

What it takes to successfully turn around a business.

By Shaka Kariuki – Chairman TC Group

Apple, Netflix, General Motors, and Delta Airlines are some of the largest business organizations in the world. However, that is not the only thing they have in common, they once were at the brink of bankruptcy and closure.

While financial constraint is usually the main threat to a business's viability, trouble can also come in the form of poor management, labour problems, weak governance, public relations disasters or, at times, a cocktail of these and more.

The Covid-19 pandemic has taught us that no business, however big, is immune to external shocks. In the past year, we have seen entire industries crumble to their knees. The country's SME sector, for example, which was hitherto rapidly growing was significantly impacted in the first months of the pandemic when stringent containment measures were put in place.

Today, the conversation around the world is how to build back better in the post-covid environment. How do the businesses that were directly impacted by the pandemic and the resultant economic slowdown rebuild to their previous stature or even emerge as the new industry giants?

While the four businesses mentioned above had different challenges, there is something we can learn from their approach to turning around these units into the industry giants they are today.

First, it is important to carry out a holistic review of the business performance. This involves assessing the strength of the team and the health of the business while putting in place the overall turnaround strategy. Rethinking all the basic aspects of the business starting with the business idea itself and the business model. It is also advisable to review every single aspect of the business – just as if one was starting the business step-by-step from scratch. The turnaround strategy is a result of finding out what went wrong and assessing the current situation, including the prevailing market environment.

Technological advancements, industry regulations and government policies are some of the important external factors that businesses need to consider when evaluating the prevailing environment. These may work in favour of or against the direction a business wants to go as it seeks to turn itself around. They may influence whether a business will venture into a new line of production or service offering, expand to a new market, or even withdraw a product or service from the market.

Management plays an integral role in turnarounds. Having a team with deep understanding of operational and technical expertise goes a long way in revitalizing a business. It is also important to ensure that the team buys into the new vision and are capable of steering the organization towards its next phase. This may involve training, promotions, realignments and in some cases bringing in new hands.

Achieving buy-in from the team will require the leadership to effectively communicate the problem, involve them in formulating the solutions, work with the team in creating a clear vision of where the business is heading and empower the team that will do the actual work.

The next phase involves engaging external stakeholders. These include financial partners, suppliers, tax authorities and customers. Often, business challenges that require turnaround strategies have an impact on their finances. This makes it difficult for them to service debt, raise working capital and meet tax obligations.

A good turnaround strategy must clearly outline how a business intends to meet its obligations to the various stakeholders. This could include restructuring debt to allow for longer repayment periods while allowing the business to access capital to fund its order books, converting debts into equity, lowering production costs by improving efficiency and creative fundraising.

In the case of Apple, there was a major shift in the personal computer industry with the entry of Windows-based computers which were cheaper. As part of its recovery, the company's founder Steve Jobs, who returned in 1997, developed a five-point strategy that focused on (i) survival, (ii) stability and profitability, (iii) setting a product strategy (iv) regaining application support for Apple platforms and (v) driving growth. Today, Apple is one of the most successful technology companies with annual revenue of more than US\$ 360 billion.

Closer to home, at TransCentury Plc, we began implementing our four-point turnaround strategy in 2017. The plan was hinged on delivering a robust and fundable orderbook, strengthening governance, growing revenues, and restructuring external debt.

Sticking to the strategy that we put in place at the beginning of the journey has seen the company successfully raise funds through debt reprofiling and internal fiscal discipline, which has, in turn, availed funds for financing operations of cash-strapped subsidiaries.

Investing in our teams also allowed them to be innovative and this is evident in the development of new products and venturing into new sectors like water and agricultural infrastructure.

Today, we are in the process of floating a rights issue that's intended to release capital that will take the company to its next phase of growth. The great strides we have made up to this point is evidence that with a clear plan, an empowered team and discipline, businesses can indeed change their fortunes.

The writer is the Chairman of TransCentury Group Plc.