

# MANAGEMENT



## Turnaround Management

When a firm faces severe cash crisis or a consistent downtrend in its operating profits / net worth, it is on its way to becoming insolvent. The slide cannot be prevented unless appropriate actions, both internal and external, are initiated to change the future prospects. This process of bringing about a revival in the firm's fortunes is what is termed as "**TURNAROUND MANAGEMENT**".

Turnaround Management involves the formulation and implementation of a strategic plan and a set of actions for corporate renewal and restructuring, typically during times of severe corporate financial distress. Often with the help of outside turnaround consultants or strategy consultants, a Root Cause Analysis is made and a turnaround plan is devised and executed, assuming that the firm still offers the potential to return to financial solvency, profitability and strategic viability.



## The root causes of strategic distress are:

- Poor Vision
- Poor Strategy
- Poor Execution
- Acts of God – certain risks which cause irreparable damage

MORE IMMEDIATE CAUSES INCLUDE WEAK MANAGEMENT, WEAK ECONOMY, BUSINESS ECONOMICAL REASONS, OVER-INVESTMENT / UNDER-INVESTMENT ETC.

## Steps in Turnaround Process:

- **Management Change:** Consultants may be called in to manage the turnaround of the firm
- **Situational Analysis:** Assess the situation and future business viability
- **Emergency Action Plan:** Implement emergency steps. Develop strategic survivor plan
- **Business restructuring:** Implement the plan, restructuring the business. Survive the crisis
- **Return to normalcy:** Return to normal operations, profitability and growth

## Benefits:

A successful turnaround creates value for all stakeholders and retains employment for many employees and management.

