits. “What I don’t like is the middle ground because that’s a bit dull. Growth is fantastic, but sorting out a mess is fantastic too for me.”

Through his quiet leadership approach he has done more than sort out a mess – he saved 70,000 jobs and a UK retail institution, and set it on the road to commercial health once again.



Pennycook’s job was said by some to be ‘impossible’

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