

## Turnaround, a brief introduction

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TURNAROUND is now coming into greater prominence with the continuing backwards and forwards movement of the market. Unfortunately the problem is that not everyone knows what it is, and there are many proponents within this industry that are not exactly what I would consider to be true Turnaround practitioners.

Turnaround should be an inherent belief system for management rather than a singular process that can simply be adopted by anyone in a time of crisis, and then abandoned shortly after.

The background supporting the underlying premise is alas not afforded by the space in this article, but the fundamental aspects for consideration when conducting a turnaround should be:-

- Time is of the essence.
- The survival of the organisation is the paramount concern.
- Cut out the politics, self-interest and game playing.
- Focus on the people.
- Focus on the critical issues first.
- Accept reality, but don't give up.
- Believe in what you are doing.
- Prioritise, and
- Ensure concurrent activity persists.

The problem we have today is that there is no specific definition of Turnaround in an overall professional sense, just try Googling it! Consequently, what the consumer actually gets can vary quite broadly and unfortunately can fit within the range of professional to the criminal.

For example one type of practitioner that has suddenly popped up or potentially been legitimised under this banner are the deliberate '*phoenixer's*.'

This group prey, mainly for their own profit on failing entities where they can step in in the latter stages and with little or no input to operational process magically make the assets evaporate out of one entity and arrive in another leaving behind all the creditors that are not desired. Whilst there are situations when the disposal of an old entity is necessary and the business can remain in common or fairly common hands, but it should occur openly and frankly using the proper legal processes.

Turnaround generally constitutes a rapid and significant change to the manner of operation of an entity so as to return it to both profit as well as a sustainable position. There is no one size fits all solution.

To simply move assets to a new entity without changing the 'modes operandi' of that organisation will still result in the same loss making activities which will ultimately bring the business down again. This is why the proponents of phoenixes keep coming back!

To demonstrate we will look at two matters that the Condon Group have dealt with. One that has not been seen publicly, and one that has.

In the first a medium sized manufacturing business had been established and was having significant cash flow problems when they were brought to us. Analysis showed that the route problem was actually the method of funding, and that the operational side of the business was sound. An expedient strategy was developed to replace the banker and various asset funders with a more appropriate package built to the overall nature of the assets and the cash

flow of the business. This was put into place within a month and the business went cash flow positive two months later.

Secondly we have a Registered Club, the Windsor and District RSL Club where we have assisted and guided their self-conducted Turnaround over a period of some two and a half years.

Crisis arrived when the Club's Bankers were determined to appoint a receiver due to failing performance and the perceived inadequacy of the then management and board. We immediately sought a replacement funder thus removing the bank and the imminent appointment which then resulted in the new funder forcing the establishment of a Turnaround Committee under the chairmanship and guidance of our Firm.

Notwithstanding the dire position of the Club there were still some who fought change regardless of the fact that no change meant the organisations certain death.

In the end, and taking longer than necessary due to the stance of certain people, the Club has made significant changes to much of the way it does its business, its operations and how it treats its members. Consequently, it is now predicted to be in genuine profit growth mode in the 2011/2012 financial year for the first time in a significant period.

For anyone that had been there some time ago it is well worth the visit back to just see what can be done when a group really put their mind to it and the right resources and people are used.

So Turnaround is truly a now issue. The international economy will ensure that it remains so and every business operator must be aware of its existence and when and how to utilise it. But just like going to the doctor, if you don't go and see him until you are about to take your last breath, you will die. Business is no different.

It's up to you to decide when you take action, but leave it to late and the only option will be burial.

*\* Schon G Condon is.....*