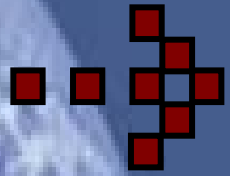


# International Institute of Management



**Executive Education Seminar**

**IIM Open Courseware Project**



Здравствуйते

こんにちは

سلام

*Howdy*

你好

नमस्ते

Ciao

*Hola*

您好



여보세요

*Hallo*

*Guten Tag*

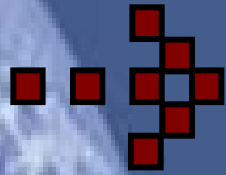
مرحباً

וילהא!

*Salut*

Obrigado

Xin chào



# IIM Open Courseware (OCW)

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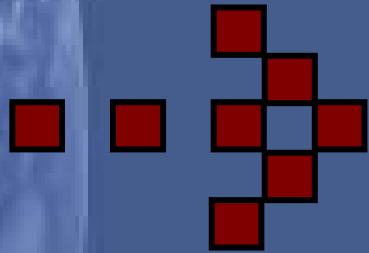
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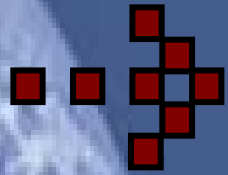


# *Strategy*



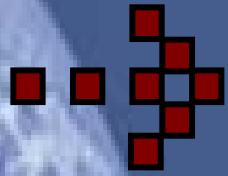
*Restructuring and  
Turnaround*

Med Yones



# Top Causes of Performance Decline

- External (Market Changes)
  - New stronger competition
  - Unforeseen market/demand shifts
  - Diminished strategic advantages
- Internal (Organization Changes)
  - Poor leadership – Misaligned authority/responsibility, lack of ownership or lack of leadership skills.
  - Organization inertia– Slow to respond to change e.g. new competitive conditions
  - Improper strategy- e.g. overexpansion (focus on market share rather than profitability)
  - Inadequate financial/cost controls
  - High costs &/or low labor productivity



# IIM Turnaround Methodology

1. Re-Assess Market and Organization
2. Identify Performance Gaps and Causes
3. Establish New Performance Targets
4. Create the Plan to Achieve New Targets
5. Provide Incentives for Change
6. Create Buy-In (Board, Management, Staff)
  - Communicate Plan & Win Support
7. Execute Plan and Monitor
8. Control, Align and Adapt



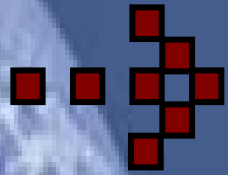
# Sample Turnaround Performance Metrics

Key Metrics	Q3-03	Q3-04	Difference
Service Fee Revenue Per Customer	\$10.00	\$15.00	+80% Improvement
Revenue	\$3.5M	\$4.5M	+24% Improvement
Gross Margins	-35%	65%	100 Point Improvement
Marketing Spend	\$22M	\$1.5M	94% Reduction
Customer Acquisition Cost	\$225	\$55	75% Improvement
EBITDA	(\$40M)	(\$2M)	95% Reduction



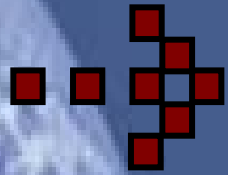
# 9 Key Turnaround Areas





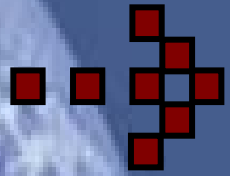
# Turnaround Plan - Strategic Options

- Redefining strategic focus: diversify or focus on core products/services or market
- Change non-cooperating management, strengthen management team, revise employee performance/ownership program, improve communication, training, and accountability in all business units and functions
- Divestment: spinoffs of unprofitable or profitable SBUs to investors; management buy outs (MBOs).
- Harvest: halting investment and maximizing cash flow.
- Liquidation: cease operations and write off assets.
- Outsource: non-core business to more cost effective suppliers
- Expense Control: reduce all non-revenue related spending, RIF & re-organization, automate, consolidate and align
- Revise business model: marketing, brand and pricing
- Expand: through partnerships, JV and acquisitions

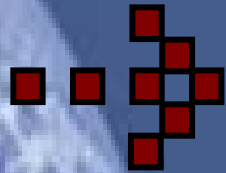


# Turnaround Lessons

- Turnaround is multi-dimensional
  - Strategy, operations, organizational, legal
- Start with Quick-Wins but do not lose sight of long- term objectives
- Leadership must embrace and commit to change.
- A unified management team is critical. Actively communicate with the Board if management is not cooperating.
- Credibility will be questioned during the change
  - Board, investors, employees, clients
  - Can only be gained and strengthen with successful results
- Objective analysis of performance is key for success - Ability to admit what's working and what's not
- Quick adaptation and corrective actions is a CSF



# Questions?



Спасибо

Gracias

Grazie

متشكراً

ありがとう  
ございます

धन्यवाद

Merci

**See You Next Time!**

Danke

谢谢

**For More Information  
You Can Visit**

너를 감사하십시오

Howdy

[www.iim-usa.org](http://www.iim-usa.org)

Thank you

謝謝  
شكراً

אנא בדוק האם המלה

Cảm ơn