Turnaround Artistry

I received a call from a lawyer friend of mine a few years ago asking if we could help one of her clients. I went up and met with Matt and his partner, Walter.

I have never seen a business in such bad shape. Poor administration, poor sales, poor leadership, and poor manufacturing and production. Yet in spite of all that, these partners had a really viable product line.

I called my retired banker friend and asked him if he would like another turnaround assignment. He was open to the idea so we went in to take a long hard look at the company.

The company was virtually bankrupt. Although it had good products, it had dug itself into a hole so deep it was unlikely it could ever crawl out.

Our analysis indicated that the 20,000-square-foot facility they had leased was far larger than what they needed. They probably could operate out of about 8,000 square feet. We also concluded that they were running with at least 50% more employees than required given the company's sales levels and the production functions.

The two partners were shareholders and didn't get along with each other. Our psychologist's report indicated they would probably never agree on much. That added a new set of dimensions.

Matt had loaned the company approximately $150,000 and had the foresight to take out a general security agreement.

We called in a trustee in bankruptcy and put the company through a power of sale (a receivership), using Matt's secured loan as the means. We put the business into a new company; moved to a new location of 8,500 square feet; dropped the partner, Walter; negotiated with a new bank; and dropped half of the employees.

Today this company is alive, well, and profitable.