

# *Western Turnaround Management and Equity Investing Techniques*

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*A nationally recognized turnaround management firm  
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## *Western Turnaround Management and Equity Investing Techniques Text*

By John M. Collard

*The World Bank*



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*John M. Collard*

**Strategic Management Partners** has been key in developing a training course presentation to introduce proven concepts and train turnaround and privatization professionals, government bankruptcy and privatization officials in the Russian Federation, Central Europe, China, and North America. The three day course stresses western turnaround techniques, application of turnaround management in the region (s), converting defense related businesses to peacetime economic enterprises, privatization management, signs of companies heading for trouble, cash flow enhancement, soliciting strategic alliance partners, raising investment capital, equity & venture capital investing techniques, developing exit strategies and negotiating the sale of company transactions.

John M. Collard, Chairman, Strategic Management Partners, Past Chairman of the Turnaround Management Association, a Certified Turnaround Professional (CTP), and Instructor said, "the course is unique in that it brings successful techniques of turnaround management, corporate renewal and equity investing to parts of the world that are undergoing transition. Often, problems in other parts of the world are much different than we normally think of in the U.S. when we undertake to turnaround a troubled enterprise. Two dimensions are added that must be addressed. First, where does the turnaround manager come from? In the western world we teach professionals how to be managers and how to market and sell. They gain experience in healthy companies before they become turnaround managers. In Russia and Central Europe, the ultimate demand economy for the last fifty years, managers have not had to use, nor have they been taught either skill [Marketing nor Management]." So where these managers will come from becomes a real dilemma. Teaching them now has become one answer, but the process will take time.

"The second added dimension is the concept of valuation, which affects both the initial purchase or investment and resalability of the company. Value is assigned to fixed assets by using 'liquidation' or 'net asset' valuation concepts. In a demand economy with inflationary accounting [which writes up assets, sometimes to increase collateral for additional funding], values on the books are usually overstated. Most business people are well schooled in DCF and other methods of applying value. What most miss completely, however is the concept of 'operating assets value', [the ability of the company to produce profits and cash flow]. There is little application of the concept of producing value for what investors or buyers are willing to pay," Collard said. While this will change as time passes, stock exchanges mature, and transactions become more prevalent in the region, until then negotiations will be difficult.

The course was originally designed as a three day presentation, but can be given in one or two day versions; or separated into components if required. It has been well received by sophisticated audiences who want to change the way things are done in their country or for their clients. While parts of the course are specific to the needs of change from a demand economy to free market, the concepts adapt well to the North American audience as well. After all, when a company is in trouble it needs Management, Marketing and Capital, all discussed at length in the course. A Restructuring Specialist, Economic Development Institute at The World Bank, said "this course is exactly what is needed in the Russian Federation and other developing countries that want change management to take them into the Global



Economy. It brings a detailed understanding of turnaround management and equity investing techniques to managers that have not had to deal with these issues before. The instructor's years of experience added a depth to this course, with real examples, that was key to help this sophisticated audience grasp these difficult and complex ideas." For more detail of the course presentation in Russia, see [SMP Develops Course for World Bank](#) --- Subsequently, Yeltsin has named Anti-Crisis Management as a profession in Russia, and this course is being taught throughout the country.

## Teaching Course Outline -- Turnaround Management and Equity Capital Investing

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1. **Overview & Introduction** -- Discussion of purpose of the session, introduction of presenter(s), acknowledgments, general view of what is to be covered.
2. **Causes of Business Failure** -- The causes of business failure both external to and internal within the company, and why these are important to understand.
3. **Early Warning Signs of Business Failure** -- The common adverse signs of business failure both those financial and ratio driven and the fundamental behavior that indicates trouble on the horizon; prediction models; companies susceptible to trouble, and why business fail.
4. **Basic Requirements for a Successful Turnaround** -- Viable core business on which to build, management processes to guide, financing to fund the turnaround, organizational resources, crisis prevention in transition, and balancing change.
5. **Characteristics of Effective Turnaround Managers** -- The key roles of managers and workout team, and the required management skills; the process is for the experienced, not the novice.
6. **Stages in the Turnaround Process** -- There are several stages in the process to be discussed one at a time. There is a Transferable Skill-Set in the change control process.
7. **Management Change Stage** -- The importance of changing management to lead the company and replacing managers who may impeded the turnaround. There are different styles of management required for crisis, stable company and entrepreneurial situations. Discusses management's readiness for a turnaround manager, how to select a turnaround specialist, how a specialist operates, the process of recovery, resistance to specialists, and engagement agreements.
8. **Situation Analysis Stage** -- Is the company viable? Can it be saved? Developing a preliminary action plan, a focus on cash, the nature of the situation, detailed analysis of all elements of the company, the where and the how.
9. **Emergency Action Stage** -- Short term and long term survival, take charge, control cash, what to do in all elements of the company, more of the where and the how.
10. **Design and Selection of a Turnaround Strategy** -- The elements of strategic plans, types of turnaround strategies, which one to employ when, create a mission statement, focus on a value proposition, new market development, and the economic validity of the business.
11. **Business Restructuring Stage** -- Enhancing profitability, maximize return on assets, re-energize the sales force, demand great customer service. The rebuilding process.



12. ***Returning to the Normal Stage*** -- Exploring new markets, emphasizing profitability, streamlining operations, managing R&D, develop control systems, and generating free cash flow. The management processes phases and actions.
13. ***Understanding Venture Capital Investing*** -- The process of private equity investing, economic forecast, what investors look for, investors selection criteria, and how to attract investors.
14. ***Locating Sources of Investment*** -- Turnaround financing for distressed companies, raising capital, where can and does capital come from, and capitalization structure.
15. ***Selling the Business*** -- Types of exit strategies and advantages and disadvantages of each.
16. ***Prescription to Renewed Health*** -- Conclusion covering the process and ultimate sale of the business.

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