

TURNAROUND MANAGEMENT

Turnaround management is designed to preserve and add value to your business if you feel it is failing to meet performance expectations. Early intervention can provide your business with the best chance of overcoming a deterioration in financial performance and avoiding formal insolvency proceedings.

Turnaround Management can be applied to businesses: -

- whose performance is below expectation or when unexpected crisis occurs.
- which have unprofitable divisions or products.
- who have failed to adequately cope with their growth cycle, particularly as a result of competitive pressures.
- which have underutilised, or obsolete assets.
- which have ineffective management, management structures, or shareholder disputes.
- which are undercapitalised and/or are under pressure from bankers, trade creditors and other stakeholders.

Simply, the process involves analysing the business and its financial data, identifying the problems afflicting the business, formulating a strategy and then implementing and maintaining the recovery strategy.

In many instances, existing management will play a key role in the process for all that may be required is the input and energy of external advisors to address what may be long standing issues that for whatever reason management was either unwilling or unable to confront. In other cases, the circumstances may be such that changes to key personnel in the organisation may be required.

By identifying and implementing turnaround strategies early enough, recovery can take place with minimum interruption and without the trauma associated with a crisis situation.

However, sometimes, a restructuring may not be achievable without the legislative protection that a formal insolvency appointment can provide. For example the appointment of a Voluntary Administrator and the propounding of a Deed of Company Arrangement.

The role of turnaround management as compared to workout and insolvency is best illustrated by the following table:

Details	Objective
Turnaround	Initiatives to achieve and enhance profitability.
Workout	May be creditor lead or with creditor compliance, with the objective being to reduce indebtedness and restructure the financial or operational activities.
Insolvency	Distribution of net assets to creditors in accordance with statute.

Turnaround and workout plans are specifically designed to help prevent financially troubled businesses from being liquidated. The work is normally undertaken by external advisors experienced in the area.

O'Brien Palmer has considerable experience in Turnaround Management. We can assist financially troubled businesses in such areas as:

- Crisis management
- Debt restructuring
- Cost reduction initiatives
- Business stabilisation
- Solvency advice
- Cash flow and working capital strategies
- Communication with stakeholders
- Lender negotiations
- Disposal of non-core assets

Your timing can be the key to a successful turnaround strategy being implemented. If you are considering the use of O'Brien Palmer's turnaround management skills, we recommend that you take the initiative and act early before your situation reaches crisis point, as this gives the best opportunity to achieve a positive outcome for you and your business.

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