B8511-001 – Turnaround Management (Spring 2018)

(Please note this Syllabus, and the sequencing of materials described and assigned herein, is subject to change during the course; however, the general structure and content will remain the same.)
Always consult CANVAS for the most current and up to date sequence of due dates.

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Office Hours: (By appointment only)

COURSE SHORT DESCRIPTION

Welcome to the nexus of business: Turnaround Management! Companies, or subsidiaries within otherwise healthy companies, often are in need of a corporate turnaround or restructuring due to operational, financial, or managerial problems that arise as the company’s business environment changes over time.

What is covered in this course?

This course will integrate the functional disciplines of the core curriculum, building upon your basic understanding of accounting, corporate finance, product marketing, organizational leadership development, and strategy formulation. Although this course is driven by a focus on the strategic, operational, and human resource considerations regarding how a general manager handles a distressed business situation, there still is a significant amount of required work in the financial and accounting subject areas.

What will I learn in this course?

This course will provide you with an understanding, paradigm, and model structure for identifying, remedying, and resolving troubled and distressed business situations. You will learn from the standpoint of a general operating manager how to distinguish between companies that can be repaired (given existing resource constraints) and those situations where sale or liquidation of the company actually is the best alternative to pursue.

Should I take this course?

Although the primary focus of this course is troubled companies and troubled divisions within otherwise healthy companies, the perspectives and analytical framework for identifying problems, assessing alternatives, and making decisions that impact the future survival of a business are skills that also are applicable in a start-up environment, where scarce resources and time constraints create a similar need for evaluating incomplete and inaccurate data, in order to make time-sensitive decisions that directly impact the future viability of the business.
You should take this course if you are interested in pursuing a career in (a) restructuring advisory, turnaround management, or activist/distressed investing; (b) private equity and want to learn how to assess and address problems arising in your portfolio companies; or (c) general management or entrepreneurship and want to have a foundational understanding of how to handle a crisis situation when it arises in your company.

**COURSE LEARNING OBJECTIVES**

After completion of this course, you should be able to:

1. Understand why it is typical for a business to deteriorate in performance over time and identify areas of a business where future potential problems currently may exist;

2. Explain the steps involved in a corporate restructuring process, from initial analysis of the situation through evaluation of possible alternative plans, including outright sale or liquidation of the business, with or without using a formal bankruptcy process as part of the strategy;

3. Recognize symptoms and early warning signals associated with a subsidiary, division, or company that is on the path to trouble;

4. Diagnose the root causes of the trouble and be able to identify the steps required in the overall process for correcting performance;

5. Construct appropriate plans for corrective action, as well as evaluate plans proposed by others, given both internal and external resource constraints and time challenges, which also take into consideration the multiple constituents interested in the future of the business (e.g., employees, customers, suppliers, shareholders, lenders, competitors, governments); and

6. Envision the management methods, policies, and practices that, if implemented, should keep a company out of crisis situations.

**ASSIGNMENTS**

**Study Group/Final Project Group**

You will be asked to form groups of no less than three (3) and not more than five (5) students, each preferably from a variety of work experiences and backgrounds, and submit your proposed team composition to me at the beginning of Session 2. In the context of handling troubled company situations, it is extremely rare, other than sometimes as a Liquidating Trustee at the end of a bankruptcy process, that you will be completely alone and individually responsible for all of the work. Therefore, in an effort to replicate the collaborative environment in which you will engage during your business career, if there are any individuals who are not in groups by the end of Session 2, I will assist in the team assembly process to the best of my abilities.
Interim Written Assignments

There will be a total of four (4) written assignments, not including the Final Project. The first assignment will be due at the beginning of Session 3. This first assignment will be Type B (i.e., you can discuss and work on the assignment together, but every individual must submit their own work product (no sharing of any portion of the submission)). (See official Columbia Business School chart of assignment types below.)

The next three (3) written assignments will each be of Type A, and are required to be handed in at the beginning of each relevant session as deliverables for Sessions 5, 7, and 9 (or 10), respectively. With respect to the third (3rd) written assignment, groups will have a choice between submitting a written analysis of either the Allegheny case due Session 9 or the two (2) combined Foamex cases due Session 10. You are not required to submit both Allegheny and Foamex, however, you must submit whichever one you choose on the day it is due in the syllabus.

Industrious groups are welcome to submit additional case write-ups, for which they may receive extra credit at the professor’s sole discretion. (Please refer to the section below entitled, “METHOD OF EVALUATION” for additional information regarding grading methodology.)

Final Project

The final group project will be a written analysis with recommendations for a “turnaround” of a publicly-traded company. Students will be expected to select a company and submit a proposal to me by the end of Session 8. The final project is not “just a report.” To the extent possible, the group will be expected to recommend and support a turnaround strategy for the subject company. If the group’s conclusion is that the company should merge, be acquired, or file for Chapter 11, the implications of this action for managers, employees, shareholders, lenders, creditors, customers, etc., must be considered and discussed, and this course of action should be carefully supported through good analysis. On the other hand, recommendations for recovery also will need solid support.

Report Formats

All written submissions must be prepared using 12-point Calibri font for all alpha and numeric characters. Cover sheets, Tables of Contents, and Executive Summaries are not counted in any specified page limit. Students/groups also should submit their MS Excel files (in case clarification is needed), however, the submitted written assignments should be self-sufficient. If you submit your MS Excel files, which is recommended (in order to clearly support your work), you must include the key excerpts from such analyses in your main written document. I will read supplementary materials that are offered to clarify confusing analyses or recommendations. The Final Project will have an all-inclusive page limit of 30 (PDF pages). Remember, often times “less is more.” Strive for concision and precision in your written submissions.

In order to avoid ambiguity that may lead to unintentional violations of the Honor Code, the description types for assignments have been standardized. They are specified in the table below.
<table>
<thead>
<tr>
<th>Type</th>
<th>Designation</th>
<th>Discussion of concepts</th>
<th>Preparation of submission</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>group / group</td>
<td>Permitted with designated group*</td>
<td>By the group</td>
<td>Same grade for each member of the group</td>
</tr>
<tr>
<td>B</td>
<td>group / individual</td>
<td>Permitted</td>
<td>Individually (No sharing of any portion of the submission)</td>
<td>Individual</td>
</tr>
<tr>
<td>C</td>
<td>individual / individual</td>
<td>None of any kind</td>
<td>Individually</td>
<td>Individual</td>
</tr>
<tr>
<td>D</td>
<td>(An optional category to be defined in detail by the individual faculty member)</td>
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</tbody>
</table>

* The designated group can be either an assigned study group or a self-selected one.

REQUIRED COURSE MATERIALS

A customized set of cases and other assigned and/or optional readings will be made available on CANVAS. Course material also will include the following textbook: Taking Charge: Management Guide to Troubled Companies and Turnarounds by John O. Whitney (Beard Books (January 19, 1998) ISBN-13: 978-1893122031).

CLASSROOM NORMS AND EXPECTATIONS

Class Attendance and Structure of Class Time

Attendance is necessary to the learning experience, and since class participation is one component of my evaluation of your performance in the course – and it is impossible to participate in absentia – your attendance is expected and unexcused absences will affect your course grade adversely. You are responsible for material discussed or distributed in your absence.

Excused absences are those that are officially sanctioned by Columbia Business School’s academic regulations. In **ALL** cases of absence (whether the absence qualifies as “excused” or not), professional conduct and courtesy dictate that you inform me **prior to** the class session you will miss. *Please refer to the section below entitled, “METHOD OF EVALUATION” for additional information regarding the impact of attendance on your grade.*

Class room time generally will be divided among lectures, case discussion, and engagement with invited guests, when applicable. Typically, new material will be introduced during the first half of the class session, with summary, review, and prelude for next class being the focus of the second half. **Name cards are required for every class session.** With only twelve (12) class meetings, I need every opportunity to connect names with faces.
Arrivals and Departures During Class

Punctuality is the touchstone for the integrity of an individual. I will hold myself to the same high standard, as I believe that being early actually is being “on time.” Having said this, however, I also acknowledge that “life” has a nasty habit of getting in the way of schedules – particularly for those of us in the business of dealing with distressed companies in crisis situations.

Therefore, if you have to arrive late to class, please enter quietly without fanfare or parade, in order to show your respect for your classmates (and for me), and settle into your seat creating as little disruption to those around you as possible.

If you know in advance that you will have to leave for any reason during a class session, as with an absence, please let me know in advance. I don’t need to know why (unless you’d like to share), only that you have to leave. If you need to leave suddenly and unexpectedly during class, whether you will be returning or not, please show the same respect to your classmates as you depart that you would as if you arrived late (see above).

Consumables During Class

Class length is 195 minutes once a week and we will take at least one, but no more than two, 10 to 15-minute breaks after approximately 55 minutes, whenever possible. While I am okay with beverages, as long as you don’t spill them on your neighbor (or their papers), I must prohibit eating meals or large snacks during class. There are two reasons for this. First, crinkly-sounds are distracting to your classmates (and to me). Second, in the “real” world, even when dealing with a crisis situation, no single individual eats their meal or snack during a meeting; although there are “working meals” during which everyone eats, our class sessions will not be structured as “breakfast, lunch, or dinner theater.”

Use of Technology During Class

You may use laptops or other devices (e.g., tablets) to take notes during the class session. I personally prefer to take notes by typing, rather than writing, however, it is not a requirement and you still can use an old fashioned pen and paper and will not be judged (at least not by me).

This permission, however, comes with a few restrictions. The sound must be on mute (if you don’t know how to turn the sound off, ask a friend). Do not watch YouTube or surf the Internet during class – not because I care that you don’t want to pay attention, but because your laughter or excitement will be disruptive and disrespectful to those around you who are trying to learn.

As for cell phones or other hand-held devices (yes, I know there are at least two Blackberry users out there), I will conduct class like I conduct my meetings with my professional colleagues – if you are called upon and you are not paying attention because you are trying to keep your streak alive in Snapchat, this will have a negative impact on my evaluation of your class participation. As with laptops, the sound must be on mute, however, if you have it set to vibrate, please don’t leave it on your desk, as this, too, will be disruptive and disrespectful to those around you. You all are adults and I will rely upon your common sense.
Addressing the Professor

Since “Great and Powerful Oz” already is taken, “Professor” (with or without “Squasoni” afterward) will be fine.

Teaching Philosophy and Accountability

This is an applied, case-based course with accompanying readings to help structure your thinking. Discussion questions for the case (if available) usually will be given prior to each session, to help focus your attention. Students should be prepared to discuss all cases, whether or not a submitted write-up is required. Additional readings (if any) are intended to provide a starting point for analyzing the case, but extension of the ideas is encouraged, as they will be applied in an integrative fashion during our discussions. Given the nature of the course, we also will apply the lessons from the cases to understand the challenges and implications of relevant recent and on-going distressed and crisis business situations.

In this course, as in life, the benefit you receive will be directly correlated with the amount of effort you put into preparation. My personal managerial philosophy is to “praise in public and admonish in private,” however, the classroom setting does not always permit such flexibility, particularly when I call on someone and their only response is that they are unprepared. Your obligation in this course is to prepare for class discussion by thoroughly reading and analyzing each of the assigned materials before each class. This is an essential part of the course. Students are responsible for being prepared to discuss answers to all study questions (if any) before coming to class. Students may be asked to present the assigned materials as a basis for discussion. Absent willing volunteers, please know that I will be cold calling during each session, in order to ensure active engagement and sharing of ideas.

INCLUSION, ACCOMMODATIONS, AND SUPPORT FOR STUDENTS

At Columbia Business School, we believe that diversity strengthens any community or business model and brings it greater success. Columbia Business School is committed to providing all students with the equal opportunity to thrive in the classroom by providing a learning, living, and working environment free from discrimination, harassment, and bias on the basis of gender, sexual orientation, race, ethnicity, socioeconomic status, or ability.

Students seeking accommodation in the classroom may obtain information on the services offered by Columbia University’s Office of Disability Services online at www.health.columbia.edu/docs/services/ods/index.html or by contacting (212) 854-2388.

METHOD OF EVALUATION

John O. Whitney was the founding father of this course, originally called the “Management of Turnarounds,” here at Columbia Business School. Before detailing specific allocations and percentages of grade weightings for this course, I first would like to share some of his views on grades and grading, which are excerpted herein from the Fall 1994 Syllabus for this course when I was one of his students, and with which I heartily agree (even more so now as an instructor).
“The instructor believes that grades are poor predictors of future performance, that elements of lottery exist in all grading processes, and that striving for grades gets in the way of learning. But the instructor is aware that he is a member of a larger community in which grades are important, and he is also aware that his refusal to assign grades would have broader implications than are associated with this class. Therefore, the instructor commits that he will perform the task of grading carefully and thoughtfully.”

* * *

Course grades will be based upon the following percentage allocations:

<table>
<thead>
<tr>
<th>Course Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Class Participation</td>
<td>25%</td>
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<tr>
<td>Written Assignments</td>
<td>35%</td>
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<tr>
<td>Final Project</td>
<td>40%</td>
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**Additional Information on Class Participation**

In this course, class participation will mean both the contributions made in the scheduled class periods, as well as in contributions made by the students when (and if) they meet as groups with me. Evaluations of class participation will be based not only on my view of your mastery of the concepts, but also on your ability to bring new and creative insights that will raise our class discussions to a higher level. It obviously goes without saying (but I’ll say it here anyway) that attendance is mandatory in order to receive credit for class participation.

I’m compelled to paraphrase John O. Whitney regarding grading class participation. I realize that there are inherent inequities in grading class participation, particularly in large class that only meets twelve (12) times. If you believe that you have not had the opportunities, either during class or in a group meeting with me, to demonstrate your mastery of the subject matter, then you should schedule an appointment with me for an individual consultation. Just so you know, to the best of my knowledge, I personally don’t know that anyone ever took him up on this offer – but he extended it to my class back in 1994, and so I extend it now to you.

**COURSE ROADMAP/SCHEDULE**

Classes are 195 minutes in length (inclusive of our mid-session breaks), and usually will be divided between brief lecture overview and class case analysis and discussion. Guest speakers will be announced at least one (1) week in advance of their appearance. No guarantees will be made regarding any particular guest speaker, however, because of the nature of dealing with troubled companies, it is difficult to perfectly plan one’s calendar, even after confirming the day before.
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<th>Session</th>
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<th>Pre-Class Readings</th>
<th>Deliverables</th>
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<td>[R] – Required (O) - Optional</td>
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<td>1</td>
<td>Jan 26 (Fri.)</td>
<td>Turnaround Management Every Day [R]</td>
<td>None</td>
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<td>Taking Charge, Ch. 1 [R]</td>
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<td>Taking Charge, Ch. 6 [R]</td>
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<td>A Turnaround Strategy Framework [R]</td>
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<td>Learning Success from Distress [R]</td>
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<td>Strategic Decline [R]</td>
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<td>2</td>
<td>Jan 29 (Mon.)</td>
<td><strong>CASE: Lyric Dinner Theater</strong> [R]</td>
<td>None</td>
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<td>Note on Financial Analysis [R]</td>
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<td>Note on Financial Forecasting [R]</td>
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<td>Weekly Cash-Flow Analysis: Why Isn't It a &quot;Best Practice&quot;? [R]</td>
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<td>Leadership and the Psychology of Turnarounds [R]</td>
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<td>3</td>
<td>Feb 5 (Mon.)</td>
<td><strong>CASE: Nadir Publishing</strong> [R]</td>
<td><strong>Nadir Publishing</strong> [R]</td>
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<td>Note on Implementing Strategy [R]</td>
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<td>Cash Projection: The Past is Not Prologue [R]</td>
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<td>Taking Charge, Ch. 3 [R]</td>
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<td>Taking Charge, Ch. 4 [R]</td>
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<td>Successful Restructuring Requires a Hard Look at Legacy Costs [R]</td>
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<td>4</td>
<td>Feb 12 (Mon.)</td>
<td><strong>GUEST LECTURER</strong></td>
<td>None</td>
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<td>Taking Charge, Ch. 5 [R]</td>
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<td>Investing in Distressed Companies [R]</td>
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<td>Second Lien Financing [R]</td>
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<td>Lender Acceptance Fuels Explosion in Second-Lien Market [R]</td>
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<td>Debtor-in-Possession Financing [R]</td>
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<td>Bankruptcy Practice: Second Liens and Bankruptcy (Part 1) [R] (Part 2) (O)</td>
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<tr>
<td>Session</td>
<td>Date</td>
<td>Pre-Class Readings [R] – Required (O) - Optional</td>
<td>Deliverables [R] – Required (O) - Optional</td>
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</table>
| 5       | Feb 19 (Mon.) | **CASE: Bonne Chance (2015)** [R]  
**CASE: Master’s Novelty** [R]  
Feed the Winners ... Starve the Losers [R]  
Organizational Decline and Innovation [R]  
Managing Declining Businesses [R]  
When a New Manager Takes Charge [R] | **Bonne Chance (2015)** [R] |
| 6       | Feb 26 (Mon.) | **GUEST LECTURER**  
Bankruptcy Basics (pp. 5 – 42; pp. 71 – 76) [R]  
A Strategic Perspective on Bankruptcy [R]  
What Happens When Public Companies Go Bankrupt? *(From SEC.gov website)* [R] | None |
| 7       | Mar 19 (Mon.) | **CASE: Bonne Chance (2016)** [R]  
**CASE: Cleveland Twist Drill (A) & (B)** [R]  
Taking Charge, Ch. 9 [R]  
Taking Charge, Ch. 10 [R]  
Note Regarding Preparation of Case: Allegheny International [R]  
Preparation of the Liquidation Analysis [R] | **Bonne Chance (2016)** [R] |
| 8       | Mar 26 (Weds.) | **GUEST LECTURER**  
Trust Factor, Ch. 2 [R]  
Trust Factor, Ch. 3 [R]  
Trust Factor, Ch. 5 [R] | None  
*Group Proposal Due for Final Project* |
<table>
<thead>
<tr>
<th>Session</th>
<th>Date</th>
<th>Pre-Class Readings [R] – Required (O) - Optional</th>
<th>Deliverables [R] – Required (O) - Optional</th>
</tr>
</thead>
</table>
| 9       | Apr 2 (Mon.) | **CASE: Allegheny International** [R]  
**CASE: Thomas Cook on the Brink** [R]  
Taking Charge, Ch. 2 [R]  
Taking Charge, Ch. 8 [R]  
STUDENT CHOICE (THIS OR FOAMEX) |
| 10      | Apr 9 (Mon.) | **CASE: Foamex International Inc. (Operational)** [R]  
AND  
**CASE: Foamex International Inc. (Capital)** [R]  
**CASE: Solo Cup in 2007** [R]  
Trust Factor, Ch. 6 [R]  
Trust Factor, Ch. 7 [R]  
**Trust Factor, Appendix C (O)**  
Strategies for Declining Industries [R]  
Innovating a Turnaround at LEGO [R] | **Foamex International Inc. (Operational) AND (Capital) [MUST BE READ TOGETHER – ONE SINGLE WRITE-UP]** [R] –  
STUDENT CHOICE (THIS COMBINATION OR ALLEGHENY) |
| 11      | Apr 16 (Mon.) | **CASE: PRG-Schultz International (A)** [R]  
**CASE: Sharp Electronics in 2013** [R]  
Trust Factor, Ch. 8 [R]  
Trust Factor, Ch. 9 [R]  
Are CROs More Powerful Than Turnaround Consultants? [R]  
Pygmalion in Management [R] | None |
| 12      | Apr 23 (Mon.) | **CASE: GT Advanced Technologies** [R]  
Taking Charge, Ch. 12 [R]  
Trust Factor, Ch. 10 [R]  
Trust Factor, Ch. 11 [R]  
Strategic Selection [R] | None |