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Plotting the optimal route to recovery

A successful turnaround plan outlines every aspect of the transformation the business needs to undergo

Vincent Marino

WHEN Columbus set out on his journey from Spain to find a new route to India, he conveyed to his stakeholders what he wanted to accomplish and how.

Unfortunately, when he set sail he only had a vague idea where he was going, and when he reached America, he had no idea where he was, and when he returned home, he had no idea where he had been.

He then went and did it all over again, even though his stakeholders were a little sceptical.

Many small business owners do not plan and drift aimlessly this way, without really knowing where they are going or how they want to get there. In a recovery situation, owners need a turnaround plan to guide and direct their business.

A turnaround plan can be compared to a road map. It shows you where you are, where you want to be, and the best route to get there.

Between the two extremes (where you are and where you want to be) are the stops, refuelling, re-energising and the unseen road ahead with its twists, curves and dips, all of which must be manoeuvred. You won't know what is over the next hill until you reach the top and then the valley may be misted up.

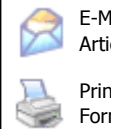
A turnaround plan will verbalise your thoughts on how to reach your goal and what resources you will need. It is a document that specifies the components of a strategy with regard to the business' mission, external and internal environments and problems identified.

It helps determine the viability of the business in a designated market and provides guidance to the entrepreneur in organising his or her planning activities.

The purpose of the plan can be seen as twofold. To start with, it can help secure finance and, secondly, it explains and clarifies to stakeholders what you're trying to do and why you're trying to do it, and by when your turnaround will be achieved.

Apart from having to be clear and concise, the development of the strategy should involve most if not all the key stakeholders and needs to be adopted by all key players. Their buy-in is crucial and fundamental if the turnaround is to succeed.

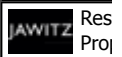
A successful turnaround plan should include an executive summary — the single most important part of the plan. It provides a concise summary of the

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plan and it will probably do more to influence whether or not the plan is reviewed in its entirety than anything else.

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Obviously, the executive summary can only be written after the business plan itself has been completed.

The plan should also include a brief description of the business' new vision or mission, and a brief history of the business. This section should briefly point out the past successes and financial achievements of the business, and possibly why it is in a downward trend.

The company's aims and objectives in both the short and medium-term should also be stated, along with a summary of financial projections: forecasts, sales, profits and cash flow.

This section should state how much money is needed to fund the turnaround and how much profit can the business expect to make over the next 18 - 24 months.

It should outline how much extra funding is needed to finance the turnaround, and how future financing will be found.

What will the new financial policies of the business be with regards to accounts payable and receivable?

Key strategic questions to ask are: what business are we in, and who are our customers?

These are answered by analysing the external environment, and assessing the external problems and available opportunities.

Can improvement in technology and systems change the way you work with your customers, suppliers and employees. Does the business need the latest technology?

Will changes in the economy affect your business?

Will interest and exchange rates or disposable income levels affect your business?

Do you understand the market you are operating in, the strength of the competition, the threat posed by new entrants or substitute products?

Is the business in a mature, developing, growing, stagnant or declining market? Can the business create a 'competitive advantage'?

What political decisions might affect your business, locally and internationally?

How will current laws affect your business, for example labour and employment laws, health and safety legislation, environmental and competition laws?

Is your business affected by European Union and US legislation?

How will changes in the environment affect your business? Will 'green' issues influence the way you do business?

What social issues will affect your business — for example, crime, homelessness, unemployment, one-parent families, etc?

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Looking at these external factors, which of them are likely to affect the business, and how can the business avoid the dangers they pose and at the same time take advantage of the opportunities they offer?

How do you foresee and visualise the structure of the business in the next 18-24 months, and could the business capitalise on any of the emerging trends?

No business will ever exist in a vacuum. Public relations involves creating a confident image of the business. How is the business seen from the outside, and what is the attitude of the stakeholders towards the business?

Good public relations will establish goodwill among stakeholders and promote the business.

In practice, marketing plans vary in detail from business to business, but there are common elements that will make-up a marketing plan, which will help recognise adjustments in the environment and establish ways of reacting to them.

It will provide the owner with a clearer insight into consumers and competitors, and deliver a more decipherable idea of the business's objectives and how they can be achieved. It will help obtain resources for the turnaround plan and can be seen as an information tool to keep employees informed on what is expected of them.

The turnaround plan must also include an operational plan. The business owner must ensure that the transformation of goods and services processes runs smoothly and effectively. Operational planning is the effective and efficient handling of money, human resources, materials and machinery.

If you have no thorough turnaround plan, then chances are you won't get there — and if you do, how will you know whether you have arrived?

Marino is director of Business Renewal & Survival Strategies.

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