

STRATEGIC ADVISORY SERVICES: INTERIM MANAGEMENT FOR COMPANY TURNAROUNDS

1. Why Turnaround Management?

There are a number of different business situations that could result in the need for a Turnaround Practitioner. Typically these could be situations such as crisis management, sudden departure, illness, death, change management, managing change or transition, sabbaticals, MBOs and IPOs, mergers and acquisitions, and project management.

2. Definition

Interim Management is the temporary provision of management resources and skills. Interim Management can be seen as the short-term assignment of a proven heavyweight interim executive manager to manage a period of transition, crisis or change within an organisation.

Turnaround Management is a process dedicated to corporate renewal. It uses analysis and planning to save troubled companies and returns them to solvency. Turnaround Management involves management review, activity based costing, root failure causes analysis, and SWOT analysis to determine why the company is failing. Once the analysis is completed, a long term strategic plan and restructuring plan are created. These plans may or may not involve a bankruptcy filing. Once approved, turnaround professionals begin to implement the plan, continually reviewing its progress and making changes to the plan as needed to ensure the company returns to solvency.

Turnaround Practitioners are interim managers who only stay within the organisation for as long as it takes to achieve the turnaround. Assignments can take anything from 3 to 24 months, depending on the size of the organisation and the complexity of the job. Turnaround Management does not only apply to distressed companies; it in fact can help in any situation where direction, strategy or a general change of the ways of working needs to be implemented. Therefore Turnaround Management is closely related to change management, transformation management and post-merger-integration management. High growth situation for example is one typical scenario where turnaround experts also help. Increasingly, Turnaround Managers are becoming a one-stop-shop and provide help with corporate funding (working closely with banks and the Private Equity community) and with professional services firms (such as lawyers and insolvency practitioners) in order to have access to a full range of services that are typically needed in a turnaround process. Most Turnaround Managers are freelancers and work on day rates, but there are a few very high profile individuals who work for very large corporations on a semi-permanent or permanent basis.

3. Turnaround Management Assignment Lifecycle

Turnaround assignments vary in scope and requirements, encompassing change management, 'gap' assignments, project management and Turnaround Management.

Five different stages characterise a turnaround process:

- The evaluation & assessment stage
- The acute needs stage
- The restructuring stage

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- The stabilization stage
- The revitalization stage

The Turnaround Manager takes responsibility for managing the intervention, project, or solution, tracking progress and conducting periodic feedback reviews with the client. Turnaround Managers particularly exemplify their expertise, accountability and effectiveness. Depending on the assignment, they get as close to the situation as is necessary, whilst remaining an independent practitioner. They may be managing teams, projects, dealing with crises or transformations or simply 'holding the fort'. Their implementation is unencumbered by company politics or culture, and they are singularly focused on the task at hand.

4. The Turnaround Management Value Proposition

There are several factors that make the Turnaround Management offering increasingly popular and cost-effective to client organisations.

The following factors are typical of the Turnaround Management Value Proposition:

- **Return on Investment.** A Turnaround Practitioner adds value by using their skills and expertise to help deliver an outcome, solution, service or mitigate risk that provides a meaningful 'Return On Investment' to a client. Turnaround Managers are paid on the understanding of goals and objectives being performed and delivered, and not simply on the basis of attendance.
- **Speed.** A Turnaround Practitioner can be in place within days as opposed to weeks or months which is essential when time constraints are paramount. Being practiced in engaging promptly with the situation, they become effective quickly upon joining a client organisation. Because of their experience and expertise, a Turnaround Practitioner also conducts and completes assignments effectively and with due speed.
- **Expertise.** A Turnaround Practitioner typically operates at a senior level in the client organisation, often being sensibly over-qualified for the roles they take on. They often bring skills and knowledge not otherwise in place, to address a specific skills gap or problem. Their experience and expertise enables them to be productive and make a noticeable impact from the outset, maximising the likelihood of success.
- **Objectivity.** Unencumbered by company politics or culture, a Turnaround Practitioner provides a fresh perspective and is able to concentrate on what's best for the business. Being independent operators, they are able to contribute honestly, without constituting a threat to the incumbent management team. Not being part of a larger business, they are not pressured to unnecessarily extend their assignment.
- **Accountability.** Rather than taking on a purely advisory role, a Turnaround Practitioner takes responsibility for and manages a business or project in its own right. A Turnaround Practitioner expects to be held accountable for results and by being instrumental in an assignment's successful

delivery. They give clients the peace of mind that the Turnaround Practitioner has stewardship of the project at hand.

- **Effectiveness.** Operating at or near Board-level gives a Turnaround Practitioner the authority and credibility to effect significant change or transition within a company. Unlike a 'temp', they're not just there to 'hold the fort'. They actively add value to the client organisation as a result of their expertise and approach, even when the work and the decisions to be made are difficult.
- **Commitment.** A Turnaround Practitioner maintains high professional standards because their future work relies upon referrals and a successful track record. They therefore have a stake in the success of the assignments that they undertake. This contrasts favourably with other 'temporary workers' who may also be seeking 'permanent employment' or simply motivated by a day rate or extending their tenure.

5. Why CGF?

Since our inception in 2003 we have developed an exceptional track record with Boards and CEOs and are a trusted partner to many South African organisations. We are a business of high integrity and widely recognised.

Our Turnaround Practice consists of highly experienced individuals. They have to be able to adapt rapidly to new cultures and operational processes and they have to be results driven with a dedication to leading change and making a difference. Our Turnaround Practitioners have made a commitment to act as independent directors. Their independence allows them to provide objective and dispassionate advice to clients. Importantly, our Turnaround Practitioners do not seek permanent positions and thrive on the challenge and variety of working across clients and sectors. They are set up to operate through their own limited companies and have professional indemnity insurance.

6. Further information & contact details

Please contact CGF for further information on +27 (11) 476 8264/ 1/ 0 or email accounts@cgf.co.za or email tbooysen@cgf.co.za or Paul.aucamp@palstrat.co.za

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