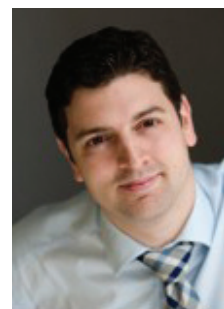


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Coming Out of the Recession? Stay Focused on Turnaround!



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With most countries starting to show gradual signs of recovery from the worldwide economic problems of the last few years, many practitioners are predicting that, for companies that have endured the slump over the last few years, tough times still lie ahead.

For the many businesses that have so far struggled through and survived the global economic crisis, there is a need for time to consolidate their current positions and to look to rebuild and grow for the future and meet the challenges of the next few years.

This process will demand a single-minded attitude to keep the business on track. A good option for any business which has suffered during the recession and is concerned about the future and its ability to grow and develop is to compile and implement a 'Turnaround Strategy'.

Simply put, there are two key stages after a period of recovery, set out below, and this guide will hopefully assist in identifying some of the fundamental considerations for inclusion in the Turnaround Strategy. This is a simple guide and of course specialist help should be sought for individual circumstances.

Stage 1 – The Initial Reconstruction Period

- Identify critical issues that are inhibiting present trading activities making growth difficult;
- Implement a robust debt collection programme to boost cash levels;
- Prepare a short term (13-week) rolling cash flow forecast to identify problem areas and shortages in advance;
- Set out requirements for further funding ahead of them being needed, to enable the bankers to be approached before any impending crisis hits;
- Review and redefine the core objectives of the business by reviewing products or services offered; the production capacity of the business; the marketing strategy and the requirement for any capital expenditure needs, such as on updated plant, machinery or equipment;

- Ascertain whether management is able to effect a process of change and strong enough to deal with any issues that arise.

Stage 2 – Post-reconstruction Stabilisation

- The desired end goal should be defined by a critical review of strategy. This is done by reviewing the organisation's goals – by setting out what is to be achieved and when the results are to be accomplished – in essence reviewing and redrafting the business plan;
- Implement the business plan – this needs to be communicated throughout the organisation, since success will depend on the support from staff across the business;
- Good leadership is crucial. It creates enthusiasm amongst staff so they remain focused on achieving the goals of the new plan;
- Identify key business partners.

Conclusion

A successful turnaround is not a smooth process and requires discipline and patience, but when achieved it is most satisfying and rewarding.

As asset values start to recover, and as cash flow and funds return to acceptable levels, it is likely that Banks will start to review their lending book, and will start to enforce breaches of covenant that have not been enforced during the past few years.

A business that has been pro-active regarding its current financial position, reviewed its business strategy and implemented a plan to safeguard against the risk faced, will stand a better chance of emerging a much stronger business.