

Understanding the Process of Business Turnaround

By Carter Pennington

No matter how much we try to avoid those little hiccups, all businesses from time to time, will experience a series of highs and lows. While in some cases these lows may be minor, in other cases, a business may quickly accumulate a huge stack of debt, which cannot be easily fixed. For businesses who find that they are racking up more debt than they are making profit, they may contemplate the unspeakable-declaring bankruptcy in order to halt their money issues. However, declaring bankruptcy is no cheap solution and in the case of some businesses, may not be the only option open.



All too often, a business will fold and without exploring other avenues, the owner will declare bankruptcy without looking at the options that are available in order to ‘fix’ their business. By turning to the expertise of a turnaround consultant, a business could potentially regain stability in order to steadily regain its value. However, as advantageous a turnaround consultant can be for flailing businesses, they cannot always guarantee positive results-especially in the circumstances where a business is beyond repair.

The first point of call for a turnaround consultant will be to complete a thorough investigation in order to decipher whether your business has the seven crucial factors required to guarantee success following their efforts. These seven factors are as follows:

1. Is your company a workable business, or series of businesses, that can easily and effectively generate profit in order to become the initial basis in which the business’ future growth can build from?
2. The business will require a certain amount of time in order to effectively utilize the turnaround process. If your business has waited too late to bring in a consultant, the process may fail.
3. Does the business have any additional funding? Additional cash will predominately provide your business with more time to repair itself therefore; a successful turnaround procedure requires funds in order to cope with the overall restructuring, and rebuilding of the business. These funds should be raised via the business’ trading efforts, or by releasing assets/taking on additional investors.
4. A clear, concise and realistic plan of how the business will be restructured in order to grow and regain success. By having a clear goal and plan in mind, all associated will be provided with motivation which can help make these changes a reality.
5. The business will require managers and senior members of staff that are willing to work in order to achieve the business’ primary goal.

6. Does the business possess support from its key investors and stakeholders? The most required and vital support will come from your bank but in short, your business cannot successfully turnaround without additional support from your staff, bank and shareholders.
7. Following on from point 6, your stakeholders need to have confidence and faith in your proposed plan and goal. Your stakeholders will need to be convinced that you, as the business owner, have the ability to get your business out of trouble as you were in charge at the time the business came into difficulty. Therefore, they will need to be provided with a promise to be kept up-to-date with your plans and achievements throughout the process.

A professional and skilled turnaround consultant will apply critical, situational skills to your business. They will be able to assess the current status and condition of the business and will focus primarily on guiding your business through the restructuring process and in some instances, can act on your behalf, corresponding with your bank and other investors in order to provide your business with the credibility it will require in order to keep these important factors of your business in play.

Business turnaround will typically go through three different phases, focusing primarily on the financial aspects of the business, before shifting to other important factors such as marketing, advertising, staff and so forth. The turnaround process will commence with a cash crisis, where you as the business owners, will focus on a plan for short-term survival, looking at ways in which to solve your financial crisis. This can be achieved by shrinking the business, such as targeting the company towards only those segments that are the most profitable. In some instances, staff cuts may also be required but where possible, it is essential to keep key staff members for productivity purposes.

Following the financial crisis aspects, the business will be placed into a period of stabilization which will work towards the regrowth of the business, looking at new products that can be devised, new markets to target and alternative forms of promotion. In addition, you will also need to devise the correct management team for the new project and secure the finances required to make the regrowth possible. It is only by achieving regrowth for your business that it will regain its value and in doing so, will be able to survive. As a result, hiring the service of a turnaround consultant will not only help you gain financial stability for the future, but may also provide you with an advantage over your competitors as your business is provided with the spring clean is so desperately requires in order to come back stronger and more focused than ever.



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