



TenStep Supplemental Paper

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Turnaround Strategies

Companies on the brink of bankruptcy have to adopt measures to bring themselves 'back from the dead.' The successful strategies that turn the company into a profit machine are referred to as 'turnaround strategies.'

Turnaround strategies include the following phases:

1. Evaluation Phase

The first step towards turning the company around is evaluating the organization's health. The evaluation includes checking for the following:

- Excess employees
- Financial health
- Unclear goals
- Ineffective and cumbersome administration procedures
- Employee morale
- Competency levels
- Loss-making units
- Cash outflows

2. Cutting Phase

Once the firm has identified the problem areas, it has to initiate measures to improve its performance or risk bankruptcy. This phase is also referred to as the 'restructuring phase.' Typically, the measures include:

- Huge cuts in the workforce
- Writing off operating units
- Closure of sick or unprofitable units
- Sweeping changes in the management
- Milking cash out of every source
- Reduction of all expenses
- Putting all under-utilized resources on full steam
- Leasing or selling under-utilized resources

3. Building Phase

For the turnaround to be successful, the company has to halt the downslide and start an upward rise. This phase often requires focusing on key market segments where the



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company has a reasonable chance of succeeding. The key segment will be one where there is maximum overlap between customer needs and the company's strengths.