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Solving a business's ailing fortunes

For a turnaround strategy to work, it needs to be implemented immediately and decisively

Vincent Marino

MANY owners of troubled businesses hold onto the illusion that success lies somewhere around the next corner or next economic upturn. These illusions normally prevent the owner from performing the drastic surgery so often required to save the business.

Sometimes, owners believe that patience dictates holding onto the business's vision and that somehow by holding on to this mental picture it may help to turn the business around.

Many businesses pass beyond this point without recognising and responding to the crisis at hand.

The initial step and perhaps the most significant step that is required to solving the business's ailing fortunes is to recognise

that a problem exists, if the owner does not believe the business is in trouble, it would be difficult to convince him/her otherwise.

The owner needs to also realise that the problem is real — the problem must be founded on factual information and not on hearsay, dubious or selective information.

The cause of the problem needs to be determined: How did the business arrive at this point? Can the history

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of the business tell you, how you arrived at the present state?

You need to face up to the reality that the business is in trouble — the business owner must face up and confront the reality that the business is in trouble. If the owner does not judge that the business is in trouble, no amount of influence will convince the owner otherwise.

The owner also needs to decide which is the best course of action to resolve the problem — realising that the present course the business is on will not achieve any success and that a new course of action is required to achieve sustainable profitability

A turnaround strategy is therefore concerned with rescuing a business's ailing fortunes and bringing it back from bankruptcy, stagnation or voluntary liquidation. It is a strategy about attaining success and reaching a goal through a combination of one's own efforts, commitment and stakeholder involvement.

For a business to change, be successful, profitable and viable, careful attention needs to be given to the implementation of the turnaround. For the strategy to work, it needs to be implemented immediately and decisively.

To achieve a successful turnaround a few prerequisites are needed. You need a viable business — a business that has the potential for future growth, development and expansion. You need time — a business on the recovery path needs time.

Financial restructuring is also important — businesses in crisis mode need money. Expense may be incurred during the initial restructuring phase (for example, retrenchment packages or new lease negotiations) and cash is needed to finance future growth of the business.

One needs vision — a clear business mission, to provide both direction and motivation.

Management must be motivated, skilled and lead from the front to achieve successful turnaround. In areas of uncertainty management must source outside help to attain and accomplish their goals.

Turnaround cannot happen in isolation, support from all key stakeholders is necessary.

Stakeholders also need to have the confidence in the turnaround process and understand how management will achieve recovery.

Owner/managers need to ensure that the rescue is built on a robust plan, concentrating on the solution to the problem.

Owners of businesses tend to neglect their personal finances. Personal finances need to be properly managed.

A turnaround strategy is therefore about winning back business and customers, sponsors and investors, suppliers and clients and having an understanding of what is happening inside and outside the business.

Business turnaround is about understanding your business's competitive environment and it's about assessing your business's resources and capabilities.

Further points to consider are:

- Understanding the business's core product and if it is in a declining, maturing or growth market;
- Knowing what is changing in your environment;
- Forecasting where you are taking the business and deciding how you

are going to get there;

Taking action and considering your options;

Understanding the business's resources: the tangible, intangible and human capital;

How to utilise the business's financial and physical resources;

Understanding the constraints that these two resources will have on the business; and

Understanding which stakeholders has the most influence on the business.

Achieving a successful turnaround is about striking a balance between the human capital, procedural and technical resources of the business.

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