Practical Turnaround Managment:

The Renewal Timeline » Distress to Success

	Situation	Key questions	Practical Turnaround Actions	Outcomes	Sucess Rate	COST	Power of directors and management
Under-Performing Company	Management-led Correction	Are you meeting benchmarks, such as operating margins? Does cash flow drive decisions? Is return-on-capital greater than the cost-of-capital? Are employees motivated to go the extra mile?	Put the Early Warning Signs on a dashboard Reduce working capital needs; improve cash forecasting Evaluate cost of and return on capital Evaluate corporate culture for employee engagement	Managers make a habit of tracking key performance data Value created through reduced cash demands Institute performance measurement systems Corporate culture changed to one that fosters continual improvement	★★★ High	$$$ Low	High
Distressed Company	Informal Creditor Workout	Does cash flow from operations cover operating expenses? Do you pass the Viability Test?	Triage: Renegotiate debts; shed unproductive assets Maintain 13-week cash budget	Creditor confidence restored and firm returns to normal, **OR** Seek protection in bankruptcy court			
Distressed Company	Bankruptcy	Do Liabilities exceed Assets? Have creditors started collections proceedings?	Conserve capital Evaluate enterprise value vs. total value of claims Craft feasible plan of reorganization	Reorganization and return to normal, **OR** Business sold or merged			
Distressed Company	Liquidation	Is the firm worth more dead than alive?	Liquidation Analysis Maximize recovery from sale of assets	Dissolution	★★★ Low	$$$ High	None

Time

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