



Steps for Company and Management Turnaround to Stay Afloat

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Exploring the reasons for Company and Management Turnaround and the steps to accomplish it

2020 has come and gone and now in 2021 businesses that are still operating and battered are having to pick themselves up and keep going; however, the market has changed, and major company weaknesses may have been exposed or made evident, and now is the time for a company to assess itself and consider the possibility for a management turnaround. LehmanBrown and Trinity Bridge Asia in this article provide a guide to companies in China and the rest of Asia through different phases of a turnaround. Such phrases can often take between a few months and a few years, depending upon a company's situation and industry, and some might still not make it.

Company and Management Turnarounds are generally needed for a variety of reasons, which include:

1. **Financial Hardships** – Forecasts and cashflows show that the company will not be able to operate for much longer, and thus action is needed to shore up cash reserves and save the company.
2. **Inexperienced Management** – Times are changing, and management does not have the skills to keep up; therefore, a total restructuring is needed to help management better cope with the changes. Alternatively, the company has the skills to manage during good times but managing a business's turnaround requires different skills.
3. **Lack of Scalability** – Often a problem for Small and Medium Enterprises (SMEs) which might have the opportunity to scale up but are not adequately structured.
4. **Market Changes** – The most common case where companies and management stick to what they know, however, cannot adequately satisfy the market's current needs or make the changes needed to adapt.
5. **Internal Malfunction** – Internal company structures can cause internal reporting instruments to fail when under abnormal stress, especially as the company grows or shrinks, resulting in vital information not being received in time or the right understandable format, and significant opportunities lost, or cliffs not seen that should have been.

Even though company and management turnarounds may look like a daunting and arduous journey, the survival of a business is at stake, along with its jobs and the impact on other stakeholders. To help those considering a turnaround this article outlines some steps of the process to save a company.

Analysis and Assessment

The first step for a company and management turnaround is to establish the cause of the problem. Ideally, such an analysis would require an external agent to conduct a review to guarantee impartiality. Internally, management is often too close to the situation to be impartial and accept the issues at hand. The best option is to call an external auditor to conduct an audit looking at the company's various management elements, the company's structure, internal check and balances, and finances. Once an audit is complete, the company and management will receive a detailed outlook of the current company

situation, the timescale of the situation, and practical suggestions and solutions for a successful turnaround.

Strategy and Alignment

At this part of the company and management turnaround process, the company needs to establish the best way to implement the independent review's actions whilst establishing key measurements for success. Here too best practice recommends the onboarding of external professionals or turnaround specialists who have had success in the past to guide the company and managers.

Since working capital is king, the strategy will have to delve into how best to distribute it between the various departments and to consider whether or not to cut costs. When cutting costs, it is essential to focus on the big-ticket items, normally, staff, space and IT. However, local experts can also help navigate local laws; for example, in China, the labour laws are very strict; therefore, companies and managers must gradually consider terminating contracts to avoid complications. The strategy must provide the key areas that will contribute to the turnaround process and help the process succeed.

Lastly, the strategy must reflect and align with the companies and management's mission and objectives. The most important part of a company and management turnaround strategy is management's buy-in, understanding, and commitment to the process. When communicating the strategy with the staff and the customers, there must be a clear outline why there was a need for a turnaround and changes, a roadmap for everyone to follow and know at what stage of the process they are in, and what is the expected outcome which everyone should focus on and be excited for.

Step-by-step Action

Ultimately the final strategy will have to have a long-term strategy divided into three phases: 100-day medial action phase; a six-month stabilisation phase and a two to three-year growth phase.

The strategy will need to have proper project management, or company and management turnaround exerts and coaches to walk through the process and make sure everything is on track. Support also included creating a communication plan to share both internally and externally, having frequent meetings to look over the progress at various stages to provide advice, and remain in contact for any emergencies that may arise.

Communication and Implementation

The implementation process will require consistent communication between the stakeholder and the senior management, specifically the HR managers, creditors and CFO's, and customers. Most important of all are the creditors as management is often afraid of their reprisals; silence is the worst enemy, leading to creditors taking legal action and possibly stopping the company from trading because of the lack in China of something similar to Chapter 11. To avoid such an outcome, managers have to share the vision of the company and management turnaround and make sure they are involved in the process. Working closely will only strengthen the creditor's trust in the company and will be the most rewarding strategy in the long run.

Measuring Success

As the stages of the company and management turnaround come to a close, it will become critical to see if the objectives have been achieved looking at the pre-established measurements of success. Often analysed information consists of financial factors like sales, debt coverage and leverage, and liquidity ratio, and non-financial factors such as staff skills and turnovers. Another audit and forecasts of the company are recommended to confirm the turnaround is working and provide evidence to creditors and stakeholders.

Turnaround Roundup

A company and management turnaround is no walk in the park, and the larger the company is, the harder it is to do so successfully, yet often creates unmeasurable success. Apple showed how successful turnarounds could be when Steve Jobs returned to the company in 1997 after twelve years where Apple sales were plummeting and gave it the right change of mindset and structure to make Apple into one of the biggest tech companies in the world long after his death.

How Can We Help

For companies that have been hit by the current economic times, it is worth considering reviewing their operations by external professionals who can provide an independent overview of the current situation on the ground in China and Asia. LehmanBrown and Trinity Bridge have decades of experience taking care of companies in China and Asia.

LehmanBrown International Accountants provides impartial and practical reviews and audits and effective forecasting and talent acquisition while Trinity Bridge offers specialist advisors to review and develop a strategy and a roadmap to turning around.

To enquire about your specific company, please contact us by sending an email to enquiries@lehmanbrown.com

To reach Trinity Bridge Asia please contact david.newton@trinitybridge.asia or visit the website at <https://trinitybridge.asia>



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LehmanBrown is a licensed China-focused accounting, taxation and business advisory firm, operating dedicated offices in Beijing, Tianjin, Shanghai, Shenzhen, Guangzhou, Hong Kong and Macau, and with an extensive affiliate network throughout China and in over 100 countries worldwide.

LehmanBrown combines years of international expertise with practical China experience and knowledge, offering expert advice and support to both local and international clients. We are committed to providing individually tailored financial and business solutions for each of our clients, recognizing that each client is different. Through offering “whole of life” services, LehmanBrown offers clients assistance throughout every step of their business life cycle, from pre-conception to afterlife. LehmanBrown is registered with the PCAOB in the US and is able to conduct SEC work, as well as being accredited by accounting bodies in the UK and Australia.

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For further information about how we can add value and support your individual or business needs, please contact us.

如需为个人或企业获取更多的增值服务及业务协助信息，请与我们联系。

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