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Organised turnaround industry now a reality

JOHANNESBURG – The quest for rescuing distressed businesses and promoting job preservation is set to receive a major boost with the formation of the Southern Africa Chapter of the Turnaround Management Association.

TMA members are a professional community of turnaround and corporate renewal professionals who share a common interest in strengthening the economy through the restoration of corporate value.

“To benefit from its significant international turnaround expertise and experience, we decided to affiliate ourselves to the TMA.” says chairman of the local chapter, Robin Taggart.

“The Turnaround Management Association, founded in 1988 in the USA, enjoys world-wide recognition as the premier organisation dedicated to turnaround and corporate renewal. Our local board and executive, however, remain totally independent from TMA International.” Taggart comments.

CEO Jan van der Walt notes that SA already has an active, albeit fragmented turnaround industry, working with underperforming and distressed businesses in the informal sector i.e. outside of insolvency legislation.

“Although SA has a rich history of successful turnarounds, there were also many notable failures. Overseas experience has proved that bringing together turnaround professionals from all disciplines, including management and banks, to work towards common goals, leads to earlier and improved corrective action by management, as well as more successful informal creditor workouts.” Van der Walt said.

But, according to Van der Walt, an additional and even more powerful driving force for organising the turnaround industry has emerged.

As explained by Director David Gewer, with judicial management generally a failure, SA does not presently have a true statutory business rescue mechanism. As a result, many distressed companies, which could possibly have been rescued, are liquidated by default, contributing to SA's already high rate of unemployment.

"This is set to change, however, with the proposed introduction of new business rescue legislation which will provide distressed businesses with a second chance." Gewer says.

"TMA will not involve itself in the regulation of the industry in terms of new insolvency laws." Van der Walt emphasises. "Instead, TMA will contribute by providing professionals involved in future formal business rescue in Southern Africa with turnaround knowledge and qualifications."

Munyukwe Kahari, Programs Director believes that the TMA is not only a forum for convening turnaround professionals from all disciplines to exchange information, ideas and knowledge on turnarounds. Nor is it merely a clearinghouse of information and research pertinent to turnarounds. In his view, the most valuable contribution TMA will make in SA is to promote high standards of practice and improved methodologies in turnaround management.

"In doing so it will promote BEE by fostering professional development opportunities for turnaround professionals, enhancing the necessary competencies for successful practice. Opportunities for mentoring SMME's will also be pursued" Kahari comments.

"For instance, the local chapter will launch TMA's Certified Turnaround Professional (CTP) program in SA." says TMA member Professor David Burdette, a leading figure in the development of new business rescue legislation.

"The CTP program recognises professional excellence and provides an objective measure of expertise related to turnaround, workouts, restructurings and corporate renewal. Applicants

for certification must meet stringent standards of education, experience and professional conduct, pass a comprehensive examination and maintain their credentials by obtaining continuing education credits.” he says.

Burdette points out that the local CTP course and examination on turnaround and emergency management, managerial and financial accounting, tax and law will be of international standard but customised for the SA accounting standard and laws relating to tax and insolvency.

Burdette believes that even experienced turnaround experts stand to benefit from certification.

“TMA’s Academic Advisory Council is a blue ribbon group of faculty from some of the world’s top business and law schools. It is chaired by Edward Altman, who was the inventor of the famous Z-Score as a measure of company health.” Burdette says.

“A common misconception we encountered in SA thus far is that the TMA is for turnaround practitioners only.” notes Colin Batchelor, Membership Director.

“In fact, of its world-wide membership of 7000 TMA members, only a third are turnaround practitioners. Banks and investors account for about 20%, management consultants, lawyers, accountants, and financial advisers for about 40%, and insolvency practitioners, government, academics and students for the rest. SA aims for 100 members by year-end. Of the 40 or so SA members already signed up, a similar membership profile seems to be evident.”

Regarding its current Chapter-in-formation status, Van der Walt believes that the local chapter in principle already qualifies for Provisional Chapter status.

“We need to conclude a number of formalities such as having our articles of association approved by TMA International, and elect a new Board and executive in the third quarter of 2005. Thereafter, full chapter status can be achieved following a year of satisfactory performance in contributing towards the turnaround business in SA. We believe we are establishing a solid foundation to achieve that.” he says.