Turnaround Handbook

Presented by IFC

Contents

Most struggling businesses can be saved if. . .

It is up to you to lead your business
away from trouble and back to success

Most small business owners facing a business crisis are caught in a classic Catch-22 situation. On the one hand, they require specialised business turnaround expertise to save their business. On the other hand, their financial crisis prohibits them from hiring the expensive turnaround specialists who offer the expertise.

Typically, this leaves the owner facing only three choices: (a) walk away at great personal financial ruin; (b) hope for someone to fly to his rescue and bail the business out of trouble; or (c) simply battle on.

Most battle on – often trying to work their way out of the crisis using the exact same strategies which led to the business' failure in the first place. They change little or nothing about the business, hoping it will work this time. It rarely does.

Worse, far too many small business owners think that a cash injection is all that's needed to save the business. So they plough the last of their life's savings into the ailing business. . . and end up losing everything, the business included. The fact is, a lack of cash is an effect, not a cause.

To add to the owner's woes is the time factor. Typically, a failing business has been in crisis for some time and by the time the owner realises that fact, time is running out. To save his business he must act swiftly and decisively to identify the troubled areas and implement solutions. There is little or no margin for error. And precious few second chances.

With a clear and defined business turnaround plan – which is what this Business Turnaround Plan is all about - you can lead your business away from trouble and back to success by implementing the strategies needed to help your business survive in the short term so that you can turn it around and grow it into the future.

Remember the passion you put into starting your business?
If it was worth starting in the first place,
it is more than worth your effort to nurse it back to health.

So what is a business turnaround all about?

Business turnaround is about reversing a business' decline and in so doing restoring stability to the business and re-growing its value

Understanding the business turnaround plan

The business turnaround plan is very different from the typical business plan:

- Its actions cover a short period of time, usually nmore than 90 days (although its restructured strategies are long-term).
- It requires constant monitoring, updating and extensive analytical research.
- It is usually researched and compiled during a time of financial and emotional stress.

Outline of the business turnaround process

To execute a successful business turnaround, the plan must contain these major areas of information:

1. Business background

Not everyone who reads your turnaround plan will know how your business was formed, what it does, who owns it and what your role is in the business. They need to know these details.

2. Stakeholders

A business in crisis affects everyone who has a stake in the business. The co-operation of each of them – customers, suppliers, employees, banks, creditors, family members and other stakeholders – is essential for a successful business turnaround.

3. Getting to the root of the problem

You need to determine exactly what your business crisis is and how it developed - i.e. you need to get to the root of the problem. Business failure is rarely due to one single cause. There are usually both internal and external factors contributing to the failure.

4. Restructuring your vision, mission and goals

During the turnaround process your business will be restructured. Your original vision, mission statement and business goals will most likely no longer be relevant to your business. You will need to reconstruct them or transform the current ones.

5. Cash control

Cash is the lifeblood of a business. More than ever, you need to control and maximise your cash. A good cash control strategy will keep your business alive while you determine what went wrong and what to do about it. Readers of your turnaround plan will want to know exactly how you plan to control your cash.

6. Business restructuring

This is the key section in your turnaround plan. It requires analysis and planning. The readers of your plan will be extremely interested in this section.

Restructuring the business to increase profitability and kick-start its return to success will include financial, marketing, and operational actions to:

- restructure financial management
- improve working capital management
- reduce operating costs
- restructure outstanding debt obligations
- re-evaluate your products/services and pricing
- restructure your marketing plan
- implement a sales turnaround
- re-evaluate your business image
- re-evaluate employees
- restructure your protection policies.

7. Forecasting

Everything to this point will have determined *what* you are going to do in your turnaround plan and *how* you are going to do it. This section now explains what the *effect* of all these changes will be by presenting detailed forecasts in the form of short-term financial statements and projections.

8. Execution of the plan

Success is won or lost through execution of the turnaround plan. Many business owners get past the crisis, soothe their creditors, restore a positive cash flow. . . and then fail to execute the turnaround plan and subsequently the wheels come off the wagon. Don't let this happen to you! Work your plan every minute of every day. And stay accountable to your plan.

How to use this turnaround plan

Business turnaround is a long, tough road.
Following a clear and well-defined turnaround plan enables you to see the light at the end of even the darkest tunnel

1. The turnaround process is a logical and systematic process. This plan takes you through all the turnaround strategies in the correct systematic sequence. This allows each step in the process to build logically and systematically upon the previous one.

2. There are workspaces for each aspect of the turnaround process. This allows you to:

   a. make the critical decisions needed to analyse your business and its trouble
   b. formulate the correct turnaround strategy to resolve the crisis and get your business back on track
   c. define the correct execution of each strategy.

3. This is extremely important. With your business in crisis there is little or no margin for error. Decisions based on inadequate, untimely, or inaccurate information will make a bad situation considerably worse, perhaps even fatal to your business.

4. However, it is important to keep in mind that "perfect" information is not always available. There will be times when you will need to move on decisions based on judgment rather than business analytics - i.e. that "gut feel". Gut feel is best described as "the sum of a lifetime of experiences" and can guide very good decisions. However, the opposite is also true and too many gut feels may have contributed to your current business decline. A good rule of thumb is 80/20. Never base less than 80% of your decisions on qualitative data, fact-based analysis and historic data. Never base more than 20% of your decisions on intuition and gut!

5. When you have completed this planning process, you will have all the data on the various strategies captured in concise summaries. This will make writing your turnaround plan straightforward.

6. Most importantly, having all your planning laid out in front of you in an orderly, organised and logical way allows you to see the big picture of your proposed plan and the corrective actions you intend to take. You can review and revise and update effectively. This allows you to validate that what you are planning actually *is* right for your business and your circumstances.

7. It will also ensure that your final written plan is a thorough, well-researched document that provides *all* the relevant data in an easy-to-follow-and-understand way.

Do you have what it takes?

Turning your business around requires you to be a strategic thinker and set your sights on a new future

1. Turning around a declining business is challenging and complex. Do you have what it takes? Chances are, you do. Entrepreneurs by nature possess certain skills and leadership qualities that got them into their own businesses in the first place.

2. However, business failure is a demoralising event in anyone's life because it impacts both your professional and personal self-esteem. Provided that you can put those feelings behind you, the same qualities that helped you start your business can help you turn it around. Here are the important entrepreneurial qualities to motivate you for the long haul ahead:

- Be an inspiring leader. This means building morale, addressing concerns, celebrating small wins and encouraging others to be pro-active about helping to improve the business.
- Be clear-headed and decisive and prepared to take the unpopular, yet necessary, steps required for your business' survival.
- Be able to plan in a cool and detached fashion.
- Be completely objective and able to look at your business with fresh eyes.
- Be prepared to look at new ways of doing business.
- Be prepared to face problems that are much more complicated than those in the past, and that cannot be solved in the same fashion as in the past.
- Maintain a positive outlook and self-confidence.
- Be aggressive. Now is the time to stake a claim about where you are headed. New opportunities exist. Find them. Pursue them.
- Act with a sense of urgency.
- Monitor results diligently. Use the info to make changes in actions and strategies to correct negative trends and take advantage of positive trends.
- Be resilient and endure the downs of the situation.
- Remain optimistic in the face of adversity.
- Expect to win. Start each day knowing that no matter what happens, you eventually succeed, because that is who you are. Failure is part of the game, but quitting is serious defeat.

PART 1 — Business background

The history of your business provides background for the rest of the plan

1. You need to be sure that everyone who reads your turnaround plan is familiar with how and when your business was formed, what it does, who owns it and what your role is in the business.

2. There is an additional benefit to completing this section in detail. The way you run your business and the way you expect it to work no longer applies. During the business turnaround process your business will be restructured in order to return to success, profitability and competitive effectiveness.

3. It will emerge as a new, leaner business.

4. Your product/service mix may change. You may withdraw from certain markets or target a different market segment. Your "people mix" may change. Certainly the way you run your business will change.

5. To know where you want to go - and get there successfully - you need to review *where you came from* and *where you are right now*.

My business background

1. How my business was formed:

2. My business ownership:

3. My product / service:

4. My customer base and profile:

5. My role in the business:

6. Key management roles:

7. Employee roles:

8. Other:

PART 2 — Stakeholders

The trust and support of your stakeholders is key to your plan's success

1. Your business crisis affects everyone who has a stake in your business – your customers, suppliers, employees, bank, creditors, family, friends, etc. The co-operation of each of them is essential to the success of your business turnaround.

2. The bad news is that stakeholders will be concerned about their own risk exposure to the failure of your business. They may well have lost confidence in you. They may no longer trust you. You need to rebuild their confidence, trust and support.

3. The good news is that they have a vested interest in the survival of your business and its return to profitability and growth. The best way to regain their trust and support is through open communication, honesty with both the bad and the good news, and a turnaround plan that is realistic and workable, not just wishful thinking.

4. Like it or not, your stakeholders play a major role in how your business can operate and where the money goes. Every decision you make regarding your business turnaround will have an effect on one or more of them. Conversely, they will affect every decision that you make. Having a comprehensive grip on your stakeholder management allows you to see where this will help you and where it will hinder you.

5. Carefully analyse the status of each stakeholder in your business. Answering the following questions will assist you. Be objective. Look at the stakeholders' situations from *their* point of view, not yours.

- How are they affected by the current state of your business decline?
- How has your communication with them been—and what do you need to tell them right now?
- Will they have confidence in your ability to turn your business around?
- What will they *expect* in terms of your turnaround plan?
- What must you do to rebuild their trust and confidence?
- What must you do to regain their support?

6. The more detail you record about the status of your stakeholders, the more it will help you as you prepare the rest of your turnaround plan.

1. Customers

- Customer satisfaction is a key element in any business. Typically, as a troubled business declines, quality control slips, service standards fall and employee performance drops. The end result is the loss of your precious customers.
- It's a small world out there. Issues with service or delivery send speculation flying around the business community about the problems your business is experiencing. Even your most loyal customers may start looking for other suppliers if they suspect your business is on the brink of collapse.
- Your customers, especially your key customers, need to know that you have the matter under control. They need to see that you have a sound plan to correct the current state of affairs.
- Without going into detail, inform your customers of the temporary problem and how you are planning to correct the situation. Be reassuring and confident.
- Stay close to your customers. Build strong bridges. Give them direct access to you and your management team.

The current status of my customers:

1. How are my customers affected by the current state of my business decline?

2. How has my communication with them been?

☐ *Excellent* ☐ *Good* ☐ *Fair* ☐ *Poor* ☐ *Extremely poor*

3. What do I need to tell them right now?

4. Will they have confidence in my ability to turn my business around?

☐ *Yes* ☐ *No*

5. What must I do to rebuild their trust and confidence?

6. What will they *expect* in terms of my turnaround plan?

7. What must I do to regain their support?

2. Suppliers

- Suppliers get very nervous when they realise a customer is having problems. If you are not settling accounts on time, not only are you jeopardising your supply line, you are also running the risk of suppliers imposing draconian payment terms that may completely dismantle your turnaround plan.
- Often, business owners argue that there are other suppliers they can use. However, if your underlying business problems are not resolved, your reserve of suppliers will soon be gone, along with your business' credit.
- Re-establishing trust is critical. Suppliers will stick by you as long as you are open and honest and honour your promises.
- Keep your suppliers informed of the temporary problems your business is facing. Share with them the sections of your turnaround plan that show how you intend to correct the situation. Show them that they are a valuable part of your solution.
- You may be pleasantly surprised at the support you will receive from most suppliers. It is in their best interests to see your business survive this crisis and go on to become a profitable business.

The current status of my suppliers:

1. How are my suppliers affected by the current state of my business decline?

____

____

2. How has my communication with them been?

☐ *Excellent* ☐ *Good* ☐ *Fair* ☐ *Poor* ☐ *Extremely poor*

3. What do I need to tell them right now?

____

____

4. Will they have confidence in my ability to turn my business around?

☐ *Yes* ☐ *No*

5. What must I do to rebuild their trust and confidence?

____

____

6. What will they *expect* in terms of my turnaround plan?

____

____

7. What must I do to regain their support?

____

____

3. The bank and creditors

- When a business is failing, the most vocal group is often the angry bank and creditors who may have been kept in the dark about the business' decline and true financial status.

- Your business turnaround depends on re-establishing an open and trusting relationship with them. It is very unlikely that your turnaround plan will succeed otherwise.

- Keep in mind that all creditors are not the same. You need to prioritise your creditors and sort out which ones are important to your business.

- Creditors can be sorted into two groups:

i) Group A creditors

- These are your vitally important creditors.

- They are the creditors who are integral to your business, such as the bank, your landlord and your major suppliers. Your turnaround plan cannot succeed without their co-operation.

- Turnaround plans often depend on creditor concessions. If your Group A Creditors don't receive full and honest information about your business' financial well-being they are not likely to grant you any concessions.

- Re-establishing an open and honest relationship with these creditors is absolutely critical. You need to impress them and share your plan with them.

ii) Group B creditors

- These are creditors that are not a priority. They are the ones you can replace, and that you do not need in order to survive.

- As you don't need the support and agreement of these creditors to keep your doors open, you are in the position of ending the relationship with them and negotiating favourable new terms (for you) to pay off the outstanding debt.

- However, before you potentially end a relationship with a creditor, you must be absolutely sure that their business isn't essential to your business.

- Always keep in mind that your sole objective with your Group B Creditors is to pay off these debts.

- It is not to avoid the debts or land yourself in ugly and expensive lawsuits. And your actions should certainly not put their businesses at risk.

The current status of my group A creditors:

- List your group A creditors.
- Don't think about how *much* you owe them or *how* you are going to pay them - you will restructure outstanding debt obligations in Part 8. At this point, you simply need to determine the current status of these vitally important creditors.
- Analyse each A creditor's status individually:
  1. How are they affected by the current state of my business decline?
  2. How has my communication with them been?

     ☐ *Excellent* ☐ *Good* ☐ *Fair* ☐ *Poor* ☐ *Extremely poor*
  3. What do I need to tell them right now?
  4. Will they have confidence in my ability to turn my business around?

     ☐ *Yes* ☐ *No*
  5. What must I do to rebuild their trust and confidence?
  6. What will they *expect* in terms of my turnaround plan?
  7. What must I do to regain their support?

The current status of my group B creditors:

- List your group B creditors.
- Again - don't think about how *much* you owe them or *how* you are going to pay them. At this point, you simply need to determine who are your Group B Creditors - and be absolutely sure that you don't need the support and agreement of these creditors to keep your doors open.
- Analyse each B creditor's status individually:
    1. What is my current relationship with this creditor?
    2. Do I need their support and agreement to keep my doors open?
    3. Will I need them in the future?
    4. What will be the consequences of ending the relationship with them and negotiating highly favourable new terms to settle this outstanding debt?

4. Employees

- Employee involvement is essential for turning a business around. Without their support it is unlikely your turnaround will succeed. You need to ensure all your employees understand this. They need to know what is happening in the business and what needs to be done to turn the situation around.

- Improving employee morale is vita. It is an important way of restoring credibility. Be sure your employees understand the significance of what they're doing and that you value the fact they come to work every day, despite the tough times.

- The turnaround process will affect employees' work lives, and often their private lives. Work hours and working conditions may change considerably. Roles and duties may change. It may be necessary to ask for pay concessions.

- When employees are included in the restructuring plan, they tend to accept tougher work conditions and painful concessions as necessary to the business' survival. (Of course, once the business has been returned to profitability and growth, you are certainly indebted to these employees, and they should be compensated for their contributions.)

- Employees can be divided into two groups:

i) Key managers and employees

- Members of this group are critical to the success of your business turnaround. They will be responsible for implementing the planned actions and delivering the results. It is imperative that they act as a team and are committed to the plan.

- Explain the current business affairs. Explain the consequences of not taking corrective action. Discuss the proposed actions outlined in your turnaround plan. Ask for comments. Encourage questions. Ask for suggestions. Elicit their concerns and address them as positively as possible.

ii) Other employees

- You need to meet, at the earliest opportunity, with all other employees or their union representatives, particularly if job losses are planned.

- Address the issues and discuss how management plans to fix the problems.

- Provide an insight into the future business plans and the part the employees will play.

- Improving employee morale is essential and is essential for buy-in.

- Bad news is never easy to deliver, but it is essential to communicate it in a timely and sensitive manner. A prolonged period of uncertainty, fuelled by rumours, will be detrimental to your turnaround.

The current status of my key managers and employees:

1. How are my key manager & employees affected by the current state of my business decline?

2. How has my communication with them been?
   ☐ *Excellent* ☐ *Good* ☐ *Fair* ☐ *Poor* ☐ *Extremely poor*

3. What do I need to tell them right now?

4. Will they have confidence in my ability to turn my business around?
   ☐ *Yes* ☐ *No*

5. What must I do to rebuild their trust and confidence?

6. What will they *expect* in terms of my turnaround plan?

7. What must I do to regain their support?

The current status of my other employees:

1. How are my other employees affected by the current state of my business decline?

2. How has my communication with them been?
   ☐ *Excellent* ☐ *Good* ☐ *Fair* ☐ *Poor* ☐ *Extremely poor*

3. What do I need to tell them right now?

4. Will they have confidence in my ability to turn my business around?
   ☐ *Yes* ☐ *No*

5. What must I do to rebuild their trust and confidence?

6. What will they *expect* in terms of my turnaround plan?

7. What must I do to regain their support?

5. Business partner(s)

- If you have a business partner(s), your business downturn and outside forces, such as angry creditors, can induce enormous strain on the relationship. (This includes silent partners who provided capital, but do not actively participate in the management of the business.)
- You started the business with a common goal of building toward a shared vision. It's important to focus on getting your partnership back on track, so you can work towards the *new* common goal of turning the business around.
- Disagreement is inevitable. Business, never mind a business turnaround, is too complex to expect ready agreement on all issues.
- However, when disagreements reach the stage of conflict, emotions cloud the issue. At this point no-one is thinking clearly or even talking about the original problem. It all becomes about winning the argument. How useful is that?
- Unresolved conflict is also contagious. Employees feel the tension. They may take sides without even knowing what issue is at stake, bringing an unhealthy "them" and "us" attitude to the business.
- You need to find a conflict resolution mechanism that resolves the things at the disagreement level before they become full-blown conflicts. If you can't get to a win-win resolution, you might consider asking an impartial person you both trust to mediate for you. (A mediator's job is to facilitate the parties reaching a solution themselves, not to impose one upon them.)
- Business partner relationships are very personal and often operated on a basis of trust. The less trust you have, the more friction you're going to have. Communicate trust. Show your partners that they can trust you.
- Toxic emotions like anger, resentment, jealousy, suspicion and bitterness may be running high. Focus on getting rid of them. With them poisoning the relationship, your turnaround is guaranteed to fail.
- You and your partners may have different objectives regarding the turnaround. You may not have the same vision of your business' future. Indeed, you and your partners may have had

different objectives and agendas from the beginning and this may have led to the current business crisis. If so, it's a good starting point for determining how the crisis developed.

- Focus on aligning your objectives and vision. Otherwise you're wasting all the energy, money, time and hopes you are investing in the turnaround.
- Personal issues may have surfaced, such as one partner feeling that the other partners are not pulling their weight or are to blame for the situation.
- Resolving personal issues can be difficult under the circumstances. Focus on *effective* communication and not necessarily *more* communication. You can communicate all day long, but if it's not effective then you're getting nowhere.
- Focus on the benefits of a strong partnership during this turnaround, such as a common goal and vision for the future, mutual emotional support and mutual perspective when you are grappling with strategic issues.

The current status of my relationship with my business partner(s):

These questions can help you establish the current status of your relationship with your partner(s) and help you decide what you need to do to get it back on track:

1. How would you describe your current relationship with your business partner(s)?

2. How is your relationship affecting the business? How will it affect your turnaround process?

3. Are toxic emotions poisoning your relationship?

4. What must you do to get rid of them?

5. Are you focusing on the same objectives and vision for the future? If not, what needs to be done?

6. Have you had the same objectives and agendas since the inception of your business? If not, what does this tell you?

7. Do you have issues with trust? If so, what must you do to re-establish trust?

8. Is there a lot of conflict?

9. How are your resolving conflict? If you're not resolving it well, what must you do?

10. How's your communication? If it's not good, what must you do?

11. Are you working as a team? If not, what must you do?

12. What other issues do you need to deal with?

6. Your family

- The business crisis will already have had a major impact on your family, especially if your family's entire financial security is derived from the business.
- The demands of a business turnaround are intense. It is an all-embracing process and your family life is likely to face even more challenges. Personal and family lifestyle patterns may be disrupted.
- The turnaround may demand even longer work hours and time away from the family.
- Money matters may become even more strained.
- You need to make sure your family is prepared for the demands of the turnaround and that they are behind your decisions.
- Family members need to be kept informed of plans that will affect them. An atmosphere of open, two-way communication within the family will help generate trust and support, which will help you turn your business around.

- They will need to understand that the home atmosphere should be very supportive, particularly during problem days.
- Your family may also turn out to be an important resource. They can provide input in all you do; for example, helping with clerical or manual work, assisting in problem-solving, etc. This is enormously motivating for family members, who will feel themselves part of the solution.

The current status of my family relationship:

Family issues are unique and personal, but these guidelines can help you establish the current status of your relationship with your family and assist you in deciding what you need to do to get it back on track:

1. How has your relationship been with your family during this period? What do *you* need to do as a result? What do *they* need to do?

2. How are personal and family lifestyle patterns likely to be disrupted?

3. What are your working hours likely to be? How will this affect the family?

4. What money issues need to be dealt with? And how will you get buy-in?

5. How can you help prepare your family for the demands of the turnaround?

6. What mechanisms are in place to prevent and/or resolve conflicts?

7. How can family members help with the turnaround?

8. What other issues do you need to deal with?

7. Other stakeholders

- Is there anybody else who has a stake in your business? If so, determine how things currently stand with them.
- Analyse each stakeholder's status individually:

    1. How are they affected by the current state of my business decline?
    2. How has my communication with them been?

        ☐ *Excellent* ☐ *Good* ☐ *Fair* ☐ *Poor* ☐ *Extremely poor*
    3. What do I need to tell them right now?
    4. Will they have confidence in my ability to turn my business around?

        ☐ *Yes* ☐ *No*
    5. What must I do to rebuild their trust and confidence?
    6. What will they *expect* in terms of my turnaround plan?
    7. What must I do to regain their support?

The current status of other stakeholders:

PART 3 — Getting to the root of the problem

Analysing why your business is failing, determines the best new direction to take

1. You need to determine why your business is failing and how the crisis developed – otherwise you cannot hope to determine the best new directions to take.

2. Worse, you risk making the classic mistake of confusing symptoms with problems. Most people know they have a problem because they are experiencing the effects. But if you react to the effects rather than the underlying causes – you will not get the results you want.

3. For example, cash flow problems are a leading indicator in failed businesses. Too many business owners think that all they need to fix their business' problems is a healthy cash injection.

4. They are mistaken.

5. *Any* cash flow problem is the result of the cumulative effect of poor business practices, big and small, such as poor accounting practices, poor credit practices, poor control of overhead costs, poor marketing, poor inventory management, a lack of long-term planning, failing to adapt your product/service to changing customer needs. . . the list really is endless. Find and fix the poor business processes and the cash flow problems disappear.

6. This also demonstrates that business failure is rarely due to one single cause. A business owner may think the business' decline is due to a sudden unexpected blow (like the loss of a major client). However, it is almost always the cumulative impact of many factors which, as they arose, did not receive immediate attention, that is bringing the business to its knees.

7. You cannot implement the correct solutions if you don't understand the totality of the causes. Indeed, you may simply aggravate the problem, resulting in a continued business downturn.

8. At best you will engage in "problem shifting" – where the original problem is corrected in the short term, but reappears or manifests itself in another aspect of business at a later stage.

9. The following lists include the most common external and internal factors leading to business failure. Tick the ones that contributed (and are still contributing) to your business decline.

10. However, keep in mind that simply ticking boxes won't help you analyse anything! If you ☑ a factor, *analyse* it by answering these three questions –

a. *WHY did that factor contribute to my business crisis?*

b. HOW *is it impacting my business?*

c. *Is it a symptom or a real cause?*

NB! When answering these questions, always try to determine whether there is another underlying problem.

11. Take your time over these questions because your solutions lie in these analyses. Hasty, inaccurate or incomplete analyses are going to point you in the wrong direction. No business in crisis can afford compounding its problems with inept solutions.

Making sense of all your analyses

1. After you have analysed the factors that have lead to your current business crisis, you need to turn that data into usable information that will help you:

a. reduce the on-going negative impact these internal and external factors are having on your business

b. repair as much of the damage that they have caused your business as possible

c. prevent it from happening again.

2. NB! Answer *all* the questions in *all* the categories before you start to think about the solutions you must build into your Turnaround Plan. You can only make sense of this data once you have gathered it all. It is only then that you can begin to see patterns and how one factor impacts on another.

> Your turnaround plan relies upon accurate input. "Garbage in, garbage out" applies with a vengeance! Base your plan on *real* conditions, *accurate* figures and *genuine* research, not wishful thinking.

1. External factors

☐ Economic factors (aftermath of the recession, current economic climate, inflation, exchange rate, energy prices, uncompetitive subsidies, interest rates)

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Rapid technological changes

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Cultural / social changes (consumers' negative attitude towards a product)

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Rapid market entrance by a competitor with pricing advantage

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

☐ You were either unaware of the external factors (unlikely) or ignored them (likely) until your business was in crisis

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

2. Operational management

☐ Operating without a strategic business plan

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Inability to reach decisions and act on them

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Making decisions on an "ad hoc" basis in reaction to a problem because there is no strategic planning in place

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Failing to keep pace with technology, management systems

Why did this contribute to my business crisis?___________________________________

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Bad business location

Why did this contribute to my business crisis?___________________________________

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Poor personnel relations

Why did this contribute to my business crisis?___________________________________

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Loss of key staff

Why did this contribute to my business crisis?___________________________________

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Lack of, or inadequate staff training

Why did this contribute to my business crisis?___________________________________

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Unmotivated staff

Why did this contribute to my business crisis?___________________________________

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Poor relations with suppliers

Why did this contribute to my business crisis?___________________________________

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Loss of control through creditors' demands

Why did this contribute to my business crisis?___________________________________

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Inadequate insurance (insurance of assets and/or business insurance, e.g. Buy and sell insurance, keyperson, etc.)

Why did this contribute to my business crisis?___________________________________

How is it impacting my business?________________________________

Is it a symptom or real cause?________________________________

☐ Reluctance to seek professional assistance when you need it (accounting, legal, financial, etc.)

Why did this contribute to my business crisis?________________________________

How is it impacting my business?________________________________

Is it a symptom or real cause?________________________________

☐ Failing to properly use professional advice that you have been given

Why did this contribute to my business crisis?________________________________

How is it impacting my business?________________________________

Is it a symptom or real cause?________________________________

☐ Lack of quality processes

Why did this contribute to my business crisis?________________________________

How is it impacting my business?________________________________

Is it a symptom or real cause?________________________________

☐ Failing to change with the times

Why did this contribute to my business crisis?________________________________

How is it impacting my business?________________________________

Is it a symptom or real cause?________________________________

☐ Lack of operating controls (reporting, accountability, and responsibility mechanisms)

Why did this contribute to my business crisis?________________________________

How is it impacting my business?________________________________

Is it a symptom or real cause?________________________________

☐ Poor inventory controls (receivables and delivery)

Why did this contribute to my business crisis?________________________________

How is it impacting my business?________________________________

Is it a symptom or real cause?________________________________

☐ Failing to plan ahead, beyond the day-to-day running of the business

Why did this contribute to my business crisis?________________________________

How is it impacting my business?________________________________

Is it a symptom or real cause?________________________________

☐ Putting up with inadequate management

Why did this contribute to my business crisis?________________________________

How is it impacting my business?________________________________

Is it a symptom or real cause?________________________________

☐ Failing to build a skilful and compatible team

Why did this contribute to my business crisis?________________________________

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Unhealthy business culture

Why did this contribute to my business crisis?________________________________

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Fraud and/or dishonest staff

Why did this contribute to my business crisis?________________________________

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Poor control of inventory (receivables and delivery)

Why did this contribute to my business crisis?________________________________

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Aging equipment not replaced in a timely fashion (failure to save for replacements)

Why did this contribute to my business crisis?________________________________

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Unclear, or lack of control over business processes

Why did this contribute to my business crisis?________________________________

How is it impacting my business?____

Is it a symptom or real cause?____

3. Finance

☐ Growth without adequate capitalisation (i.e. you expanded too much - or too fast - and underestimated the cash requirements of funding it; thereby initiating a spiralling cash flow problem)

Why did this contribute to my business crisis?________________________________

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Ignoring adverse financial data

Why did this contribute to my business crisis?________________________________

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Keeping inadequate financial records

Why did this contribute to my business crisis?________________________________

How is it impacting my business?____________________

Is it a symptom or real cause?____________________

- ☐ Poor cash flow management

Why did this contribute to my business crisis?____________________

How is it impacting my business?____________________

Is it a symptom or real cause?____________________

- ☐ Poor control of receivables

Why did this contribute to my business crisis?____________________

How is it impacting my business?____________________

Is it a symptom or real cause?____________________

- ☐ Poor control of accounts payable

Why did this contribute to my business crisis?____________________

How is it impacting my business?____________________

Is it a symptom or real cause?____________________

- ☐ Poor, or lack of cash flow forecasting

Why did this contribute to my business crisis?____________________

How is it impacting my business?____________________

Is it a symptom or real cause?____________________

- ☐ Extending too much credit, and poor credit control

Why did this contribute to my business crisis?____________________

How is it impacting my business?____________________

Is it a symptom or real cause?____________________

- ☐ Insufficient working capital

Why did this contribute to my business crisis?____________________

How is it impacting my business?____________________

Is it a symptom or real cause?____________________

- ☐ Over-borrowing or using too much credit

Why did this contribute to my business crisis?____________________

How is it impacting my business?____________________

Is it a symptom or real cause?____________________

- ☐ Inefficient cost and quality controls

Why did this contribute to my business crisis?____________________

How is it impacting my business?____________________

Is it a symptom or real cause?____________________

- ☐ Failing to adequately anticipate cash flow requirements

Why did this contribute to my business crisis?____________________

How is it impacting my business?____________________

Is it a symptom or real cause?____

- ☐ Poor pricing strategies

Why did this contribute to my business crisis?________________________________

How is it impacting my business?______________________________________

Is it a symptom or real cause?____

- ☐ Failing to minimise taxation through tax planning

Why did this contribute to my business crisis?________________________________

How is it impacting my business?______________________________________

Is it a symptom or real cause?____

- ☐ Failing to submit tax returns, resulting in penalties

Why did this contribute to my business crisis?________________________________

How is it impacting my business?______________________________________

Is it a symptom or real cause?____

- ☐ Carrying too much inventory

Why did this contribute to my business crisis?________________________________

How is it impacting my business?______________________________________

Is it a symptom or real cause?____

- ☐ Allowing customers too much time to pay

Why did this contribute to my business crisis?________________________________

How is it impacting my business?______________________________________

Is it a symptom or real cause?____

- ☐ Making no provision for the time between selling products on credit and getting paid

Why did this contribute to my business crisis?________________________________

How is it impacting my business?______________________________________

Is it a symptom or real cause?____

- ☐ Incurring bad debt through granting credit without doing a credit check

Why did this contribute to my business crisis?________________________________

How is it impacting my business?______________________________________

Is it a symptom or real cause?____

- ☐ Poor accounting practices, including late invoicing

Why did this contribute to my business crisis?________________________________

How is it impacting my business?______________________________________

Is it a symptom or real cause?____

- ☐ Inaccurate forecasting

Why did this contribute to my business crisis?________________________________

How is it impacting my business?______________________________________

Is it a symptom or real cause?____

☐ Failing to plan for capital and/or exceptional expenditure

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Over-spending at start-up

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Fatal lease agreements

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Lack of reserve funds to prepare for market downswings or a rise in costs, such as electricity

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

☐ General rise in costs

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Failing to control costs ruthlessly

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Poor budgeting decisions

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Bad management of available capital

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Inattention to financial indications of the business' health (scorecard)

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

- [ ] Diversifying into new, unknown areas without a clue about costs

Why did this contribute to my business crisis?____________________

How is it impacting my business?____________________

Is it a symptom or real cause?____________________

- [ ] Personal extravagance

Why did this contribute to my business crisis?____________________

How is it impacting my business?____________________

Is it a symptom or real cause?____________________

4. Sales and marketing

- [ ] Insufficient sales to sustain your business

Why did this contribute to my business crisis?____________________

How is it impacting my business?____________________

Is it a symptom or real cause?____________________

- [ ] Failing to price your product/service correctly

Why did this contribute to my business crisis?____________________

How is it impacting my business?____________________

Is it a symptom or real cause?____________________

- [ ] Having no pricing strategy

Why did this contribute to my business crisis?____________________

How is it impacting my business?____________________

Is it a symptom or real cause?____________________

- [ ] Under-pricing of goods or services sold

Why did this contribute to my business crisis?____________________

How is it impacting my business?____________________

Is it a symptom or real cause?____________________

- [ ] Loss of impetus in sales

Why did this contribute to my business crisis?____________________

How is it impacting my business?____________________

Is it a symptom or real cause?____________________

- [ ] Poor customer service

Why did this contribute to my business crisis?____________________

How is it impacting my business?____________________

Is it a symptom or real cause?____________________

- [ ] Inability to cope adequately with competition

Why did this contribute to my business crisis?____________________

How is it impacting my business?____

Is it a symptom or real cause?____

- [ ] Ignoring competition due to complacency

Why did this contribute to my business crisis?______________________________

How is it impacting my business?____

Is it a symptom or real cause?____

- [ ] Failing to anticipate market trends (i.e. not abiding by the wise maxim: "Let the trends be your friends")

Why did this contribute to my business crisis?______________________________

How is it impacting my business?____

Is it a symptom or real cause?____

- [ ] Failing to promote and maintain a favourable public image

Why did this contribute to my business crisis?______________________________

How is it impacting my business?____

Is it a symptom or real cause?____

- [ ] Failing to manage sales personnel

Why did this contribute to my business crisis?______________________________

How is it impacting my business?____

Is it a symptom or real cause?____

- [ ] Ineffective marketing and promotion of your business

Why did this contribute to my business crisis?______________________________

How is it impacting my business?____

Is it a symptom or real cause?____

- [ ] Underestimating the competition

Why did this contribute to my business crisis?______________________________

How is it impacting my business?____

Is it a symptom or real cause?____

- [ ] Failing to clearly define and understand your market

Why did this contribute to my business crisis?______________________________

How is it impacting my business?____

Is it a symptom or real cause?____

- [ ] Failing to define your target customers

Why did this contribute to my business crisis?______________________________

How is it impacting my business?____

Is it a symptom or real cause?____

- [ ] Quality of product or service has diminished

Why did this contribute to my business crisis?______________________________

How is it impacting my business?____

Is it a symptom or real cause?__________

☐ Failing to understand your customers' buying habits

Why did this contribute to my business crisis?__________

How is it impacting my business?__________

Is it a symptom or real cause?__________

☐ Precarious customer base (e.g. one customer represents 60% of your business)

Why did this contribute to my business crisis?__________

How is it impacting my business?__________

Is it a symptom or real cause?__________

☐ Failing to keep pace with the needs of the marketplace

Why did this contribute to my business crisis?__________

How is it impacting my business?__________

Is it a symptom or real cause?__________

☐ Undue emphasis on products or services of limited popularity

Why did this contribute to my business crisis?__________

How is it impacting my business?__________

Is it a symptom or real cause?__________

☐ Niche business – narrow customer and supplier bases

Why did this contribute to my business crisis?__________

How is it impacting my business?__________

Is it a symptom or real cause?__________

☐ Niche business – an inability to react to changes in the market

Why did this contribute to my business crisis?__________

How is it impacting my business?__________

Is it a symptom or real cause?__________

☐ Failing to focus on a specific market because of poor research

Why did this contribute to my business crisis?__________

How is it impacting my business?__________

Is it a symptom or real cause?__________

☐ Failing to adapt your product to meet customer needs

Why did this contribute to my business crisis?__________

How is it impacting my business?__________

Is it a symptom or real cause?__________

☐ Failing to gain new markets

Why did this contribute to my business crisis?__________

How is it impacting my business?__________

Is it a symptom or real cause?__________

☐ Failing to promote and maintain a good public image in the community and/or marketplace

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

5. Family vs. business (with regard to a family business)

☐ Business decisions are made on emotion rather than on sound business principles

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Absence of clear policies and business norms for family members

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Tunnel vision – lack of outside opinions and diversity on how to operate the business

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Roles and responsibilities are not clearly defined

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Hiring family members who are not qualified, or lack the skills and abilities for the business

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Inability to fire family members when it is clear they are not working out

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Lack of a specific training programme to integrate family members into the business

Why did this contribute to my business crisis?____

How is it impacting my business?____

Is it a symptom or real cause?____

☐ Nepotism causing bright, skilful managers who aren't part of the family circle to take their talents elsewhere

Why did this contribute to my business crisis?______________________________

How is it impacting my business?____________________________________

Is it a symptom or real cause?______________________________________

☐ No plan for handing control to the next generation, leading to in-house conflicts and divisions

Why did this contribute to my business crisis?______________________________

How is it impacting my business?____________________________________

Is it a symptom or real cause?______________________________________

☐ Control being influenced by tradition instead of good management practices

Why did this contribute to my business crisis?______________________________

How is it impacting my business?____________________________________

Is it a symptom or real cause?______________________________________

☐ Older family members trying to preserve the status quo and resisting ideas and change proposed by the younger generation

Why did this contribute to my business crisis?______________________________

How is it impacting my business?____________________________________

Is it a symptom or real cause?______________________________________

☐ Each family member having a different vision of the business and different goals

Why did this contribute to my business crisis?______________________________

How is it impacting my business?____________________________________

Is it a symptom or real cause?______________________________________

☐ Difficulty in controlling certain members of the family

Why did this contribute to my business crisis?______________________________

How is it impacting my business?____________________________________

Is it a symptom or real cause?______________________________________

Making sense of my analysis

Examine the factors you have just analysed and determine what you must build into your turnaround plan in order to (a) reduce the on-going negative impact these factors are having on your business, (b) repair as much of the damage that they have caused your business as possible and (c) prevent it from happening again.

1. What I must do to reduce the on-going impact of these factors:

2. What I must do to repair as much of the damage as possible:

3. What I must do to prevent these factors from impacting negatively on my business in the future:

PART 4 — Vision, mission and goals

Re-evaluating your vision, mission and goals will lead to creating real and lasting results

A vision, mission statement and goals are your business' roadmap from here to where you want to be. No business can expect to be successful without this roadmap. It is central to *any* business' success.

If a business is in crisis it might well be that its vision, mission statement and goals weren't clearly defined - or they weren't aligned - or they pointed the business in the wrong direction - or they just hung on the wall and gathered dust - or they weren't formulated in the first place.

Since you are restructuring your business, you need to re-evaluate your vision, mission statement and goals and either construct them anew or transform the current ones.

1. Vision

- A vision is your ticket to success. It's a photograph in words of your business' future. It provides the inspiration for both your daily operations and your strategic decisions.
- Without a vision, effective business planning is impossible. Your vision provides the destination for the journey. Without a destination, how can you plan the route?
- Since you are restructuring your business, your current vision can't possibly be relevant to your business. You need to construct a new vision.
- Here's how to write an empowering vision:

Step 1: Dare to dream.

- Look up at the stars and dare to dream what you want for your business in the future.
- Form a mental picture of where your business is going to be five years from now.
- Envision the wonderful things it will have accomplished.

Step 2: Shape your vision statement

- You need to distil your vision into a usable form. Here is a very handy formula to shape your vision statement:

Five years from now, (my business name) will ______________________ *by* _______________.

- Using this formula will force you to choose what you consider to be the most important accomplishment of your business and give you a time frame for accomplishing it.

- For instance, here's a sample vision:

  Within the next five years, Nature's Harvest will be a leading provider of healthy fresh vegetable choices to South African consumers.

My current vision:

My new empowering vision:

2. Mission statement

Your mission statement is a concise statement of business strategy developed from the customer's perspective and it should fit with your vision for the business. Your mission should answer these four questions:

- Who are we?
- What do we do?
- How do we do it?
- For whom do we do it?

Here is a handy formula to help you write your mission statement:

Step 1: Describe what your business does:

- Write down in as few words as possible what your business will do. For example:

  Grow fresh vegetables.

Step 2: Describe how you do it:

- Don't write down a detailed description of your business' physical operations here—just give a general description of how your business operates.
- This means incorporating one or more of your core values into your description, so list the core values that are important to you. For example:
  - *Provide high quality product*
  - *Protect our precious environment*
  - *Practice sustainable farming practices in every way.*
- Focus on your business' core competencies when considering which values are worthy of

being a part of your mission statement.

- Once you've decided which core values are most important, add one or two to your description of what your business does.

Grow fresh vegetables using organic, sustainable farming practices.

Step 3: Add why:

- Why does your business do what it does? What is the passion behind your business? Think about why you started this business. That's where the passion lies! For example:

Grow fresh vegetables using organic, sustainable farming practices to give people healthy food choices.

- Now put it all together:

At Nature's Harvest we grow fresh vegetables using organic, sustainable farming practices to give people healthy food choices.

- Finally, make sure you actually believe in your new mission statement. It's no use developing a great new mission statement just because it looks and sounds great. Be sure you live your mission statement!

My current mission statement:

____

My new mission statement:

3. Goals

- A goal is a long-range aim for a specific period. It provides focus and direction.
- However, when a business is in crisis, its goals are most often over-ridden by a few crisis-driven objectives whose sole purpose is to keep the doors open, such as:

  "I need to make ends meet."

  "I need to pay my employees."

  "I need to finance my lifestyle."
- It's not hard to see that once these become your sole objectives, your business cannot be sustained, never mind turned around.
- Your goals should be based on your vision and mission statement. These goals then need to be translated into activities that will ensure reaching them. This is done through operational planning, which is what the rest of this turnaround plan is all about.
- Re-evaluate your original goals. Establish why you did or did not achieve them. This will prevent you from making the same mistakes, and it may reveal a lot about what went wrong.
- Then you need to redevelop goals that will provide focus and direction.
- Owing to your current situation, and your business' current performance level, you may be tempted to set less challenging goals. This is a mistake!
- Set goals that will s-t-r-e-t-c-h your and your staff's performance levels. Challenging goals energise and motivate. By reaching for what appears to be the impossible, we often actually do the impossible. We inevitably wind up doing much better than we would have done.

SMARTER goals!

- We all know that goals should be SMART (Specific, Measurable, Attainable, Realistic, Time-based). However, in light of your business turnaround, they need to be SMARTER!

SMARTER Goals	
S	specific, significant, stretching
M	measurable, meaningful, motivational
A	attainable, achievable, acceptable, agreed upon, action-oriented
R	realistic, relevant, reasonable, rewarding, results-oriented
T	time-based, timely, tangible, trackable
E	exciting (no-one can be motivated long-term to achieve bland and mundane goals)
R	recorded (goals should be recorded where they can be looked at every day)

- These SMARTER guidelines will help you to determine why you didn't achieve your business goals (so you don't make the same mistakes) - and also help you to redevelop goals that will lead to creating real and lasting results.

My original goals and their flaws

1. Draw up an inventory of your original business goals.
2. Uncover each goal's flaws by determining what prevented you from achieving it (evaluating it against the SMARTER definitions will help you to do this).

My original business goals	Their flaws

3. Redevelop S.M.A.R.T.E.R. goals that will provide focus and direction and lead to creating real and lasting results.

My redeveloped business goals

PART 5 — Financing the turnaround

By far the best place to get turnaround financing is from internal operations

Having established all the causes of your business downturn, it is a good idea to look at the harsh realities about financing your turnaround before proceeding.

Finding the money to finance your turnaround will be difficult. You need to appreciate the good, the bad, and the ugly news about finding the money for your turnaround.

The good news is that it's not all gloomy news! And in fact, finding the money to help turn your business around often fixes many of the problems that led to your cash flow problems in the first place. Here are your choices:

1. Look for conventional financing

- This is not your best choice when your business is in trouble. It is, however, the choice most business owners go for. . . and they usually fail. Why? Because the simple and harsh fact is that no-one will invest in a business that is failing.
- Despite this, many business owners simply take the traditional approach of putting together their business information and reviewing it with their banker, only to find out that the bank isn't even remotely interested.
- But having said that, if you find you *do* need bridging finance to see you through your turnaround, a well-researched turnaround plan's financial analysis will identify and motivate the amount of money you are seeking from potential investors. (This is dealt with towards the end of the plan.)

2. Look for financing from your current operations

- By far the best place to get financing is from internal operations (and that is what this plan is all about). You have complete control over this and don't have to convince a banker!
- Clearly, the best sources from your operations are dramatic cost cuts and increasing your working capital through good management of your receivables, payables and inventory. This can result in quick cash for your business. For example, if you are carrying high inventory levels, you can consider a sale to create more turnover and inject cash into the business.

3. Sell Assets

- If you have assets that do not contribute to your profitability, then you should sell them. This could include old equipment, real estate and old or obsolete inventory.

4. Restructure debt

- Excessive debt costs a lot. If you restructure your debts and develop affordable payment plans, you will free up cash flow which gives your business the best chance of survival, while also ensuring that creditors get paid.

5. Private equity funding

- Finding turnaround funding in the form of private equity funding is an option, but an extremely tough one for businesses with cash pressures or weak balance sheets.

- Unfortunately, while some private equity firms do invest in turnarounds, they do so in underperforming rather than in distressed companies. (Typically, private equity is suitable for less mature companies that are under-developed or under-performing or for more mature, established companies to finance expansion or turnaround strategies.)

- Since a private equity group is essentially buying into your business, they will typically require some kind of representation on the board and hold a shareholding in your business in order to assist in managing the risks and strategic and operational direction of the business.

6. Dip into your own pocket

- If you cannot find money to finance your turnaround from any other source, then you must self-finance.

- However, this requires some serious thinking. Carefully consider this –

- If you cannot free up cash through the accepted turnaround methods of cutting costs, improving working capital, increasing turnover, restructuring debt, along with fine-tuning your marketing and restructuring a sales turnaround, then you probably won't be able to turn the business around anyway. Making an additional personal investment from your own pocket could simply lose you more money.

As you proceed with your turnaround plan, keep this in mind:

A thorough turnaround directly challenges the status quo.
The way you ran your business no longer applies.
A return to the old status quo will almost certainly result in the same old results.
Throw out that old business model.
Start with a clean slate.

PART 6 — Getting control of your cash

Keep your business alive – stop the cash bleeding

1. Cash is the lifeblood of the business. If you run out of cash, the game is over, as it will be impossible to source sufficient cash to implement the turnaround strategies.

2. Most distressed businesses experience "high burn rates" – i.e. they are burning through their cash reserves instead of adding to them. The brutal fact is that with a negative cash flow, any business is facing a descent into oblivion. Eventually cash will become so scarce that it will be impossible to pay critical expenses – such as salaries, payments to suppliers, rent, etc.. At that point it is only a matter of time before the doors close.

3. You must establish cash equilibrium (where cash-in equals cash-out) as quickly as possible. This means stopping the cash haemorrhaging and halting any further decline of your business. The readers of your turnaround plan will want to know how you plan to do this.

4. A good cash control strategy works like a tourniquet; it keeps your business alive while you determine what went wrong and what to do about it.

5. The good news is that if you can demonstrate that you can identify, face up to, and deal with a severe cash crisis by taking the actions necessary to survive, you will increase your credibility with your bank and creditors - which will make them far more willing to support you through your turnaround.

Do you have sufficient cash for the immediate future?

There is only one way to answer this question - and that is to follow this three-step process:

Step 1: Do a cash flow forecast.

Step 2: Cut costs ruthlessly.

Step 3: Get more cash in.

STEP 1: Do a cash flow forecast

1. A cash flow forecast predicts the cash that will come in, and the cash that will go out of your business in a given period (weekly, monthly or quarterly).

2. It is an absolutely vital tool. Because in a turnaround situation cash equals time. You have to know exactly how much cash/time you have - and what you can do to increase it.

3. At this stage you need to concentrate on the short term and prepare a forecast on a weekly basis for the next 12 weeks. In extreme cases you may even need to prepare one on a daily basis. Once you have stabilized your cash position, you can revert to a monthly forecast.

4. The formula is incredibly simple:
    a. Take your cash balance at the beginning of the week.
    b. Add the cash you are going to receive that week (income).
    c. Deduct the cash you are going to pay out that week (expenses).
    d. The balance is a forecast of your cash reserves at the end of the week.

5. There is an example on the following page. You'll see there are two columns for each period. This allows you to enter the real figures and monitor your actual performance against your forecast. Where they differ ask yourself why: is this telling you anything that you need to take into account to improve your forecasting?

6. Be conservative in your estimates of timing and amounts of cash.

7. Don't lump any expenses together under general headings, like "office expenses" or "travel expenses". Itemise each expense, right down to tea bags and sugar. You need to know where every single rand is going.

8. It is easiest to do cash flow projections on a spreadsheet programme, such as Excel.

Don't manage your cash from your bank balance.

Your bank balance and your cash balance are two different forms of cash. Don't make the mistake of confusing them.

It's a prescription for failure to attempt to manage your cash flow by using your bank balance. You reconcile your bank balance. You don't manage from it.

Cash flow forecasts								
	Week 1		Week 2		Week 3		Week 4	
	Forecast	Actual	Forecast	Actual	Forecast	Actual	Forecast	Actual
Opening cash balance	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00
INCOME								
Item 1								
Item 2								
Item 3								
Item 4								
Item 5								
TOTAL	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00
EXPENDITURE								
Item 1								
Item 2								
Item 3								
Item 4								
Item 5								
Item 6								
Item 7								
Item 8								
Item 9								
Item 10								
Item 11								
Item 12								
Item 13								
Item 14								
Item 15								
Item 16								
Item 17								
Item 18								
Item 19								
Item 20								
TOTAL	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00
Ending cash balance	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00	R0.00

STEP 2: Cut costs ruthlessly

1. You are fighting for business survival. You will not survive if you don't stop the cash flying out of your business. Cutting expenses ruthlessly can bring almost immediate relief to your situation and can go a long way to compensate for loss of turnover.

2. Go through your cash flow forecast. Cut out ALL unnecessary expenses, the “nice to haves”, along with the extravagant and wasteful ones. Think of every rand you can reduce in expenses as a new rand in cash flow.

3. When it comes to cost cutting you only have three options:

    1. Keep it.
    2. Reduce it.
    3. Eliminate it.

4. Be realistic. If you look for the miraculous "big cut" you probably will not find it. Instead, look everywhere for savings. Question every expense. If it is not adding value to your business – and if it is not contributing to your bottom line – cut it. If you do keep a cost, see how you can reduce it.

5. Do not fall for the argument, “It’s just a couple of bucks.” The bucks all add up.

6. Use “Zero-Based Thinking”. Take each expense in turn and ask yourself, "Knowing what I know now, would I still start incurring this cost?"

7. If not, you have identified a cost to be cut.

STEP 3: Get more cash in

When it comes to improving cash flow, there are a couple of simple and straightforward approaches that can make all the difference for small businesses.

1. Offer cash discounts to customers

Instead of offering customers payment terms or some other method of payment, tell them that you will give them a discount if they pay cash. Many customers will come up with the cash in order to save some money. Even though you are losing one or two percent on the transaction, you are getting the cash much quicker so that you can use it.

2. Sell off/return your inventory

One of the most common mistakes that businesses make is keeping too much inventory on hand. This inventory is tying up cash that you could have in your bank account. Try to get rid of the excess inventory that you have and keep the inventory at a low level. These days, you can usually get the inventory you need within a few days.

3. Have a sale

A sale can be an excellent way to bring in cash. However, keep this in mind: If most of your sales during your sale are made on credit, your accounts receivable will increase, not your cash. Meanwhile, inventory is depleted and must be replaced. Because receivables usually will not be collected until 30 days after sales, a substantial increase in sales will further deplete your business' cash reserves.

4. Sell assets

Do you have surplus / unproductive / obsolete assets that you can turn into cash very quickly?

5. Reduce your debtor's book

Provide your customers with an incentive to pay your invoices on time. You can give a discount to customers who pay the invoice within five days instead of waiting until the end of the month.

Offer customers whose payments are seriously overdue a negotiated amount to settle up immediately. You may be losing some money on the deal, but you stand to lose a whole lot more if it just sits on your books as a bad debt.

6. Cut your workforce

There are times when laying off employees is unavoidable. It's better to cut jobs than to go bankrupt. Remember, though, that layoffs necessitate certain expenditures, such as severance pay. However, if you have under-performing employees, or employees who won't change in order to help you turnaround your business, it might well be worth letting them go.

If you have an employee who is doing a job that isn't really necessary, it may be time to consider letting that person go as well. It may be a hard decision if they are very good at that unnecessary job. One way around eliminating jobs is to try to negotiate a pay cut. Many people would rather take a pay cut than lose their job – especially if the boss (you) takes the biggest pay cut of everyone.

If you decide to lay off employees, set up clear, non-discriminatory criteria for choosing which workers to let go and then follow those procedures without exception. Also ensure that you comply with all employment laws and regulations. Seek advice from a labour specialist once you have decided on your plan of action. You can land yourself in deep and murky legal waters if you don't know what you are doing.

Getting more cash in

This is how I can get in more cash:

PART 7 — Restructure financial management

Robust restructuring and remedial actions turn a business around.

Once the cash bleeding has stopped, turnaround efforts must be directed toward restructuring your business to increase profitability and return it to success.

You need to implement a thorough system that ensures you execute your daily, monthly, and quarterly financial tasks and maintain tight control over your cash.

Your stakeholders will pay closer attention to your financial management than ever before. You need to ensure your financial management information is entirely transparent to them.

Break-even analysis

1. The break-even point is defined as the point where sales or revenues equal expenses. No profit is made or loss incurred at the break-even point.

2. Many business owners consider determining the break-even point an exercise that adds little value. This is a dangerous perception and there are many businesses that find out too late that if they had known where their break-even point was, perhaps their business would not have failed.

3. Doing a break-even analysis right now is the only way of knowing if you have managed to cut your costs sufficiently. If you are still way below your break-even point, revisit your cost-cutting exercise and see where you can cut further. However, take care that you do not cut any expenses that will affect your business in the future.

4. It's not difficult to apply a break-even analysis:

   - Let's say the monthly fixed costs for your business are R50,000 (rent, insurance, interest on debt, equipment expenses, utilities, salaries of permanent staff, etc.)
   - You sell a product for R100. The product has direct costs per unit of R60 (cost of buying/manufacturing, packaging, advertising, vehicle fuel and salesperson's telephone calls, commission, etc.) These costs are also known as "Cost of sales".
   - Thus, each unit sale makes a contribution of R40 (revenue per unit) towards the fixed costs of your business.
   - Therefore, you need to sell 1,250 units (R50,000 ÷ 40) in order to break even.
   - There is an example on the following page.

Break-even point

Monthly fixed costs:	50,000
Product / service's selling price per unit:	100
Direct costs (Cost of Sales) per unit:	60
Revenue per unit: (*selling price - direct costs: R100 - R60*)	40
My Break-even Point: (*monthly fixed costs ÷ revenue per unit: R50,000 ÷ R40*)	1,250 units

NB!

- If your business provides a service, like consulting, your direct costs are what it costs you, per rand of revenue or unit of service delivered, to deliver that service.
- The break-even point indicates the number of billable hours you must work / number of delegates you require in a workshop, for example, in order to cover your costs.

My break-even point

Monthly fixed costs:	
Product / service's selling price per unit:	
Direct costs (Cost of Sales) per unit:	
Revenue per unit: (selling price - direct costs)	
My Break-even Point: (monthly fixed costs ÷ revenue per unit)	

Budgets

1. Following a budget is absolutely integral to a good business turnaround. (Can you think of any big organisation that doesn't budget?) In fact, the importance of having a budget cannot be overstated. The number one risk to your business right now is running out of cash. A budget is the only way of managing the funds you do have available and making the best use of every rand. It also enables you to make confident financial decisions.

2. During the initial turnaround phase, consider doing a weekly budget. Why? Two reasons:
   a. You can compare the forecasted numbers with the actual numbers at closer intervals.
   b. This will help you budget more accurately.
   c. During a turnaround, business changes happen fast and budgets rarely keep up if they are spaced a month apart.
   d. A weekly budget allows you to be flexible enough to move with the rapid changes.

3. You can use pen and paper, an Excel spreadsheet (you can download excellent ones off the Internet) or business accounting software. . . the important part is to budget consistently.

Profit and loss statements (income statements)

1. A Profit and Loss Statement (also known as an Income Statement) is a summary of a business' profit or loss during any one given period of time (monthly, quarterly, annually). It records all revenues and operating expenses for a business during this given period.

2. It allows you to:
   - determine the operating performance of your business over a period of time
   - find out what areas of your business are over- or under-budget
   - pinpoint specific items that are causing unexpected expenditures
   - track increases in product returns or cost of goods sold as a percentage of sales.

3. Right now, drawing up a Profit and Loss Statement will allow you to determine the past financial performance of your business, as well as help predict future performance, and assess the capability of generating future cash flows.

4. You should draw up a Profit and Loss Statement monthly until your business is back on track. Thereafter, every quarter (or continue monthly — they are not difficult to draw up and are excellent business management tools.) There is an example of a Profit and Loss Statement on the following page.

Profit and Loss Statement

Period:

(1) REVENUE:

Gross Sales	R0.00
Less returns and discounts	R0.00
Net Sales	R0.00

(2) COST OF GOODS:

Purchases	R0.00
Freight	R0.00
Other Costs	R0.00
R0.00	
Less ending inventory	R0.00
Cost of goods sold	R0.00
Gross profit (loss)	R0.00

(3) EXPENSES:

Salaries	R0.00
Rent	R0.00
Utilities	R0.00
Office supplies	R0.00
Insurance	R0.00
Advertising	R0.00
Telephone	R0.00
Travel	R0.00
Entertainment	R0.00
Repairs & maintenance	R0.00
Interest paid R0.00	
Bank charges	R0.00
Total Expenses	R0.00
(4) (5) Net Profit (or Loss)	R0.00

Notes:

(1) *Source "Gross sales" from copies of sales invoices issued by your business, the rolls of till receipts if using a cash register, the totals from your cash receipts book, and/or bank deposit slips.*

(2) *"Cost of Goods" does not usually apply if you provide a service only.*

(3) *"Expenses" are all the on-going expenses associated with running your business.*

(4) *Calculate your net profit (or loss) by deducting your "Total Expenses" from your "Gross Profit" figure.*

(5) *Review your net profit (or loss) in light of the circumstances surrounding your business.*

Balance sheet

A balance sheet gives you a "snapshot" of your business' financial condition at a specific moment in time. Normally a business prepares a balance sheet once a year.

It's imperative that you draw up a current one so that you can quickly get a handle on your business' financial position, what it owns (assets) and what it owes (liabilities) and its net worth. (Note: Get help from a bookkeeper or accountant if this is foreign to you!)

Here is a simple example:

ASSETS		LIABILITIES	
Current Assets		**Current Liabilities**	
Cash	R0.00	Notes payable	R0.00
Accounts receivable - net	R0.00	Accounts payable	R0.00
Inventory	R0.00	Interest payable	R0.00
Supplies	R0.00	Wages payable	R0.00
Prepaid expenses	R0.00	Tax payable	R0.00
Prepaid insurance	R0.00	Total Current Liabilities	R0.00
Total Current Assets	R0.00		
Investments	R0.00		
		Long-term Liabilities	
Fixed Assets		Long-term loans payable	(R0.00)
Land	R0.00	Total Long-term Liabilities	R0.00
Land improvements	R0.00		
Buildings	R0.00		
Equipment	R0.00		
Less: Accum. Depreciation	(R0.00)	Total Liabilities	R0.00
Fixed Assets - net	R0.00		
Intangible Assets		**CAPITAL**	
* Goodwill	R0.00	Owner's Equity	R0.00
Trade names	R0.00	Net profit	R0.00
Total Intangible Assets	R0.00	Total Capital	R0.00
Other Assets	R0.00		
Total Assets	R0.00	Total Liabilities & Capital	R0.00

* *Your goodwill may not be worth much during these difficult times. Avoid wishful thinking.*

Financial ratios

Financial ratio analysis is one of the simplest techniques you can use to measure where your business stands, where it's been and where it's heading. It will also help you see how you're progressing against your business turnaround plan.

Calculators for the following ratios can be downloaded at: www.sanlam.co.za/calculators.

1. Asset management ratios

Asset management ratios measure the efficiency with which the business uses its assets to produce sales.

i. Debtors' days outstanding:

This ratio indicates how long the business takes to collect outstanding amounts from debtors. Shorter periods mean the business collects outstanding monies relatively quickly, which should improve cash flow of the business.

How to calculate:
Divide debtors outstanding (accounts receivable) by average daily sales.

ii. Creditors' days outstanding:

This ratio indicates how long the business takes to pay its suppliers. These terms are negotiated with suppliers, but longer terms often indicate that the business uses creditors' monies to fund operational activities. Shorter periods can result in in better trade discounts from suppliers.

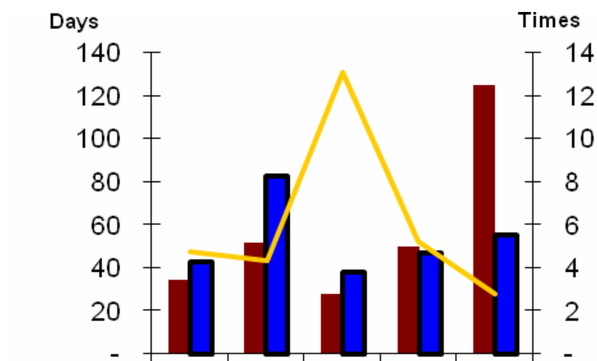
How to calculate:
Divide creditors outstanding (Accounts payable) by cost of sales of the business.

iii. Stock Turnover Times:

This ratio indicates how many times per annum stock is turned by the business and can indicate if the business holds too much or too little stock. Dividing the answer of this ratio by 365 gives the number of days' inventory that the business holds.

How to calculate:
Divide sales by average stockholding of the business.

Example: Asset management ratios



	2007	2008	2009	2010	2011
Debtors days	34	52	28	50	125
Creditors days	43	83	38	47	56
Stock turnover	4.7	4.3	13.1	5.3	2.8

Asset management ratios information kindly provided by *Business Partners.*

2. Debt management ratios

i. Debt ratio:

Gearing means the ratio of outstanding debt the business has. A result of more than 100% means the business has more debts than assets which can severely impact its ability to repay debt. Lower gearing, which is preferred by lenders and creditors, means that the business is less dependent on borrowings for its operations.

How to calculate:

Total debt is divided by total assets of the business.
(All assets and all debts, excluding owners' equity, are used in calculating the ratio.)

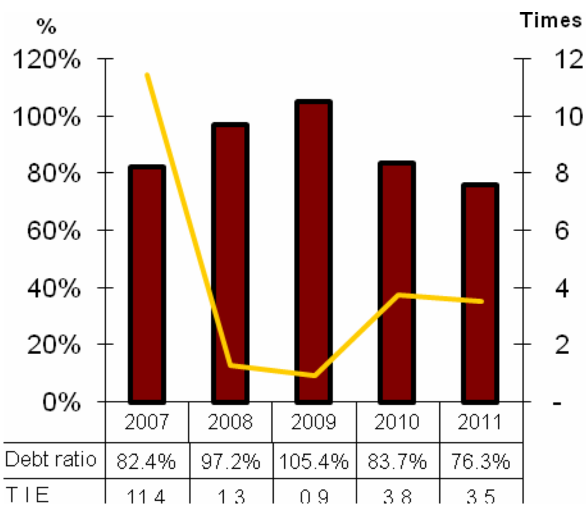
ii. Times-Interest-Earned:

This ratio measures the ability of the business to pay interest on borrowings and the extent to which operating income can decline for the business to be unable to meet its interest obligations. This ratio is often inversely correlated to the Debt ratio.

How to calculate:

Earnings before interest and taxes (EBIT) is divided by the interest paid by the business. (Interest includes all forms of interest on borrowings, overdrafts and funding of operational assets.)

Example: Debt management ratios



Debt management ratios information kindly provided by *Business Partners.*

3. Profitability ratios

i. Profit after tax%:

The profit margin after taxes indicates how profitable the business is by expressing profitability as percentage of sales. The ultimate goal of the business should be to have a steady, but increasing profitability ratio.

How to calculate:

Net profit after payment of taxes divided by sales revenue.

ii. Return on total assets (ROTA):

This ratio expresses the income-generating ability of the business from the assets it has and is influenced by the value of assets, as well as the funding source (borrowing bearing interest) of such assets. High value assets that are not fully utilized will reduce this ratio. Over-utilized assets, that are often not properly maintained, can falsely indicate a high return ratio.

How to calculate:

Income available to owners (typically profit after taxes) divided by total assets of the business.

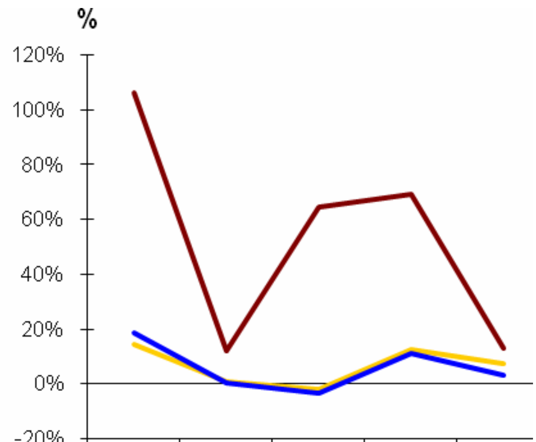
iii. Return on equity (ROE):

Return on equity measures the rate of return that the owners or shareholders achieve through their investment in the business. Since business carries a higher risk than, for example, a fixed deposit at a financial institution, the investors and owners should receive a higher return than lower risk options.

How to calculate:

Income available to owners (typically profit after taxes) divided by equity invested by the owners in the business.

Example: Profitability ratios



	2007	2008	2009	2010	2011
Profit after tax	14.1%	0.5%	-2.2%	12.3%	7.2%
ROTA	18.7%	0.3%	-3.5%	11.3%	3.1%
ROE	106.0%	12.0%	64.4%	69.3%	13.0%

Profitability ratios information kindly provided by *Business Partners.*

PART 8 — Restructure outstanding debt

A successful turnaround depends on a rock-solid debt restructuring plan

1. Almost every failing business is buried under a mountain of debt. You need a solid, workable plan to get out of debt. Frankly, if you cannot restructure your business debt, the chances of a business turnaround being successful are poor. Correct debt restructuring will ensure that you satisfy creditors while retaining the cash flow necessary to stay in business and recover.

2. This means developing affordable payment plans and negotiating fair and equitable terms with creditors. You win because it frees up cash flow and gives your business the best chance of survival, while also ensuring creditors get paid. Your creditors win by getting paid and knowing when and how much they are getting paid.

Working with your creditors

1. In *Part 2 – Stakeholders*, you sorted your creditors into "Group A creditors" and "Group B creditors".

2. Your "Group A creditors" are those you determined are integral to your business and should be considered strategic creditors.

3. Your "Group B creditors" are those you determined are not a priority, that you can replace, and that you don't need to survive.

4. Now it's time to look at how you can restructure your debt obligations with both these groups of creditors.

a. Group A creditors

- Prepare a payment plan offer for each of these strategic creditors.
- Your proposals must be realistic since your creditors have to believe this will solve the problem. You're not in a position to go back later and renegotiate.
- Look at it from *their* point of view and show them why it is in their interests to agree to restructuring. The promise of future business or the likelihood of avoiding a bad debt could be enough.

- Showing them a thorough, well-presented turnaround plan that is based on real conditions, not wishful thinking, will make them more willing to negotiate your debt payments down to a level you can afford. After all, if they receive no information about your business' financial well-being, you can hardly blame them for not putting their full trust in you.

- During the negotiating process with your strategic creditors, ask for exactly what you want. Don't ask them what they want. What you want is your best starting point for fruitful negotiation.

- Keep looking for a solution that will benefit both you and that creditor.

- Always keep in mind that any new payment plan is asking for the creditor to make concessions. That is why absolute honesty about the entire situation is critical. If they don't receive full and honest information about your business' financial well-being, then they may not put their full trust in you and they may refuse any concessions.

- Before you begin *any* negotiating with a creditor, make sure you know all the options and alternatives you have to work with. In addition, know what concessions to aim for, and be prepared with all necessary financial information supporting your position.

- Be prepared mentally for negotiating with your creditors. It can be a long, tiring, and frustrating process.

- Get agreement on the new terms in writing from your creditors.

Fair and equitable payment plans for my group A creditors:

Detail a fair and equitable payment plan for *each* group A creditor:

b. Group B creditors

- As you don't need the support and agreement of these creditors to keep your doors open, you are in the position of offering them a take-it-or-leave-it proposal.
- However, don't offer a proposal that is laughable. They will laugh. You have to offer a payment that is reasonable for the creditor as well as for you.
- Negotiating to pay off these debts can be tough. Hiring a debt consultant to negotiate a settlement for you is common practice for such situations.
- Always remember, your sole objective here is to pay off these debts. It is not to avoid the debts or land yourself in ugly and expensive lawsuits. And your actions should certainly not put your suppliers' businesses at risk.

Payment plans/settlements for my group B creditors

Detail the payment plans/settlements you intend offering *each* group B creditor:

PART 9 — Improve working capital management

Successful turnarounds rely on identifying the key processes and business drivers impacting your working capital

1. Working capital – the amount of cash tied up in accounts receivable, inventory and accounts payable – is the life blood of the business, supporting all transactions.

2. Many businesses in crisis have taken for granted, or worse, ignored working capital with no formal process to manage and monitor this critical resource. Poor working capital management can drive the most successful business to insolvency through the unnecessary consumption of critical capital resources.

3. Today, with ever-changing market dynamics, deflated revenue levels, and tightened credit, working capital management is key to survival.

Managing receivables

1. A business' receivables are a crucial asset. Getting the money you're owed is crucial to the long-term success of every small business. Late payments and delinquent accounts wreak havoc on your business' cash flow and liquidity.

2. Remember that having outstanding receivables means that the customer has your money and you don't. By improving the receivables turnover, you can boost cash flow and give your business added resources to finance its turnaround.

3. You need to do a thorough review of existing systems and procedures. Don't tolerate a single inadequate policy, no matter how small. Remember that a continuation of old practices will almost certainly result in the same old results. Some general guidelines to follow include:

1. Create an effective invoice

Ensure that your invoices are clear, accurate, detailed and easy to decipher. If possible, itemise the charges. It is harder to contest an itemised invoice and, if there is a dispute over one of the charges, you can legitimately ask to be paid for the uncontested, itemised charges.

2. Mail invoices promptly

Sending invoices out monthly, rather than within a day or two of delivery of your product or completion of a project, can delay some receivables by two to three weeks.

3. Send the invoice to the right person

Sending a bill to the wrong person in the business can delay payment as much as 30 or 60 days, as it gets shuffled from person to person.

4. Follow up

A quick check-in can confirm that your invoice was received and is being processed. If payment does not arrive by the due date, check again to determine when the invoice will be paid. Follow up until you receive the money.

5. Require deposits

Both service and product businesses can ask for advance payments. Product businesses can request a deposit amount based on standards for their industry. Service businesses might want to ask for 20-50% up front, with remaining payments due when certain mile-stones are met.

6. Outline your terms

Outline how you expect to get paid, and what interest or penalties you charge for late payment. State these clearly on your contracts and invoices. You cannot request that these terms be met if customers did not know about them beforehand.

7. Get a signed agreement

Never extend credit without a signed agreement. If there's ever a collection problem, having a signed agreement makes your case much stronger.

- Use a purchase order or contract that details how much a client will owe and when it will be due.
- Review payment deadlines with clients. State that you expect to be paid on time.
- Point out the terms for late payment.
- Always record changes or compromises in writing.

8. Accept major credit cards

Make it convenient for customers to do business with you by accepting charge and credit cards. While you will pay out a small percentage of each transaction for processing, you also will get paid within days.

9. Do a credit check

Never extend credit without a credit check. Get the information you'll need to run a credit check – then run it. Get at least three good credit references – then contact them all.

10. Have internal procedures to handle slow-paying customers

Have a consistent procedure to handle the slow payers.

11. Have a process in place for handling customer satisfaction problems

Customers may delay or even withhold payment if they have complaints about your product or customer service. Have a process that handles *every* complaint when it is made to prevent things escalating to the point where payment is compromised.

Managing my receivables:

1. Analyse how you currently manage your receivables. Establish what is working for you and what is failing you. (You can't fix what you don't know is broken.)
2. Restructure how you manage your receivables so that they work to *your* optimum advantage.

This is how I currently manage my receivables:

This is how I will restructure my receivables so that they work to MY optimum advantage:

Inventory management

1. Managing inventory is a juggling act!

2. Having too much inventory places a heavy burden on a business' cash resources through unnecessary purchasing, storage fees, and loan interest. It can even leave you holding merchandise that you may never be able to sell, especially if that merchandise is seasonal or holiday-related. Also, there is more chance of theft and damage occurring.

3. The dangers of holding too little inventory are equally great. It can end up costing you big bucks in lost sales and missed opportunities. Then, as sales decrease, the money you need for more inventory is not available. This destructive cycle ends not only with dissatisfied customers, but also with possible business failure.

4. Review your inventory management system.

5. It must achieve the right balance of inventory for your business.

6. And always remember that tolerating old practices will almost certainly result in the same old results.

1. Know your turnaround time

- Turnaround time is a major consideration in inventory control and management. Not all products sell at the same rate.
- Some products move quickly.
- Other products can be expected to move slowly.
- Knowing which products move quickly and which move more slowly will go a long way toward helping you achieve a balanced and efficient supply of inventory.

2. Purchase the right products

- Use market research to identify the proper products for your target market.
- Analyse sales from previous years.
- Study economic forecasts and determine how your target market's purchasing power might be affected.
- Look for new products for your target market.
- Compare the effects competitors' sales have on your sales.
- Study your records to determine what products to buy and in what quantities to buy them.

3. Create an inventory tracking system

- Inventory tracking systems come in a variety of formats from paper to computer programmes.
- Given the amount of affordable inventory tracking software on the market, there's no reason not to go with a computerised system.
- Not only do they provide inventory data in an endless variety of formats, but they also save money because they require significantly fewer staff hours to maintain.

4. Buy correct quantities

- Establish inventory levels (minimum, maximum and at what point to reorder).
- Know *what* to order.
- Know *how much* to order.
- Know *when* to order.
- Know when to expect the products to arrive.
- Know what quantities should be in stock during which business cycle.
- Know when you should no longer be submitting re-orders.
- Know when products should no longer be in stock.
- Ensure suppliers are reputable and will provide products in the quantities required.
- Study lead times for supply and delivery to ensure ordering at the correct time.
- Don't over-buy simply to take advantage of special supplier deals.
- Review buying plans weekly and adjust as needed. If inventory is selling or being used faster than expected, source more product as soon as the trend is spotted.

5. Maintain a built-in buffer

- No matter how advanced your inventory tracking system is, you will never be able to predict 100% how much inventory you need to have on hand at any given time.
- For that reason, it's best to establish a built-in buffer – a reserve stock of inventory.
- Although you should always stock only the volume of inventory you need, having a little extra on hand never hurts.

Managing my inventory:

1. Analyse how you currently manage your inventory. Establish what is working for you and what is failing you. (You can't fix what you don't know is broken.)
2. Restructure the way you manage your inventory so that it works to your optimum advantage.

This is how I currently manage my inventory:

This is how I will restructure my inventory management:

Managing payables

1. The financial cycle of your business depends on a proper accounts payable process. Paying your bills late or leaving them unpaid can snowball into major credit problems, that will cripple your ability to function. It is essential to deal with the accounts payable in an effective manner.

2. Review your systems and procedures. Ensure they encourage communication, provide for staying current with payables, and lessen the risk of duplicate or incorrect payments and other mistakes. Some general guidelines to follow include:

- Take advantage of payment terms. Don't pay in 15 days if it's only due in 30 days.
- Use electronic fund transfers to make payments on the last day they are due. You will remain current with suppliers while retaining use of your funds for as long as possible.
- Never allow bills to remain unpaid, unless you have made a special payment arrangement in advance with the vendor. At 60 days, your business credit rating could be jeopardised. This could make it more difficult to deal with other suppliers and/or loaning institutions in the future.
- Outstanding balances can drive interest penalties way up. This is obviously compounded if many bills are overdue at the same time. Excessive interest payments can seriously damage a business' bottom line.
- Reconcile creditor accounts. This will bring to light wasteful charges, such as interest penalties for late payment. Worse, there may be invoices that have not been captured in your accounting system in which case your accounts payable balance is inaccurate and your liabilities are understated.
- Communicate with your suppliers so they know you. If you ever need to delay a payment, you will need their trust and understanding.
- Carefully consider suppliers' offers of discounts for earlier payments. These may provide you with a chance to reduce overall costs.
- Don't always focus on the lowest price when choosing suppliers. Sometimes more flexible payment terms can improve your cash flow more than a bargain-basement price.

Managing my payables:

1. Analyse how you currently manage your payables. Establish what is working for you and what is failing you. (You can't fix what you don't know is broken.)
2. Restructure how you manage your payables so that they work to *your* optimum advantage.

This is how I currently manage my payables:

This is how I will restructure my payables so that they work to MY optimum advantage:

PART 10 — Re-evaluate your product / service

Increasing product/service value underpins the success of your business turnaround

1. Identify which product or service is your most profitable

- A good turnaround plan requires that you focus on what produces positive cash flow and discard what doesn't. So you need to determine how your profitable core is composed.
- Determine which products/services are money-makers - which are money-losers - and which are the *biggest* money-losers.
- You may be surprised to discover that your most profitable products/services have nothing to do with your core business, or that they are not your flagship product any more.
- Once you have identified the money-makers and the money-losers, you can then use the money-makers as the foundation of your reorganised business.
- This may not result in any significant changes at all. For example, if 90% of your business is profitable and 10% not, then eliminating the unprofitable elements will not fundamentally change the nature of your business.
- However, if 10% of your business is profitable and 90% not, then this will be a serious reorganisation. It may even change the very nature of your business. In this situation, you would have to discard inventory and facilities. You may even need to lay off the staff associated with the unprofitable elements of your business.
- Establishing your money-makers will also help you determine if your business crisis began because you are over-extended - and offering more products/services than you could successfully manage.
- This might also be a good time to consider narrowing your focus. Concentrating your resources on the needs of a specific segment and carving out a market niche may mean the difference between success and failure.

My profitable core

1. These products/services are my money-makers:

2. These products/services are my money-losers:

3. These are my money-makers and money-losers expressed as a % of my sales:

4. This tells me that these are my core products/services:

5. This is how this new info affects the changes to/reorganisation of my business:

2. Re-evaluate your customers

- It is important to ensure that you are segmenting and targeting the market properly.
- You cannot know too much about your customers if you hope to satisfy their needs and keep them coming back to buy from you.

1. Who are your major customers?

2. Why do they buy (e.g. because of the price, for convenience, locality, etc.)?

3. When do they buy?

4. What are their expectations regarding price?

5. What are their expectations regarding quality?

6. What are their expectations regarding service?

7. Who are your *potential* customers?

8. Why are they not buying from you?

9. What is the customer's perception of the *value* of your product/service? (Their idea of value may have little relation to the cost. On the other hand, many customers perceive price as a reliable guide to the quality they can expect to receive: the more you pay, the more you get!)

10. What about your business excites customers - and why?

11. What about your business irritates customers - and why?

12. What factors within your customer base contributed to your downturn?

3. Re-evaluate your competition

- You need to re-establish who your competitors are and how they impact your business. New competitors may have moved in (both direct competitors and "stealth" competitors who go after your customers in different and unexpected ways).
- To turn your business around, you need to gain market share by drawing customers and purchases away from competing companies. You can only do this if you have comprehensive knowledge about your competitors.

- Always remember that competition creates threats but also provides opportunities, and how you handle both is a determining factor in the success of your business turnaround.

1. Who are your competitors?

2. What is the market share potential of each competitor?

3. How does your product/service compare with competitors' in price, service, warranties, and other features?

Feature	Competitors	My business
Price		
Service		

Warranty		
Other		

4. What can you do about the areas where your product/service doesn't measure up?

5. What are your competitors' strengths and weaknesses in the financial, marketing, and operational areas of management?

	Competitors' strengths	Competitors' weaknesses
Financial management		
Marketing		
Operations management		

6. How can you minimise the negative impact their strengths have on your business?

7. How can you capitalise on their weaknesses?

8. What threats do your competitors pose?

9. Now challenge yourself to find 5 (or more!) opportunities that allow you to exploit your competitors and diminish their market share:

1.
2.
3.
4.
5.

Do a lot of little things right!

In tough times we tend to look for the one magic bullet that will make everything better.

But magic bullets rarely come by.

Most positive turnarounds come about as the result of finding a number of small solutions, not one big one.

4. Re-evaluate what distinguishes your product / service

- Re-evaluate what makes your product/service stand out from those of your competitors.

1. What are the key features of your product/service and its benefits to your customers?

2. How they will provide a competitive advantage?

3. What market/client needs will they meet?

4. How do these compare to those of your competition?

5. Does your product/service have any proprietary position – i.e. a patent, copyright, or other means of protecting your technology or obtaining a superior position in your industry?

6. Do you have barriers that discourage competitors from entering the field – e.g. an exclusive agreement with a distributor, or high set-up and operating costs?

5. Re-evaluate your quality control

- When it comes to your product/service, it all boils down to quality. The thing about quality is that if you are not obsessed with quality, you can't turn your business around.
- Remember that quality starts at home: if you do not believe in your heart that you are producing a quality product/service, you won't.

1. What do you have in place to measure and maintain quality control?

2. What's not working and why?

3. What measures must you put in place to ensure excellent quality all the time?

4. How will you be alerted if the quality starts to drop?

5. Who is responsible for quality control – and do they have the authority to act?

6. Re-evaluate your pricing strategy

- Bad pricing decisions are one of the main reasons businesses fail. Your sales volume may be low because you have a high selling price. Conversely, a low margin may be the consequence of too low a selling price. Either spell doom for the business.

- There is often a delicate trade-off between selling at a high price in order to improve the margin and selling at a low price in order to improve volume.

- Many businesses facing a downturn blindly cut prices to increase competitive pressure. This is a sure way to hasten the demise of your business. It lowers your profit margin too much. Worse, large competitors can also under-price most small businesses.

- Small businesses' pricing is usually market average. Their competitive edge lies in better quality, service, and flexibility. You need to re-evaluate your pricing to ensure you are maximising its value to both your customers and your profits. Otherwise, you are running your already troubled business on borrowed time.

- Your pricing approach must be tied into a long-term relationship that enables you to:
    1. penetrate the market
    2. maintain and increase market share in a competitive environment
    3. make a profit.

- Here are some common pricing strategies and the challenges you may have faced:

1. Mark-up pricing

Mark-up on cost is calculated by adding a pre-set (often industry standard) profit margin, or percentage, to the cost of the merchandise.

Challenges: You do not keep the mark-up high enough to cover price reductions, discounts, shrinkage, etc.. and still achieve a satisfactory profit.

2. Vendor pricing

Manufacturer suggested retail price is a common pricing strategy used by smaller businesses to avoid price wars and still maintain a decent profit. Some suppliers have minimum advertised prices, but also suggest the retail pricing.

Challenges: Manufacturer suggested pricing takes you out of the decision-making process with regard to your business costs. Using pre-set prices doesn't allow you to have an advantage over the competition.

3. Competitive pricing

Setting your prices based on the prices charged by competitors.

Challenges: If you offer a competitive pricing strategy you will need to provide *outstanding* customer service to stand above the competition.

4. Pricing below competition

Setting your prices lower than those of all your competitors to boost sales.

Challenges: Lower prices do not automatically equate to increased sales. You have to sell more in order to maintain the same level of profitability. This only works well if you negotiate the best prices with suppliers, reduce costs and develop a marketing strategy to focus on price specials.

5. Pricing above competition

Retailers that stock high-quality or exclusive merchandise that isn't available at any other location may be quite successful in pricing their products above those of competitors.

Challenges: Your location or product do not justify higher prices (or if they do, your customers don't think so).

6. Discount pricing

Selling at a *very* low mark-up is common with businesses who sell mass cheap products to mass markets.

Challenges: It relies on huge volume sales to make a profit. Rising costs, shrinkage and damaged goods rapidly deplete your profit.

7. Psychological pricing

Psychological pricing is when prices are set at the level where a customer perceives the price to be fair. The most common method is odd-pricing, using amounts that end in 5 or 9. It is believed that customers tend to round a price of R9.95 down to R9, rather than up to R10.

Challenges: Those pesky customers who round UP, not down!

8. Multiple pricing

Selling more than one product for one price, such as three items for R20.00.

Challenges: This is great for markdowns or sales events but it can lower customers' perceptions on quality and value if used almost extensively. And there are always the customers who only want one, no matter how good the multiple price is.

9. Pricing to close a deal

A strategy used by salespeople when they want to close the deal and the customer is stalling.

Challenges: It provides every customer with an incentive to negotiate for lower prices. Salespeople are put through a 'meat grinder' of price negotiations for every sale. The process, in turn, gives salespeople every incentive to respond with lower prices. You can end up with a closed deal but no profit.

10. "Thumb suck" pricing

This pricing strategy relies on simply sucking prices out of your thumb with no market/pricing/customer research. It's more common than you may think.

Challenges: It doesn't work. You may be lucky and hit the correct price for your product or service. But the odds against that are enormous.

My pricing strategy:

Re-evaluate your pricing strategy. Ask yourself:

- How are you pricing your products/services?
- Is it working for you? If not, why not?
- What must you do to correct your pricing strategy?

PART 11 — Sales turnaround

It is crucial that you act quickly to turn sales performance around

When a business is hit with declining sales and shrinking margins, the options can start to look bleak.

Revamping your sales efforts is a powerful way to shore up both your sales and your margins. It's all about fine-tuning your selling efforts and both attracting new customers and retaining more of the customers you want.

1. Focus on what you already have

- Your existing customers are your number one asset. Treat them like the gold they are!
- Focus on increasing their customer satisfaction. A *satisfied* customer is a *repeat* customer. A *repeat* customer means *profit*. Satisfied customers are also word-of-mouth and personal referral customers. They will tell their family and friends about your business and will help create a new customer base for you. There is no better form of advertising than word-of-mouth.
- Look at every customer transaction from a "relationship" point of view and not a "transaction" point of view.
- Don't *meet* your customer's needs, *exceed* them – not only the *first* time, but *every* time.
- Your customers may not be familiar with all that you offer. In a changed – and continually changing – economy, you need to find out what else your customers do, or what else they need. You may just be the perfect supplier for their growing needs. But until you ask them, you'll never know.

This is how I will focus on my No.1 asset:

2. Fine-tune your marketing

- How is your business' marketing exposure? Do you stand out from the competition? Are your customers aware of your full product line or services? You may think that now is the time to cut back the marketing budget. You should be advertising more. To attract new customers or even retain current ones, you have to let them know you exist.

- Funds are scarce, so you need to explore ways to get more bang for your advertising buck. Apart from the conventional newspaper, magazine, yellow pages, direct mail advertising methods, why not look for some unconventional marketing methods your competitors are overlooking? You may discover some highly profitable ways to generate sales.

- There are many ways to promote your business without spending a fortune. Think outside the box. Most people notice things that are different, something that draws their attention or even makes them laugh. Here are some ideas to get you going:

1. Send promos with invoices

- Little advertising ideas can be powerful.
- If you're sending out an invoice, why not take the opportunity to include some small business advertising?
- To attract new customers, try something such as a "bring-a-friend" promotion.

2. Vehicle advertising

- The reason you see so many vehicles emblazoned with advertising is that it works!
- Vehicle advertising is very visible small business advertising.
- If you're not ready for custom graphics, go for a magnetic sign that you can take off when you want.

3. Set up joint promotions with other small businesses

- Contact some non-competing small businesses serving customers in your market.
- Offer to publicise their products or services to your customers in exchange for their publicising your services to their customers.

4. Grab as much free promotion as possible

- Use a unique promotional event to generate a buzz about your business.
- Get free coverage by sending a press release to the local or community media.
- Get involved with community events.
- Host classes, meetings, charity events, or other networking events in your business.

5. If you don't have a business website - it's time to consider one

- In today's economy, if you aren't online, you aren't in the game. People rely more and more on Google to help them decide where to spend their money. Chances are if your competitor shows up in Google results for “your product or service in your city” and you don’t, you just lost the sale.

- There is some good info regarding websites on pages 93-96.

6. Register your business website on free listing directories

- There are a number of excellent free directories which can help increase the online traffic on your business website.
- If you Google “free business advertising South Africa” and “free business directory South Africa” you will be able to find the ones best suited to your business.
- And while on the topic of the Internet, why not arrange links to and from complimentary websites?
- Send an e-mail to the websites you are interested in linking with, inviting them to visit your website and suggesting links both ways.

7. Write articles related to the product/service you offer

- Post the articles on different websites. Include a link to your website.
- Also submit these articles to local newspapers, magazines, trade journals and industry specific websites.

8. Thank people in ways that will increase sales

- Thank customers with a special offer.
- Thank anyone who refers business to you with a personalised thank you card, phone call, discounts, flowers, or even commission.

9. Do what the winners do

- Analyse the marketing strategies of companies you admire.
- Adopt the ones you can use.
- Improve on them.
- Collect advertising that attracts your attention and adapt it to your business needs.

10. Put your website address everywhere

- Your website address should be on every piece of material your customers will see - business cards, brochures, postcards, flyers, ads, signs, delivery vehicles, etc.

11. Sponsor a school sports team

- A great way to get involved in the community is to sponsor a sports team.
- The parents of the team members will almost certainly visit your business.
- Add your website address on any team literature or signage.

12. Create a blog for your business

- Don’t only create your own blog - visit and comment on other blogs regularly.

13. Print some gift certificates

- These allow your customers to introduce you to new customers.
- Since you get paid up front, they are good for your cash flow.

14. Ask for referrals

- This is an often neglected form of marketing.
- Ask satisfied clients, business associates, suppliers, etc. for referrals.

15. Design your business for sales

- Take advantage of cross-merchandising strategies and impulse sales opportunities.
- Use lighting techniques and creative displays to attract customers.
- Play videos for product education, customer entertainment and any other “up-sell” or promotional tie-in.

16. Set up a customer rewards programme

- We’re all familiar with the customer rewards programmes that so many large businesses have in place.
- There’s no reason a small business can’t have a customer rewards programme.
- It can be as simple as a discount on a customer’s birthday or as complex as a points system that earns various rewards such as discounts on merchandise.
- Done right, rewards programmes can build customer loyalty and increase sales.

17. Distribute free samples to customers

- Why do so many businesses include free samples of other products when you buy something from them? Because it can increase sales in so many ways.
- A customer might try the sample, like it and then buy it, too.
- Or they might give the sample to someone else, who might like it, and buy that and other products from your business.

18. Finally, get it “write”

- Everyone agrees on this one.
- Nothing will put off a prospective client – or undo your marketing efforts – more than sloppy errors in marketing material.
- Spelling mistakes, bad grammar or even a simple transposed *i* and *e* can undo your marketing strategy's good work.
- This kind of error looks incredibly sloppy and does nothing to engender belief in the quality of your products or the credibility of your business.

Fine-tune your marketing:

How are you currently promoting your business?

What's NOT working for you — and why?

What IS working for you - and how can you make it better?

What *new* and *exciting* ways are you going to use to promote your business?

What must you do to put these ideas into action — and *when?*

3. Overhaul your sales plan

- A common sales management blunder is not developing a sales plan to help manage the sales team. To be successful, a sales team requires regular planning, tracking, and review to achieve the targeted results.

- Every member of the sales team requires their own action plan to direct day-to-day activities and set up accountability. Here are some guidelines:

1. Develop your sales plan with your team

- Most plans will fail if they are developed by the owner/sales manager and not the sales team.
- Have your team develop the plan themselves, and guide them toward the right objectives.

2. Build in regular reporting

- Sales plans should be established on a weekly basis to provide flexibility in the planning cycle.
- Review the plans weekly.
- Review the results against the plan to determine missed opportunities and areas for improvement.

3. Focus on results and activities

- Establish the proper sales data to drive your business results.
- This can include: number of client phone calls, number of contacts, appointments set, appointments kept and sales closed.
- However, be careful of overwhelming your sales staff with excessive tracking numbers.
- Focus on the few measures that matter the most to your business.

4. Encourage sales accountability

- There will be times when members of the sales team will fail regardless of the support and training they receive.
- It is easy to attribute the lack of results to external forces such as competitors, the economy, or poor marketing.
- When support, training, and market potential are available, a lack of results often means it's an individual's performance that is at fault. Remedy the situation at once. And always remember that the sales team was hired to bring in sales.

Overhauling your sales plan:

What is your current sales plan?

What's NOT working — and why?

What IS working — and how can you make it better?

What sales plan (or action plan) can you develop with each member of the sales team to direct their day-to-day activities and set up accountability?

What must you do to put these ideas into action — and *when?*

4. Focus on excellent customer service

- Every business facing a turnaround needs to restructure its customer service.

- With a business in crisis, good service is usually the first thing to go as quality control slips, standards fall and employee performance nose-dives.

- The cost of poor customer service is astronomical. It leads to:
  - rapidly dwindling customers
  - rapidly falling sales
  - high inventory levels
  - harmful business reputation
  - high levels of complaints
  - unhappy staff
  - a bad atmosphere in the business
  - conflict among staff and customers
  - potential closure of the business.

- Excellent customer service, on the other hand, is the key to increasing sales, retaining customers and attracting new customers. Best of all - it costs nothing!

- Examine <u>every aspect</u> of your customer service. If it isn't excellent, don't expect the rest of your sales turnaround to work.

- Excellent customer service is service that makes your customers feel special. It makes them want to come back and do more business with your business, and recommend your business to their friends.

- Don't mistake lower prices for good service; they're just lower prices.

- And don't think that lower prices compensate for poor service standards. They don't.

- And *never* make the mistake so many companies make of thinking that telling customers that you have excellent customer service is all it needs! Like most things, actions speak louder than words.

- Study the competition:
  a) What are their weaknesses when it comes to customer service?
  b) How can you exploit their weaknesses?
  c) What are their strengths?
  d) What can you learn from their strengths?
  e) What can you offer your customers that is better than the competition? There are sure to be aspects of your customer service that you can promote as "Special" so that you stand out from the crowd.

Focusing on excellent customer service:

1. Examine <u>every aspect</u> of your customer service.
2. Rate it on a scale of "1 to 10" (from the *customer's* point of view, not your point of view or your staff's.)
3. If it doesn't score a "10", decide *exactly* what you must do to get it there.
4. Decide what checks and controls you will build in to ensure your service remains excellent.

A website - 10 good reasons to have one

1. Generate a professional image

A good website can give the best and most complete image of your business to a potential customer. A good design and functional layout will set you apart from your competition and gives customers the impression that they are dealing with a business they can trust. It will generate a sense of respectability with your service and/or product.

2. Level the playing field

A small business with limited funds can produce a highly effective website that can be very visible on the web and can easily compete with larger companies. A website can make your business look bigger than it is!

3. It's a 24/7 service. . . and you don't have to pay overtime!

A website is the only form of advertising that works for you 24 hours a day, 7 days a week, and doesn't have peaks and valleys like print advertising. The website is always fresh, always inviting, and always ready to serve.

4. Customer education

Many potential customers are surfing the Internet to get the information they need to make educated buying decisions. When you step in and give them all the information they want, they see you as an expert and trust your opinion.

5. Repeat customers

There's no better way to keep customers coming back than keeping in touch with them. Through a website you can interact with customers via online newsletters, polls, forums and special deals. When you keep in contact, it shows customers you care.

6. FAQs

Frequently Asked Questions on your website allow you to answer customer questions before they are asked. It saves you and your customer time and instills customer confidence.

7. Automation

You can automate parts of your business online. You can give customers the option to pay their bills online. You can automate deliveries. You can allow them to book appointments, etc.

8. Customers expect it

In today's business environment, businesses are expected to have an online presence. This expectation will only increase in the future.

9. Accurately track the traffic on your website

Using analytical tools, you can find out exactly how many people visit the site, how long they spend on your website, and which pages they are reading. Can you say the same about your newspaper and magazine ads, flyers, and radio ads?

10. Competitive pressure

Your competition has websites. Do they know something you don't?

A website - build and maintain your own

- Never before has it been so easy to get a professional quality, customised website for your business. . . without expensive website designers, web hosting fees, paying every time you want to update your site, costly delays, and other frustrating hassles.

- Now you can build your own website using a website builder. It's easy - and it's free!

- A website builder is the easy way to create a professional website - even if you have no web design knowledge at all.

- A website builder allows you to get your website up and running very quickly. You can build anything from an informational type site to a full-blown e-commerce website.

- The reality of a business website is that it needs to get the job done - not be over-the-top with music, flashing animation and glitzy gimmicks. Your customers want the appropriate information presented clearly and you don't need a designer to do that.

- Most website builders operate like a Microsoft Word document. Adding text and images is very simple. . . just click a button. There is no need to learn complicated website design software or HTML or other complex programming stuff!

- The beauty of this is that you can maintain the site yourself. If an expensive web designer is the only one who can change your website (for a fee), you won't keep it up to date. An out-of-date website can be worse than no website at all.

- It's easy to maintain. Almost anything you want to do is one click away. Add a new service or product? One click. Change your tag line? One click. Edit a page? One click. Add formatting to your text? One click.

- Another advantage to controlling your website is that you can use it to test new ideas and offerings. A summer special, a discount offer, a new service. . . just put it up and see what happens. Take it down if it doesn't work.

- The most difficult thing to do is come up with a design. When using a website builder you don't have to worry about this. There are several web templates included with the builder that you can customise as your own to create your own unique website.

- You do not have to bother with purchasing web hosting either as this is also included when using a website builder.

- There are dozens of free web builders on the Internet. However, an excellent option is www.weebly.com. They provide one of the easiest ways to build and publish a professional website and are well worth an online visit.

A website - some important design tips

1. A website must load quickly

When a user comes to your home page, there should be no delay. If your home page does not load within eight seconds, as many as a third of your site visitors will get frustrated and leave.

2. Easy navigation

Your website needs to be so easy to navigate that even an 8-year-old can get around on it. Good designers say that any info in your site should be only 3 clicks away from any page.

3. Content, content, content

Visitors don't visit your website to admire the colour and design - they come to buy something, or to find information. So you've got to have fresh original content. Make sure the user can scan the content. Use bullet points, headers, sub-headers, lists.

4. Get your home page right

The first page that visitors visit is your home page. It must set out clearly, quickly and simply - what's on your site - where to find it - how to contact you - why they should explore further.

5. Avoid anything that may turn your visitors off

Avoid sparkly animation, blinking text, pop-ups, scrolling text, Flash intros, dazzling backgrounds and anything else that will distract your visitors from the information they seek.

6. Keep scrolling short

Only 10% of users scroll beyond the information that is visible on the screen. Break long pages of text into several pages.

7. Consistency is key

Make sure all your web pages look the same.

8. Colour selection can make or break a site

Don't go 'neon' or have too many colours. Always use dark text on a light background.

9. Be careful with fonts

Use non-serif fonts such as Arial, Verdana or MS Sans Serif. Don't make text too small or big.

10. No spelling, grammar or punctuation mistakes

This is one of the most important factors affecting the overall quality of a website.

11. ALWAYS include prices

Not including prices with items is one of the worst mistakes you can make.

12. Keep people flocking to your site

Refresh your site regularly. People need a reason to return to your site. If they find nothing new, they may not give you a second chance. Diarise website changes once a fortnight.

My Internet website

This is what I plan for my Internet website:

PART 12 — Re-evaluate your image

A business turnaround depends on promoting and maintaining a favourable public image

When companies face a business downturn that is beginning to spiral into a crisis, they often fail to promote and maintain a favourable public image.

Your best turnaround plan will not work if your business image indicates a business on the way out.

1. Look at the exterior

Approach your business as a customer. Be extremely critical.

Write down *what* you must do - and *when* you must do it.

1. How's the exterior of your business? As cracks appear and paint begins to fade, so does your image.

2. Is your parking lot well-maintained or are weeds and litter taking over?

3. Is the pavement clean and free of litter? (Don't forget that drunks and beggars lounging around your entrance are terrible image-busters.)

4 Are the windows sparkling clean? (i.e. smudges, dirt and water streaks are removed from windows the moment they appear.)

5. Are awnings clean and bright – or fading, tatty, or covered in bird droppings?

6. Is your outdoor lighting adequate and appealing?

7. Is your signage appropriate, well-lit and professionally created? Flickering lights and half-lit signs say, "we can't take care of ourselves, so how can we take care of you?"

8. Are entrances easy to find and navigate? How about for handicapped people?

9. How's the condition of the front door? And the security gate?

10. Are window displays up to date and representative of the stock inside?

11. Are the window displays changed often – or fading away in the sun?

12. Are any business vehicles that a customer may see clean and well polished, even if it means a visit to the car wash three times a week?

13. Are outside trashcans emptied regularly or are they overflowing/smelly?

14. Is your exterior so appealing that it says, "Come on in!" or is it so unappealing that it says, "Enter at own risk?

15. What does your exterior say about your interior?

16. What else can you see that is impacting negatively on your business' exterior?

2. Look at the interior

Now walk into - and around - your business as a customer. Again, be extremely critical.

Write down *what* you must do - and *when.*

1. What does your interior say about your business?

2. Is signage clear?

3. Are the aisles uncluttered and wide enough for a browser to wander in?

4. Does your layout make the shopping experience easy for your customers?

5. Is the presentation of your products good?

6. How professional and customer-friendly is the counter/pay point area? And what about queuing during busy periods?

7. Do you use lighting effects and creative displays to attract customers?

8. Are paths through your store systematic so that it's easy to access?

9. Is stock arranged so that it is easy for customers to find what they need?

10. Does your colour scheme complement your type of business and the professional image you wish to convey?

11. How's the lighting?

12. How's the background music?

13. How's the atmosphere?

14. How's the condition of furniture and fixtures?

15. Do your displays encourage impulse buying?

16. Do they encourage cross-buying?

17. Is it your interior inviting and hospitable?

18. What does your interior say about your business?

19. What else can you see that is impacting negatively on your business' interior?

3. Look at your equipment and vehicles

Look at your equipment and vehicles as a customer. Again, be extremely critical.

Write down *what* you must do - and *when.*

1. Do your vehicles and equipment say "we're doing well" or "we have issues?"

2. Is your equipment in good working order?

3. Is it modern and professional?

4. What does it say about your business?

5. Can you see other ways in which your vehicles/equipment impact negatively on your business?

6. What message does your business car portray?

7. Would *you* feel confident to see a business representative show up in your vehicle?

8. What type of vehicles and equipment do your competitors have?

4. Look at your business cards and website

Your business cards and website are speaking for your business. When you say, “Here's our card look us up online,” you are in fact saying, "Here is a sample of my business."

Look at them as a customer would. Again, be extremely critical. And write down *what* you must do - and *when.*

1. Do your business cards look professional?

2. Do they match your business type and the message you are trying to convey?

3. How do they measure up to those of your competitors?

4. What do they say about your business?

5. Where are they being distributed? (Important.)

6. Does your website convey the professional image you are trying to show?

7. Is it updated frequently?

8. Is it easy and quick to use?

9. Does it have “stickability”? If not, what must you do?

5. Look at your employees

Evaluate your employees from a customer's point of view. Be tactful and sensitive when suggesting changes. But don't compromise. It's your business. Your future. Write down *what* must be done to change - and *when.*

1. How are they dressed?

2. How does their hair, nails, and facial hair look?

3. Is their dress code immaculate and appropriate to your business?

4. Are they well-trained and informed for their duties?

5. Do they have any issues with you or the business?

6. Do they look happy?

7. If they came to offer you their services, how would you respond?

8. What do they say about your business?

9. How's their customer service?

10. Are they willing to go the extra mile for clients. . . and then some?

11. Do your customers like them?

12. How do they get along with one another?

6. Look at yourself

You cannot evaluate your employees without evaluating yourself as their leader. Answer these questions honestly and write down what you need to change.

1. How is your attitude? Positive, motivating and inspiring? Or the opposite?

2. Are you leading from the front?

3. Are you part of the team and willing to get your hands dirty alongside them?

4. Do you have an approachable, open door policy?

5. Do your customers see you as a professional business person who inspires respect, trust and confidence?

7. Look at your telephone system

1 What is the first impression someone gets of your business when they phone?

2. Is the phone answered in a professional and informative manner? (If you don't know, pick up a phone and call. Listen as a potential customer.)

3. Is it answered on the first ring – or does your customer have to listen to 8 ring tones before the phone is answered? (They might hang up before you even answer.)

4. Do you have a voicemail service? How does it sound? Inviting? Off-putting?

5. If you want the maximum impact from your phone calls, do you have calls routed to your cellphone, home phone, or someplace where somebody can take the call? (Even if you are out in the field, it is better to take the call rather than let it be handled by voicemail.)

6. If it is necessary to put callers on hold, do you use that 'hold' time to play them a message that describes to them the benefits of doing business with you? Or do you just play "elevator music"? (If you play music, is it appropriate to your customer base?)

7. Can you see other ways your phone system impacts negatively on your business?

8. Look at your systems and procedures

You need to conduct a thorough review of existing systems and procedures. Remember that a continuation of old practices will almost certainly result in the same old outcome.

Ensure that your internal systems, processes and communication channels are raised to a standard that will seamlessly allow business to be conducted efficiently.

1. What systems, processes and communication channels do you currently have in place?

2. What needs to be done to raise the standards?

3. Which systems, processes and communication channels need to be ditched because they are obsolete, inefficient or too time-consuming?

4. What new systems, processes and communication channels do you need to implement?

5. How will you do all the above?

PART 13 — Involve your employees

A business turnaround depends on all employees pulling together urgently

One of the few pleasures of working your way out of your business crisis is finding out how much people are capable of doing in desperate situations. It is amazing what remarkable achievements can occur when everyone is pulling toward the dream of putting the business back on the road to success.

1. In turnarounds people feel that they - and what they do - matter hugely.

1. How can you show your people that they mean a great deal to you, your business and the success of its turnaround?

2. During difficult circumstances, people need to be inspired to lead and to try harder.

1. How can you inspire the passion to lead?

2. How can you inspire your people to try harder?

3. Turnarounds allow people to bring their creativity, ideas and passion to the party. Being appreciated in ways that they have never experienced before can galvanise them into achieving unbelievable things.

1. How will you encourage people to express their creativity, ideas and passions?

2. How will you show people that you appreciate what they are doing?

3. How will you recognise people for their effort and actions?

4. Your employees need information about their roles in the turnaround process. They need to understand the particular details of your turnaround process. They need to know where they fit in and what they need to do.

1. What info must you give employees about their roles in the turnaround process?

2. What details must you share so they fully understand your turnaround process?

3. What do you need to tell them about where they fit in? What must *they* do?

5. Always remember that not all employees are created the same. Some will have a fear of change, and the greater the change, the stronger their fear will be.

1. Identify the employees who will embrace change:

2. Identify the employees who fear or resist change. Try to determine why they feel like this.

3. How can you address the fears of the "fearful"?

6. Key to successful change management is involving employees in the change effort and letting them create as much of the change as is possible and practical. This gives them the chance to "try the change on for size" which helps them to accept and support the change.

1. How will you involve employees in your various change efforts?

2. How will you allow the employees who embrace change to champion the changes for the employees who fear and resist change?

7. Have open dialogue about the challenges and your turnaround course of action with those employees who are 100% committed to and are involving themselves in the turnaround.

1. Who falls into this group?

2. How and when will you bring them together?

3. How will you ensure you have an open dialogue about the challenges and your course of action?

Reciprocity

Reciprocity is a natural tendency that we have to reciprocate in kind when people act towards us in a certain way.

A business that is loyal to people will generally find that people are loyal to it.

By the same token, businesses that betray people's trust will generally find that people behave in exactly the same way towards them.

PART 14 — S.W.O.T. analysis

A S.W.O.T. analysis helps the business focus on its key strategic issues.

1. A final - and enlightening - analysis to perform is a S.W.O.T. analysis. It will give you a profile of your restructured business' strengths and weaknesses, (so that you can capitalize on the strengths and work around the weaknesses), and the opportunities and threats that face it, (so that you can seize the opportunities and defend yourself against the threats).

2. It sounds like a complex process but it is in fact fairly straightforward!

How to do a S.W.O.T. analysis

1. Look at every aspect of your restructured business and establish all the strengths, weaknesses, opportunities and threats. Keeping in mind all the challenges your business has faced during this crisis, ask yourself:

- What are my restructured business' strengths here? What is adding value for us? What will keep us ahead of the competition? What will help us turn the business around successfully and help us grow in the future?
- What are the weaknesses here? What will detract our value? What will hinder our turnaround and reduce our ability to grow in the future?
- What opportunities, big and small, are here? What can we grab at that will make our turnaround a success?
- What threats are here? What pitfalls are here? What can really have a seriously negative impact on us?

2. Once you have established all the strengths, weaknesses, opportunities, and threats, make use of the information by determining the following:

- Strengths: How you can use them to your best advantage
- Weaknesses: How you can work around them
- Opportunities: The actions needed to take advantage of them
- Threats: The steps you must take to avoid them

3. It is a good idea to involve your whole team in this analysis. They may have critical insights that you have not picked up on.

S.W.O.T. analysis: Strengths

My business' strengths	How I can use each one to my best advantage

S.W.O.T. analysis: Weaknesses

My business' weaknesses	How I can work around each one

S.W.O.T. analysis - Opportunities

My business' opportunities	Actions needed to take advantage of them

S.W.O.T. analysis - Threats

Threats to my business	Steps I must take to avoid them

PART 15 — Ensure the right protection is in place

Your business and your estate need to stay protected during your business turnaround

1. Protecting your business and your estate is a fundamental building block in managing the risks of your business and your personal estate.

2. However, when cash flow is tight it is only natural to view your insurance premiums (asset insurance and life insurance) as a "nice to have" and an easy place to free up some cash flow. But this is no time to be "penny wise, pound foolish."

3. Always seek the professional advice of your financial advisor when you want to consolidate your insurance portfolio. Each business has its own unique set of circumstances to be considered before you cancel or downgrade any products.

4. You may even negotiate a "premium holiday" as a bridging solution to your cash flow challenges.

The realities to consider

1. Your short-term cover for the business needs to stay intact to protect you against fire, theft, business interruption, public liabilities, employee liabilities, accidents and fraud.

Tip:

Re-value your insured assets annually to make provision for depreciation. This will counteract the annual increase in premiums.

2. Your personal estate, as well as those of your co-business owners, needs to be protected against the liabilities and sureties which you incur during the normal course of business events.

These include:

- Contingent liabilities (giving personal surety for the debt of the business).
- Debit loan accounts (personal loans from the owners to the business).
- Credit loan accounts (loans to the owners of the business from business reserves).
- Key person assurance
  When the business is struggling for survival, the loss of a key person can be detrimental to the implementation of the business turnaround plan.

- Life insurance
  It is imperative that you have all the required life insurance in place to service the obligations of your will and personal estate.
- The contributions to a retirement fund
  If you stand to lose the business, the money invested in said funds might be your only provision to fund your retirement.
- The contributions towards medical cover
  Again, it is imperative to ensure that you receive the best possible medical care for yourself and your dependants. The business needs your full contribution and presence during the business turnaround phase.

Protecting my business and my estate

Do you have the right protection in place? If not, write down what you need to do in order to ensure you do:

Please do not hesitate to contact Sanlam at 0860 100 539
should you require further advice and guidance
on how best to manage your financial planning portfolio
during these challenging times.

PART 16 — Seeking financing

Turnaround funding is not easy to come by

1. Finding financing for a turnaround for a struggling business is a difficult job for any business owner.

2. Banks have taken a very conservative position. Even if you have a comprehensive, risk adverse business turnaround plan, the bank may find significant risk in your financial plans.

3. However, because your bank may already have a considerable investment in your business, they may be more amenable to additional bridging finance if you present the with a thorough, well-presented turnaround plan that is based on real conditions, not wishful thinking and that includes accurate forecasts based on facts, not hopes.

4. Even more importantly, you need to show them that you have *already* implemented huge turnaround strategies, cost-cutting, and restructuring changes which are already helping your business to recover.

5. By now you should have an accurate idea of how much money you need, when you will need it, and how it will be used. Respond in full to these questions:

1. How much money do you need now?

2. How long do you need it for?

3. How much will you need for the next 12—24 months, and when?

4. What will you do if you have underestimated the amount you require?

5. How will you use the initial funds?

6. When and how will you repay it?

7. What about risk? If you do not discuss risk, the bankers will assume that you have not thought about it. Try as you might, you cannot plan for everything, for every contingency, for every turn of events in your turnaround plan. But bankers want to know that you have planned for the major risks and how you intend to manage them.

8. What will you do if you don’t get the loan?

PART 17 — Writing your turnaround plan

Your written business turnaround plan is your roadmap from crisis to success

Your written turnaround plan serves as your roadmap to save your business. Like GPS, your turnaround roadmap uses all the waypoints you have developed so far to help you navigate from here to there.

You also need a compelling written plan to convince customers, employees, suppliers and bankers to support you.

By now you have all your info documented. This will ensure that your plan is organised, complete and factual.

The framework of your Turnaround Plan is a 100% match of the detailed chapters (except for the Executive Summary). There are page numbers so you can easily reference your worksheets and notes.

You simply have to transfer the info from the pages onto your written Turnaround Plan. The content should consist of the following:

1. Executive summary

- Although an executive summary appears first, it should be the last part you write.
- The executive summary provides a quick and concise overview (1 to 3 pages) that convinces your target audience to continue reviewing your plan. It should highlight key elements of the entire turnaround plan.
- Resist the temptation to pad your turnaround plan's executive summary with details (or pleas). The executive summary's job is to present the facts and entice your readers to read the rest of your turnaround plan - not tell them everything.
- Remember, the executive summary of your turnaround plan will be the first thing the readers of the plan read. If your turnaround plan's executive summary is poorly written, it will also be the last, as they set the rest of your business plan aside unread! So write it well. Then polish it! Once it sounds good to you, have someone else read it and make suggestions for improvement.

2. Table of contents

- Include a concise table of contents directly following the executive summary to assist the reader in locating specific sections in your turnaround plan.

3. Business background *(Part 1: Pages 6-8)*

Summarise concisely:

- How my business was formed
- Business ownership
- My product / service
- My customer base and profile
- My role in the business
- Key management roles
- Employee roles

4. Crisis analysis *(Part 3: Pages 23—37)*

- Summarise exactly why your business is failing and how the crisis developed.
- Detail all the external and internal factors that have contributed to the crisis, and the impact each is having on your business.
- Be brutally honest in your assessment of how you got into this situation. This will help restore your credibility. Take care not to shift blame or understate your accountability.

5. Vision, mission and goals *(Part 4: Pages 38—43)*

- Write down your new vision.
- Write down your new mission statement.
- Write down your new business goals. Include your time frames.

6. Establishing cash equilibrium *(Part 6: Pages 46—51)*

- Write down exactly how you are going to get control of your cash immediately and establish cash equilibrium - where cash in equals cash out - and halt the further decline of your business:
    - Include Cash Flow Forecasts for the next 12 weeks.
    - Detail the costs you will (or already have) cut.
    - Detail the ways you intend to get more cash in.
    - Detail the cuts in your workforce, if they are necessary.

7. Restructure cash management *(Part 7: Pages 52—59)*

- Describe how you will implement a thorough system that ensures you execute your daily, monthly, and quarterly financial tasks and maintain tight control over cash.
- Include detailed financial statements and projections for the next 12 months. It will be beneficial to include pre-turnaround financial documents as a comparison. Include the following documents:
  - Break-even analysis
  - Monthly budget
  - Balance sheet
  - Financial Ratios.

8. Restructure outstanding debt obligations *(Part 8: Pages 60-63)*

- Detail how you have developed affordable payment plans.
- Detail the fair and equitable terms you negotiated with creditors. (Include copies of the new agreements.)
- Show how it frees up cash flow and gives your business the best chance of survival, while also ensuring creditors get paid.

9. Improve working capital *(Part 9: Pages 64—71)*

- Write down how you plan to improve your working capital by detailing how you are going to manage and monitor:
  - Accounts receivable
  - Inventory management
  - Accounts payable.

10. Re-evaluated product or service *(Part 10: Pages 72—83)*

a. Your most profitable products or services

- Detail which they are and how they will make up your new profitable core.
- Briefly outline which products or services are the biggest money losers and what you intend doing with them.
- Discuss what distinguishes your profitable products or services.
- Discuss your quality control measures.

b. Current and potential customers

- Discuss the major current and potential customers for your product or service.

c. Your competition

- Describe the companies that are your competition and assess their respective competitiveness.

d. Your pricing strategy

- Discuss your pricing strategy in full. Describe how you arrive at your pricing; your margins, and how your pricing strategy is tied in to a long-term relationship which enables you to (a) penetrate the market, (b) maintain and increase market share in a competitive environment and (c) make a profit.

11. Sales turnaround plan *(Part 11: Pages 84—96)*

a. Your number one asset

- Describe how you intend to focus on your number one asset – your existing customers.

b. Marketing strategy

- Discuss your marketing strategy in full. It may be helpful to contrast your new fine-tuned strategy with your old strategy.

c. Sales plan

- Discuss in full how you intend to overhaul your sales plan.

d. Customer service

- Discuss your new, excellent customer service strategy.

12. New business image *(Part 12: Pages 97-106)*

- Discuss in full how you intend to promote and maintain a favourable public image and, most importantly, make up for any poor image you may have projected. Discuss how you intend making the following areas all project a fantastic new image:
  - Your exterior
  - Your Interior
  - Vehicles and equipment
  - Business cards and website
  - Employees
  - Telephone system
  - Systems and processes.

13. Employee involvement *(Part 13: Pages 107—110)*

- Detail how you are involving your employees.

14. S.W.O.T. analysis *(Part 14: Pages 110-—114)*

- Include a brief synopsis of your S.W.O.T analysis.

15. Protection and insurance *(Part 15: Pages 115—116)*

- Discuss in detail the protection and insurance you have put in place.

16. Financing request *(Part 16: Pages 117—118)*

- Discuss in detail your financing requirements:
  - How much money you need now
  - How long you need it for
  - How much you need for the next 12-24 months, and when
  - What you will do if you have underestimated the amount you will need
  - How you will use the initial funds
  - When and how you will repay it
  - Risk - and how you intend to manage it
  - What you will do if you don't get the loan.

And finally –

The presentation of your business turnaround plan is paramount to your business' survival. Banks admit that sloppy writing, grammar and spelling mistakes, in any business plan usually set off red flags regarding a business' credibility.

Sloppy writing indicates to them sloppy thinking and sloppy analysis. And if a business owner doesn't feel it is worthwhile to double or triple check the small details of spelling and punctuation, why are they going to bother to be exacting on details in their business?

A well-written turnaround plan is equated with the professionalism and efficiency of its owner. You can't possibly risk jeopardising your business' turnaround because of sloppy writing or careless mistakes. So –

- Review – revise – proofread.
- Then ask someone with good writing skills to read it and ensure it is *concise* and *clear* and communicates exactly what you want to say in a professional manner.
- Double check that there are no grammar, spelling and punctuation errors.
- Don't forget about the visual aspect of your plan. Format it correctly and for reader-friendliness. Print your turnaround plan on a good quality printer and bind in professional covers.

PART 18 — Making your plan work

Use it (your turnaround plan) or lose it (your business)

1. Success is won or lost through execution

- Many business owners get past the crisis, soothe their creditors, restore a positive cash flow. . . and then fail to continue executing the turnaround plan – and the wheels come off, with the business quickly deteriorating to its former failing state.

- Don't let this happen to you.

- A successful business turnaround depends on *consistency* and *persistence*.

- Do all the tasks called for in your turnaround plan and remain accountable.

2. Think long-term

- Thanks to the immediacy of dramatic cost cutting, debt restructuring and other turnaround strategies, you may experience quick positive results. But you must stick to your plan for the long run. If not, you can be sure that you will return to all the problem areas you faced prior to your turnaround plan's inception.

- Always remember this – "A continuation of old practices will almost certainly result in the same old results."

3. Work your forecasts

- Within your forecasts, you have a timeline of expected financial growth. You must maintain that forecast and make certain amendments to repair any divergences.

- It doesn't matter if you are less profitable than you intended. Figure out where the plan went wrong. Amend it with precision so that you can reach your original forecasts.

4. Be flexible

- Be flexible. . . but not so flexible that you fall off the tracks. For example, if you ignore the fact that you are not hitting certain targets under the misconception that you are being flexible, you will almost certainly wind up with another crisis down the line.

5. Update. Update. Update

- Update daily. Update weekly. Update monthly.

- Update *whenever* your turnaround plan needs updating.
- And update immediately you see a need for change. Putting it off until "the end of the week" or even the "end of the day" is a good way of, well. . . putting it off.
- Remember that no plan is perfect. If a planned result does not materialise, revise your strategies. Update them. Then review your plan against actual weekly results.
- When you revise or update your turnaround plan, be sure that you inform the people who need to know the results.

Always remember. . .

Most businesses that stay accountable to a plan, show true leadership, and create accountability throughout their organisation do succeed in their turnarounds.

You can too.