

Guest Speaker networking event at Milpark Business School – Dr Alexander Falkenberg

MBS hosted guest speaker Dr Alexander Falkenberg of Credit Suisse First Boston Switzerland, on 05 July.

He addressed the topic “*Turnaround Management in Emerging Economies: Lessons from South East Asia*” based on research conducted in South East Asia. He dealt with a number of relevant issues including turnaround context, turnaround strategy content and turnaround process.

Dr Falkenberg’s findings on turnaround management in South East Asia revealed some differences when compared to the predominantly Western literature. According to Dr Falkenberg, the turnaround process in the West is typified by a two-stage model consisting of two distinct phases; first a *decline-stemming phase* followed by a *recovery phase*.

The decline-stemming phase is characterised by actions towards stemming the decline, increasing efficiencies and managing the environment of expectations including garnering stakeholder support for a turnaround.

Recovery strategy in the West shows a predominant focus on asset retrenchment as a means of freeing up working capital.

Falkenberg found that in South East Asia, the turnaround process involved three distinctly separate phases: a *recognition phase*; a *negotiation and deterioration-halting phase* and a *revitalisation phase*. This was markedly different to the two-stage model found in Western turnaround situations.

The presence of a recognition phase in South East Asia was explained by cultural differences that influenced management in South East Asia to have a much brighter, optimistic outlook on future performance. This brighter outlook actually delayed the recognition of the need for a turnaround.

The negotiation and deterioration-halting phase is similar to the declining-stemming phase in the two-stage Western model whilst findings show another divergence in recovery-strategy content in South East Asia.

Lessons that can be learned from the turnaround process in South East Asia are:

- The cause of the turnaround must be clearly understood upfront as indicates the turnaround strategy.
- If the company has time during the decline-stemming phase, management is advised to begin negotiations early so as to avoid retrenchments.
- The turnaround strategy will depend on the negotiations but must not be viewed as only a financial management process.

Attendees rated the speaker very highly and were of the opinion that the topic was most relevant and interesting. However, the audience felt that a more South African focus would have enhanced an already captivating topic.

To that end, the applicability of these and other turnaround lessons for the South African context is the focus of current research being conducted in South Africa.