

# **“60% OF COMPANIES ILL-EQUIPPED TO WEATHER ECONOMIC DOWNTURN,” SAYS THE INSTITUTE FOR TURNAROUND**

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Economic decline, market sector decline and poor management are the three main reasons for a significant increase in the number of companies embarked on turnaround plans. The Institute for Turnaround 'Traffic Lights' survey this July covered executives and advisers working to rehabilitate almost 1,000 businesses ranging in size from £2 million to £13 billion turnover. According to the Institute's members, around 60% of companies are ill-equipped to deal with the economic downturn.

“Rampant commodity inflation, over-leveraged balance sheets and lack of available credit contribute to a difficult trading environment,” said Institute for Turnaround Chief Executive Christine Elliott. “Our health check on company turnaround cases has moved from green, to amber alert. The casualties have started to arrive but there are many more in the waiting room. We are unlikely to know the full extent of the problems until after the summer,” she said.

As yet, the Institute's survey shows no discernable regional trends in the number of businesses in serious difficulties. Property, leisure, retail and financial services are the sectors most affected by the economic downturn.

Businesses must batten down the hatches and 'maximise liquidity while conserving cash,' advises the survey. 'It is essential to listen to customers and focus on the core business but also to plan for the upturn by analysing opportunities that will flow from the downturn,' say the Institute's members.

The survey says that the aspects of economic policy most likely to hinder UK plc's recovery are the turmoil in the banking sector and government's lack of capacity to borrow, invest and provide fiscal stimulus.

Speaking for Institute members, Chief Executive Christine Elliott said, “In a nutshell, businesses should plan for the worst – but hope for the best.”

## Editor's Notes:

The 'Turnaround Traffic Lights Survey' was conducted between June 26 and July 8 2008 amongst Institute for Turnaround accredited members responsible for rehabilitating almost 1,000 businesses with serious operational and financial difficulties.

The Institute for Turnaround (IFT) is Europe's leading professional body for the whole Turnaround Community. IFT was founded in 2000 as The Society of Turnaround Professionals. We represent a unique audience responsible for funding, structuring, negotiating and executing business turnaround that shapes the real economy. We have a membership of rigorously accredited turnaround executives and advisers, with corporate partners representing the best in law, accountancy, corporate banking and finance, private equity and other experts involved in the field.

## Further information:

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