



Strategy

fusing creativity and intelligence

## Turnaround Strategy

### Levels of Re-engineering Strategies for a failing business

1. Turnaround
2. Divestiture
3. Liquidation
4. Bankruptcy

### Causes of Business Failures

- Loss of Market/Market Share
  - General industry conditions
  - Changing consumer preferences
  - Obsolescent technology
  - Global impacts
- Management Failure
- Finance
- Other
- Bad Debts
- Competition
  - Domestic and Foreign

### Interested Stakeholders

- Vendors
- Shareholders
- Customers
- Employees

### Stakeholders interest in a successful turnaround

- Root cause of the problems plaguing the business
- Required strategy and action to affect a turnaround
- Management's ability to execute the strategy
- Financial investment required for the turnaround
- Value that can be realized from a turnaround, liquidation or bankruptcy

### Signs of trouble

- Employees uncertain about strategy and priorities
- Consecutive periods of financial losses

### Descriptive Response

StrategicSite, LLC (SIS) specializes in process strategic management consulting. We provide direction in formulating enterprise, department, or team level strategies and business models. We assist our clients in defining their ideal market(s), and to align resources, processes and actions that will deliver value to their stakeholders.



## **Phase I: Stabilized** (First rule of hole digging is to stop digging)

Objective: To stabilize the downward trend and to move the organization from a state of confusion to a state of clarification

### **Actions**

- Assess the current situation, the cause and severity
  - Cause - Internal and External
  - Severity – Low or High
- State the present situation
- State what has to be done
- State why it has to be done
- Outline the best way to achieve it
- Reschedule payments to creditors
- Reduce working capital demands
- Renegotiate future commitments
- Institute internal budget reductions
- Elevate purchasing authority
- Determine Cost and Asset Reduction Options (Retrenchment)
  - Low Severity = Cost Reduction
  - Mid Severity = Graduated combination
  - High Severity = Asset Reduction
- Liquidate any assets not related to the core businesses
- Inspire a new vision for the organization

## **Phase II: Analyze**

Objective: To assess strategic and tactical options

### **Actions**

- Focus on strategic positioning and operational effectiveness
- Formulate a thorough business plan
- Assess and focus on core competencies of the business
- Assess how core competencies can be leveraged and exploited
- Determine which businesses, markets, products and customers should be retained or eliminated.
- Determine what business results can be achieved
- Determine any new opportunities
- Determine the debt can be supported
- Determine any possible threats and time frame

## **Phase III: Reposition**

Objective: To restructure the organization to execute the strategy formulated in Phase II

### **Actions**

- Financial Restructuring
- Organizational Restructuring
  - New management structure
  - New executive compensation plan that is tied to performance related to turnaround results

## **Phase IV: Strengthen**

Objective: To institute processes to reinforce the organization's capabilities required to achieve turnaround results.

### **Actions**

- Change the way people think.
- Improve Operational Efficiency = Internal Factors

- Re-engineer business processes to reduce cost drivers
- Revamp value chain activities
- Consider outsourcing non-critical processes
- Relocate certain activities to lower-cost geographic areas
- Invest in technological improvements
- Innovate around cost intensive areas
- Monitor Progress (Continuous Process Improvement)

**Remaining options if Turnaround Strategy fails or is not an option**

**Divestiture**

If the retrenchment phase is not successful then management needs to consider moving into divestiture phase.

**Liquidation**

If unable to sell a business unit as a going concern then break it up and sell it in pieces for its tangible asset value.

**Bankruptcy (liquidation and reorganization)**

If liquidation is unable to provide the necessary results to revitalize the business then bankruptcy is the last alternative.

**DW**