

The Developing Manager – Case Study on Thomas Cook Tour Operator

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Abstract

In 2011, Thomas Cook faced serious decline and decided to make radical changes by 1) hiring a new CEO and 2) by changing the structure of the Board in order to improve the financial situation of the company. Harriet Green was the CEO that made radical changes and saved the company, and it is worth examining what are her management characteristics that allowed such a sudden and beneficial change in Thomas Cook in only 2 years. When we look at Harriet Green’s leadership, we can identify managerial and personal characteristics but also inconsistencies between Harriet Green’s statements and facts that, however, did not affect the recovery of the company. In May 2013, Harriet Green reorganized Thomas Cook’s capital structure, with a €2bn refinancing, which essentially reduced the company’s debt, and in August 2013 the company announced that its nine-month losses had been reduced to €588m, from €835m over the same period the previous year. Cost cuts also helped improve Thomas Cook’s gross margins by 20 points and to reduce overhead costs by £107 million, that is 6.3%. The 2,500 jobs cut when she moved sales from shops to the Internet increased efficiency and reduced costs by closing down 199 shops out of a total of 1,069 in the UK. In 2013, Peter Fankhauser was appointed as Group CEO and he went on with the improvements in Thomas Cook’ by implementing a digital transformation.

Key words management, leadership, CEO, Board, tourism.

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Introduction

In order to avoid collapse in 2011, Thomas Cook changed: 1) The source and style of leadership, 3 times, by changing the CEOs: from Sam Weihagen to Harriet Green and ultimately Peter Fankhauser (Alvarez & Marsaal and Henley Business School, 2015). They possessed totally different personalities and skills. 2) The composition of the Board, from UK to multinational, which brought fresh perspectives upon the business and ensured an optimal mixture of skills and experience, and balance of knowledge of the business with fresh external perspectives. From the brink of collapse, Thomas Cook managed to improve the business figures in 2 years.

1. Literature review

Since our research has been basically a case study in order to identify what were the main challenges that led Thomas Cook on the brink of collapse in 2011 and what were the steps taken in order to avoid this collapse as it was perceived at the right moment, the sources used for our research have been basically the articles published in the media between 2011- 2015 about the financial situation of Thomas Cook.

Our information sources included databases and newspapers, such as: AbleAndHow, an organization that deals with organizational change, management services and business change process consultancy, and also writes study cases about successful change management cases; Management Today, a management publication; European CEO, a leading management publication focused on CEO profiles and distributed to 28 countries across Europe, with targeted, topical coverage addressing the corporate needs of European business leaders; Alvarez & Marsaal and Henley Business School, a joint research programme on board leadership; Campaign, the world’s leading business media brand, a globally-networked franchise providing real-time news and analysis by expert commentators. In addition, articles from media such as Financial Times and BBC.

We have obviously used terms that pertain to economic theories in order to structure our research but they do not necessarily need explanation.

2. Research methodology and data

The purpose of our research has been to identify the elements that made Thomas Cook recover from the low financial situation and to find further potential to respond to the market.

Our **research materials** has been media articles that presented the evolution of Thomas Cook from a solid position on the market to the plunge seen in 2011 and media articles that presented the changes made with Thomas Cook with the purpose to reposition it in a good situation on the market.

Our **research tool** has been the inductive reasoning: from specific empirical observations to recognizable patterns and finally to the definition of the main ideas.

Our **research technique** has included the following **stages**:

- Collection of media articles that presented the evolution of Thomas Cook from solid position on the market to the plunge seen in 2011 and the changes made with Thomas Cook with the purpose to reposition it in a good situation on the market.
- Identification of ideas and opinions in these articles.
- Inductive reasoning: from specific empirical observations to recognizable patterns.

Classification of the observations collected several sets such as: changes in the leadership, managerial and personal characteristics, successful measures taken, values of the organizational culture and inconsistencies between Harriet Green's statements and facts.

3. Results and discussions

3.1. Background story

Different management styles in Thomas Cook and leadership characteristics of senior managers for several years on a row led to Thomas Cook's plunge on the tourism market and concerns about the future of the company.

In 2011, Thomas Cook faced serious decline and decided to make radical changes by 1) hiring a new CEO and 2) by changing the structure of the Board in order to improve the financial situation of the company.

Harriet Green seems to have been the key to success. She was the CEO that made radical changes and saved the company, and it is worth examining what are her management characteristics that allowed such a sudden and beneficial change in Thomas Cook in only 2 years, not 5 as expected and previously suggested by her statements.

After 2 years, Peter Fankhauser was appointed as Group CEO. Thus, Thomas Cook's improvement went on with the focus on digital transformation.

In October 2011, the company was in deep crisis because between 2008 and 2011, when consumer spending was severely affected by the financial crisis and the economic recession that followed, Thomas Cook made major acquisitions and realised a share buyback of about £290 million whilst still paying dividends (Alvarez & Marsaal and Henley Business School), and also because of rise of budget airlines and the growth of online tour operators and travel agencies. All this left the company in a very difficult cash situation (Alvarez & Marsaal and Henley Business School).

Chairman Frank Meysman decided to make changes 1) in the leadership and 2) in the Board. He wanted to transform Thomas Cook in a 3-stage process: recovery, growth plan and digitalization to ensure sustainability.

Changes made in the leadership that saved Thomas Cook from collapse: from Manny Fontenla-Novoa and Sam Weihagen to Harriet Green and Peter Fankhauser

After Manny Fontenla-Novoa had resigned in 2011, Sam Weihagen became the interim CEO. He didn't find solutions; on the contrary, his attitude was passive, although he admitted that other big tour operators faced the same problems and had a better financial state. Sam Weihagen soon resigned. In 2012, Chairman Frank Meysman hired CEO Harriet Green, with no prior experience in the travel industry (Ferrabee, 2013), but known to be successful. Unlike Sam Weihagen who seemed to find excuses and no solution, Harriet Green managed to improve the company's business figures in 2 years.

When we look at Harriet Green's leadership style, we can identify the following managerial and personal characteristics (Ferrabee, 2013):

- the need to understand psychology (culture, behaviour) and to address the needs. Her priority was to understand the psychology of the organization, the people and the working environment, in order to "boost the staff's confidence and get them on the side". One unique thing Harriet Green did was that she emailed all the 35,000 staff asking them to share what they thought it should be done in the company. 25% of the people responded in detail (Ferrabee, 2013);
- a dual approach: focused on developing the staff, and also focused on strategy and figures

- energetic person - Harriet has said she gets up at 3.30 a.m. to start work (Riley, 2014);
- attention to communication - "handling all her own emails and managing an active Twitter account which she sees as a key direct communication channel to customers" (Riley, 2014);
- interest in accurate and comprehensive information – "she worked hard to get detailed insights into the problems facing Thomas Cook from both an external perspective before joining (e.g. from shareholders, industry analysts) and an internal perspective (e.g. employees & management) as soon as she took the CEO role" (Riley, 2014);
- strength of character;
- attention to organisational culture: "building belief, beginning to rebuild a culture, giving people a self, a sense of renewed self-esteem";
- able to understand sensitivities (Saunders, 2014)
- able to combine determination and sensitivity to achieve results with employees. She describes herself as a *landa* – a cross between a lion and a panda, she can both roar and give hugs (Shubber and Blitz, 2014);
- good skills in managing cash better and reducing costs;
- belief that 5 years is the best timespan for a successful CEO, because CEOs shouldn't stay too long in a business! (Smale, 2016);
- Belief that the most important skills and characteristics of a CEO are "resilience, agility, and ability to lead speedy change: to be good with people".

3.2. Successful measures taken that prove her good financial vision:

In May 2013, Harriet Green reorganized Thomas Cook's capital structure, with a €2bn refinancing, which essentially reduced the company's debt, and in August 2013 the company announced that its nine-month losses had been reduced to €588m, from €835m over the same period the previous year (EuropeanCEO, 2014).

Cost cuts also helped improve Thomas Cook's gross margins by 20 points and to reduce overhead costs by £107 million, that is 6.3% (Shubber and Blitz, 2014). The 2,500 jobs cut when she moved sales from shops to the Internet increased efficiency and reduced costs by closing down 199 shops out of a total of 1,069 in the UK (EuropeanCEO, 2014).

3.3. Inconsistencies between Harriet Green's statements and facts:

Despite her claiming that she adapted her style and she was not aggressive, she took a harsh stand: she dismissed directors and cut 2,500 jobs when she moved sales from shops onto the Internet for better efficiency by closing down 199 shops out of a total of 1,069 in the UK (EuropeanCEO, 2014). This was an efficient measure that increased sales and cut costs.

Also, despite her claiming that CEO's should stay for 5 years on the average on the same position ("I think you should... make the business great, stay around a little while to enjoy that, and then probably move on to the next thing." see Smale, 2016), and despite her announcement that Thomas Cook recovery would take 6 years (Shubber and Blitz, 2014), she left after only 2 years. This may mean an issue impossible to reconcile with the Thomas Cook Board and, therefore, a lack of flexibility in reconciling divergences. Her leaving Thomas Cook after only 2 years in a very silent way (Gwyther, 2015) tells us that the initially appreciated lady who was praised by newspapers and included in the 5% women CEOs in FTSE 250 ended up by not having the same views like Thomas Cook Board, and she did not show either flexibility or the will to remain with Thomas Cook.

After Harriet Green, Peter Fankhauser was appointed as Group CEO which marked the start of the current third stage in Thomas Cook's transformation. This stage is focusing on delivery of the digital transformation which sits at the heart of the strategy (Alvarez & Marsaal and Henley Business School, 2015). In September 2016, Thomas Cook merged its digital and marketing functions, under a new chief marketing and digital officer role, in order to boost Thomas Cook's use of social and digital in its campaigns, and to up the company's ability to target prospective holidaymakers (Gsoosh, 2016).

3.4. Changes in the Board that saved Thomas cook from collapse

Chairman Frank Meysman also reorganized the Board in 2012. He hired new Board Members. Today the Board is over a third female, with nationalities from Turkey, Belgium, Netherlands, the U.S. and U.K., signalling that it is not a U.K. company, but a truly international company. The aim was to establish the required leadership across the business, with the right mindset and skills. The team is composed of one third from the existing team, one third promoted from within and a further third from outside the company. This ensured an optimal mixture of skills and experience, and balance of knowledge of the business with fresh external perspectives (Alvarez & Marsaal and Henley Business School, 2015).

Conclusions

In order to avoid collapse in 2011, Thomas Cook therefore changed the source and style of leadership, 3 times, by changing the CEOs: from Sam Weihagen to Harriet Green and ultimately Peter Fankhauser. They possessed totally different personalities and skills. Also, the composition of the Board was changed, from UK to multinational, which brought fresh perspectives upon the business.

A look at the changes implemented in Thomas Cook in 5 years gives us some hints about their organizational culture (Robbins and Judge): high value on innovation, focus on results and it takes any measure to achieve results for efficiency's sake, even if it means sacrificing staff, focus on collaboration among teams, assertiveness and aggressive competitive attitudes on the market, realistic in assessing facts and figures, transparency and honesty, strong sense of identity, open to change, in general, and technology seen as a means to improve human efficiency, democratic management – the good communication with employees on all levels shows that the leader does not claim to be the god but keeps awareness of the fact that good ideas come from the operational level as well, while financial results and position on the market seem to be key priorities that shape all strategies, job satisfaction and retention of staff do not seem to be among priorities in Thomas Cook. One proof is Harriet Green's leaving the company after 2 years while there is no indication that Thomas Cook made efforts to keep her, after the collapse threat had disappeared, communication top-bottom in Thomas Cook is an assertive process. Leaders are clear, concise and determined, and empathetic at the same time, a fact proved by Harriet Green's effort to understand the psychology of her employees, and to send emails and collect replies. Bottom-up communication is also encouraged in order to collect comprehensive information regarding the company, to perform better assessments and to find optimal solution for improvement

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