

Preface

CRAFTING SOLUTIONS FOR TROUBLED BUSINESSES

The book you have in your hands is filled with opinions.

For more than a quarter century, the authors have provided advice, insight, guidance and management to a varied universe of financially “troubled” businesses. We have personally either managed or played a key role in more than 150 consulting assignments in a wide range of industries. This book attempts to distill what we’ve learned into actionable advice and observations that we hope will be useful to our readers.

This is not an academic presentation. It is neither scientific nor theoretical in its approach. While we have relied heavily on real, factual, personal experiences – which we cite liberally – everything that follows has been filtered through our eyes and memories as long-term practitioners in what is euphemistically described as the Turnaround Management Industry.

Turnaround Management, Crisis Management, or Restructuring Advisory Consulting, however it is described, encompasses three distinct – and sometimes conflicting – tasks:

1. Crisis Management – a focus on business stabilization
2. Viability Assessment – the diagnosis of turnaround potential
3. Operational and/or Financial Restructuring – the implementation of operational or strategic changes and the negotiation and resolution of conflicting interests and agendas

In most conversation and discussion, practitioners in our field seem to focus upon Tasks 1 or 3, the mechanics of crisis management or implementing change, and to give little direct attention to the evaluation process and diagnosis. Yet it is precisely this often-neglected diagnosis process upon which real value-added services and successful outcomes are built. Over the years we have found that viable

solutions are most effectively crafted as the result of careful, disciplined and factual analysis and evaluation.

The genesis of this book was a recurring conversation with a number of our long-term friends at senior lending institutions. In these talks, we jointly bemoaned the lack of institutional memory regarding the cycles of boom and bust, and the difficulties of trying to maintain credit vigilance during boom periods when many of their firms' younger associates had no experience with "problems" and fairly narrow experience overall, often limited to a single market segment. This led to several invitations to address gatherings of lending and workout officers where we were challenged to share some of the wisdom and experience they had helped pay us to acquire over the years. Rather than simply relying on anecdotes and war stories, over time we commenced some disciplined analysis to see if our general impressions and opinions could be supported with facts. While our initial pass at this was prepared very quickly and informally, we found the process to be an extremely interesting intellectual exercise that revealed recurring themes and patterns of cause and effect. As a result, we found ourselves periodically drawn back to the issues and questions that arose from the data.

This book arose from the ruminations stimulated by the above exercise and our work over the years to detail and codify what is necessary for an adequate diagnosis of a troubled company's problems.

The core of this book is our views, advice, and recommendations about how to conduct an objective factual diagnosis and evaluation of a "troubled business" – what to look for, how to respond, and why we believe such a diagnosis is a critical component of maximizing the value of a business operating under financial stress.

The book has five distinct segments:

I. Conceptual Approach and Key Issues

Sets forth the framework of our approach and discusses our view of key issues that arise in every turnaround or troubled company situation.

II. Managing the Crisis

Discusses the challenges and pitfalls that arise near the zone of insolvency and how critical liquidity issues and conflicting agendas of opposing parties can threaten to derail the pursuit of maximum value.

III. The Diagnosis Process

Presents the specific diagnostic process actions necessary to obtain a full understanding of a financially troubled business, including its history and trends, competitive situation, internal resources, strengths and weaknesses.