Index

A
Absolute Priority Rule, 155–156, 157–166
Accountability: director, 72–76; employee, 54–55
Accounting: accrual method of, 94–95. See also GAAP
Accounts payable (A/P): analyzing for 13WCFM, 108–110; monitoring increases in, 13
Accounts receivable (A/R): analyzing for 13WCFM, 104–108; monitoring growth in, 12–13; writing off aged, 17
Accrual method, 94–95
Acquiring distressed companies. See Purchasing distressed companies
Administrative claims, 158, 161
Aged receivables, 17
Airbus, 204, 205–206
Airline industry, 35–36
Akers, John, 62
Aladdin Hotel and Casino, xxx–xxxi, 169–170
Alberthal, Les, 21–22, 27
Alcoa, 261
Aleris, 261
AlixPartners, 52, 57, 217, 299
Allen, Robert, 133
Altman, Edward, 15, 18–19
Alvarez & Marsal (A&M), 252–256
Amelio, Gilbert, 86–87
American Bankruptcy Institute, 266
American Press Institute, 307–308, 309
Amtrak, 233, 237
Analytical needs, xii–xiv
Angra Partners, 207
Animal Farm (Orwell), 82
Ann Taylor, xxxiii
Antigenics Inc., 224
Apple, Inc., 86–88
Armen, Garo, 212, 223–224, 225, 227
Armstrong, 172
Arrogance, 77–79
Arthur Andersen, 17
Article 9 sales, 282, 287
A-scores, 244
Asimov, Isaac, 111
Assessing distressed companies, 267–274
Asset management indicators, 12–13
Asset-based valuation methods, 276, 277
Assets: current liabilities and, xxix; investing in distressed, 259; purchasing from distressed companies, 280, 285; selling nonproductive, 49–50
Assignment for the benefit of creditors (ABCs), 156, 282–283, 287
Association of Insolvency and Restructuring Advisors, 266
A.T. Kearney, 26
AT&T, 45, 133, 142
Atari, Inc., 33–34, 214, 261, 297–304
Attachment and notice, 157–158
Attorneys: bankruptcy filings by, 173; finding distressed companies through, 264–265
Attorneys general, 244
Automatic stay provision, 171–172, 173, 241

B
Balance sheets: analyzing for
13WCFM, 99–117; upside-down, 48, 49
Balanced Budget Act (1997), 233
Bally Total Fitness, 1
Bank of America, 206
Bank One, 4
BankBoston, 145
Bankruptcy, 152–202; Absolute Priority Rule in, 155–156, 157–166; advantages to, 166–167, 170–171; automatic stay provision in, 171–172, 173; committee formation in, 162–163; defenses to preference actions in, 175–176; DIP financing in, 158, 159–161, 190, 281; disadvantages to, 167–170; employee retention plans in, 180, 192; executory contracts and, 177–180, 201; finding distressed companies in, 264; history of laws regarding, 153–154; international turnarounds and, 208, 209–210; multiple declarations of, 201–202; municipalities and, 257–258; nonprofit organizations and, 241, 256; origins of word, 152; petitions to file, 170; plan confirmation in, 180–186, 211; predicting using Z-score, 15, 16; process of, 170–180; state laws related to, 156; U.S. Code of, 154–156; valuation analysis in, 193–195; Winn-Dixie example of, 186–200
Bankruptcy Abuse Prevention and Consumer Protection Act (BAPCPA), 178, 200
Bankruptcy Court, 170
Bargaining power, 35
Barnes, Brenda, xxvi
Bassoul, Selim, xvi, 88–91, 128
Baxter Healthcare, 238
Beals, Vaughn, 39
Bear Sterns, 309
Beard Publications, 266
Benchmarking, 48, 50
Berger, Carolyn, 7
Best Buy, 30
Best-shoring approach, 27
BET (Black Entertainment Television), x
Beth Israel Deaconess Medical Center, 136–137
Bethune, Gordon, xxvii
Big Brothers Big Sisters of Metropolitan Chicago (BBBSMC), 234, 238–239
Bill & Melinda Gates Foundation, 232
Black belts, Six Sigma, 127
Blackstone Restructuring Group, 190
Blind pursuit of growth, xxv–xxvii, 270–271
Blinded phase, 2–3
Blockbuster, 4–5
Blodgett, 90, 265
Bloomers Chocolate, xvii–xviii
BlueBay Asset Management, 299, 301–302
Board of directors. See Directors
Boeing, 134
Bond rating equivalent (BRE), 15, 16
Bonds, municipal, 242, 257–258
Borders, 5
Brand innovation, 42
Brasil Telecom, 207, 271
Breed Technologies, 164, 208, 214
Brown, Richard, 22–26, 27, 28, 76, 147
Brown vs. the Board of Education (1954), 233
Bryan, John H., xxv, 76
Bushnell, Nolan, 297–298
Business Judgment Rule (BJR), 7, 73, 76, 240, 300
Business model changes, xxiv, 268
Business process reengineering (BPR), 122–127; criticisms of, 126–127; main principles of, 123–124; successful examples of, 124–126; theoretical origins of, 122–123
Business Product Outsourcing (BPO), 25
BusinessWeek, 91
Buying distressed companies. See Purchasing distressed companies
Buyouts Magazine, 271, 292

C
Cable & Wireless, 22
California Public Employees’ Retirement System (CalPERS), 22
Cannondale Bicycle, 270–271
Capital asset pricing model (CAPM), 194
Capital expenditure adjustments, 279
Capitalized expenses, 18
Care, duty of, 72–73, 240, 300
Cash collateral, 173–174
Cash conversion cycle, 50
Cash flow: analysis of, 48–49; managing to, 17, 120; negative, 12; problems with, xi–xii; 13-Week Model of, 96–120
Cash in Advance (CIA), 50, 65
Cash on Delivery (COD), 50, 65, 110
Caterpillar, 8–9, 124, 146
Cemex, 206
Central Procurement Department (CPD), 187
Centralized decision making, xvi
CEOs: analysis of, 8, 22, 25; decision on replacing, 289, 291–292; nonprofit, 242; turnaround, xi, 67
Cerberus Capital, 260
Chainsaw Al. See Dunlap, Al
Champy, James, 122
Chapters of Bankruptcy Code, 154–155; Chapter 7 bankruptcy, 154, 155, 166, 182; Chapter 9 bankruptcy, 154–155, 256, 257–258; Chapter 11 bankruptcy, 155–156, 169, 180, 215, 241; Chapter 12 bankruptcy, 155; Chapter 13 bankruptcy, 155; Chapter 15 bankruptcy, 155, 217. See also Bankruptcy
Charities: failure of, 234–235. See also Nonprofit organization turnarounds
Charter schools, 258
Chavez, Hugo, 206
Chek Beverage, 191
Chicago Tribune, 40
Chrysler, xv, 260
Chuck E. Cheese, 298
Cineplex Odeon, xiv, 20, 93
Circuit City, xx, 161, 307
Class action lawsuits, xxi
Coachmen Industries, 267
Coca-Cola, 44
Cole Taylor Bank, 177
Committees, bankruptcy, 162–163
Commodity prices, xxi
Common equity, 164
Commonwealth Edison, 245, 246
Communication process: layoffs and, 141, 144–145; turnarounds and, 64–69, 145, 149, 222
Community Development Block Grant (CDBG), 255
Community Disaster Loan (CDL) program, 255
Competitive Strategy: Techniques for Analyzing Industries and Competitors (Porter), 35
Consensual plan, 165–166
Consumer demand: nonprofit organizations and, 233; shifts in, xxi–xxii, 233, 268
Consumer Reports, 296
Continental Airlines, xxvii, 45–46
Core competencies: error of stretching, 43–44; importance of identifying, 32–35; nonprofit organizations and, 238
Core Technologies, 46
Corporate renewal, x
Cost of goods sold (COGS), 56
Cost-cutting: downsizing as means of, 45, 121–151; ineffective use of, xxvi–xxvii
Courage, 58–60
Covenants, tripped, xxvii–xxix
Cram downs, 182, 185
Credibility: of leadership, 61–64, 148–149; with lenders, xviii, 81
Credit: lack of credibility for, xviii; overextension of, xxvii–xxx, 271
Creditors: assignment for the benefit of, 156, 282–283, 287; bankruptcy protection from, 166, 171–173; defenses to bankruptcy preference actions, 175–176; directors’ duties to, 74–75; foreclosure by, 156; international differences in attitudes of, 209; plan confirmation by, 180–186; reclamation of goods by, 180
Crisis phase, 5, 271
Crowe, Russell, 309
Crown Zellerbach, 70
Culture: examples of changing, 54–55, 63–64, 192; leadership characteristics and, 58; nonprofit organizations and, 243; understanding the importance of, 69
Currency denominations, 204–205
Current assets/liabilities, xxix
Current ratio, xxix
Customer experience innovation, 41–42
Customer innovation, 41
Customers: bankruptcy viewed by, 167–168; buying a controlling position in, 261; communicating with, 65; convincing disbelieving, xiv–xv; of nonprofit organizations, 244

D
Daily Show, The, 308
Daimler Chrysler, 205
“Dark store” leases, 177–178, 189, 190
Davis, Andy, 309
Day, Julian, 29, 30, 144
Dean Foods, 220
Debt: discharge of, 166–167; renegotiating, 49, 269
Debt-for-equity swap, 211, 241, 269, 281
Debtor-in-possession (DIP) financing, 97, 158, 159–161, 190, 281
Decentralized organization, 124
Decision making: centralized, xvi; downsizing related to, 128; in family businesses, 82–83; leadership and, 60–61
Decisiveness, 60–61
Deepening insolvency theory, 75
Defensive moves, 261
Defined benefit plans, 279
Dell Computer, 248
Deloitte & Touche, 299
Deming, W. Edwards, 9, 39, 123
Demographic changes, 233–234
Depreciation & amortization (D&A), 17
Deregulation, xxiii
Derivative suits, 73
Desert Passage Mall, 170
Diagnostic and prediction models, 14–21
Dilution, 12
Dimon, Jamie, xvi, 4

DIP financing, 97, 158, 159–161, 190, 281

See also Officers

Disbelieving customers, xiv–xv

Disbursement projections, 114, 116

Disclosure statement, 180, 181

Discounted cash flow (DCF) analysis, 194, 274, 275

See also Fraud

Dissolution phase, 5

See also Organizational distress

Dividend recaps, 304–305

Donations, forecasting, 237

Downsizing: advantages to, 128; disadvantages to, 129–137; of family businesses, 83, 137; ineffective use of, xxvi–xxvii; legal issues related to, 129, 130, 131; morale of employees during, 134–135, 141–146, 147; reengineering associated with, 126–127; reversal of disastrous, 138–141; rewards given to executives for, 121; short- vs. long-term strategy in, 137–138; three general rules for, 45; Xerox turnaround and, 146–150.  
See also Layoffs

Drabinsky, Garth, xiii–xiv, 20

Drexler, Mickey, 84–86

Due diligence, 273–274

Duff & Phelps, 300, 302

Dunlap, Al, xvi, 13, 69–72, 135

DuPont analysis, 19

Duties, fiduciary, 72–76, 207–208, 240, 300–301

E

Early retirement, 141–142

Early warning signs, 7–21, 206–207, 235–236, 272

EBITDA measures, xxviii–xxix, 97, 117, 275

Economic downturns: nonprofit organizations and, 232–233; organizational distress caused by, xx–xxi; typical covenants tripped by, xxviii–xxix

Edmonson, David, 29–30

Elan Corporation, 212, 222–228

Electronic Data Systems (EDS), xxii, 2, 21–28, 76

Embezzlement, 217, 219

Employees: communicating with, 64–65, 68–69, 222; independent contractors vs., 130; lawsuits by former, 131; listening to, 46; morale during layoffs, 134–135, 141–146, 147; of nonprofit organizations, 243; retention plans for, 180, 192; rules for laying off, 45

Energy Independence and Security Act (2007), xxiii

Enron, xxxi, xxii, 7, 17, 168, 235
Entrepreneurial startups: challenges faced by, xi–xix; investing in distressed, 296–297; similarity of turnarounds to, xi–xix, 270

Equitable subordination, 164
Equity gains, xviii–xix
Equity holders, 164, 165
Ernst & Young, 1
Etlin, Holly, 189–190, 191, 192
European Aeronautic Defence & Space Company (EADS), 205
Everfresh Beverages, 215–216
Examination process, 227
Exchange commissions, 211
Executives: fiduciary duties of, 72–76, 207–208; liability of directors and, 6–7. See also Management
Executory contracts, 177–180, 201
Expenses: bankruptcy, 168; capitalized, 18; projecting for 13WCFM, 114, 116
Expertise, loss of, 132
External causes of distress, xx–xxiv, 267–268
ExxonMobile, 206

F
Facebook, 309
Family-owned businesses: layoffs in, 83, 137; leadership issues in, 80–83
Fannie May Candies, xvii–xviii, 51, 178, 216
Faulty action phase, 3–5, 271
Federal Bankruptcy Code, 154–156, 178, 200, 202, 209. See also Bankruptcy; Chapters of Bankruptcy Code
Federal Emergency Management Agency (FEMA), 255
FedEx, 248
Feuerstein, Adam, 228
Fiduciary duties, 72–76, 207–208, 240, 300–301
Fieldcrest Cannon, 202

Financial Accounting Standards Board (FASB), 93
Financial restructuring, 48–51; Elan Corporation example of, 226–228; international turnarounds and, 226–228, 230; nonprofit organizations and, 237–238, 239; Solo Cup example of, 53–54
Finding distressed companies, 262–266
501(c)3 organizations, 231–232
Fixed charge coverage ratio (FCCR), xxviii
Flying J, xii, xx, 94, 164, 270
Forbes magazine, 91
Fore River Shipyard, xxi, 232
Foreclosure by creditors, 156
Foreign exchange exposure, 204
Fortune magazine, 228
France Télécom, 135–136, 146
Franklin, Benjamin, 247
Fraud: buying opportunities created by, 271; communicating to employees about, 222; international turnarounds and, 217–222; management changes based on, 291–292; nonprofit organizations and, 235; organizational distress and, xxxi–xxxii
Fraudulent conveyances, 176
Freescale Semiconductor, xxix–xxx
Freight on Board (FOB), 111
Friendly foreclosures, 282
Fritz, Al, 77
Fujitsu Ltd., 214
Fulcrum security, 162, 165, 281–282
Funded debt to EBITDA ratio, xxviii–xxix
Fundraising, declines in, 236

G
GAAP (Generally Accepted Accounting Principles): creative accounting with, xxxi–xxxii;
current and quick ratios under, xxix; financial shenanigans using, 17–18; “Gaap” character distinguished from, 96; ignoring for cash flow analysis, 48–49; problems with using, xiii–xiv, 94–96; 13-Week Cash Flow Model vs., 96–120
Gap, 84
Garfield, David, 52
Gassée, Jean-Louis, 87
GE Capital, 218–219
Geaney, Donal, 223
General Electric, 131, 290
General Motors, xvii, xxxiii, 18–19, 21, 208
General obligation bonds, 257
Generally Accepted Accounting Principles. See GAAP
Geopolitical risks, 215
George, Sajan, 252
Gerber, Harriet, 294
Gerber Plumbing, 293–296
Gerstner, Louis, 62, 63–64, 214
Ghosn, Carlos, 214
Giant Manufacturing Corp., 77–78
Globalization issues. See International turnarounds
Globe Union, 294–295
Good faith and candor, 300
Google searches, 266
Gordon Brothers, 191
Government: funding of nonprofits by, 237; international turnarounds and, 205–206; quasigovernment agencies and, 247–252; regulations imposed by, xxiii, 268
Gray, Steve, 309
Greater Chicago Food Depository, 240
Greenpeace, 234
Greyhound, 139–141
Gross margin declines, 11
Grove, Andy, 309–310
Growth, blind pursuit of, xxv–xxvii, 270–271
Gucci, xxxiii, 271
Gucci, Maruzzio, xxxiii
Guggenheim Corporate Funding, 299
Gulf Opportunity Zone Tax Credit Bonds, 255

H
Hammer, Michael, 122, 124
Handley, Alan, 85
Hanover Wire, 261
Harley-Davidson, 39, 271
Hasbro Interactive, 298
Hedge funds, 163
Helmsley, Leona, xvi
Henderson, Fritz, xvii
Hewlett-Packard, 48, 122
HIG Capital, 267
Hilco Trading, 191
Hiring difficulties, xiv
Hoffmaster, 52, 54
Home Depot, 137–138
Honesty: credibility related to, 62.
See also Dishonesty
Hubris, 77–79
Huffard, Flip, 190, 191, 193, 200, 275
Hulseman family, 51–52
Hurd, Mark, 48
Hurricane Katrina, 200, 254–256
Hussman Corp., 90

I
IBM, 3, 62–64, 214, 268
Imelt, Jeff, 127
Inaction phase, 3
Incentive programs, 55
Income statements, 113
Income-based valuation methods, 274, 277
Independent contractors, 130
Indian Railways, 250–252
Indicium Solutions, 266
Industry analysis, 14, 22, 25, 35–37
Industrywide issues, xxi, 233, 267–268
Infogrames, 34, 214, 261, 297, 298, 299, 301–302, 303
Initial public offering (IPO), 19
Innovation, dimensions of, 41–42
Insiders vs. outsiders, 80
Insolvency: international laws of, 210; tests for determining, 170; theory of deepening, 75; zone of, 6, 74, 240
Institutional memory, 132
Insufficient capital, xxx–xxxi, 234–235, 269–270
Intellectual property, 50, 236
Intercreditor claims, 185–186
Interest rate changes, xxiii–xxiv, 269
Intermediaries, 262
Internal causes of distress, xxiv–xxxiii, 269–271
Internal rate of return (IRR), 271–272
Internal Revenue Service (IRS), 130, 167
International Accounting Standards (IAS), 96
International turnarounds, 203–230; bankruptcy process in, 208, 209–210; causes of distress in, 204–205; complexity of, 213; cooperation in, 215–217; creditor attitudes in, 209; early warning signs of distress in, 206–207; Elan Corporation example of, 222–228; exchange commissions in, 211; fiduciary duties of directors in, 207–208; financial restructuring in, 226–228, 230; fraud in, 217–222; geopolitical risks in, 215; labor regulations in, 211–212; LEGO Group example of, 228–229; market dynamics in, 213, 214; nationalism issues in, 213–214; obstacles for resolution in, 211; operational restructuring in, 225–226, 230; plan confirmation in, 211; priority of claims in, 210–211; procedural differences in, 210; role of government in, 205–206; strategic restructuring in, 224–225, 230; team diversity in, 214–215; terms of repayment in, 212–213
Internet: early underestimation of, 3, 63; newspaper industry and, xxii, xxiv, 308; turnaround resources on, 310
Interstate Bakeries, xxxii
Inventory: analyzing for 13WCFM, 110–113; monitoring levels of, 13; reducing obsolete, 47
IPOs, 304
Ish GmbH, 209
IT strategy, 48, 239
Itel Corporation, 99
J
J. Crew, 79, 83–86
J.A. Jones Construction Company, xiii, 173
J.P. Morgan Chase, 306
Jack in the Box, xxxii
JEHT Foundation, 235
Jobs, Steve, 86–88
Joffrey Ballet, 245–247
Johnson, Bob, x
Jones, Jason, 308
Jordan, Michael H., xvi, 26–27, 28
JP Morgan Chase, 253, 260
K
Kassar, Ray, 298
Kellogg School of Management, x, xxiv
Kimberly-Clark, 70, 75
Knart, 161, 180
Knowledge, scarcity of, xvi–xvii
Knudstorp, Jorgen, 229
Kodak, xxii
Korzenski, Robert, 52, 53, 54, 56
Krispy Kreme, xxii, xxvii, 43–44, 234, 268
Kumar, Nitish, 251

L
Labor regulations, 211–212
Laker, Freddie, 204
Laker Airlines, 204–205
Laura Secord company, 216
Lawsuits: class action, xxi; employee layoffs and, 131; halting through bankruptcy, 172, 190; on misclassification of workers, 130; patent infringement, 296–297; product issues and, xxxii; shareholder, 59, 73, 177, 228. See also Legal issues
Lawyers. See Attorneys
Lay, Ken, 7
Layoffs: advantages to, 128; creative avoidance of, 135–136; disadvantages to, 129–137; in family businesses, 83, 137; legal issues related to, 129, 130, 131; morale of employees during, 134–135, 141–146, 147; reengineering associated with, 126–127; three general rules for, 45. See also Downsizing
Lazaran, Frank, 187–188
Lazard, 219, 302
Leadership, 58–92; Apple, Inc. example of, 86–88; arrogance as enemy of, 77–79; board accountability and, 72–76; case study on, 88–91; Chainsaw Al example of, 69–72; communications by, 64–69; courage of, 58–60; credibility of, 61–64; decisiveness of, 60–61; family-owned businesses and, 80–83; importance of strong, 292–293; J. Crew example of, 79, 83–86; nonprofit organizations and, 236–237, 239–240; Schwinn example of, 77–79
Leases: “dark store,” 177–178, 189, 190; executory, 177–180, 201
Legal issues: international turnarounds and, 203; layoffs and, 129, 130, 131. See also Lawsuits
LEGO Group, 228–229
Lehman Brothers, 94, 161, 309
Lenders: credibility with, xviii, 81; delay strategy used by, 307; finding distressed companies through, 262–264
Lentzch, Craig, 140–141
Levy, Paul, 136–137
Liabilities: current assets and, xxix; off-balance sheet, 17
Liens: notice of, 157–158; priming, 159
Linens ’n Things, 161, 307
Liquidation process: analyses related to, 185, 193, 194; assignment for the benefit of creditors and, 156; bankruptcy and, 154, 155, 210; international turnarounds and, 210, 226
Litigation. See Lawsuits
Live Entertainment, xiv, 20
Loan-to-own scenarios, 280–282, 286
Lorenzo, Frank, xxvii, 45
Louisiana Board on Elementary and Secondary Education (BESE), 254
Louisiana Recovery School District (RSD), 254
Loyalty, duty of, 73–74, 240, 300
Lynch, Peter, 188–189, 192, 195, 200, 291
Lyondell Chemical Company, 161

M
MacNicol, Glynnis, 309
Madoff, Bernie, 235
Maggelet, Crystal, 270
Mail service, 247–250
Management: analysis of, 8–9, 22, 25, 235; decision on replacing, 289, 291–292; impact of bankruptcy on, 168; ineffective, xxiv–xxv; nonprofit organization, 235, 241, 242; of turnaround process, 289–304
March of Dimes, 233
Market dynamics, 213, 214
Market-based valuation methods, 274–275, 277
Mark-to-market accounting, xxxii
Martin, Kelly, 227–228
Mattress Firm, 292
McDonald’s, 213, 239
McKinsey & Company, 42
McMillan, Steven, xxvi–xxvii
Mean Business: How I Save Bad Companies and Make Good Companies Great (Dunlap), 71
Medicaid program, 24
Medical metaphors, 68
Medicare reimbursements, 233
Mergers, 301
Merrill Lynch, 227
Mesterharm, Jim, 217–221
Middleby Corporation, 3, 88–91, 265
Milbank, Hadley & McCloy LLP, 300
Military metaphors, 68–69
Miller, John,, III, 90
Miller, Steve, xvi, 61, 65
Minimum wage increases, xxiii
Mishra, Aneil, 141
Mishra, Karen, 141
Mission of nonprofit organizations, 242
MIT Sloan Management Review, 141
Model Law (UNCITRAL), 216–217
Mollenhauer, Art, 234, 238–239
Monroe, Marilyn, 50
Montgomery Ward, 261
Morale of employees: bankruptcy and, 168; layoffs and, 134–135, 141–146, 147; nonprofit organizations and, 243
Morgan, John Pierpont, 306
Morris, Robert, 153
Motorcycle tariffs, 39–40
Mulcahy, Anne, 147–150
Mulqueen, Michael, 240
Multinational organizations. See International turnarounds
Municipal bankruptcies, 257–258
Municipal bonds, 242, 257–258
N
Nardelli, Robert, 137–138
Nationalism issues, 213–214
Naval metaphor, xxiv–xxv
Navy/Marine Corps Intranet (NMCI), 23–24
Negative cash flow, 12
Net operating losses (NOLs), 279–280
Networking innovation, 42
New Orleans Parish School Board (OPSB), 252–256, 258
New York Times, 308, 309
New York Wire, 261
News sources, 265–266
Newspaper industry, xxiv, 40, 268, 307–309
Newspaper Next, 308, 309
Nissan, 214
Nixon, Richard, 71
Noncompete agreements, 142
Nonproductive assets, 49–50
232–237; turnaround tripod used in, 237–239; unique challenges with, 242–247
Northbrook Corporation, 34–35
Northwestern University, 125
Notice of lien, 157–158

O
Obstacles for resolution, 211
Off-balance sheet liabilities, 17
Offering innovation, 41
OfficeMax, 249
Officers: fiduciary duties of, 72–76, 207–208; liability of, 6–7.
See also Directors; Management
Onion, the, 29, 30
Operational restructuring, 44–48; Elan Corporation example of, 225–226; international turnarounds and, 225–226, 230; nonprofit organizations and, 237, 239, 253; Solo Cup example of, 54–57
Opportunities: assessing using 13WCFM, 272–273; external, in SWOT analysis, 38
Orange County bankruptcy, 257
Ordinary course of business defense, 175
Organization innovation, 42
Organizational distress: assessing for acquisitions, 271–272; diagnostic and prediction models for, 14–21; early warning signs of, 7–21, 206–207, 235–236, 272; EDS example of, 21–28; external causes of, xx–xxiv, 267–268; industry analysis and, 14; internal causes of, xxiv–xxxiii, 269–271; international operations and, 204–205; management analysis and, 8–9; nonprofit organizations and, 235–236; phases of, 1–7; product analysis and, 14; trend analysis and, 9–13. See also Distressed companies
Organizational life cycle, xii
Orwell, George, 82
Overextension of credit, xxvii–xxx, 271
Overloading survivors, 134
Owens Corning, 172

P
PACER system, 264
Pacific Cycle, 269
Paralysis by analysis, xvi
Parmalat SpA, 206, 217, 218, 220–221
Parmalat USA, xxxi, 206–207, 217–221
Patent infringement, 296–297
Payables. See Accounts payable
Pegasus Capital, 270–271
Pension plan obligations, 279
Performance Improvement Plan (PIP), 52
Performance reviews, 131, 132, 244
Perma-temps, 130
Perot, Ross, 21
Pet Foods, 125
Pharmaceutical industry, 36
Pier 1 Imports, 3, 204
Pillowtex, 202
Pillsbury, 125–126
Plan confirmation process: Chapter 9 bankruptcy, 258; Chapter 11 bankruptcy, 180–186, 211
Platform innovation, 41
Playboy, 50
Politics: geopolitical risks and, 215; nonprofit turnarounds and, 247–252
Pong game, 298
Porter, Michael, 35
Porter’s Five Forces analysis, 14, 35–37
Portfolio.com, 71
Postal Service, U.S., 247–250
Prediction models, 14–21
Preferred equity, 164
Presence innovation, 42
Pricing schemes, 55–56
Priming liens, 159
Private Investment in Public Equities (PIPE) markets, xxx
Pro forma, 273
Process innovation, 42
Product analysis, 14
Productivity: downsizing process and, 128; improving efficiency and, 31
Products: elimination of, 46–47; issues related to, xxxii–xxxiii, 271
Professional networks, 266
Profit margin declines, 12
Profitability indicators, 11–12
Public Health Cigarette Smoking Act (1970), xxiii
Publix, 186, 191
Purchasing distressed companies, 276, 280–289; article 9 sales for, 282; assignment for the benefit of creditors for, 282–283; loan-to-own scenarios for, 280–282; receiverships for, 283; stock and asset purchases for, 280; summary of options for, 285–288; 363 sales for, 283–284
Purina Mills, 144

Q
Quick ratio, xxix

R
Radio Shack, 29–31, 144
Reagan, Ronald, 39
Recapitalizations, 304–305
Receivables. See Accounts receivable
Receiverships, 226–227, 283, 288
Reclamation of goods, 180
Record keeping, 82
Recovery waterfall, 183, 184
Reengineering process. See Business process reengineering
Reengineering the Corporation (Hammer and Champy), 122
Rehiring costs, 132–133
Reliance Acceptance Group, Inc., 177
Renault, 214
Reorganization plans: confirmation of, 180–186; recovery waterfall and, 183, 184
Repayment terms, 212–213
Repositioning, strategic, 40–43
Repurchase agreements, 94
Retention plans, 180, 192, 291
Return on assets (ROA), 19, 214
Return on equity (ROE), 19
Revenue anticipation note (RAN), 253
Revolving loan balances, 13
Rhodes Plastics, ix
Ridge, Tom, 69
Riley, David, 88
Risk: increased aversion to, 133; scarcity of knowledge and, xvi–xvii
Roberti, Bill, 252
Rockford Powertrain, 260
Rogers, Steven, xxiv, 269
Rowland, Al, 186–187

S
Sabotage, 133–134
Saks Fifth Avenue, xx
Sales: miscategorization of, 17; projecting receipts from, 113–114, 115; trends in declining, 12
Salk, Jonas, 233
Sandburg, Carl, 310
Sara Lee, xxv–xxvii, 4, 9–10, 14, 76, 234
Sarkozy, Nicolas, 146
Sawhney, Mohanbir, 41
Scarcity of knowledge/risk, xvi–xvii
Schaefer, George, 124
Schmieder, Frank, 139
Schwinn, Edward, Jr., 77–79, 81
Schwinn Bicycle Company, xxii, 3, 13, 77–79, 206, 268–269
Scott Paper, xvi, 69–71, 75, 135
Secured claims, 157–158
Securities and Exchange Commission (SEC), 303
Selling: companies after turnaround, 305; nonproductive assets, 49–50
Service Corps of Retired Executives (SCORE), 310
Severance costs, 129
SG&A expenses, 113, 114
Shareholders: directors’ duties to, 72, 74; family-owned businesses and, 81; lawsuits by, 59, 73, 177, 228
Shark Tank (TV show), xii
Siemens Corp., x
Six Sigma approach, 127
Sklar, Rachel, 309
Small Business Administration (SBA), 310
Small company investments, 296–297
Social Plans, 211–212
Society for the Preservation and Advancement of the Harmonica (SPAH), 232
Solo Cup, 51–57
Solsvig, Curtis, 299
Solutions innovation, 41
Southwest Airlines, 135
Special assets group (SAG), 263
Special revenue bonds, 257, 258
Special-purpose entities (SPEs), 218
Spreitzer, Gretchen, 141
St. Vincent’s Hospital, 241–242
Staff turnover, 20, 235–236
 Stakeholders, 70
Stalking horse bidders, 284, 289
State of Play (film), 309
Steinway & Sons, 50
Stock keeping units (SKUs), 53, 229
Stocks: downsizing and price of, 121, 127; purchasing distressed company, 280, 285
Strategic restructuring, 32–44; core competencies and, 32–35, 43–44; Elan Corporation example of, 224–225; international turnarounds and, 224–225, 230; nonprofit organizations and, 237, 239; Porter’s Five Forces analysis and, 35–37; Solo Cup example of, 52–53; strategic repositioning and, 40–43; SWOT analysis and, 37–40
Streiff, Christian, 205
Strengths, SWOT analysis, 37–38
Structuring distressed acquisitions, 276, 280–289; article 9 sales, 282; assignment for the benefit of creditors, 282–283; loan-to-own scenarios, 280–282; receiverships, 283; stock and asset purchases, 280; summary of options for, 285–288; 363 sales, 283–284
Studebaker Brothers Manufacturing Company, 268
Subordinated claims, 164
Substantive consolidation, 193, 195, 210
Sun Capital Partners, 260, 292
Sunbeam, 13, 71
Super-priority claims, 158
Suppliers: bankruptcy viewed by, 168; communicating with, 65; problems with, xvi–xviii; purchasing troubled, 261
Supply chain innovation, 42
Survivor’s guilt, 134
Susan G. Komen for the Cure, 236
SWOT analysis, 37–40
Symbol Technology, 271
Syrus, Publilius, xxiv

T

Taco Bell, 122
Tandy Corporation, 29
Tangible net worth, xxix, 12
Tariffs, motorcycle, 39–40
Tax gap, 130
Tax issues: bankruptcy and, 167; independent contractors and, 130; net operating losses and, 279–280; nonprofit organizations and, 232, 242
Taylor, Carlyn, 309
Team diversity, 214–215
Technology, changes in, xxii, 233, 268
Teeuwissea, Jon, 246
Telecom Act (1996), xxiii
Temple Baptist Church of Detroit, 233
Tender offers, 301
10K and 10-Q forms, 265
Terms of repayment, 212–213
Texas Pacific Group (TPG), 83, 260
13-Week Cash Flow Model (13WCFM), 96–120; A/P analysis, 108–110; A/R analysis, 104–108; assessing opportunities using, 272–273; balance sheet review, 104–117; construction of, 104–117; crises revealed by, 114, 117; detail of completed, 118–119; disbursement forecasts, 114, 116; explanatory overview of, 96–99; income statement analysis, 113; inventory analysis, 110–113; nonprofit turnarounds and, 237, 252–253; sample balance sheet, 100–103
Thought leaders, 66
Threats, SWOT analysis, 38
Three-pronged approach, 31, 51–57, 292, 293
363 sales, 283–284, 288
Time sensitivity, xv–xvi
Tort litigation, xxii
Total Quality Management (TQM), 39, 123
Toyota, xxxii
Toys R Us, 269
Trading strategies, 259–260
Tramiel, Jack, 298
Trend analysis, 9–13, 22, 25, 236
Troubled Company Reporter, 266
Trump, Donald, 201–202
Trump Entertainment Resorts, 201–202
Turnaround consultants, 265
Turnaround industry, 306–307
Turnaround Kid, The (Miller), xvi, 61
Turnaround Management Association, 195, 200, 259, 266, 310
Turnaround of the Year Award, 200, 271
Turnaround Tripod, 31; financial restructuring, 48–51; operational restructuring, 44–48; strategic restructuring, 32–44
Turnarounds: bankruptcy used in, 152, 201; challenges faced by, xi–xix; communication during, 64–69, 145, 149, 222; course on managing, x–xi; definition of, x; entrepreneurial startups compared to, xi–xix, 270; factors indicating successful, 306; international, 203–230; Internet resources on, 310; leadership requirements for, 58–92; management of, 289–304; nonprofit organizations and, 231–258; 13WCFM tool used for, 93–120; three-pronged approach to, 31, 51–57, 292, 293
Turnarounds (specific): Apple, Inc., 86–88; Elan Corporation, 222–228; Electronic Data Systems, 21–28; Gerber Plumbing, 293–296; J. Crew, 79, 83–86; LEGO Group, 228–229; Middleby Corporation, 88–91; Solo Cup, 51–57; Winn-Dixie, 186–200; Xerox Corporation, 146–150
Twinkies brand, xxxii–xxxiii
Tyco, xxxi
U
Undercapitalization, xi–xii
Underperformers, 128, 131, 132
Uniform Commercial Code (UCC), 156, 158, 282
Union officers, 68
United Airlines, 24, 154, 161
U.S. Bankruptcy Code, 154–156, 178, 200, 202, 209. See also Bankruptcy; Chapters of Bankruptcy Code
United States Postal Service (USPS), 247–250
Unsecured claims with priority, 161
Unsecured claims without priority, 161, 164
UPS, 41, 248
Upside-down balance sheets, 48, 49

V
Vallejo, California bankruptcy, 257
Valuation of distressed companies: analyzing in bankruptcies, 193–195; common issues related to, 278–280; methodologies used for, 274–276, 277; potential acquisitions and, 274–276
Value capture innovation, 42
Vestar Capital, 51
Visiting Nurse Service System, 233
Voluntary early retirement, 142–143
Volunteers, turnaround, 310

W
Wachovia Bank, 190
Wagner, Rick, xvii
Wall Street analysts: downsizing rewarded by, 121, 127, 139; performance measures used by, 96
Wall Street Journal, 223
Walmart, xxi, 122, 186, 267
Walton, Sam, 191
Wang Computer, xxii, 47
Wanxiang American Corp., 260–261
Ward, John, 141
WARN Act (1988), 129, 211–212, 226
Warner, Michael, 294
Warner Communications, 298
Warning signs, 7–21, 206–207, 235–236, 272
Washington Mutual, 260
Weaknesses, SWOT analysis, 38
Wealth management firms, 266
Weather issues, xxi
Weighted average cost of capital (WACC), 19
Welch, Jack, 127, 131
Wertheim, Paul, 127
Whitney, John, 67
Wilson, Jim, 303
Wind Point Partners, 269
Winn-Dixie, 5, 166, 177, 186–200, 210, 291
Wolcott, Robert, 41
Worker Adjustment and Retraining Notification (WARN) Act, 129, 211–212, 226
Working capital (WC) adjustments, 278–279
Work-in-progress (WIP), 110
Workout groups, 263–264
World Wide Web. See Internet
WorldCom, xxi, 24

X
Xerox Corporation, xxii, 146–150
XRoads LLC, 189

Y
Yadav, Lalu Prasad, 251

Z
Zell, Sam, 269
Zone of insolvency, 6, 74, 240
Z-scores, 15–19, 244