# The Carillion board could have managed the company's financial crisis better

**Thursday 17 January, 2019**

A recently published book by independent restructuring professional Alan Gullan provides new material on how the board of Carillion plc managed the company's financial crisis in the six months before it entered liquidation on 15th January 2018.

In the book, entitled *ALAN GULLAN'S Guide to MANAGING FINANCIAL CRISES & RESTRUCTURINGS in the UK*, a 16,000-word Carillion case study is used to illustrate the principles underlying the guidance provided. "As I researched in detail the evidence made available by the parliamentary inquiry, I found the emerging picture astonishing. In my opinion, the board got most of the big calls wrong in the three months after the first profits warning in July 2017. I concluded that a different outcome might have been achieved if the directors had better used such runway as they had available" said Mr Gullan.

"Unless a company has a strong balance sheet or can look to its corporate parent, when a financial crisis has been triggered its directors have to up their game", said Mr Gullan. "They have to strengthen their collective capabilities, appoint situationally experienced leadership, make strategic restructuring decisions, develop reliable survival tools and start a dialogue with financial stakeholders, all at great speed. What's critically important is to get the sequence of the strategic objectives right - which is stability, balance sheet fix and transformation – and to manage liquidity robustly throughout".

In the wake of the first profits warning in July 2017, Carillion's board didn't meet for a four-week period, while the executive management focused on transformation for the first two months. After the reality of the liquidity situation emerged, they spent the third month scrambling to raise additional headroom. Then they started a three-month business planning process to support a balance sheet fix, which could have been started in July. In the fourth and fifth months, at the request of the lenders, they appointed an NED with restructuring experience and a new firm of advisers to assist with liquidity.

The board's market announcements show that the liquidity analysis they relied on was persistently flawed. In July they projected that December net borrowing would not have increased, but in the outturn it was half a billions pounds higher. In September they said the additional headroom secured would be sufficient for at least 12 months, but by January significant additional funding was needed – which the lenders' adviser calculated to be a further half a billion pounds.

Gazelle, adviser to the pension trustee, told the parliamentary inquiry that it held weekly monitoring calls with the company in the early stages and said "Time was wasted pursuing the existing management's view that they could recover the situation".

Mr Gullan takes no pleasure in drawing attention to what he believes were the Carillion board's shortcomings in its management of the financial crisis and he stresses that there needs to be a distinction drawn between those and the alleged conduct issues prior to the first profits warning that the parliamentary inquiry was interested in.

He says "One of my motivations for writing the book is empathy with directors who are hired for their expertise in widget making but suddenly find themselves expected to stay in post to manage a complex financial crisis. I hope that the guidance in it will equip such directors to achieve better outcomes, principally through being better informed."

"However, even if I were to be spectacularly successful in achieving that ambition, many pitfalls, obstacles and bear traps will remain. Politicians and regulators could act to reduce or remove these and investors, lenders and business leaders could direct or encourage changes in behaviour."

"In the final chapter I have made suggested changes for them to consider. And I have sent the book to MPs Frank Field and Rachel Reeves – the joint chairs of the parliamentary inquiry – to thank their committees for their work and to ask them to consider my suggestions".

ENDS

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NOTE TO EDITORS:

About the author

ALAN GULLAN is a Chartered Accountant (South Africa) who had a varied career as a soldier, auditor, management consultant, freelance troubleshooter and founder of a start-up before taking on his first rescue, restructuring and turnaround challenge at the age of 34. That took four years and in the following 20 he established himself as a reputable independent restructuring professional, first in Zimbabwe and, since 2002, in the UK. Nowadays he operates as a non-executive and independent director.

He has worked with a variety of boards and management teams through periods of stress and challenge as a senior executive, independent director and/or board adviser. He relishes large and complex situations and prides himself on achieving outcomes that at the outset were unexpected.

Alan is a founder member of the London Restructuring Network, a select group of 12 senior independent restructuring professionals who are held in high regard by capital providers.

Further details about Alan’s career can be found on his LinkedIn profile:

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About independent restructuring professionals

Like specialist medical consultants and surgeons, independent restructuring professionals establish successful practices built on their reputations. And find work through introductions from a network of specialist referrers, without the need for any publicity or recognition in the wider world. Their services cannot be bought from branded advisory firms.

About the book

The title of book is ALAN GULLAN’S Guide to MANAGING FINANCIAL CRISES & RESTRUCTURINGS in the UK.

It was self-published in late December 2018 and is distributed through Amazon, in both Kindle e-book (£9.99) and paperback (£25.00) formats.

Further details can be found by following this link:

https://www.amazon.co.uk/dp/B07MH2F5KM

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