

Every time they turn around

By: Daniel Rome Levine

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Kenneth Yager, a turnaround specialist at MorrisAnderson & Associates, compares his job to that of a war medic.

"We are a MASH unit, and this is field surgery," he says. "We're seeing so many patients that the ambulances are stacking up outside the surgery door."

Some of the most critical patients Mr. Yager has helped revive this year are a

trucking firm, a truck-parts distributor and a textile company. "I spend a lot of time avoiding bankruptcy for my clients," he says. "If they call early enough, a lot can be done."



Fear is driving companies to Kenneth Yager's door.

Photo: John R Boehm

Most of the companies his Chicago firm has guided through bankruptcy or liquidation have been in the hardest-hit areas of the economy, those he calls the three Rs: residential real estate, retail and restaurants. "There is no rescue capital for them, so we're seeing a lot of liquidations," he says. Mr. Yager's firm typically helps clients restructure debt, cut costs and improve productivity. But the slowing economy and tighter credit mean more trouble ahead. "This is going to be the highest level of activity any of us has ever seen, bar none," he says.

At Huron Consulting Group Inc., Managing Director Michael Kennelly says work has increased substantially over the last six months in the restructuring and turnaround practice, especially in the housing, automotive and retail sectors.

With most troubled companies unable to obtain new loans, Huron has been restructuring clients' existing loans on more favorable terms, such as adjusting payment schedules so they can pay quarterly instead of monthly. Other steps include making a struggling company more efficient.

"It's not just cutting costs," Mr. Kennelly says, "It's figuring out ways to increase revenue."

For a retailer, this may include consolidating warehouse space, improving the supply chain or renegotiating contracts with vendors to delay payments.

The story has been much the same at the Chicago offices of AlixPartners LLP, which over the past two years has helped engineer turnaround efforts at Highland Park-based Solo Cup Co. and has guided several high-profile companies through bankruptcy proceedings, including Florida-based homebuilder Levitt & Sons LLC and Texas-based retailer Bombay Co.

"We are extremely busy in the midst of this credit crunch and are seeing more companies than in the past come to us with cash and credit issues," Managing Director David Garfield says.

It's no surprise that turnaround and restructuring firms are in high demand during desperate economic times, MorrisAnderson's Mr. Yager says.

"Generally speaking, it is fear and a lack of confidence that bring people to us," he says. "Even great management teams get to a point where they reach the end of their sanity and start to feel it's not just a bet they're losing, but the entire farm."