

How to Use These Prompts

1. **Customize** each prompt to fit the specific company context (industry nuances, data availability, your personal research preferences).
2. **Document** your findings for each step in a structured format—this creates a systematic record and helps refine your view as you progress.
3. **Revisit** these prompts periodically to update your assessment based on the latest data, management commentary, and market reaction.

This five-step prompt process ensures you have a disciplined, repeatable approach to evaluating a new CEO's turnaround potential—leading from root-cause analysis, to solution feasibility, to leadership fit, and finally to a data-driven, milestone-based tracking system.

Step 1: Diagnose the issue. What went wrong with the company?

Prompt Template:

1. Historical Performance Review

- *Filings & Transcripts:* “Summarize the key trends in the company’s 10-Ks, 10-Qs, and earnings call transcripts over the past X years. Which metrics (revenues, margins, cash flow) have deteriorated most significantly?”
- *Media & Analyst Coverage:* “Identify the top recurring concerns raised by media, sell-side analysts, and industry experts. What are the main themes regarding the company’s underperformance?”

2. Financial Model & Valuation Trends

- *Model Update:* “Update or build a financial model to capture revenue growth rates, margin evolution, and key cost drivers over time. Which line items show the largest deviations from historical norms or peer benchmarks?”
- *Multiples & Stock Performance:* “Compare current valuation multiples (P/E, EV/EBITDA, etc.) to prior periods and to competitors. How has investor sentiment changed, and what does that imply about market expectations?”

3. Root-Cause Analysis

- “List the top 3–5 factors that best explain why the company lost momentum or profitability (e.g., competitive pressures, poor strategy execution, market shifts). Which of these issues are the most pressing?”

Use this prompt to assemble an “executive summary” of where and why the company has stumbled, so you have a concrete baseline for subsequent steps.

Step 2: Understand the opportunity. Is this fixable? How?

Prompt Template:

1. Evaluate Financial Metrics for Opportunity

- “Compare the company’s margins to industry peers and to its own historical peaks. Is there a clear gap suggesting margin expansion potential?”
- “Assess the company’s organic growth versus the broader industry. Are there signs the core business could grow faster if unlocked (e.g., via new products, pricing, cost structure changes)?”

2. Independent View of Root Issues

- “Based on the problem areas from Step 1, which of these issues are within management’s control to fix, and which are structural or harder to change?”
- “What are the potential levers or actions management could take to restore margins, improve revenue growth, or reduce costs? Outline the rationale and feasibility of each action.”

3. Preliminary ‘Fixability’ Assessment

- “Do these identified opportunities realistically close the performance gap if executed well? Provide a brief hypothesis about the level of difficulty and timeline for fixing each major issue.”

This step yields a more confident perspective on whether the situation can be turned around, and what broad strategies might be required.

Step 3: Understand the executive. Is this the right person for the job?

Prompt Template:

1. Prior Performance & Track Record

- “List the CEO’s previous leadership roles. For each, note any measurable successes or failures—were performance improvements clearly attributable to their leadership or to external factors?”

- “Identify any significant strategic decisions they made and how those decisions played out in revenue growth, margin improvement, or shareholder value.”

2. Core Skill Set & Reputation

- “From media, sell-side analysis, and feedback from prior peers/subordinates, what is the CEO’s perceived strength? (e.g., operations guru, product visionary, cost cutter, turnaround specialist?)”
- “Are there red flags around leadership style, ethics, or inability to work with complex boards and stakeholder groups?”

3. Industry & Issue Familiarity

- “Does the CEO have experience in this industry or a closely related one? Have they navigated similar challenges—declining margins, strategic pivots, etc.—in the past?”
- “What early indications do we see that the new CEO has a coherent grasp of the company’s main problems and the broader competitive landscape?”

By the end of this step, you should have a reasoned judgment on whether the new CEO’s skill set and experience match the company’s turnaround needs.

Step 4: Understand the upside, downside & implied probabilities of success

Prompt Template:

1. Scenario Analysis (Upside vs. Downside)

- “In a best-case scenario where the CEO executes a successful turnaround, what does that look like quantitatively? Estimate the potential revenue growth, margin improvements, or cost reductions.”
- “In a worst-case scenario where the CEO fails, what would happen to market share, earnings, and stock price?”

2. Market Implied Expectations

- “Review current analyst consensus forecasts and the stock’s valuation multiples. How much of a turnaround seems priced in already?”

- “Compare scenario outcomes (bull/base/bear) to implied market expectations. Does the market’s view of success seem overly optimistic, pessimistic, or reasonable?”

3. Probability Weighting

- “Assign rough probabilities to each scenario and derive an expected value. Which scenario seems most likely based on both the CEO’s capabilities (Step 3) and the fixability of the issues (Step 2)?”

This step helps you quantify the potential risk-reward trade-off and frames the turnaround within realistic boundaries.

Step 5: Monitor turnaround milestones

Prompt Template:

1. Define Key Milestones & Metrics

- “List specific operational or strategic checkpoints that would signal progress (e.g., new product launches, reorganization or leadership hires, cost structure initiatives).”
- “Set timelines and tangible success criteria for each milestone (e.g., margin targets in the next two quarters, improved guidance, P&L investments yielding early returns).”

2. Create an Ex-Ante Tracking Plan

- “How do we track these milestones on a rolling basis? What data sources or updates do we need to collect (e.g., quarterly progress vs. margin targets)?”
- “What baseline (i.e., priors) are we comparing against for each milestone to judge success or underperformance?”

3. Iterative Assessment & Adaptation

- “As each milestone date approaches, evaluate whether progress is on track, ahead, or behind. Has the CEO adapted the strategy effectively when faced with unexpected challenges?”
- “Update your scenario analysis (from Step 4) periodically as new information emerges. Has the probability of success or failure shifted meaningfully?”

By explicitly defining and tracking milestones, you reduce ambiguity and make it easier to revise your view of the CEO and the turnaround's trajectory over time.
