



Saving a business needs quick, skilled teamwork by turnaround professionals

INDUSTRY VIEW

Firms are as good as their directors during a crisis. Unfortunately, directors often find it difficult to know what to do, which can result in attempts to save a business being too late.

Advice may be given by professionals who themselves lack experience or who do not have the company's best interests at heart. Often lenders and finance providers, seeking recovery of their loans, will introduce advisers who are normally insolvency practitioners (IPs).

While IPs are experts in dealing with a balance sheet, their advice is often to begin insolvency proceedings and recover assets for creditors. Anyone introduced by a creditor will have conflicting interests and their approach can massively reduce value and hamper turnaround initiatives.

As David Bryan, of Bryan, Mansell & Tilley says, insolvency should be an "absolute last resort". "Insolvency destroys value and is fee-intensive, whereas turnaround managers preserve more value for all stakeholders. Management should not feel diminished seeking their help."

Tony Groom, of K2 Business Partners, adds: "Turnaround involves a consensual



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approach to achieving a viable and sustainable business for the benefit of all stakeholders, including employees and suppliers. Banks and creditors will also be better off.

"Turnaround is a complicated process, going beyond financial restructuring. It always involves operational change and may need a rethink of strategy."

Justin Stephenson, of Jeffrey Green Russell, says: "Owners and existing management often do not have the full set of skills needed in a turnaround situation. For example, they may be brilliant engineers or salesmen but lack financial back-office help. A turnaround professional will identify what is lacking, allow management to concentrate on what they are good at and supplement management with any skills that were previously lacking."

Turnaround also involves encouraging proud bosses to accept change. Libby Aird-Brown, of The MacDonald Partnership, says: "Somebody described the decision [to make changes to the business] as a grieving process. A turnaround specialist has to act as family counsel, or shareholder counsel, or emotional counsel."

But businesses are unsure who to contact in a crisis. Tyrone Courtman, of Cooper Parry, says: "Many business owners find it difficult to plan for the unthinkable, but actually taking expert advice to help them improve business performance sooner will pay enormous dividends. There is an incredible amount of support and experience that can be provided by turnaround professionals, if only we could convince business owners of the need to take it."

David Hole, of Galen Partners, says: "We need to spread the word about the very benefits that turnaround can bring to the wider business and financial community, and by flushing out those with ulterior motives and sharp practice through professional regulation."

Measures are being taken to elevate turnaround. The Turnaround Management Association has introduced the EACTP turnaround qualification. This is aimed at reassuring clients through accreditation, and distinguishing experienced turnaround professionals from other advisers and IP's.

There are hundreds of thousands of businesses in financial difficulties that are rightly worried about the vested interests of advisers. Turnaround professionals are keen to reassure them that help is available.