A CASE STUDY ON

CORPORATE FAILURE AND TURNAROUND

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ABSTRACT

In spite of the interest in reversing decline, the topic of turnaround is not get attention to the researchers, especially in Malaysia. This project paper describes briefly about corporate turnaround. The emphasizing is made on the symptoms and causes of corporate decline and the strategies used in recovery plan. This project paper also describes two techniques used by practitioner in failure prediction process. This techniques are ratio analysis and Z score model. The objectives of this project paper is to determine which ratio can be a good predictor in predicting company failure. To find out this ratio and implementation of the turnaround, one company was selected as a sample.

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1.0 INTRODUCTION

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Failure do occur to any firm, whether it is small or large, well established or newly born firms. Therefore it is important to measure the performance of the firm frequently in order to know whether the firm is in trouble or not. The measurement of the firm's performance will help the manager to detect the problem arise and corrective action can be taken immediately before the problem become worst.

There are several tools that a manager can use to measure the firm's performance, the most famous and widely used are ratios analysis and Z score model. Both of these analysis act as indicator to the manager to evaluate the firm's performance. The analysis also indicated the manager whether the firm's performance is good or bad. In order to see the firm's performance the manager can compare the performance of its firm with previous performance or with industry average. When company performance is lower than the industry average it represents a poor performance and if this trends is continuous for several years it might bring the firm to failure or bankrupt. The manager should do something in order to improve the firm's performance into profitable level. The process of bringing the firm's poor performance into better performance is known as corporate turnaround, which is also the core aspect of this study.