Take on Board Podcast – Episode 327

Transcript – Ari Magalhaes knows business turnarounds and says you can too

Helga Svendsen: Today on the Take on Board podcast, I'm speaking with Ari Magalhaes about business turnarounds. Before we start the podcast today, as always, I would like to acknowledge the traditional custodians of the land on which we record for me. I am on the unceded lands of the Wurundjeri people of the Kulin Nation, and I pay my respects to elders past and present.

I also pay my respects to any First Nations people who may be listening today. I acknowledge their continuing connections to land, waters, skies, culture, and country. I support voice treaty and truth for Aboriginal and Torres Strait Islander peoples in Australia, and I encourage others in the Take on Board community to do the same.

Now, let me tell you about Ari. Ari is on the boards of Palliative Care Tasmania, and she's Deputy chair of Women's Health Tasmania, and the Community Advisory Committee of Red Nose Australia. Ari is a global economist, non-executive director and board advisor with a track record helping ASX private and purpose-led organisations navigate disruption and deliver measurable value.

She's driven over $110 million in outcomes, a five to 10% profit uplift across sectors such as energy, health, government, and aged care. ARI helps boards and senior leadership turn complexity into clarity, whether managing regulatory change, financial pressure, emerging technologies like AI or internal misalignments.

She designs decision systems that make tough trade-offs visible, oversight, effective, and strategy executable. She'll tell you what's ahead, show you the red pill or the blue pill, and help you choose the best possible next step. Oh, Ari, yours is the voice that boardrooms need or indeed, maybe the, the Take on Board community needs.

Welcome to the Take on Board podcast.

Ari Magalhaes: Thank you very much, Helga. It's great to be here.

Helga Svendsen: It is awesome to have you back. Actually, I should remind people, Ari's been on the podcast previously, what was it? Episode 225, way back in November, 2023, talking about risk and strategy and aligning those things always has heaps of wisdom.

I am very keen to dive into the business turnarounds conversation, but as always, I'm going to dig a little bit deeper. Last time we did your background and heard all sorts of magnificent things, folks go and listen to episode 22 5. This time. Ari, I would love it if you could just tell us something that you're proud of from the last month or so.

Ari Magalhaes: Well, I'll share something that I'm extremely proud of that just happened yesterday. So yesterday I went to Canberra and I was involved in a project I've been involved with for several years on the community as committee of which I'm a deputy chair, but also on several projects and initiatives that junior initiatives they have.

And one of them is called Healing Through Communities. And basically our goal was to make sure that whatever resource, bereavement, support resource is reaching the minority groups, which include rural families, migrant families, young people, and and parents under 20 years old people of culture and linguistically.

Backgrounds and we launched this amazing set of resources with the assistant minister Rebecca White. And I was there on my capacity as a lived experience as a brave mom, but also as someone who was involved in the project. So it was absolutely fantastic being can and introducing and presenting this resource and hoping that it will help other families around the country.

Helga Svendsen: Oh my goodness. Look at you go. That is fantastic

Ari Magalhaes:. Yeah. It's actually, it's something that's not really a lot very discussed, but if you, there are six stillbirths a day in, in Australia. That means one every four hours there's a family that goes through it so they can be. Any, they can have any background, you know, they can have an accent or have a different race.

And what we want is really for no matter your background, no matter who you are, where you come from, you have picked Australia as your home, and you deserve the same level of support.

Helga Svendsen: Australia is your home or indeed, I'm imagining occasionally people are just here. Even if Australia is not their home, they might be passing through Australia.

I mean, it can happen at any time to anyone. It's not always at home as well. So knowing where to access resources in your own language, in your own way. So important. Ari, thank you. Thank you for the work you are doing there. I know it means a lot to you personally, but it means a lot to all of the families. I was going to say women, but it's families actually. All of the families that need it. And I hope families don't need it. I hope nobody ever needs it, but we know that they do. So. That's exactly right. Yeah. Oh, thank you. Oh, well, superwoman, Ari, with all of your very many skills around risk and around strategy and community advisory and all of the amazing stuff that you do.

Today we're talking about business turnaround, something different yet again. And often I think business turnarounds are seen as a negative thing, but they don't have to be. So what I was about to say is, oh, I hope boards never have to deal with this. But in fact, it doesn't have to be a negative thing around a business turnaround.

It might be, but it doesn't have to be. So, Ari, where should we start this conversation about business turnarounds and what boards need to know?

Ari Magalhaes: I think the main thing is that turnarounds, when you think of turnarounds, you should not only think about financial turnarounds, financial crisis, they're really about restoring alignment and confidence is around a mismatch between strategy and execution.

It doesn't mean that the strategy was bad necessarily, but it's really. Not able to execute on your plan, on your strategy under pressure, or if something happens. So that's when you have to take one step back and say, maybe we need, this approach needs to be more systematic. So there are some fundamentals of the company, they're misaligned, and we need to do something about that.

Helga Svendsen: Interesting. Okay, so what might boards notice in this misalignment? What might be the, I'm not sure if I like this saying to be honest, but what might be the canary in the coal mine? What's the first little whispers the boards could be going? Ooh, I need to really pay attention to that.

Ari Magalhaes: Alright, so there are few things and, and hopefully when it's picked up, it's.

Still internal rather than an external evidence or, or, or sign. So you look at declining in performance that's both financial and operational. Regulatory, but it's just continuously, you see the graph and it just keeps going down. You also have a strategic drift, so the organisation starts to systematically not be able to deliver on their strategic objectives.

So you're missing KPIs, you're missing the targets because again and again, and it becomes more common. One thing is to have a deviation. The other thing is just. It becomes systematic. The other thing, if you start to have a disconnect between board and executive, you start seeing some negative signs around culture, self-dissatisfaction.

So these are some of the, I guess, early signs that something is happening.

Helga Svendsen: I mean, for lots of organisations, sometimes you see, you know, the graph going down or some of these disconnect or a little bit of a rumbling. How do we know if it's a one off or.

Ari Magalhaes: Systemic. I think it's when you make slight adjustments.

Let's say a board mix and identifies this bit of a drift or a misalignment, and they advise the executive or make a few changes on shifting direction, reallocating capital resources, but the trend doesn't change. So that's when you have to say, okay, is there something underlying, there's something systemic.

And I've seen turnarounds needed from all sorts of the core drivers being very different from financial finance, significant financial losses, or continue recurrent risk. Risk, risk becoming issues. So as we've discussed risk before, it's that risk becomes an issue when it's realized you're hoping that something won't happen and then it happens.

And then it starts happening again and again in different parts of the organisation. So that's when it, it starts being systematic. And I think that's the turning point there is realising that you start seeing again and again and in different parts of the organisation and that's when the board.

Would need to acknowledge that the problem is structural and not situational.

Helga Svendsen: In your observation, either from boards that you've been on, or boards that you have supported, or indeed I should say, organisations, boards that you've been on or organisations that you have supported. There's the board and there's the executive or the leadership team of an organisation.

Who's generally on it first? Oh, the executives. Yeah. Right. Okay. And so then, is it the exec needing to bring the board along for the journey? Like tell me about the alignment or lack of alignment sometimes there.

Ari Magalhaes: Yeah, so because the executive is spending full time, they pick up the signs beforehand.

Ideally, you would see the governance level would pick up the signs, but there's an expectation, obviously, that if there's an issue that is escalated to the board, so the board can have visibility of it and deal with it. So they start seeing that that's where it starts. Executive. Looks at it, talks to staff, there's an increase dissatisfaction, there's operational.

It is just not delivering and against your goals and what is expected in terms of quality, and hopefully it doesn't get there. But in many cases you start seeing customer dissatisfaction. Stakeholder dissatisfaction because then your engagement with stakeholders, with investors externally, engagement starts to falter, and then the, the signs become more evident.

I must say that it's not always under. Control of the organisation. They're always, I talk about is externalities. There are things that are out of your control. So you have, when you're dealing with any risk to the organisation, there are things that are under your control and then you have controls and responses and you manage it.

And in other cases, something that is happens to you, like for example, COVID. Or for example, artificial intelligence. So we have AI being a significant shift, and if you do it, if you acknowledge there's something happening and you need to act on it, then it, a turnaround is not needed. But let's say in a few years, nothing is done and then operational or performance starts to decline, and that's when you have to do something more significant about it.

Helga Svendsen: So, it can be a bit of a slide. The boards might notice, it might be the executive saying, oh, things aren't going so well here. Does it sometimes happen the other way where the boards are noticing and the execs like nothing to see here?

Ari Magalhaes: It's all good. Yeah, absolutely. And that's also niche and I think the, one of the key elements that organisations or, uh, best practice governance, like the Governance

Institute of the AICD talk a lot is the alignment between the CEO or the executive and the board. Uh, you really have to have that transparent, clear communication. So if the board identifies, so you say there's some, you start noticing and they said nothing.

Then there could be some sort of misalignment. So you need to invest, get that further and really look at, but what I advice and how I do as a board member, as a non-executive director is look at the evidence and look at the numbers. Look at not an opinion, but facts.

Helga Svendsen: Okay. So I'm wondering. As much detail as you're able to share. I'm wondering if there's any stories you're able to tell us, either from your own board experience where there has needed to be some of this looking at the in internals or the externals and the evidence and all of those sorts of things. Or again, in as much detail as you're able to share.

And I get totally that you might not be able to say, oh, this organisation and these people, here's what happened. So yeah. Is there any stories you're able to share with us to bring some of this to life?

Ari Magalhaes: Yeah, absolutely. There's an interesting one that was, um, one of the successful, not always successfully, but because there are a lot, not stars aligned, but there's certain key elements that need to be in place for a turnaround to be successful.

So in that case, it was an organisation in the services sector that had seen declining financial performance. And there were other factors at play, but um, it had been consistently declining. And then it got up to a point where the liquidity, so you look at the current assets, and we had a time, so in, in the round, in less than one year, we would be potentially unable, so become solvent.

So something significant needed to change. And the first step was having a sit down with the CEO and the executives and saying, and being very transparent. About the situation. That's one of the key elements. Okay. Transparency, communication. It's saying this is what is happening and this is, we believe. We want to understand why and what to do about it.

And we need to, we need to, so we had that initial conversation. We defined an approach, initial approach, and got the board. So the board had already seen the signs and wanted something to be done about it, but waiting to see what the executive got back. So said, okay, we understand there are few. What are the drivers behind it?

Are we spending, how are we allocating our resources? How is that impacting bottom line? How is that impacting service delivery? So we had that conversation with the board that gave the green light, and then the next step was talk to get middle management and then staff. In the loop. I think it's really, really important to think whatever you need to do, one essential element of it is changed, but it's culture and it's getting stuff on board because they are the ones that are there every day.

Then get things done, and if you don't know. What is happening and what they have to do, then there won't be a shift. There won't be a yes, a significant or a sustainable shift. Why you just need to execute. That's not how adults function. It's really, this is what's happening.

It's not necessarily have to share absolutely everything, but share what they need to know, what they absolutely need to know to support and give them some ownership. So that was the next step we was. Really the staff mobilized so that there was series of actions. I was, I was an interim executive and we had, we managed the, to get the staff mobilized to do some changes, almost like a task force.

We managed quick wins, but really a few structural changes. Ongoing control at the board level as well. And I think it's not, I guess good practice doesn't, the board, when there's a turnaround or something significant needed doesn't mean that you, you're there fully operational or on the ground, I would call it strategic intervention.

So you really deliberate about when to really. Dive deeper. Sometimes it's necessary, but not always. You need to, again, going back to the culture and ownership and transparency, you need to trust the team. You need to have that transparency, but you need to trust the team. And if that's not in place, that's one of the other elements as well.

The trust. When that's not in place, then you are really not able to get the turnaround done, but it's, you are a bit more hands on, but being very deliberate about it.

Helga Svendsen: Unsurprisingly, some trickiness in there. The business needs to do some sort of turnaround for whatever reason. It absolutely, I agree wholeheartedly needs the culture in the organisation to be in place and the trust and the transparency to be in place.

What if there's not, for whatever reason you're going to staff and saying, this is happening and we need to do X, Y, and Z and I don't know the, the culture and the trust and the transparency, the foundations are not in place. What happens there? Because I imagine that happens, right?

Ari Magalhaes: Yes, it does. Yeah. So you really need to understand the, the root cause.

So ask the questions until you get to what is really behind it. Sometimes you need to change leadership. You need to have a change on, on the executive team. Sometimes it's the board, sometimes it's staff, but it's really on asking the questions. Around what is the underlying issue so we can address it.

Because if you address those symptoms, it won't change exactly. Like you said, you're trying to do something and you just don't get anything because you're treating the symptoms. So go back to the cost, what is really not right and not prevent from, from progressing.

Helga Svendsen: So that transparency and definition and the cause of both the problem and the barriers maybe to solution are really key and the culture is really key.

You were talking us through some steps before, and I think I took you down a garden path. Can we go back there? What are the other steps that boards need to think about?

Ari Magalhaes: So, uh, there's a, yeah, after over 15 years in this space around really turnaround and growth and, and performance and in the end risk and strategy, everything, uh, supports that.

It's really what is our strategy and what's are we executing strategy? And if not, what is going on here? First step is around clarity. So the first thing you do when you there's a crisis is take one step back. So you really try to have clarity on one, what's happening, because you need to be very deliberate of what you're going to do next.

And if it's a knee jerk reaction or response, then it's unlikely to be successful in the long term. It might address something in the short term, but not necessarily in the long term. So I like call it a business diagnostic or a health check. So you look around everything. So you look at strategy, you look at leadership, culture, operational performance, technology.

So you really want to get a really clear understanding of what's happening. You want evidence, you want data, you want, of course there's the qualitative element of it, but do you have policies in place? When there is someone or something not working, you have to look at everything around them. Do you have the, do they have the right systems?

Do you have, are the policies in place? Is the governance well set up? Are we actually allocating the resources? Is risk management, right? Is the risk appetite, right? Were we to ambitious or not ambitious enough? And then from that point on, we really try understand the, the drivers of. What is happening and the underlying cause and, and what to do next because you have to be very deliberate about where to allocate your resources and how to do it, and if there are any significant shifts needed.

Helga Svendsen: Oh my gosh. See, Ari, I think we could dive into any one of those folks, as you are listening to this in a couple of weeks' time, we get Ari in a Q&A session. You can come along to an event because. Like I say, we could dig into any parts of those or and more. And folks, if that's what's happening in your brain, oh my God, I could ask this, I could ask that.

I could ask this, come along to the event because then you get to ask it exactly what you want to hear. So Ari, so what I am going to ask you to do. What are the key things you want people to take away from the conversation that we've had today?

Ari Magalhaes: I think the first thing is understanding that as a board, so if you think of governance, governance is a performance lever.

It's not just compliance. It's not just a compliance function. It's of course. You need to tick the boxes, and it is, you have the Corporations Act, you have all the requirements. If you're in, you have the principles. If you're the ACNC, you also have the regulations. Depending on the sector you are. But it is about driving performance, driving the strategic direction.

When I'm on the board, what I do is try, sometimes I get on a board because of my turnaround and growth skills. But when I'm on a board, I always try to understand what is happening around us and internally and really try and look at the signals and anticipate. So I think it's really take one step back and see is there anything.

If I look, I'm looking at the big picture. Is there anything that I'm not sure about that I don't know where it's going to take us. Are there any changes, internal or external, that might have, that might result in me needing to do things differently? The other one is, which I have said in the other podcast, he, I was around risk appetite.

Really? Is it, are we ambitious enough actually? And are we being too belligerent? So turnaround is not around cost cutting. It's really about that clarity, confidence, and control of the situation, and understanding that you're doing the right thing. And if there's a fundamental shift, then. A fundamental change needs to happen in our fundamental issue, then it needs to change.

And resilience supersedes recovery. So whatever you're doing, think of what's going to look like in the long term. What are the long-term implications?

Helga Svendsen: Interesting. Oh, I love it. Okay. And is there a resource you would like to share with the Take on Board community?

Ari Magalhaes: Yeah. If you go to my business website, omnistrategic.com au, there's a, I created a framework called the OmniStrategic Impact Framework™ it, goes exactly that from diagnosing through designing a solution to mobilising the team and embedding for making resilient. There's a financial sustainability toolkit, risk appetite toolkit. There's a quick business health check, so, and lots of articles and resources that you can use to take.

Helga Svendsen: Awesome. We will put a link to that in the shownotes. And folks, if you're coming along, we'll also put a link to the event in the shownotes because as I say, if this has prompted some pinging in your brain about questions, come along to the event and we'll make sure that resource is also shared with people who are coming along to the event.

Oh, Ari, thank you. Thank you so much for coming and sharing your wisdom with the Take on Board community today. And at the event and previously on the podcast talking about risk and risk appetite. You are a superstar. So thank you so much for coming and sharing with us today.

Ari Magalhaes: Thank you so much, Helga for having me. And hi to the Take on Board community. Thank you.

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