

Business The manifesto

Tough guy from Tennessee wields axe to get a robotics giant back on its feet

Lindsley Ruth has big plans to do away with bureaucracy as the boss of Electrocomponents, **Alexandra Frean** writes

Everybody loves a good turnaround story and that is exactly what Lindsley Ruth, the American who joined Electrocomponents as chief executive last year, is in a hurry to deliver. His impatience to get on with the job and to restore the company to robust health is evident in everything he says and does at the Oxford-based distributor of electrical components.

His comments on the company's woeful performance in the Far East are typical of a man in a rush to put things right. "In Asia we are absolutely world class — at losing money," he says. "We have lost money for 21 consecutive years. There's nobody better at losing money there than we are."

During the first 18 months in the job, Mr Ruth has been busy trying to get this once mighty company — seen as the Amazon of robot parts, circuit breakers and hydraulic pressure gauges — back on its feet. His initial approach was simple: cut costs (he has closed warehouses and offices and reduced headcount in Asia) and get rid of bureaucracy (he has scrapped committees, cut down on meetings and banned PowerPoint presentations for a month).

"When I arrived I said, 'We are not going to go on throwing good money after bad.' At this company, everybody wanted the Rolls-Royce of everything, when maybe a bike or a Mini Cooper was enough," he says. "Our approach today is around what we really need. We are scrutinising every single capital expenditure."

The reason he banned PowerPoint from Electrocomponents' office meetings for four weeks this year was to force his managers to take a long, hard think about their contributions. "There was a lot of fluff," he says. "We wanted them to look at roles that didn't need to exist."

Mr Ruth says he is on track to deliver annualised cost savings of at least £25 million by 2018. At the same time, he has introduced tough targets and more variable pay for sales staff. He believes his sales teams should be rewarded for gross profit, not margin or sales. He is also pushing the company's own-label goods.

Electrocomponents, which trades under the name RS Components, was founded in 1937 by two émigrés: Johann Weinberger, a Dutchman, and Paul Sebestyen, from Hungary, who fled to London to escape Hitler. Their company, Radiospares, initially supplied radio parts and moved later into supplying electrical components to the industrial sector from a thick catalogue. It floated on the London stock exchange in 1967, was acclaimed in a 1995 *Management Today* survey as being one of the top ten most admired British companies and joined the FTSE 100 index in 2001. Customers include manufacturers and design consultancies, the NHS and airports. In 2002 the company dropped out of the FTSE 100 after the dot.com bubble burst and entered a



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Q&A

Who is your mentor? Robert Miller, the billionaire founder of Future Electronics
Does money motivate you? Absolutely. However, achieving a common objective through collective buy-in and hard-earned effort is what really motivates me and drives us to the greater good.
What is or will be the most important event in your working life? Every year there is a new one, but the biggest goal for the next few years is to turn around

Electrocomponents and make it a world-class operation again.
Who do you admire the most? Nelson Mandela. He never lost sight of his purpose, his course, or who he was.
What is your favourite television programme? *Suits* (featuring Sarah Rafferty and Meghan Markle below)
What does leadership mean to you? Convincing others of what needs to be done. We have too many managers today and too few leaders.
How do you relax? Cooking and exploring the culinary scene with my wife.

CV

Born 1970, Missouri, US
Education BSc in engineering (industrial distribution) and MBA (marketing), at Texas A&M University.
Career: 1992: assistant lecturer at the college of engineering, Texas A&M University; 1994: director, TTI; 1999: vice-president of North American materials, Solelectron; 2002: vice-president, Future Electronics, and from 2011, executive vice-president; 2015: chief executive, Electrocomponents

long-term decline. What was the internal trigger for that fall? Mr Ruth, who is determined to return his company to the FTSE 100 from the FTSE 250, where it resides, has a ready answer: an ambitious IT upgrade in 2000 from SAP, the Germany software company. "It was supposed to take two years and cost £40 million. It took 15 years and cost £170 million. Over those years we lost sight of the customer," he says.

In an effort to refocus on the customer and protect its

market share, Electrocomponents is training its marketing team to not just target procurement professionals but also design engineers. It has created DesignSpark, a website that hosts hundreds of thousands of engineers from around the world, which allows users to download software design tools free of charge, read technical data and development resources, give reviews and ask questions.

The platform, initiated before Mr Ruth arrived, has 500,000 users but he is determined to grow this.

"It has an incredible amount of power for us but we should have five, six, seven million engineers on it and half a million students."

At the same time the company has invested in its website and in providing customer support. It takes enormous care describing and illustrating its 550,000 products and it has its own photography studio to ensure they are depicted accurately.

When engineers at Hong Kong airport, a big customer for the company, lost power in an important airport bridge, they turned to the company for help. "The part was so old, they couldn't identify the product number. They went on our website, then called and said, 'Does this look like it matches our broken part?'"

The Hong Kong example brings Mr Ruth, who spent 13 years at Future Electronics, the Canadian distributor, to another of his big ideas: preventative maintenance, or the art of fixing things before they break.

If Electrocomponents and its customers know that a particular part has a five-year shelf life, it can recommend a

replacement before it breaks, minimising disruption. It's a way to stimulate sales and upgrades without putting a strain on distribution systems because next-day delivery is not essential.

His efforts, particularly on cost cutting, seem brutal on one level but appear to be paying off. Under Mr Ruth, the business has returned to growth and the company's shares are up 58 per cent since his appointment.

Mr Ruth works hard to offset his hard-nosed approach to costs with an affable southern charm. He grew up in Tennessee, where he started working for his grandfather's plumbing business at the age of 13. There he developed a penchant for invention and sales after creating a water-softening device, which he named the Ruth-o-Matic. He sold only eight of them but was immensely proud of his achievement.

You get the feeling that he still hankers after those schoolboy days of tinkering. He has kitted out a 35-tonne truck to tour northern and central Europe over the next 12 months to showcase the innovations made possible by Electrocomponents' products. The truck visits customers and schools. "These students are our future consumers, employees and suppliers," he says.

The distributor's next big bet is on data. Mr Ruth is working with IBM and others on exploiting the masses of data it accrues from customers to track their behaviour, spot industry trends and push for more preventative maintenance.

"Right now we are using 2 to 3 per cent of the data we have," he says. "In future, we will be able to spot winners."

