

Interview with Anne Lesauvage - Chief Financial Controller, Sodexo HC

Ultimately the best measure of our company's performance is cash flow. If we generate good cash flow we create value for all our stakeholders – employees, shareholders and clients. In the early days I sometimes felt I was the only person who cared about cash flow, while today all of our regional directors are managing it explicitly in their operational decisions.

When you are in a leadership position, one of the greatest challenges is to stay at the top. But the bigger you are, the harder it is to grow. Our public sector business, for example, is currently growing at a very fast pace because it is still small. But how long will that growth rate be sustained? Generally speaking, if we decide to push the multi-service offering, a 10% revenue growth target is too low, we need to aim higher. In terms of profitability we should probably aim for a 15% growth rate, conditional upon the successful implementation of our multi-service offering.

Given current market trends, it is clear that achieving our financial goals will depend on successfully extending our range of services. However, it seems to me that we have become somewhat complacent. For example, some of our competitors deliver better cleaning services¹³ than we do; some of our clients tell us that our services do not always live up to their standards. We should build on our reputation as a 'successful food service provider' to get back on track and aggressively sell additional services, but then we must provide flawless execution. While we all agree that multi-service is the way to go, on the whole we are unable to create a multi-service offering that meets clients' needs. Creating standard offerings that sector managers can market to our clients seems to me a priority. We could focus on those services where the ratio between risk and profitability is most favorable, such as 'cuisine spectacle'.¹⁴ Lastly, we need to make sure that the standards we set for our offerings are honored by our sales and operational people.

While multi-service is clearly very important to our financial performance, we should not underestimate the impact of late payments on cash flow. We believe that it should be feasible to shorten payment delay by three days, which would translate into several million euros of additional available cash. Our pursuit of growth in the public sector makes the cash flow issue even more relevant. Public hospitals tend to pay very late or not at all. We need to make it clear to our clients that we won't accept this. We have even taken public sector clients to court (and won) because they refused to pay the interest on their late payment. Obviously, we only use this kind of action when all other means have failed, but we must always think of our shareholders and protect their interests vigorously if necessary. Thus we need to be aware of the financial health of our clients, know if a clinic is at risk of going bankrupt, and take appropriate action to reduce the potential impact on our cash flow.

13 The *Cleaning Service Offering* includes the cleaning of all hospital facilities except for the sterile rooms.

14 *Cuisine spectacle* = Cooking demonstration: a highly entertaining food preparation process whereby the food is sliced very quickly, thrown up, caught and stir-fried in full view of the client.

Another important issue that closely relates to cash flow is the development of direct payment systems.¹⁵ For example, if employees pay for meals with a badge we receive that money almost instantly.

Whether we're talking about implementing multi-service or managing financial risk, we can't perform well if we don't have the right people. Clearly we can improve our processes for identifying and developing talented individuals. First, we have not given sufficient attention to the process of integrating new recruits into our organization. Second, to identify the best performers we first need to clarify people's responsibilities, improve the reliability of our measurements, and link rewards and bonuses to achieved results. Today we tend to give everybody the same bonus to avoid the problems associated with differentiated treatment, but I think we need to hold people accountable for their results.

The bonus issue can only be dealt with if we improve the reliability of our financial figures. At an aggregate level there's no problem, our numbers are solid, but at the operational level we need to improve if we want to perform high quality analyses, such as calculating the profitability of individual products. The importance of reliable figures will increase in the future when we extend our range of services because of the increased volume and granularity of the information. We have tried to implement several software solutions but the results have not been satisfactory thus far. The problem lies not only in the tools but also in the unwillingness of our managers to use them. Part of it is probably cultural; our managers are entrepreneurial and action-oriented so they may perceive measurement to be a waste of time. It is our task to make the transition to better performance information happen.

Finally, I would like to underscore the importance of Sodexo's company values. Our people need to feel part of the company through a shared set of core values. One of our strengths is that our site managers enjoy their work; it gives them the opportunity to express their creativity and they can feel truly independent and entrepreneurial. If we give them the means to develop, they will do so. I strongly believe that when people feel good they do a good job, and that it also depends on the right balance between their professional activities and their private life. I believe that learning to take breaks and spend time with the family is a skill that must be practiced to the advantage and health of our company.

¹⁵ *Direct payment systems* consist of making the patient, visitor or employee pay directly for the food. This system reduces complexity and increases cash flow because the hospital structure is no longer an intermediary who makes payment to the service provider at the end of the month.