

RESTORING GROWTH WITH A TURNAROUND MINDSET



By Steven Strom

In today's volatile business environment, growth-focused companies face severe challenges when momentum stalls. Consecutive quarters of declining revenue can erode investor confidence, demoralize employees, and weaken perceptions of viability among customers and vendors. For example, Intel's \$30 billion market cap loss in August 2024 highlights the stakes of missed expectations. Navigating this terrain requires a Turnaround Mindset—a disciplined approach to diagnosing and reversing decline through decisive action, complementing the traditional Growth-Focused Mindset.

THE TURNAROUND MINDSET: A VITAL COMPLEMENT

The Turnaround Mindset, rooted in expertise in turnarounds, restructuring, and performance improvement, emphasizes rapid diagnosis and bold action to reverse decline. While sharing traits like optimism and adaptability with the Growth-Focused Mindset, it prioritizes urgency and high-impact decisions to reposition the business. Despite its value, the Turnaround Mindset is often underrepresented on boards because some view setbacks as temporary and resist its adoption.

EVALUATE CRITICAL RESOURCES

When revenues or earnings decline, boards must assess the company's capacity to restore growth. Rather than assuming setbacks are temporary, a thorough evaluation of three key areas is essential:

1. Management and Operations: Does senior leadership have experience navigating recessions, turnarounds, or crises?
2. Governance: Do board members bring expertise in turnarounds, transformations, or crisis management?
3. Outside Advisors: Are current advisors skilled in complex financings, creditor negotiations, or operational turnarounds?

For instance, a tech firm experiencing declining sales might hire engineers to enhance product development, appoint a board member with restructuring expertise, and engage a turnaround consultancy along with legal counsel to renegotiate credit terms. By aligning these resources with the company's challenges, a robust response is ensured.

ACT SWIFTLY TO MITIGATE RISKS

While some declines may self-correct, waiting risks escalating problems and losing competitive ground. Resistance to the Turnaround Mindset, often from growth-focused purists, overlooks its complementary nature. By blending urgency with strategic vision, the Turnaround Mindset minimizes long-term risks and accelerates recovery.

DIAGNOSE THE DECLINE

To reverse decline, boards must pinpoint its causes through rigorous analysis. Controllable factors (e.g., pricing errors, operational inefficiencies) and uncontrollable ones (e.g., market shifts, supply chain disruptions) require distinct responses. For instance, a SaaS company tracing revenue drops to customer churn after a flawed update might strengthen quality control and testing. Tools like SWOT analysis, cash conversion cycle reviews, and customer feedback loops clarify whether issues are internal or external. Without this diagnosis, companies risk misdirected strategies, disengaged management, and further loss of market share.

STABILIZE FINANCES

Once decline drivers are identified, stabilizing financial health is essential. Turnaround strategies include cost reduction, budget realignment, divestitures, and renegotiating supplier or creditor terms (e.g., amending credit agreements, exchange offers, or securing rescue financing). Tools like 13-week cash flow forecasts, critical vendor assessments, and covenant compliance reviews help prevent liquidity crises. Sequencing actions—prioritizing cash flow before creditor negotiations—avoids a downward spiral.

RETHINK BUSINESS STRATEGY

To reignite growth, companies must realign their strategies with market realities. This may involve refining offerings, adopting new business models, or targeting new markets. For example, a retailer disrupted by e-commerce might shift to a hybrid model that blends physical stores with online delivery or enhance in-store experiences with interactive features. The Turnaround Mindset provides a disciplined lens for tailoring strategies, complementing growth-oriented approaches to maximize impact.

MOBILIZE EMPLOYEES AND STAKEHOLDERS

Downturns can erode employee morale, especially when declining stock prices diminish equity-based compensation. Transparent communication—via town halls, cross-departmental task forces, or 100-day recovery plans—builds trust and motivates teams. Similarly, proactive engagement with investors, sharing credible recovery plans and progress updates, restores confidence. The Turnaround Mindset guides these efforts, ensuring alignment and credibility.

REINVIGORATE MARKETING AND CUSTOMER ENGAGEMENT

A refreshed marketing strategy can rekindle customer interest. Public companies can rebuild trust through transparent updates on product improvements, while targeted social media campaigns highlighting new features can drive engagement. For example, a campaign showcasing upgrades might aim for a 20% increase in repeat purchases or social media interactions. These efforts, guided by the Turnaround Mindset, align marketing with recovery goals.

CONCLUSION: BLEND GROWTH AND TURNAROUND FOR SUCCESS

Restoring growth demands bold leadership that merges the Growth-Focused and Turnaround Mindsets. The Turnaround Mindset's disciplined approach—rapid diagnosis, decisive action, and resource alignment—complements growth strategies to create lasting value. Boards should act swiftly, beginning with a 30-day diagnostic to assess decline drivers and address expertise gaps. This dual-minded approach equips companies to thrive in today's volatile market.

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