From Zenith to Nadir- The Case of BYJU's Corporate Governance Fiasco

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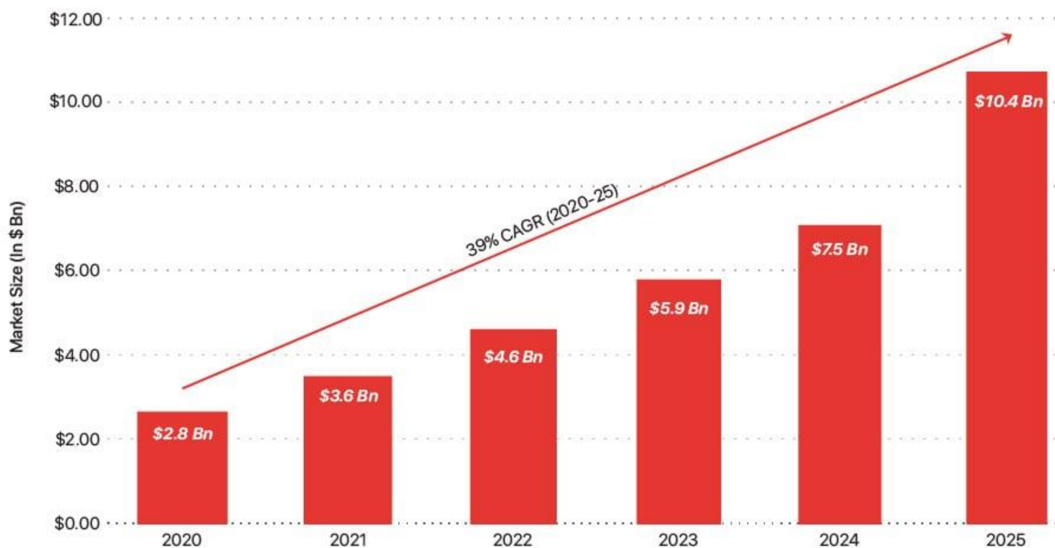
Background

The meteoric rise of Indian Edtech companies in India have received a jolt with the sinking of BYJU in the empyrean of online education in India. According to one of the estimates, online education was estimated to grow at an astounding pace that is from $2.8 Billion in 2020 to a whopping $10.4 Billion by 2025 but it can be opined that BYJU's debacle may exert a debilitating impact on the fortunes of Edtech companies.



BYJU took birth in 2011 as Think and Learn Pvt. Ltd by teacher and engineer Byju Raveendran. Based in Bangalore, India, with offices in Palo Alto, CA, the company quickly grew into one of the world's largest Edtech companies and one of the top five most-valued private internet companies in India.

Its flagship product, BYJU'S - The Learning App, was launched in India in 2015 and reached more than 100 million registered students around the world, with 6.5 million annual paying subscribers. In 2019, the Disney. BYJU'S Early Learn App was launched in India to offer personalized, interactive programs for young learners.

BYJU has huge human capital base of more than 10,000 working across the globe including a content and research team of 2500 plus people who are highly qualified educators and learning science wizards who developed the curriculum after conducting extensive research.

Due to its innovative approach in the education sector, it has won several accolades like Kidscreen awards, Brain Child award, Smart Media award etc.

Chronology of BYJU's Turmoil

Before moving ahead, it would be of paramount academic and research interests to comprehend the chronology of BYJU's turmoil.

Dates	Events
November 2021	BYJU's raises $1.2 billion via a Term Loan B from overseas market.
September 2022	BYJU's files FY21 results after 18 months delay. Results showed that losses rose 18 times to ₹4,588 Crore.
October 2022	Closes $250 million financing round from existing investors.
December 2022	Creditors sought immediate TLB part payment amid debt term parleys.
March 2023	BYJU's offers higher interest rate to renegotiate debt deal, lenders sought $200 million prepayment.
May 2023	BYJU's closes ₹ 2000 Crore debt round from Davidson Kempner
June 6, 2023	BYJU's defaults on loan repayment; sues creditors in New York

Source: Economic Times

Fault Lines to Fissures

The company's early success could be attributed to its adaptive learning technology and engaging teaching methods, which resonated with a growing market of tech-savvy students. Byju's managed to secure significant investments from prominent investors, such as Chan Zuckerberg Initiative and Sequoia Capital, enabling its expansion and aggressive marketing campaigns.

As a result, the company quickly became a household name in the Indian education sector, boasting millions of users and a valuation of billions of dollars. Despite its soaring success, Byju's

journey was blemished by various instances of corporate governance failures stymied by opaque accountability and transparency in the company's financial reporting. Multiple reports and investigations revealed that Byju's indulged in unethical accounting practices, such as, inflating its operational revenue to attract more investments and such fraudulent activities eroded the trust of investors and raised serious concerns about the company's integrity.

Byju's faced allegations of mishandling sensitive users' information, breaching privacy regulations and engaging in aggressive data mining practices. These disclosures not only damaged the company's reputation but also elicited legal action and regulatory scrutiny. The absence of data protection measures and transparency further exposed the weak corporate governance structure within the organization. Delioitte , Byju's Auditor, resigned on the ground that start-up had not provided its financials over a year.

Besides, three independent directors representing investors and lenders also relinquished their positions. The firm has been subject to lawsuits by the investors. It failed to honour the financial covenants and interestingly, Byju's filed counter lawsuits against the creditors and lenders. There has been a considerable number of dismissals and the prevalence of utter-chaos in the corporate governance mechanism which rocked the corporate world.

Aftermath of BYJU's Corporate Governance Collapse

The repercussion of BYJU's fiasco may be captured under the following points:

1**. Eeriness among Venture Capitalists**: The BYJU's crisis has cautioned various venture capital firms. One of the India's largest venture capital firm, Blume Ventures which manages $625 million in assets, is cutting back on "frivolous" investments as it pushes portfolio companies to increasingly shift focus to profitability. According to the management one-third of its portfolio which consisted of e-commerce and mobility firms has become topsy-turvy.

Corporate governance collapses like BYJU are disseminating quivers through the South Asian nation's fledgling start-up economy. The fiasco at BYJU has forced the complete business ecosystem to think about what could be wrong in every portfolio company, as most of the venture capital firms finances several firms.

2. **Financial Turbulence:** On the financial front, BYJU's agony seems to exacerbate as settling of the ongoing dispute over its $1.2 billion term loan B (TLB), as it may prove to be more expensive for BYJU. The distressed Edtech major may have to cough up an additional $50-60 million to service the increased interest rate it has offered to finalize the new terms of the disputed TLB. Byju's has been negotiating with its TLB creditors to freeze new terms for the loan, which has been a sore point for the Edtech firm for the past few months.

The total interest rate being proposed by BYJU is working out to around 11-11.50%. The creditors are yet to sign off on this, and discussions are ongoing between both parties. While the interest rate is yet to be finalized, the next question that arises is how Byju's will finance this payout.

It is to be noted that BYJU raised the TLB in November 2021 at a floating interest rate of Libor plus 550 basis points (bps). The additional interest rate being discussed by Byju's is on top of this. BYJU has been working to secure new funds but its myriad troubles related to test prep subsidiary Aakash, TLB lenders, as well as statements from investors like Prosus on corporate governance issues have affected the process.

3. **Tempest in Inorganic Growth:** Another major development that may be attributed to the stressed BYJU's business conditions is declining of swapping of equity holdings by minority shareholders of

Aakash Educational Services Limited (AESL) with the firm's parent TLPL resulting from a merger deal wherein Think and Learn Private Limited (TLPL) which operates under BYJU's brand acquired 43 percent and Byju Raveendran another 27 per cent. Founder Chaudhry's family maintains about 18 per cent in AESL and Blackstone the remaining 12 per cent.

The above mentioned deal took place in 2021, wherein BYJU acquired 33 year old brick and mortar coaching center AESL for approximately USD 940 million in a cash and stock deal. However, BYJU has sent a legal notice to founders of Aakash Educational Services following their alleged resistance to complete a share swap that was unconditionally agreed as part of the sale of Aakash Educational Services Ltd (AESL).

4. **Cessation of Operations and Retrenchment:** The impact on the operations of BYJU from this calamity have been severe. Amid continuous cost-cutting exercises, BYJU has shuttered some of its offices in Gurugram and Bengaluru, with multiple rounds of layoffs impacting occupancy. The Bengaluru-based startup has been consolidating its real estate spaces in tune with layoffs. Even the company has defaulted in provident fund payouts.

The layoffs scenario in ed-tech companies in India seems to be climbing with BYJU topping the list as provided in the table below-

Startup Name	No. of Employees Laid Off	% of Employees Laid Off	Reason for Layoff	Total Employees (before layoff)
BYJU'S	2500	5%	Restructuring	50,000
Unacademy	2040	25%	Cost Cutting	6000+
WhiteHat Jr	1300	20%	Employees Asked to Resign	6000
Vedantu	1109	19%	Financial Constraints	5900
Skill-Lync	400	20%	Adverse Economic Conditions	2000
Source: INC42				

As can be observed from the table, that number of layoffs is highest in case of BYJU. Among the edtech companies covered in the table, BYJU employs highest number of human capital and when such a company serve pink slips to its employees it really create jitters not only among the employees employed in such organization but also triggers panicky among the employees of the sector at a macro level.

Governance Issues in Start-ups

At this juncture, it is essential to comprehend the governance issues plaguing the start-ups in India. Since these issues if not addressed may engender failure of other start-ups too like BYJU-

i) **Flaws in Founders / Promoters Approach**: With considerable capital inflows and rapid increase of start-up ventures across sectors, India's start-up ecosystem has become highly competitive. Now this can influence some founders / promoters to overlook governance aspects. Also, first-time founders don't have the required expertise on corporate governance.

Moreover, some of the promoters do not lay due emphasis on governance as they might of the view that it results into escalation of operational costs. In certain cases, founders / promoters may engage in questionable acts due to a lack of ethical standards or a general disregard for the law.

ii) **Growth at all costs**: VC-induced drive for fast growth is a major reason for the rise in corporate mis-governance cases in the start-up ecosystem. The pressure to grow at all costs forces the start-ups to abandon the systems and processes they may have set up for governance.

iii) **Fear of missing out**: India's start-up space saw funding of more than $131 billion between 2014-22. As global venture capital (VC) firms rushed to invest in promising Indian companies, there was a 'fear of missing out' among the investors. This made due diligence less important and entering into a deal became more important.

iv) **Exaggerated valuations**: With the rise of start-ups and VCs encouraging start-ups to grow at any cost, company valuations have started exceeding fundamental values. People have started to give more importance to company valuation than business processes.

v) **Overestimation of the size of Indian Market**: VCs and founders have overestimated the size of Total Addressable Market in India and exaggerated the India opportunity to their investors. No doubt, India being an emerging economy, its market is also thriving but it is yet to gain the desired level which can foster merger and acquisitions of start-ups.

Governance Gaps at BYJU and Beyond

Prosus, one of the mammoth technology investors in the world and the biggest non-promoter shareholder at BYJU's stated that the ed-tech company's reporting and governance structures did not evolve adequately for business of that scale.

Peak XV Partners, the other investor in BYJU mentioned about its inability to influence the management to improve its compliance and governance norms among the causes for its director to relinquish from the board. Consequently, in June 2023, the nominee directors of three investor groups that is Prosus, Peak XV Partners and Chan Zuckerberg Initiative bid adieu from the board of BYJU.

The saga of governance gaps does not end with BYJU, there have been numerous instances of corporate mis-governance in other start-ups too. This largely coincided with lowering of private-capital flow into the Indian start-up milieu as global financial market sentiments have mellowed down over the last one year.

So the million dollar question is that what measures may be initiated to prevent such future governance failures. In this regard, the recommendations on how ESG norms can pave way for ensconcing compliance and best practices, formulated jointly by the policymakers, industry associations and key stakeholders in the start-up community after taking cue from the pessimism prevailing among the investors can be referred.

One recommendation came from Startup 20 Engagement Group, under the aegis of India's G20 presidency, and the other, Startup Governance Playbook, by the Indian Venture Capital Association (IVCA) have

endorsed self-regulation as a catalyst to improve corporate governance and compliance practices in Indian start-ups

Two recent reports have highlighted the need for alignment between start-up founders, investors, and the board for any governance structure to be successful. Besides, these reports have also mentioned that there has to be a space for the structure to develop as the maturity level of the start-up progresses.

Thus taking clue from the aforesaid recommendations and referring the Start-up Governance Playbook, its high time that organisations like BYJU and similar other start-ups needs to concentrate on the following vital questions to avert future governance cataclysms-

i) Does corporate governance matter for start-ups?

ii) Is corporate governance a cost of doing business or does it create value?

iii) Can one corporate governance approach fit all sizes/stages of start-ups?

iv) Should investors or the founders or the board be responsible for corporate governance?

v) Are there good benchmarks for start-ups?

May be a deep thought over the aforesaid questions provide succour to the start-ups, especially Edtech companies. Since it is being increasingly observed that after a business is launched most of the thrust is on enhancing revenue income and net income but the management tends to lose focus on corporate governance issues which are more significant and act as a fulcrum for smooth running of the business organisation as well as ensuring sustainability and growth.

The case of BYJU is an exemplar of governance collapse. The company went on expanding its wings but amidst this, they failed to diagnose the fault lines that further resulted into a catastrophe. From the aforesaid facts, it may be stated that the company was highly leveraged as it took huge loans and servicing the debt became a nightmare. Further, the half-baked merger deal may not assisted them to scale the desired heights due to unwillingness of the minority shareholders of AESL for swapping of equity holdings. A substantial amount of purchase consideration was paid by BYJU in this merger deal and subsequently the deal entered into rough weather thereby jeopardising the fortunes of the company.

Here some questions that needs to be looked into that is whether the management conducted an intensive study of the pros and cons of the merger deal, the basis / methods of determining the purchase consideration, valuation approaches applied for valuing AESL, probable legal hassles that may arise from the merger, especially from minority shareholders, probable synergistic impact of the merger and so on and so forth. Hence, it may be opined that there was lack of due diligence on the part of BYJU's management before going ahead with the merger.

Mergers and acquisitions as an important segment of corporate restructuring is considered to be an effective tool to resuscitate the organisation. Moreover, how it is used determines the serendipity of the concerned business organisation. In the given case also, the corporate restructuring initiative of BYJU went somewhere wrong and instead of creating business opportunities it created ordeals for it.

Futuristic Approach / Way Forward

As there are numerous examples of turnaround of business organisations from crisis like Kellog's, Booking Holdings, Sequoia Capital, Amazon, Hostess, General Motors, Delta etc., similarly, BYJU with prudential management of resources may also turnaround its business. As there is a saying that *there is always a light at the end of the tunnel.*

The management may ponder over the following strategies generally espoused universally to revivify the company-

1. **Crisis stabilisation**: Crisis stabilisation refers to the measures used to immediately ease the financial stress a business is experiencing. The faster crisis stabilisation can begin the better the chances of business survival. The key objectives of crisis stabilisation are to:

- Conserve cash in the short term.
- Rebuild stakeholder confidence by demonstrating that senior management has taken control of the situation.
- To begin to reintroduce predictability into business operations.

As soon as crisis stabilisation begins, things must move very rapidly in order to take control of the situation and start aggressive cash management.

- Balance sheet comparable for the last three years
- Profit and loss comparable for the last three years
- Budget versus actuals
- Cash flow forecast
- Business plan or strategic plan
- Organisational chart
- Aged receivables and payables

The mentioned documents provide an opportunity to adequately assess the situation and help determine where the business currently sits and how severe the situation is. With these insights, effective actions can then be taken. If a business doesn't have these documents readily available, they need to pull them together as quickly as possible.

The following critical approaches under crisis stabilisation may be initiated:

i) Conserving cash flow: After the initial review, conserving cash flow is the next step in crisis stabilisation. Maximising a business's cash flow boosts its ability to service debts and gives banks and other lenders confidence to offer assistance. Conserving cash flow includes cash management, quick asset reduction, short-term financing and first-step cash reduction.

Some of the main ways to do this when a business is in crisis include:

- Sale of non-core current assets or disposal of surplus plant and machinery
- Establishing financial controls, including putting new processes and procedures in place
- Implementing immediate cash flow changes, including:
  - Liquidating surplus stock
  - Improving debtor collection and stretching creditor payments
  - Putting all capital expenditure (except essential) on hold
  - Increase prices or run a promotional event (this should be done by exception only)

In addition to this, the business's finance team should draft a weekly and 13-week cash forecast. Plus, their finance broker should look to revise their funding mix and introduce short-term funding solutions.

ii) Rebuilding stakeholder confidence: In crisis stabilisation, taking control of the emotional response of employees and other stakeholders is just as important as taking control of cash flow and finances. With the business in trouble, employees may be feeling uncertain and worried that they'll be out of work. Suppliers might also be on edge, thinking they won't get paid. The best way to manage this is to demonstrate that senior management is taking control of the situation and keeping the communication lines open. This will help rebuild confidence in the business.

iii) Reintroducing predictability: Another vital part of crisis stabilisation, once the finances are under control and stakeholder confidence is being managed, is to reintroduce predictability into the business.

Predictability can mean a number of things, including ensuring that people can see the future course of their interactions with the business and that business continues as usual, as much as is possible. Job responsibilities and reporting lines should also be reaffirmed so that people are clear on what they should be doing as the crisis is handled.

Thus, the essential components that plays a pivotal role in ensuring crisis stabilisation are as under:

a. Taking control of the situation – This means grabbing hold of these levers and nailing down hard on targets, measuring results and being vigilant.

b. Tough decision-making – Financial decisions are never easy, especially in times of crisis when the pressure is on, but they must be made fast.

c. Maintaining visible leadership – Leaders should be active, participate in meetings and communicate frequently, demonstrating they're still leading.

d. Delivering quick wins –Actions that swiftly lead to ready cash flow and an easing of the financial strain will improve the situation and attitudes.

e. Dealing with dissent – Directors and other stakeholders will have differing opinions on what to do. They must be quickly aligned.

2. Leadership cuts and reshuffling: If a business is struggling but can be made viable, which is the scenario of BYJU, then the following measures may be considered-

a) Changing CEO: Alongside market causes, inadequate senior management is frequently cited as one of the top causes of corporate decline. Because of this, many, but not all, turnaround situations require a new chief executive officer (CEO).

Since the CEOs are entrusted with the task of making significant corporate decisions and managing company's overall operations and resources. They're also the point of communication between the directors and the operations. When a business finds itself in crisis, they're the person who was steering the ship leading up to the failure. This makes them accountable and suggests inadequate management.

Inadequate management could mean failings in areas such as strategic planning, poor decisions and financial management. It could also mean being resistant to change or being a cause of conflict negatively impacting the business.

b) Identifying problem leaders and staff: As a revival measure, the other officials of the senior management and workforce may be explored to ascertain the underperformers. In this regard, meetings with management and other staff should be made to determine their value to the business and what

capacity they have. Through these discussions, it's possible to draw out the details of the business's struggles and put all problems on the table.

Once decisions regarding contribution of human capital towards value creation of the business is made that is who is contributing substantially and who is not performing as per the desired level, the same needs to be communicated to such employees working in different hierarchies of the organisation quickly with clarity.

c) Passing the buck of staff cuts: Making leadership changes internally is inherently tricky. This is because leaders and managers are too close to the business and each other. Plus, they have a vested interest in keeping themselves employed – even if they're the cause of some of the company's issues.

Because of this, calling in an independent turnaround expert to make necessary leadership changes is a smart move. They can come in with fresh eyes to assess the senior management teams and make any tough decisions. They also have no emotional ties to the business or people and can remain calm, confident and utterly determined and dispassionate when making cuts.

d) Creating a new top team: Replacing the CEO and other senior management with new talent from outside the business can help inject fresh thinking into it and enable the company to focus on new strategies to lead the turnaround. It also sends a strong message of confidence and change through the business and to external stakeholders that something positive is being done.

Once this leadership change has happened, the focus needs to turn to the task of building a top team. Once everybody's skillsets and capabilities are identified, they can be placed in the suitable position that is right person in the right place at the right time, the Principle of Order as propounded by Henry Fayol.

2. **Stakeholder support:** During a business turnaround, once the initial crisis has been stabilised and leadership has been replaced or realigned, the next step is managing the company's stakeholders – those with a vested interest in its success. Ensuring stakeholders are on board with a turnaround plan is crucial. Not only do supportive stakeholders have the power to accelerate improved performance, but their backing, or lack of, can be the difference between feat and failure.

   With reference to management of stakeholders, the following measures may be thought of-

i) Prioritising stakeholders in a turnaround: Once a company's stakeholders have been identified, the next step is to figure out how important a part they play in the business and how crucial their support is for turnaround success. It can be easy to assume that it's only financiers you need to focus on in a financial crisis, but it's important all stakeholders are included.

However, each stakeholder or group will have different interests, attitudes, and priorities – and varying things at stake. Financial and creditor stakeholders, for example, will be focused on payment, employees would have jobs and income on the line, while government may be worried about tax payable. To figure out which stakeholders to prioritise, a good exercise to carry out is stakeholder mapping. This involves plotting your stakeholders according to both their interest and their influence or power.

Stakeholder mapping can help highlight the characteristics of the stakeholder groups. Questions to ask include:

- How do they fit into the business?
- How could they hinder the turnaround?
- Are they more or less influential in certain areas?

- Do they have legal rights?
- What responsibilities does the business have to them?
- Could they easily be replaced?

ii) Rebuilding relationships in a turnaround situation: Quite often in a crisis situation, communication between a business and its stakeholders will have broken down or can be notably fractious. In some instances, the relationships can be past the point of no return. The challenge is often convincing these stakeholders that turning around the business will be a better option than termination and winding up. This involves being honest and sharing clear and concise information with them.

Often CEOs and senior management don't have the knowledge to deal with financiers effectively in a crisis situation. Because of this, having a turnaround expert to negotiate and communicate on their behalf can be highly beneficial.

iii) Developing a communications strategy: Once relationships have been initially smoothed and the lines of communication are open, a plan should be developed for ongoing communications. Managing competing interests is often a complex and delicate task. It requires timely communication of relevant information throughout the turnaround period.

The process of stakeholder mapping and determining stakeholder and stakeholder group characteristics, interests, and influence can help identify the most suitable communications for each and how to structure them. With this in mind, a communications strategy needs to be developed and agreed upon. This should include the channels to be used, the frequency of communications, and the information to be shared.

iv) Mapping out the communications plan: For mapping out the communication plan a communication matrix or grid may be developed at first. The matrix or grid should cover the following:

- Which stakeholders the company is communicating with?
- What message is going to be communicated?
- When and how often there will be communication?
- What channels/methods of communication are going to be used?

4. Strategic focus: If a company is in financial crisis, the initial priorities in a turnaround involve dealing with threats to survival. Once these critical aspects are handled, the coin then flips from 'survive' to 'thrive' and a focus on strategy. Focusing on strategy allows a business to exploit available opportunities and set itself up for success during the crisis and further down the line.

As a part of strategic focus, the following measures may be embraced:

a) Redefine the core business: Redefining the core business (or businesses) that is the primary area or activity the company was founded on is the most fundamental form of strategic change. While doing so presents significant risks, it can also offer numerous rewards, including increasing market share, attracting new customers, securing competitive advantage and unlocking valuable new sources of revenue.

b) Downsize or right-size the business: Downsizing a business involves digging into its layers to determine where the real work is done and eliminating the unproductive workers and divisions. This

requires a lot of detective work. How many layers are removed depends on the structure the management is looking to achieve.

Right-sizing, on the other hand, involves restructuring a business to make it more efficient, profitable and better able to meet its new objectives. Like downsizing, it may include terminating employees, but right-sizing isn't just about reducing expenses; it's about getting the business to its optimal size.

c) Strategic divestments: During crisis stabilisation, divesting involves liquidating current assets or the disposal of surplus plant and machinery to make quick cash. However, at this point in turnaround, divesting is a little different.

Decisions may be made to cut out product lines, customers, or whole areas of the business, which are then liquidated or divested. The focus here is the disposal of significant parts of the company (division or operating subsidiaries).

This type of divestment is about eliminating unrelated, unprofitable or unmanageable operations. It may involve spinning off a portion of the company, selling it to another organisation, or closing it. Its purpose is to enable growth and secure a better competitive position.

d) Growth via acquisition: Acquisitions are most commonly used to turn around stagnant firms: firms not in a financial crisis but whose financial performance is poor. However, growing by the acquisition of firms in the same or related industries rather than organically means turnaround can be achieved faster.

e) Product-market refocusing: Less radical than a complete redefinition of the business, but still involving fundamental strategic change, is a refocusing of the product-market mix. This occurs at the operating-company or business–unit level and involves the firm deciding what mix of products or services it should be selling to what customer segments.

In many cases, businesses lose their focus and have spread themselves too thin by adding products and customers while continuing to compete in all their historical product or market segments. To figure out if this is the case, the Pareto (80:20 Rule) can be applied.

Pareto analysis quickly shows when there is an excessively broad product range and customer base – which consists of loss-making or low-margin business. Once identified, they can be dropped, and efforts refocused on more profitable products and customers.

5. **Organisational change**: Turnaround requires strategic focus, which often means revisiting and realigning existing strategy to improve the status quo. From this point, significant changes can be made internally to align with the new direction. One of the most visible signs of a troubled company is problems people problems. Common symptoms of people problems include a confused organisational structure, a paralysed middle management, resistance to change and demoralized staff. This is where change should focus.

Organisational change can be brought by applying the following approaches:

a) Organisational restructuring: A sound organisational structure that defines the different roles, how they interact, and how things get done to achieve business objectives is crucial to success. If it's confused or doesn't align with strategy, failure is more likely. Organisational redesign begins with understanding what isn't currently working well. Sometimes this is obvious; at other times the signs may be more elusive. A revised structure that facilitates clear accountability and responsibility will make the implementation process much more straightforward. It's also a powerful way to rapidly change the operations of an ailing business.

b) Building commitment and capabilities: Building commitment is crucial when it comes to people. For a turnaround plan to succeed, staff must be behind the plan and the revised business strategy. Commitment means two things. Firstly, that they're engaged with the business and their work. Secondly, they're committed to seeing the company thrive.

Alongside commitment, capabilities also need to be built. This means ensuring adequate training is in place to support the change program. In other words, that everyone has the skills they need to step up. It can also help boost commitment.

c) Changing employment T&C's: Often a turnaround plan involves revisiting the company's terms and conditions, such as hours, paid leave, notice of termination for all grades and staff. It's important that any changes made is aligned with the new direction and roles and are put before the staff for consultation.

6. **Vital process improvements:** Along with organisational issues in the form of people problems, substantially underperforming companies typically also have serious problems with both their core and support processes.

These process problems are often characterised by high cost, poor quality, and lack of flexibility/responsiveness. To rectify these issues, turnaround often demands critical process improvements, the key to productivity and profits.

The key to success is to focus on few processes that can be fixed and implemented quickly. This approach will have a bigger impact on cost-cutting, increase working capital efficiency and customer responsiveness.

There are five crucial areas which a business may focus on when making critical process improvements. These are

- Improved sales and marketing
- Cost reduction
- Quality improvements
- Improved responsiveness
- Improved information and control systems

7. **Financial restructuring**: Irrespective of the health of the underlying business, if the operating cash flow cannot finance the debt and equity obligations, a company will face financial problems. In these circumstances, the only solution is a financial restructuring.

Financial restructuring is the process of reshuffling or reorganizing the financial structure of a business. It usually involves changing the existing capital structure and/ or raising additional finance through borrowing or asset reduction. While financial restructuring can be challenging, it's an effective catalyst in improving a business' performance and sustainable growth.

The financial issues that affects turnaround are as under-

- *Cash-flow problems* – Insufficient future funding or an inability to pay debts as and when they fall due
- *Excessive gearing* – A larger proportion of debt than equity.

- *Inappropriate debt structure* – For example, excessive short-term/on-demand borrowing and insufficient long-term debt
- *Balance-sheet insolvency* – When a company's total liabilities outweigh its total assets

Apart from the turnaround strategies discussed above, BYJU's management may also contemplate on undertaking the following approahces to understand as to what initiatives / measures they may plan for the future to bring the company back into track.

i) SWOT Analysis

Some of the broad points that may be captured under the SWOT are as under:

Strengths	**Weaknesses**
• High brand value enjoyed by BYJU. • Effective product management by blending contextual, theoretical and visual dimensions. • Wide product portfolio. • Strong online presence on different social networking sites and efficient social media management.	• Loss of human capital due to retrenchment. • Sense of insecurity among the human capital who are continuing with BYJU. • Lost confidence of the investors, especially private equity / venture capitalists. • Loss of Brand Value and Brand Equity. • Mammoth spending on acquisitions thereby weakening financial position *(Hat Junior-$300 Million, Aakash-$950 Million, Great Learning-$600 Million and EPIC - $500 Million)* • Inability to envisage the probable changes in the business environment especially after the Corona Pandemic, as majority of consumers were looking for a comeback to offline mode.
Opportunities • Rapid growth in education technology which is engendering the concept of anytime, anywhere learning for the learners is big boon for Edtech companies like BYJU. • Special focus on online education in	**Threats** • Growing competition in the Edtech industry. • Surviving in a VUCA business world. • Data privacy.

National Education Policy, 2020. BYJU may further leverage itself • Focus on creation of virtual labs in National Education Policy, 2020. BYJU may create such labs for providing practice to students on their theoretical knowledge and also provide course contents in various languages thereby capturing a sizeable market share. • The *'Saptarishi'* concept encompassed in Union Budget 2023, contains and element of Unleashing the Potential, wherein the thrust is on elimination of obstacles for the expansion and advancement of the economy by implementing reforms in vital sectors like education. BYJU being an education industry related company may stand benefitted.	• Possibility of resignations of key Board Members and difficulty in getting Independent Directors on the Board in future. • If the swapping of equity holdings by minority shareholders of Aakash Educational Services Limited (AESL) failed to materialize\ then it may result into erosion of synergistic effect expected from the merger deal between AESL and TLPL.

ii) **Ansoff Matrix**: The Ansoff Matrix, often called the Product/Market Expansion Grid, is a two-by-two framework used by management teams and the analyst community to help plan and evaluate growth initiatives. In particular, the tool helps stakeholders conceptualize the level of risk associated with different growth strategies.

The management of BYJU may ponder over adopting Ansoff Matrix to evaluate and plan its growth initiatives in light of the recent fiasco. The structure of Ansoff Matrix is as under:

Source: Corporate Finance Institute

The elements of Ansoff Matrix and how BYJU may integrate them in their business decisions are as under-

i) *Market Penetration* – The concept of increasing sales of *existing* products into an *existing* market. BYJU may undertake a market research to explore the ways to enhance subscription of its products in the markets where it already has its presence so that there is an acceleration in revenue generation.

ii) *Market Development* – Focuses on selling *existing* products into *new* markets. The management of BYJU may discover new markets wherein they can sell their products. This step will assist them tremendously in increasing their footprints and brand building.

iii) *Product Development* – Focuses on introducing *new* products to an *existing* market. As Professor Schumpeter in his theory of profit have stated that "Profit is the reward for successful innovation", i.e., an entrepreneur initiates innovation in the business and when he succeeds, he earns profit as his reward. Thus taking cue from the mentioned theory, BYJU may innovate new products and sell it in those markets which they are currently serving in order to generate more sales leading to higher operating profit and net profit.

iv) *Diversification* – The concept of entering a *new* market with altogether *new* products. In this step, BYJU's team may explore new markets and launch new products in such markets in order to have higher revenue generation, increase in product portfolio, increase in market share, creating more employment opportunities for academicians, technical and non-technical human capital and strengthening its connect with the society at large.

Conclusion

To conclude, it may be stated that BYJU can explore the aforesaid turnaround strategies and see what fits best to its problem and offer optimum solution. Since the concept of *'One size does not fit all'* applies to business organisations as companies of different sectors as well as companies affiliated to the same sector have varying scale of operations, products, turnover, profits, board composition etc. so an organisation has to analyse various approaches or strategies to resolve the crisis. In this case also, BYJU's management may explore as to which turnaround strategies may be most apt for them to steer the company from the crisis.

Going by the facts of BYJU's case, it can be observed that the company has already espoused some of the decisive turnaround strategies like downsizing of operations, reducing employees etc. Further, we may witness more significant initiatives on the part of the management to resurrect the company and bring it back from the brink of disaster.

As mentioned, that previously many companies have witnessed major collapse and have turned around. Similarly, with the help of entrepreneurial and leadership skills, BYJU may also regain its lost glory. No doubt, it has been one of the successful start-ups in the Edtech industry of India and scaled astral heights, and in view of this, it may be opined that BYJU will successfully navigate from the tempest and attain truce.

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