## **Practical Turnaround Thinking:**

Timeline of Distress to Success

		Situation	Key questions	Solutions offered by Practical Turnaround Thinking Consulting	Outcomes/Results			
Optimal PTT consulting time	Under-Performing Company	Management-led Correction	Are you meeting and beating industry average benchmarks, such as Operating Margins?  Is Return-on-Capital greater than your Cost of Capital?  Do you know what your profit and cash flow drivers are?	Analyze key ratios through FS analysis  Determine cost of capital and Return-on-Capital for current initiatives  Determine Sustainable Growth Rate  Use Cost Accounting for Break-even Analysis	Transformation underway  Improved working capital management  Value based management instituted via Balanced Scorecard or other performance-based compensation  Culturally engaged workforce	+ * * High	\$\$\$ Low	yement High
	Distressed Company	Informal Creditor Workout	Is overall debt increasing?  Are you falling behind on payments or experiencing negative cash flow?	Analyze Early Warning Signals  Develop 13-week cash budget  Rebuild creditor confidence	Triage: Renegotiate debt; mothball unproductive assets  Processes in place for return to normal operations	Sucess Rate	COST	Power of directors and management
		Chapter 11 - Bankruptcy	Do liabilities exceed Assets?  Are you unable to pay bills as they become due?	Conserve capital  Evaluate the total value of claims vs. enterprise value.  Craft plan of reorganization	Time and resources to weigh possible solutions  Business rescued or merged			Pov
		Liquidation	Is enterprise value less than the total value of claims?	Maximize asset values and manage distribution of proceeds according to Absolute Priority Rule.	Dissolution	Low * * *	High \$\$\$	None