

## Part V

### LESSONS LEARNED

#### INTRODUCTION

As we noted at the outset of this book, the observations and recommendations we present are the fundamentally subjective views of the authors. Be that as it may, our views are built upon our broad base of experience, accumulated over two and a half decades as consultants to troubled companies.

In the admittedly unscientific experience sample we have assembled and quantified, we have found trends and patterns. From time to time in preceding chapters, we have referred to this experience base, which we divide into three distinct categories:

- Undisciplined Racehorses
- Overburdened Workhorses
- Aging Mules

The likely courses of action and outcomes are predictably quite different among these three groups. In the following three chapters, we discuss the nature of the cases and the experiences that we have drawn upon in developing these categorizations and our conclusions about them.

We find this pattern recognition quite useful in diagnosing and evaluating the troubled businesses with which we work. It may be even more beneficial to those seeking investment or turnaround situations in the universe of distressed companies.

## Chapter 16

### TRAINING UNDISCIPLINED RACEHORSES

What we have labeled “Undisciplined Racehorses” are dynamic businesses, typically in the earlier stages of their lifecycle. They are not standing still; they are not trotting gently down a path. By definition, they are continuously in a state of flux, managing and actively seeking growth and change. It should therefore not be at all surprising that those that stumble often do so because they have not developed adequate controls and administrative procedures with which to manage change. Although there are exceptions, these businesses tend to be susceptible to internal, self-inflicted wounds.

Indeed, approximately 85% of our projects involving Undisciplined Racehorses were the result of internal problems. The good news is that these internal problems are much more responsive to corrective actions than external problems. Real operational turnarounds were achieved in almost 50% of these companies we were involved with – more than twice the rate with other categories of troubled businesses.

Investors seeking to profit from distressed opportunities may do well to focus on this segment of the marketplace and to understand how to deal with such companies once acquired. Likewise, management and investors who find themselves confronted with Undisciplined Racehorses should gain confidence, knowing that if the specific challenges are approached in a timely manner and appropriate functional experience is deployed, the prospects of engineering an operational turnaround tend to be well above average.

Exhibit 16-1 provides a summary of the types of problems encountered by Undisciplined Racehorses in our 100-project sample, and the resulting outcomes.