



THE POINT OF SALE

The “One Team” management initiative at Kingfisher, Europe’s largest DIY retailer, was not about touchy-feely team-building, CEO **Ian Cheshire** tells Brunswick’s Richard Lewis

It sounds like a scene from a high-stakes version of the hit television show *The Apprentice*. It is summer of 2010, in Spain's Catalan capital, Barcelona, and 250 top executives from Europe's largest home improvement retailer are gathered. They are asked to mill around various idea "marketplaces" and each is given a "checkbook" and tasked to "buy" their top five picks from the 20 best ideas identified by the executive management.

This was just one of a number of unconventional techniques used by Ian Cheshire, Group Chief Executive of Kingfisher, to focus the minds of the company's top talent on setting a very different course for the organization. "Nothing like a classic 'receive your PowerPoint and go away' conference," Cheshire recalls.

Indeed, since he took over in 2008, Cheshire has taken his staff on a remarkable journey, with a mission to transform the way the company operates. His first order of business was to turn around the company's finances: "I needed to improve the business radically in a short period of time." To drive the recovery he put in place a plan called "Delivering Value" to systematically improve shareholders' returns. A seven-step program, it included expansion in France, opening new outlets in eastern Europe, and turning around the B&Q China business.

The next phase, "Creating the Leader," formally starts in 2012 and will involve a very different approach to managing the business. It was clear from the outset that in order to achieve

its financial goals and change the management culture, Kingfisher's executive management needed the crucial "top 250" layer of management to be fully on board and motivated. In the past, businesses had been organized into national "silos" with single-country initiatives driving strategy. But the mindset had to change and the business had to embrace being an international retailer with common product lines, while also encouraging "self-help initiatives" to reach sales, margin and cost-cutting targets.

Alongside these programs, the executive management introduced an internal communications initiative called "One Team" in June 2010. This is designed to break down the silos and, through events such as the Spain conference, to "network the business" and forge cross-group connections, Cheshire says.

After Barcelona, the group executive team shut itself away for five days in a retreat in the Cotswolds, a sedate, hilly area in western England. The results from the management exercise in Spain were reviewed and the executive team began to develop a rigorous framework to deliver on the strategy. It was important to make the framework precise as it would be the mechanism through which the line managers would make the new approach work. As Cheshire recounts, the task for the executives at the retreat was to say, "OK, here's a framework: it's not up for negotiation, it's up for clarification," which meant they didn't want to deliver "tablets of stone" but they did need to be as clear as possible. ➤

Do it yourself

- ❖ Kingfisher is Europe's leading home improvement retailer, operating 900 stores in eight countries in Europe and Asia.
- ❖ In 2010 it had sales of £10.4bn (\$16bn) and profits of £670m (\$1bn).
- ❖ Serves everyone from DIY-ers to trade professionals.
- ❖ Retail brands include B&Q, Castorama, Brico Dépôt and Screwfix.
- ❖ It has leading market positions in the UK, France, Poland, Turkey, and China.
- ❖ Grew rapidly in the 1980s with three divisions: general merchandise, home improvement, and electricals.
- ❖ In the 1990s the group began an international expansion program with acquisitions in Europe and store openings in Asia.
- ❖ Kingfisher is included in two leading social responsibility investment indices: FTSE4Good and the Dow Jones Sustainability Index.

Ian Cheshire, Kingfisher Group CEO

Group CEO since January 2008, Cheshire has been described by *Retail Week* as "cerebral and instantly likeable." He joined Kingfisher in 1998 and rose through various senior positions to CEO of B&Q, the main UK unit, before taking the top job. Previously, he worked in senior retail roles, including Group Commercial Director at Sears.

Cheshire has a growing reputation outside of retailing. In March 2011, he called for "a radical reappraisal of capitalism" in *The Guardian* newspaper. He is lead non-executive member on the Department for Work and Pensions Board, a member of the Prince of Wales's Corporate Leaders Group on Climate Change, and a Member of the Employers' Forum on Disability President's Group.

Given Kingfisher's legacy as a series of acquired national retailers, it was important to provide a clear explanation for the change in culture and approach.

Why would the managers support the change? Cheshire identifies three key levers:

One, focus on delivering better margins through the adoption of common buying and a group product range, something that would inspire every manager during recession.

Two, tie an element of managers' bonuses to key initiatives, such as group sourcing.

Three, involve all 250 top line managers to some degree in the company's share incentive scheme. As Cheshire puts it, "They have the Kingfisher hat, now we are also giving them a Kingfisher wallet."

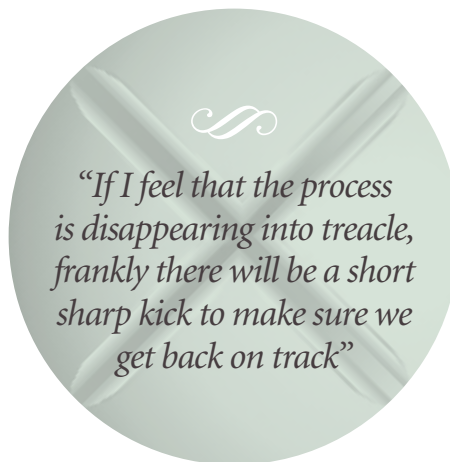
After the Cotswolds, the next stop was Istanbul, where the top line managers were pushed to articulate problems that they normally are reluctant to talk about – issues which are, in some organizations, seen as career limiting to discuss.

Cheshire's view is that if senior managers cannot express their doubts openly and debate what they see as the real issues, they will never fully implement a strategy. He rejected the first round of issues as "too tame," telling managers to raise larger and more recalcitrant problems.

The most important initiatives identified at the Istanbul session are now being worked up by project teams and will form the basis of "Creating the Leader," the next phase of the

development strategy – the full details of which will be unveiled next year.

So what has Kingfisher got out of this novel process? Above all, Cheshire reckons that senior managers knowing each other better was as important as developing the details of the strategy. The company's key managers have come to trust each other and are prepared to do business together in a way that simply did not exist 18 months ago.



"We had previously been very separate units – not everyone knew what we did in Turkey or had ever met their opposite number in France, and so there was this extraordinary feeling of a set of long-lost cousins rediscovering each other and finding that they had a lot of DNA in common and then getting some great ideas from each other," Cheshire says.

Another benefit is that Kingfisher has been able to give internal communications a human face. Communication flows more naturally and, importantly, more easily face to

face from the group executive to the seven country heads, to the top 250, to the next 10,000, and so on.

Cheshire is not blind to the drawbacks and recognizes the difficulty in moving from general principles to specific actions. He describes some of the discussion as a "near religious debate," with some people holding to views with zealous conviction. The hope is that the Istanbul approach of encouraging people to air their biggest concerns will give structure to these debates. However, it is important for the group executive to keep these discussions under control and to take decisive action if required.

Another worry is one that will be familiar to any manager who has undertaken similar initiatives. As Cheshire says, "We could disappear into endless navel gazing and meeting for the sake of meeting, everyone building relationships like crazy and nothing else happening. If I feel that the process is disappearing into treacle, frankly there will be a short sharp kick to make sure that we get back on track."

And if the plan doesn't meet targets? "Making sure that everyone is very clear what the targets are will make it much easier to work out where things are going wrong and how to fix them. It is also important to ensure that internal politics are kept to a minimum and that people consider the success of the project to be in line with their personal success." ☺

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