

Sclerosis is the enemy of resilience

Every business has been affected in some way by the events of the last year. Some disastrously while others have done very well. It is easy to say that this is partly luck, depending on the sector that they are in, with home delivery businesses soaring and hospitality in the doldrums. However, on drilling down, one can see widely ranging differences in performance between those at the top and the bottom in each sector. Those with strong balance sheets and agile management have largely done well and those that do not have suffered badly.

We have written before about the relative performances of the Arcadia Group and Next and staying in the retail sector it is instructive to see what lessons can be learnt from the recent collapse of Intu, the shopping centre owner. While the administration is only just underway and there is much still to come out some factors are emerging:

- Intu was a very successful business which was set up and grown by a brilliant entrepreneur who kept a close eye on every detail of the business.
- Following his retirement and subsequent death, attention to detail seems to have diminished while overheads rose.
- The hard driving entrepreneurial character of the business seems to have diminished and been replaced by a more corporate approach.
- The extraordinarily complex financing arrangements on the various centres certainly made refinancing difficult, if not eventually impossible. It is hard to know at this stage whether this was as a result of a deliberate strategy to play banks off against one another or whether it arose ad hoc as new deals arose. Certainly it seems to have led to the eventual collapse.
- There are indications that the acquisition of the Trafford Centre Manchester centre unbalanced both the shareholding structure and the management focus of the business.

This is a personal view, but it must be questioned whether the eventual downfall was brought about or at least hastened by the complex financial arrangements, complacent management and the failure to replace a corporate culture dominated by a single minded entrepreneurial leader with a similarly direct corporate focus. In a very short period, Intu's resilience was eroded to the point where it became vulnerable in a market downturn and eventually collapsed. It is easier to build resilience in a business with a simpler business model with focussed management. Ask yourself today if your business will be resilient in the next major crisis.