Managing Corporate Turnarounds

Subject Area: Strategy and Entrepreneurship
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  Room Location: S346
  Extension: 8722
Course Code: E250 F
Term: SUM15
Credit Value: 1.0

FACULTY BIO

Michael holds the Sir Donald Gordon Chair of Entrepreneurship & Innovation at the London Business School, where he is Associate Professor of Strategy. He has held visiting appointments at Wharton, Harvard Business School, NYU-Stern, and has also visited Bocconi, U. of Paris and Singapore Management University. He serves on the Global Agenda Council of the World Economic Forum on the Financial System and studied in Athens, Cambridge, Stanford and Wharton, where he obtained his PhD.

Michael’s focus is change, design and strategy: he studies industry evolution, value migration, new business models, and structural change in firms and sectors. He is also interested in organizational design and how firms cope with organizational pathologies. His research has earned him the Sloan Foundation Award for the best Industry Study, and he has raised over £1M in research funds. A Ghoshal Fellow in the Advanced Institute of Management, he has been sponsored by the Leverhulme Trust, NATO, MBAA, the WEF and other private and public bodies. He has worked with Credit Suisse, Santander, BBVA, Goldman Sachs, Zurich, EADS, Finmeccanica, Pirelli, Lufthansa, Vodafone, Nokia, McKinsey, PwC, KPMG, MerckSerono, Roche and the NHS on executive development, thought leadership and strategy.

He has given keynotes for corporate events and for industry associations, including Accenture, McKinsey, PwC, Winterthur, the British Bankers Association, the Mortgage Senate, the Institute of Sovereign Investors, the Healthcare Forum, FIDI, ACE, RICS, and has spoken on TEDx, as well as in sessions for the WEF meetings in Brussels, Vienna, Istanbul, New York, Rome, and in Davos, where he has facilitated public and private events. On policy, he has worked with the WEF, the UK parliament (on the future of Financial Services), the European Council (a task-force advising President Van Rompuy on Innovation & Entrepreneurship) and has spearheaded the www.RedesignGreece.gr initiative, which aims to help restructure the Greek public administration. His current degree teaching is on Managing Corporate Turnarounds, a popular phenomenon-driven strategy elective.

COURSE SUMMARY

This course deals with the management issues that arise when a firm needs to embark on radical change to ensure its survival which, given the current environment, is a very timely exercise. The course is about strategy and leadership in real time (and some good, old-fashioned financial control too). We’ll try to help you understand how turnarounds work; what are the different types of turnarounds; what to do to lead a successful turnaround; who the main types of players are in the turnaround environment and how they can add value; what are the main concerns when you are trying to turn an organization (or an organizational unit) around; and what are the priorities and specific actions you need to take.

To do so we have a number of cases ranging widely in terms of scale, scope, stage, ownership structure or sectors (from hardware manufacturing to infrastructure, to electricity distribution, to computing, to energy, to hospitals, to advertising). A number of these cases will be co-taught or co-presented by the instructor and senior industry figures, and there will be additional industry presenters to help us get a grounded feel of the challenges involved. We will be asking you to take the position of a decision-maker who needs to figure out what has to be done, and take a stance. We’ll try to emulate the challenges that you might be facing in such a turnaround, and equip you in handling such challenging situations.

The lessons from this elective could be of use not only if you get directly involved in a turnaround, but also if you are asked to drastically improve the performance of an organizational unit, or if you interface with those involved in turnarounds, from distressed debt investors to equity owners. Given the current woes in the corporate world, and the anaemic recovery in most developed countries, there could hardly be a timelier subject!

This course is aimed at students interested in understanding how to revert decline in an organization in trouble, to those interested in restructurings and turnarounds, seen both from a strategic / organizational and a financial perspective. This is an advanced elective in that it draws on strategy, finance, accounting, as well as leadership and negotiations and should be taken late in a students’ programme.

COURSE FORMAT

This course is offered as a Friday modular course.

LEARNING OUTCOMES

On successful completion of this course, you will be able to:

- Understand how and why firms or business units can get into trouble
- Understand who does what in the turnaround industry
- Analyse distressed companies quickly and identify if they may have a future
- Understand crisis stabilisation from both financial and operational perspectives
- Understand the role of financial stakeholders
- Determine appropriate recovery strategies for different situations
- Understand the difference between turnaround within corporate entities vs. turnaround of small business ventures
- Understand turnaround in non-traditional environments (e.g. public sector)
- Follow financial restructuring and financial stakeholder management
- Manage organisational change and large-scale turnarounds
- Know the role of leadership in turnarounds and transformation
- Know the jobs and career paths in turnarounds
ASSESSMENT

Assessment Table:

<table>
<thead>
<tr>
<th>Assessment type</th>
<th>Weighting</th>
<th>Group/ Individual</th>
<th>Formative/ Summative</th>
<th>Requirement to pass? Y/N</th>
<th>Timing in course schedule</th>
<th>Length (time/word count)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class participation / Take-away points</td>
<td>15%</td>
<td>Individual</td>
<td>Formative</td>
<td>Yes</td>
<td>Throughout the course / due by 26/06/15</td>
<td>Three bullet points per session</td>
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<tr>
<td>Individual write-up</td>
<td>35%</td>
<td>Individual</td>
<td>Summative</td>
<td>Yes</td>
<td>Due during the course</td>
<td>1400 words</td>
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<tr>
<td>Final project</td>
<td>50%</td>
<td>Group</td>
<td>Summative</td>
<td>Yes</td>
<td>Due by 10/07/15</td>
<td>4000 – 5000 words</td>
</tr>
</tbody>
</table>

Minimum requirements to pass this course:

1) minimum 50% in the weighted final numerical score AND
2) minimum 50% in the largest weighted individual component

Assessment Overview

Specifically, each component consists of the following:

Individual Participation (15%)

Since this course uses cases extensively, its success depends on effective student participation in class discussions. In evaluating class participation, I will ask myself, first of all, whether the student is well prepared and interested. Beyond that, however, I will be concerned with the questions such as: Is the student considerate of other class members? Is the student responsive to the contributions of other class members and to the general flow of the discussion? Do the student's comments reflect careful analysis of the case? Do the student's comments contribute to a clearer formulation of the issues in the case? Abusing “student airtime” is discouraged, and may count as a minus. Respect – to all in the classroom – is also an essential issue.

Note that I will generally “cold call” students to broaden the distribution of class participation. If, for any reason, you find yourself unprepared for the session, please let me know by email before class starts, so that I know that you will not be contributing, and I will thus not call on you; if you are obviously unprepared and have not informed me, this will weigh substantially, and frankly will probably make you feel rather uncomfortable. Finally, please note that a Teaching Assistant may be present in the class to help with recording who participates and what they contribute to the discussion.

Also, we ask you to send in a list of what you believe to be the three key take-away points (in bullet-point format) from each session, and submit via Turnitin no later than 23:59 (UK time) on Friday 26th June.

Turnaround Case Write-up (35%)

For this write-up you can freely choose one of the cases from the syllabus which has preparation questions to answer (i.e. Saatchi & Saatchi, Target Express, YRB/Peter Charles, Jim Sharpe, Conergy, Vodafone Turkey, UCLH, Beth Israel Deaconess Medical Centre). Please note that you may not use the SLA case for your individual case write-up. The write-up should contain responses to ALL of the preparation questions for your chosen case, and will be limited to 1400 words. The write-up will be due at the beginning of class on the day the case is being taught. Please submit a soft copy of your assignment via Turnitin before the class begins.

Late papers will not be accepted, as you can appreciate. Also, note that no collaboration is allowed for this assignment- it is a strictly individual task! For the students who are “naturally shy” or feel that their
expected participation score might not reflect their true engagement in the course, submitting a second case write-up will also be accepted. This write up will in turn affect the participation score, but please note that your participation score will not be negatively affected if you only submit one write-up.

Project (50%)

The project will ONLY be accepted in ELECTRONIC FORMAT: please submit your project via Turnitin by 23:59 on Friday 10th July 2015.

The project can be done in pairs, or in threes. The word-count should be around 4,000, going up to maximum 5,000 for those involving three students. Exhibits / evidence / data supporting and complementing the text will be expected; we want you to demonstrate the evidentiary basis for your conclusions. *Please note that only one member from each group will need to submit the project on Turnitin.

There will be three types of projects from which you can choose, as outlined below.

Option 1: Analysis of a Turnaround

This involves choosing a distressed company situation and identifying the causes of failure, the nature of the crisis and what actions management took to turn the business around. You may look at either a successful or a failed turnaround attempt, or a turnaround attempt that is currently underway. Any size company – beyond about £2m sales revenues – is acceptable. Ideally, you should choose a company where you have access to management, since by interviewing the ‘architect’ of the turnaround you will maximise your learning from the project. It is unlikely you will get a good grade without interviewing management. You may not choose IBM, Nissan or Harley Davidson, or any other company which has had a book written about it, or that we have discussed in class. Also, it is strongly advised that you refrain from choosing companies that have had extensive media coverage. You may work on these cases, but you will be setting the bars very high for yourselves in terms of your grade.

Option 2: In-depth paper on turnaround issues – or case-study

An additional option exists for you to engage in a study of an interesting element of turnarounds which provides in-depth research and analysis. This could, for instance, concern exciting topics such as: The changing structure of the turnaround sector (in terms of the nature and activities of the different participants of the turnaround world); the implication of the increasing complexity of firms’ capital structure on the nature of turnarounds; the way in which the credit derivatives market collapse affects turnarounds; how the credit crunch affects turnaround activity; link between distressed debt trading and turnarounds; etc. Students interested in them should consult the instructor to confirm the topic. Please try to come with a concrete suggestion.

Finally, note that we are likely to offer a small number of “case-study” write-up opportunities. Drawing on existing documentation and ongoing relations, we may offer you the opportunity to write-up a case (which can develop into a fully-fledged turnaround case to be used in class in the future). There are already some such companies and executives that have expressed interest, and others we can access. So, should you wish to work on this, and should you like the idea of getting a bit more involved, please speak to the instructor to set this up. More details will be provided closer to the time!

Option 3: Analysis of a distressed company: Investment attractiveness

An additional option will be to work on a fully-fledged analysis of a distressed company that is out for sale in the market. This project could potentially involve two or more students and the objective there would be to put yourselves in the shoes of an investment advisor carrying out a carefully calibrated analysis. The write-up will include issues such as background information; causes of decline; strategic and financial health; suggestions (buy, don’t buy) and evidence supporting such suggestion; and the structuring of a possible deal. Please remember that you should be able to make a case that the company in concern is indeed a distressed company, i.e. you cannot take up this option if the company in question is being sold for other reasons.
Assessment and Learning Outcomes

As this course is experiential and phenomenon-based, it is important for the students to get a first-hand experience on turnarounds and their practical challenges in terms of the final assignment (50% of the grade). The emphasis on speaking with people who have been involved in turnarounds helps in making this a useful experience for them, and not just a ranking exercise. The fact that we provide another option, which is the ex ante analysis of a distressed company debt, caters to those taking the class with a greater interest in the financial assessment of a turnaround situation, as opposed to the turnaround itself, and combines the learning on what are the prerequisites for the turnaround to succeed (and the assumptions underlying a positive view on distressed debt) with a financial/valuation perspective. This, too, is a skill which may well be needed for our students, and applies the course, as well as being a valuable exercise in its own right. The option of an in-depth paper or case-study with a teaching angle offers the instructor the possibility to identify (with his or her guidance and approval) an instance where the exercise could offer value to the students and apply the lessons of the class. The fact that this is a team effort, with a team ranging between two to three students aims at fostering collaborative work from students with different backgrounds. And the fact that this is capped at three students aims to limit the risk of free-riding, which happens in teams of four.

As for the turnaround case write-up, it aims to focus the students attention to a careful analysis of a case and their addressing the open-ended questions which inevitably arise in a turnaround. Yet, the fact that the questions may be open-ended doesn’t mean that there isn’t a more appropriate way of tackling them; a robust grading scheme has been implemented and codified, and this has not raised, in the last few years, any grading disputes, suggesting it is well received.

Finally, the participation grade (15%) is essential as the course relies on interaction and not lectures. The fact that all students are cold-called at least once is an important element, favourably noted in the course evaluations, as is the fact that airtime is managed carefully so that it isn’t dominated by few extroverted enthusiastic participants.

Plagiarism Declaration

All students completing this course should be aware that in submitting any assignment for this course, you agree to the following declaration:

“I certify that the coursework that I have submitted is entirely my own unaided work, and that I have read and complied with the School’s guidelines on plagiarism and referencing as set out in the School handbook.

I understand that the School may make use of plagiarism detection software and that my work may therefore be stored on a database which is accessible to other users of the same software.”

Students should be aware that, where plagiarism is suspected, a formal investigation may be carried out under the School’s Student Disciplinary Procedure. This may result in penalties ranging from mark deduction to expulsion from the School.

COURSE PREPARATION & READING

Prework

Please note that we will assume you have read the following before the beginning of the course:

Course Book: Slatter and Lovett, “Corporate Turnaround” (Penguin Books 1999) - Chapters 2, 4, 5, 6, 10, 11 and 12. (Time permitting, please read the other chapters as well). *Please ensure you buy the book yourselves as this is NOT provided with the course pack.

Case Material: You are required to read all of the assigned readings as detailed in the next few pages.
Preparation

The course will be based on a set of case-discussions, with occasional swathes of lecturing or presentation by the instructor or the guest presenters. What will make the course most useful for you is your preparation. Classroom time will be spent applying the turnaround framework and your general management skills to a number of case studies and problems posed by the guest speakers. Turnaround managers are expected to be competent with the numbers, so where financial data exists in the case studies you will be expected to have analysed it prior to class. Preparation is instrumental to a successful discussion, so you will be expected to have done the readings ahead of time. And please note that, in keeping with past practice, I will be cold-calling (a practice which has been seen as a strong part of the course, from previous cohorts).

Please note that we will expect you to come to class with answers to the case questions.

Optional Reading Material

In addition to the required reading, I thought it might be useful to propose a few more resources for those of you wanting to deepen your understanding of turnarounds. Here is a short selection of books you may find useful when exploring the subject in more detail.

Financial Restructuring:

General:
- Platt, Harlan, Principles of Corporate Renewal, University of Michigan Press, 1998 (the textbook used for the Licensed Turnaround Practitioner exams in the US)
- Shein, Reversing the Trend, Jossey Bass, 2011

Course materials will be distributed:

- Electronically on portal.london.edu ONLY

TEACHING METHODS

Teaching/contact hours: 5 hours per day
Suggested independent study hours: 3 hours per day

The following teaching methods will be used on this course:

Lecture(s)  ☑
Guest Speaker(s)  ☑
Project(s)  ☑

OTHER

Course Logistics: Final Details

For any administrative questions that relate to the course please contact Beth Wallace (bwallace@london.edu). She’ll be happy to sort out any general course-related queries, and if she cannot resolve it herself she will point you in the right direction, so please contact her first.

In terms of grading, Lisa Duke (lduke@london.edu) will be working with me in the assessment, so for any grade-related queries please email Lisa.

Should you wish to contact me directly you can send an email to mjacobides@london.edu. Given a particularly busy travel schedule and commitments I will respond as soon as possible.
COURSE STRUCTURE

Day 1 (Friday 24th April 2015)

Session 1.1: Introduction and Overview

In this brief section, I’ll go over the objectives of the course, and will also consider why turnarounds come about, what leads us to need to either turn a company around, or restructure its debt (or, often, both), and consider the different varieties of turnaround topics and tools we’ll cover in our course. I’ll also touch on how the changes in the competitive environment are making a focus on turnarounds as critical an endeavour as ever. The attached background readings, provide a glimpse of the current conditions in the credit and capital market, and in the real economy that shape and constrain what firms can do, so useful to take a look to give you a sense of backdrop against which we need to work. In addition, time allowing skim (and read the abstract!) of the research publication on turnarounds by Furman & McGahan. We’ll see what their findings suggest on turnarounds, and strategy more generally, when we meet in class....

Background readings
Making Sense of the Current Restructuring Market, Alix Partners
Anita McGahan & Jeff Furman, “Turnarounds” in Managerial & Decision Economics, 2002 (optional)
Best Practice Guideline: Turnarounds, ICAEW, May 2011
The trouble I’ve seen, James, HBS March 2002

Session 1.2: Saatchi & Saatchi: Getting in and out of trouble

In this session, we start by looking at why companies can turn from success to failure through the history of Saatchi & Saatchi – an advertising agency that gained notoriety for, among others, helping Thatcher’s conservatives win the 1979 elections, and for almost buying a bank before going as close to collapse as a firm can get. We will try to see what was behind these problems, how the changes in Saatchi’s environment, how its management policies, its corporate strategy and its approach led to these problems. Doing so, we will consider why companies get in trouble; how this relates to their prior success (or to changes in the world around them); how their strategy, organizational dynamics and capital structure interact; and, given all this, where troubles leave us. From diagnosis, we will move to the question of “how value can be created” in a situation where a number of potentially valuable but mismanaged building blocks might exist. Then, we will move from analysis into action, and consider the choices Bob Seelert faced in order to turn the company around – and what he should do (and did) to make a success out of it.

Assigned Readings
Saatchi & Saatchi: The rise, fall, and rebirth of an icon, LBS case
Don Sull, Why Good Companies go Bad, HBR

Please note: As you read the case, you can focus on Saatchi’s initial problems (before the crisis hit) and the turnaround process, especially under Seelert; you won’t need to spend much time on the current shape of the competitive landscape and the associated challenges, so you can skip the final part of the case on Kevin Roberts’ challenges.

Background reading
Michael G. Jacobides, Re-inventing Strategy: From Maps to Playscripts, HBR (skim, optional)

Preparation Questions:

- What led to the initial success of Saatchi? How did it manage to grow so well until 1988?
- What were the reasons of Saatchi’s demise? What led to the problems? And what accounts for the pace of the problems coming up?
- What were Seelert’s priorities in turning the company around?  Which were his main actions, and why do you think he chose the course of action he did?
Session 2: Target Express: from diagnosis to intervention

In this session, we will consider the challenges that David Hoare, an experienced leader of the turnaround process, had to face with Target, a delivery and package company. We will look at how to diagnose problems in an organization that has started heading south, and consider what the specific actions that a turnaround manager needs to take to stabilize, and then turn around a difficult situation. Based on the background material of Target (A), which is pretty close to what was available to David at the time he went into Target, we will ask you to assess the situation, and make your own recommendations for action. We will then consider the next stages of the turnaround, asking you to go in the driver’s seat.

Assigned Reading Target Express Part (A), LBS Case

Background reading Chapters 7 and 9, Slatter and Lovett, “Corporate Turnaround”

Please note: The optional readings on restructuring provide some background on the financial side of turnarounds, and would be useful for the entire course if this is new material for you; you may want to read them if you find yourself unable to answer question 3 below.

Preparation Questions:

- Do you think that this is an opportunity worth pursuing? Why / why not? Justify your answer with the information in the case!
- What do you think are the company’s main problems? What led to them, and can Target Express be turned around at this stage?
- Do you think that any restructuring of the capital structure will need to happen? Why/ why not? Which factors should you take into account as you consider this question? (NB: this question is not compulsory to answer for the write-up and will not be counted)
- Who are the stakeholders David needs to consider and what are their perspectives and expectations? Where does he need to draw support from to succeed?
- Assuming David wants to undertake the turnaround, what should his priorities be? What should David’s action-plan be (a) before he gets the job and (b) in the first three months? (NB: this question is not compulsory to answer for the write-up and will not be counted)

Day 1 Schedule and Session Layout

09:00 – 09:40 Course introduction and overview
09:40 – 10:30 Saatchi & Saatchi: Getting in to trouble
10:30 – 10:45 Coffee break
10:45 – 11:45 Saatchi & Saatchi: Getting in to (and out of) trouble
11:45 – 12:45 Lunch break
12:45 – 14:15 Target Express: From diagnosis to intervention
14:15 – 14:30 Coffee break
14:30 – 15:30 Target Express and managing people in a turnaround
Day 2 (Friday 8th May 2015)

Session 3.1: Turnarounds seen from the Banks perspective - Managing the relationship with capital providers (with Laura Barlow)

In this brief session, we consider how a major player in the turnaround ecosystem, banks, approach firms that get in trouble, and describe how they respond to efforts to turn the situation around. Laura Barlow (head of RBS’s Global Restructuring Group) will delve into how banks, and other creditors, handle the situation and what we should expect from that. No pre-reading necessary.

Session 3.2: Jim Sharpe: Choosing and turning around a company in trouble

This session will take us to the perspective of an MBA graduate, with about 10 years experience, who tries to take advantage of a company in need of a turnaround. Jim Sharpe is about to buy an underperforming company, leveraging quite aggressively, and hoping to extract a substantial amount of value through restoring the company’s position. As we go through the case, we’ll consider the issues that emerge when we want to potentially buy a company and turn it around – dos, don'ts, how to go about it ahead of time, and how to manage the process (as well as think about the financials of the offer). We’ll look at what’s involved when taking over such a business and confront the realities of needing to manage within tight constraints.

Assigned Readings: Jim Sharpe Parts (A) and (B), HBS case

Background Reading: ‘Turnaround Finance for Small to Medium Sized Businesses on the Brink of Insolvency’ (available from www.turnaroundfinance.com)

Preparation Questions:
- What were the reasons that Jim Sharpe accepted the deal? What appears to be the latent promise in this case? And what are the main risks he is faced with?
- What are the main issues and concerns Jim will have, as a result of his agreement, in the immediate and intermediate future? What are the financial risks of the deal?
- What should Jim Sharpe do on his first day as owner of Extrusion Technology, Inc., and what should he tell (if anything) to the crowd at the cafeteria?
- What should Jim Sharpe’s objectives be for the first week? What should his plan be for the first six months? The next twelve months?

Session 4: Turnaround of a non-for-profit: The UCLH Case

In this session, we look at turnarounds for another important sector in need of transformation. Specifically We will talk about the turnaround of University College London Hospitals NHS Foundation Trust, which took place between April 2005 and May 2007. UCLH is a major London teaching hospital, which encountered serious financial problems following the consolidation of two separate hospitals into a new hospital building. This case will bring us up close to one of the largest, most sensitive and most successful UK public sector turnarounds in recent years, highlighting the similarities with and differences from private sector turnaround. In the session, we will have built in two “in-class case discussion” opportunities, where you’ll be expected to contribute your own views about the key issues at in the story as it unfolded.

Assigned Readings: UCLH: A hospital requiring intensive care Parts (A) and (B), LBS Case

Background reading: Slatter and Lovett, “Corporate Turnaround”, Chapter 8 Shein, Reversing the Trend, Jossey Bass, 2011, Chapter 8, Turnarounds at (intentionally) non-profit organisations.

Preparation Questions:
- What factors led to the current situation? What would need to happen for UCLH to get back on
track?

- Who are the key stakeholders in this turnaround effort, and what are their objectives? How does this differ from a “usual” turnaround given the stakeholders and mission of UCLH? What makes it easier or more difficult?
- If you came in as Pelham, what would your relationships be with the key stakeholders? How would you go about establishing the preconditions for your success?
- What should Pelham’s priorities be on day 1 and week 1? How would you set your priorities and milestones looking ahead?

**Day 2 Schedule and Session Layout**

<table>
<thead>
<tr>
<th>Time</th>
<th>Session Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>09:00 – 10:00</td>
<td>Turnarounds from the bank perspective (with Laura Barlow)</td>
</tr>
<tr>
<td>10:00 – 10:15</td>
<td>Coffee break</td>
</tr>
<tr>
<td>10:15 – 11:45</td>
<td>Jim Sharpe: Choosing and turning around a small company in trouble</td>
</tr>
<tr>
<td>11:45 – 12:45</td>
<td>Lunch break</td>
</tr>
<tr>
<td>12:45 – 14:15</td>
<td>Turning around UCLH</td>
</tr>
<tr>
<td>14:15 – 14:30</td>
<td>Coffee break</td>
</tr>
<tr>
<td>14:30 – 15:30</td>
<td>UCLH continued</td>
</tr>
</tbody>
</table>
Day 3 (Friday 22\textsuperscript{nd} May 2015)

Session 5: Turning around a local operation of a global group: Vodafone Turkey’s turnaround (with Ian Gray)

In this session, we look at 3 stages of Vodafone’s operations in Turkey – how Vodafone decided to invest in Turkey and that their Turkish operation needed a turnaround (case A), how the turnaround was structured and planned (case B). Your case will focus on Serpil’s challenges as a CEO, in terms both of what to do in a turnaround, within an existing corporate, and also how to do it – in terms of priorities and mode of engagement. We will have the opportunity to hear from the current Chairman of Vodafone Egypt, Ian Gray, to discuss the process. In preparation for your case, you need to go in the shoes of the CEO as she prepares to juggle many different balls.

Assigned Readings
- Vodafone Turkey (A): Fix it or let it go?, LBS case (skim, and get the background)
- Vodafone Turkey (B): A new start, LBS case (focus here!)

Preparation Questions:
- What constraints does Serpil face in terms of setting up a turnaround strategy? What are her options?
- What should be Serpil’s order of priority? What should her priorities be on day one, over the first two weeks and over the next four weeks after that?
- What data and information should Serpil draw on to decide her course of action and how should she use it to inform her turnaround strategy? What should she prioritise in terms of data gathering?
- What could Serpil do to improve the performance of the team in the short term? In the longer term?

Session 6.1: Turnarounds: An adviser's perspective (with Peter Charles)

This session will look at a turnaround from the perspective of a consultant who works with organisations requiring turnaround both in a strategic and operational capacity. Peter Charles is an LBS alumnus who runs his own turnaround company. In this case study, which is drawn from his portfolio, he brings us the reality of working in a company which has lost its finance director and is under significant pressure from the bank.

As we go through the case we will consider: sources, retrieval and management of information; pressures experienced by the turnaround consultant; the procedures deployed; the stakeholders with whom he has to engage; the power and influence, if any, that he has to bring to the situation; and where the balance of power really lies and how that may alter as the work goes on.

Assigned Readings
- Peter Charles at YRB Group (A), LBS case

Preparation Questions:
- What was the nature of the problem with YRB, in terms of operations? What was wrong with its financials and what caused this issue? What information does he need to consider to get answers to his questions?
- What is the banks’ view of and concerns with YRB at the point that Peter Charles comes in? What can Peter do to get the leeway he needs from the banks?
- Which should be Peter’s priorities, in terms of addressing the problem at hand? Who are the key stakeholders and how can he best work with them given the fact he is not an owner or an executive chairman?


In this session we will consider Rothschild: The Conergy Financial Restructuring Conundrum. We will
consider the drivers behind Conergy’s woes, and use the case to consider how different parties involved in a restructuring look at their challenges in different ways. We will work through the case, consider the interdependencies of a business and financial plan that “hangs together”, and look at how this was resolved, drawing on one of the case protagonists who will join us to provide a perspective on what happened and why. This case will also allow us to touch on jurisdictional differences and negotiation dynamics, in preparation of our SLA exercise.

Assigned Readings Rothschild: The Conergy Financial Restructuring Conundrum

Preparation Questions:

- Why did Conergy get in trouble? What caused Conergy’s problems, and do you think that there’s any potential upside to the firm? For the upside to be there (in terms of the business), what do you think we need to do in terms of the capital structure?
- Who were the key stakeholders in this case? What were their interests and constraints? If you were an advisor trying to sort all this out, how would you try to coordinate the ongoing dialogue and negotiation among the involved parties? Do you think that the management had a different approach, and why?
- As of October 2010, what were the restructuring options available to Conergy? As a financial advisor, which one would you recommend?

As you are preparing the case, you can draw on the excel spreadsheet which provides a financial model that shows you how your choices are connected. Taking banking covenants for granted (which we wouldn’t, in the real world!), consider what are the plans that you can have that would be compliant. Likewise, evaluate the company liquidity position and maximum debt capacity.

Day 3 Schedule and Session Layout

09:00 – 10:30 Vodafone Turkey (with Ian Gray)
10:30 – 10:45 Coffee break
10:45 – 11:45 Vodafone Turkey, continued
11:45 – 12:45 Lunch break
12:45 – 13:30 Turnarounds: An adviser’s perspective (with Peter Charles)
13:30 – 13:45 Coffee break
Day 4 (Friday 5th June 2015)

Session 7.1: Turning around a Private Bank (with Sally Tenant)

In this session, Sally Tennant will take us through her experience in turning around private banks. She will be able to shed some light on the tricky dynamics that a new MD/CEO faces as they enter an organization where much of the value rests on key resources - the employees, who have links to the customers and who can walk out of the door, as opposed to comply with the new leader; and how to balance the requirements from the board, which has its own priorities, and other parts of the business. We will also hear about how to tread carefully when there is intense public and regulatory scrutiny, and where trust is paramount, and see how such turnarounds differ to those we have analysed so far.

Session 7.2 Restructuring in Banks and Sovereigns (with Rodrigo Olivares-Caminal)

In this session, we will consider the restructuring and turnaround issues which emerge in Banks - a very particular type of institution, and then move to the issues of debt overhang and structural reform at the level of sovereigns. Given the recent Greek crisis flaring up again, we will draw on the current state of affairs, and Rodrigo Olivares-Caminal, a specialist on sovereign debt restructuring, will help us understand what happens when nations run out of money. MGJ will also provide some illustrations on the causes, and challenges with operational and financial turnaround in sovereigns, looking at the Greek case. As part of our case material will draw on the news as they develop, we will assign the readings and background information closer to the time - so please keep an eye out for fresh portal content.

Background readings: TBC on portal, closer to the time

Session 7.3: Restructuring and the Turnaround Ecosystem (with Heather Swanston)

In this session we will go over the basic logic behind structuring, and re-structuring, a bank's balance sheet, and the logic that underpins any restructuring decision. Then we'll engage in an interactive session with PwC's Heather Swanston, to clarify any questions on how the process works. In this session, we'll also have a quick overview of the turnaround world, in terms of the different types of participants that partake in the turnaround ecosystem, and the tools available at their disposal.

Session 8: Super Luxurious Auto- case and interactive restructuring exercise (with Andrew MacCallum)

Super Luxurious Auto (SLA) is a fictitious company case study based on an actual A&M engagement that involved a complete financial and operational restructuring. Andrew MacCallum will lead a case study based on this situation. The case revolves around a company that has deteriorating financial performance and is therefore unable to meet its debt obligations. Once the issues have been identified, students will take part in a role playing exercise based on the key stakeholders/roles in a typical financial restructuring scenario (senior lender, junior lender, private equity owner, distressed debt hedge fund, and turnaround advisor). The case material will highlight the issues and concerns faced by each stakeholder, and students will determine (in groups) what negotiation strategy they would pursue in this multi-party scenario. The second part of the class will focus around a discussion of the company management role in the process, how an operational turnaround is linked with a financial restructuring and why the outcome of negotiations may be very different in different situations.

We want you to read all the material, although you will be assigned a group for the purpose of the discussion in class - asked to take the very concrete perspective of one of these industry participants as they try to ensure they both create / salvage as much value as they can and that they keep a good share for themselves. So come prepared for an interactive session where we will consider how to restructure the firm: Do your homework and prepare to negotiate.

Assigned Readings Debtwire Articles on SLA
Company financials (you may want to reprint in A3, colour- this is important!)

Situation report for the main players (read all, focus on yours)

- GTC – the private equity sponsor and owner of SLA
- RBA – the senior lenders
- Sandwich – the mezzanine lenders
- Godzilla – the hedge fund
- A&M and SLA – combination of the turnaround advisor and its client, SLA

Liquidation analysis email - This is the liquidation analysis of SLA performed by Deloitte, Davies & Tomatsu. This analysis could be read by all, though A&M may want to look at how this can help (if at all) solve any problems by disposals etc.

Operational Briefing - One further note with possible ways that A&M and SLA management can improve liquidity in the medium term, as background.

Role Play - Preparations for Negotiations - Contains several questions and issues that your stakeholder teams need to prepare ahead of class.

Preparation Questions:

- Why has SLA’s financial performance deteriorated (what are the key drivers) and how will the business plan going forward likely be revised?
- What would each of the key stakeholders/roles be thinking about before negotiations commence (i.e. what are their likely gives and asks and BATNAs?).
- Consider the role of A&M in this restructuring process, and provide an updated EBITDA / cash flow forecast for the Company for Y5-Y7. How much debt can the company hold after emerging from restructuring? How much new money is required (if any)?
- Which party do you think has the strongest position at the negotiating table? Which has the weakest? What are the major risks and opportunities faced by each stakeholder, and how might these change as the financial restructuring process evolves?
- What is the role of the turnaround advisor (such as A&M) in a financial restructuring process?

Further preparation: Role-playing and negotiating a restructuring

Remember that in our session, you have been assigned to a group (group spreadsheet can be found on portal or in your course binder) and this group must have met before the class starts, and come to a view of what the situation is, and how to act in the multi-party negotiations that this class is about. (It’s a restructuring and operational turnaround case... so we need to find a collectively beneficial outcome while each side tries to advance its interests). So, in class, we will ask each group to come to a consensus about the following topics:

1. What are the key issues to consider in the financial restructuring, viewed from your angle?

2. What should be the group’s strategy and tactics in the negotiations with the other parties?

Each group should prepare answers to all the preparation questions above, focusing on their group’s perspective. (A&M, for instance, will be keen to really get a handle on Q3, whereas the others will think about it as background, focusing on their preoccupations instead.) So, read, connect with your team ahead of time, and prepare for the give or take this will entail; we’ll have time to finalize in the class, but advance group discussion is necessary. The “role descriptions” tell you what you need to worry about. But you will probably want to read everyone else’s roles and situation too, so that you understand “where they are coming from” and see how this should affect your suggested gives and takes.

Please ensure that you have thoroughly discussed your intended strategy for the SLA exercise with your assigned group. This preparation should take place well in advance of this session and preferably before the week’s teaching begins.
Day 4 Schedule and Session Layout

08:15 – 09:00 Turning around a Private Bank (with Sally Tenant)
09:00 – 10:00 Restructuring in Banks and Sovereigns (with Rodrigo Olivares-Caminal)
10:00 – 11:00 Financial Restructuring and the Turnaround Ecosystem (with Heather Swanston)
11:00 – 12:00 Lunch break
12:00 – 13:30 SLA interactive case (with Andrew MacCallum)
13:30 – 13:45 Coffee break
13:45 – 14:45 SLA Case continued
Day 5 (Friday 19th June 2015)

Session 9: Turnaround in Action: Paul Levy and BIDMC

This session builds on all we have seen to date, and asks us the question of “how would you go about turning around if you were running the show?” It’s a case of a real turnaround, based on extensive video-footage and interactive material we will see in class. It’s about Paul Levy’s challenges – and we will ask you to get in Paul Levy’s shoes and consider how to deal with the many facets of a turnaround assignment. The story itself is fascinating: On January 7, 2002 Paul Levy became president and CEO of the Beth Israel Deaconess Medical Centre (BIDMC) in Boston. He faced many challenges: a deteriorating financial situation, several years of flawed implementation, and intense pressures from public officials for a rapid turnaround. Despite a national reputation for high quality teaching, research, and medical care, the BIDMC, with 1,200 physicians and annual revenues of $788 million, was on the verge of being sold to a for-profit chain. Drawing on the paper case (to consider the background) and interactive material (to be shown in class) we will consider what Levy should do as he leads the turnaround during his first six months as CEO.

Assigned Readings  Paul Levy and the Beth Israel Deaconess Medical Centre Part (A), HBR case

Background reading  ‘Engaging Doctors in the Health Care Revolution, Lee & Cosgrove, HBR June 2014

Preparation Questions:

- What were the problems that led to the BIDMC getting in trouble? Why did previous turnaround efforts fail? What could be a way out?
- What would be your priorities as Paul Levy, walking in this case? What, if anything, would you do before taking the job?
- If you were in Levy’s shoes as a new CEO, which would be your objectives for the first week and first month? And, what, specifically, would you do in day 1, and why?

Session 10.1: Turnaround: When failures isn’t an option (with Pelham Allen)

One of the most challenging things (in business school overall) is that we speak about success more than we do about failure. In this session, we wont speak about success; but, rather, about failure. To tackle such delicate territory, we have the privilege of an off-the-record discussion from a statesman of the turnaround world and UCLH hero, Pelham Allen (who previously also turned around the Royal Opera House) on turnarounds which didn’t turn out as expected. He will consider why this was the case, what we can learn from failure and also consider what is failure in a turnaround context. In particular, he will look at organizations which, after being turned around, relapse, what causes this and how to avoid this.

Background reading  The Francis Effect (Apr 19, 2014), The Economist

Session 10.2: Careers in Turnaround and the state of the market: A panel discussion
(with Stelios Fragos, Heidi Blakeway-Phillips and Keith Beattie)

This session is about the possibilities of breaking into the rather closed world of turnarounds. As the credit crunch and economic contraction puts substantial pressures on organizations small and large, and as unwieldy capital structures lead companies to the need for financial and then real restructuring, and as distressed debt traders change the landscape for the turnaround profession, getting a foot in this sector is becoming increasingly interesting, and options are likely to be on the rise. But, how can one enter this secretive world? What are the usual “career paths” associated with each of the different types of players in the sector? And what are the different skills that are needed in different stages of the turnaround process? A panel of experienced professionals will share thoughts on skills, opportunities, careers and pitfalls in the world of turnarounds writ large, and also opine on the current state of the market, and market dynamics.
Day 5 Schedule and Session Layout

08:30 – 09:30 Paul Levy's challenges in BIDMC
09:30 – 09:45 Coffee break
09:45 – 11:00 Paul Levy's challenges in BIDMC continued
11:00 – 12:00 Lunch break
12:00 – 13:00 Challenges in turnarounds: When failure isn't an option (with Pelham Allen)
13:00 – 13:15 Coffee break
13:15 – 14:45 Careers & market dynamics in the turnaround world – A panel discussion (with Stelios Fragos, Heidi Blakeway-Phillips and Keith Beattie)
GUEST PRESENTERS’ BRIEF BIOGRAPHIES

Laura Barlow (Session 3.1)

Laura Barlow currently heads the Global Restructuring Group (“GRG”) of RBS in the UK. GRG undertakes active management of the Bank’s problem lending portfolio. Its mission is to be at the leading edge of a wider rescue culture in the UK and globally.

Laura was formerly a Managing Director at AlixPartners and has a wealth of experience in working with companies that face significant operational and financial challenges. She has led financial and operational restructuring programs for public and privately held companies in both interim management and advisory roles, including as Executive Chairman of Welcome Financial Services and CRO of SeaContainers and Stolt Offshore.

Laura is co-author of Leading Corporate Turnaround (Wiley) and contributed to Corporate Turnaround (Penguin) and Restructuring and Workouts (Globe).

Ian Gray (Session 5)

Ian Gray retired from his executive role as Regional Director of Vodafone Group (covering Central Europe and Middle East) in 2010 remaining Chairman of Vodafone Egypt until June 2014, Vodafone Egypt is the leading Technology operator in Egypt with over 10,000 staff, 40million Mobile subscribers and a number of subsidiaries in outsourced and web services. Gray now provides advisory services for companies and clients including Vodafone plc.

Prior to Vodafone, he was CEO of the FTSE listed companies Brown and Jackson PLC (going in as part of a rescue and restructuring) and later General Cable PLC (a business reengineering challenge). For nearly 20 years prior to this, he held various roles in the Thorn EMI Group including 10 years as a Divisional CEO.

Ian Gray is also UK Co-Chairman of The Egyptian British Business Council (EBBC) which was set up under the auspices of the Egyptian and British Governments in 1998 as a top level strategic body to facilitate trade and investment links between Egypt and the UK.

Peter Charles (Session 6.1)

Peter Charles is an experienced and qualified turnaround professional. Over his years in turnaround Peter Charles has worked primarily on company side, with mid-sized private companies. Working on assignments in the last decade across a range of sectors, work undertaken has included; managing working capital crises; restructuring of finance departments and wider business reorganisations; dealing with significant accounting errors and making good poor or disrupted financial and business systems.

As well as a Member of the Institute for Turnaround, he is a Fellow of the Chartered Institute of Management Accountants. His eponymous business delivers rapid results in difficult business situations. It deploys Consulting Interim Teams, who have a particular focus on the finance function. Clients range in size from FTSE quoted, through private companies, to the small end of SME. He has a solid track record of success.

Richard Millward (Session 6.2)

Richard Millward is a managing director at Rothschild, and responsible for restructuring corporate’s across UK and Europe. He has been at Rothschild since the beginning of 2001 and has led a number of debt advisory assignments assisting companies to restructure their debt facilities in the light of changing economic environments and the impact on the companies’ business plans. He has worked in UK, Germany and France on a range of sectors including retail, house building, financial services and construction. Clients include Arcandor, Conergy, Barratt, TaylorWimpey, Kensington Mortgages, Mowlem, Jarvis. The advice has ranged from strategic capital restructuring, implementation of
financial systems to improve reporting, negotiation of term sheets and implementation of new financing deals. Prior to his time at Rothschild, he was at Kleinwort Benson for 17 years, where from 1990 - 1994 he ran the UK work out group, which was responsible for managing a loan portfolio of leveraged loans to a range of Entrepreneurial and property businesses.

**Sally Tennant (Session 7.1)**

Sally Tennant is a Director and Independent Wealth Management Adviser. From 2011 to 2014 Sally was Chief Executive of Kleinwort Benson. She was previously Chief Executive of Lombard Odier (UK) Ltd and Chief Executive of Schroders Private Banking. Her earlier career was in asset management at Gartmore plc, Morgan Grenfell Asset Management and S G Warburg. Sally is a trustee of the STARS Foundation and is also a trustee of Guy’s & St Thomas’s Charity and sits on their Investment and Audit Committees. She holds a degree in Politics from the University of Durham, and is married with two children.

**Rodrigo Olivares-Caminal (Session 7.2)**

Rodrigo Olivares-Caminal is a Professor in Banking and Finance Law at the Centre for Commercial Law Studies (CCLS) at Queen Mary University of London. Prior to joining CCLS he was a Senior Lecturer in Financial Law and the Academic Director at the Centre for Financial and Management Studies (SOAS), University of London and the School of Law, University of Warwick. He taught in undergraduate and postgraduate courses in various Schools of Law and Business Schools in the United Kingdom, Spain, Greece, France and Argentina as well as in professional training courses in Africa, Asia and Europe. He has acted as a Sovereign Debt Expert for the United Nations Conference on Trade and Development (UNCTAD), Senior Insolvency Expert for the World Bank / IFC and as a consultant to several multilateral institutions in Washington DC and Europe, Central Banks and Sovereign States as well as in several international transactions with Law Firms. He specialises in international finance and insolvency law. He is the author/editor of seven books and has extensively published in peer-reviewed journals. He sits in the editorial/advisory board of several law journals in the UK and US and is a member of national and international institutions and associations specialised in comparative commercial and insolvency law.

**Heather Swanston (Session 7.3)**

Heather currently leads the Refinancing & Restructuring practice within PwC’s Business Recovery Services business and specialises in complex, high value advisory mandates for financial investors, lenders and corporates in troubled situations.

Heather has been a Partner in PwC’s BRS team for 12 years and, amongst others, has led material assignments with Global Renewables, FCC (UK), Bibfa, Park Resorts, Premier Foods, Optical Express, Samsonite, Game Group, Baugur, Dixons Group, HSS Tool Hire, De Beers, Covenant Healthcare, Peacocks, Fat Face, Johnston Press, Cobra Beer, LA Fitness, Anglian Windows, Uniq, Aurum Holdings, Biwater, Esporta, Actavis, David Lloyd, David Brown Gears, Carl Zeiss Vision, Jessops and Harvest.

Heather spent almost 2 years with the firm in Seoul, South Korea (1997-1999) working on corporate restructuring mandates, and has worked in two bank work out teams during her career – the Korea Exchange Bank in Seoul, where she was responsible for Daewoo and Hyundai exposures, and the Royal Bank of Scotland, where she was responsible for leading restructuring activities with respect to sponsor-backed Leveraged Buy Outs.

**Andrew MacCallum (Session 8)**

Andrew brings more than 20 years of credit-intensive experience in cross-border debt financings, debtor restructurings and turnarounds, and crisis management in the UK, continental Europe, Canada and Australia. He has experience on both the buy and sell-side in European loan markets across a variety of industries and business sectors. Prior to joining A&M, Andrew was a senior credit analyst with a leading European hedge fund and was European head of leveraged loan portfolio management
for seven years with Goldman Sachs in London.

**Pelham Allen (Session 10.1)**

Pelham has worked as an independent turnaround specialist since 1991, following professional training as a Chartered Accountant and 14 years’ experience in general financial management.

In his role as a turnaround specialist, Pelham has concentrated on large people businesses, providing robust advice or taking executive responsibility as the situation required. In 1998 he was Chief Executive of the Royal Opera House, Covent Garden.

In 2006 Pelham was appointed Turnaround Director of University College London Hospitals NHS Foundation Trust, and has since handled a further sixteen acute hospital assignments, as well as working with both McKinsey and Ernst & Young.

Pelham has recently advised the Boards of Peterborough and Stamford NHS Foundation Trust and Mid Staffordshire NHS Foundation Trust. He is also the Chairman of London Cancer, and de-facto Chairman of Radley + Co., the handbag retailer.

**Keith Beattie (Session 10.2)**

Keith Beattie is a member of the leadership of McKinsey's Recovery and Transformation Services team at McKinsey in London. He has more than 15 years experience in restructuring, turnaround and performance improvement working in both advisory and interim management roles across stressed and distressed situations. He has held a number of C-level interim roles driving major turnarounds with recent experience including the $150M turnaround at a global media business and the $100M+ turnaround at a pan-regional insurance business. He has also played key roles in landmark cases such as the Lehman Brothers Chapter 11 and the Icelandic banking crisis. Mr. Beattie is a member of the Institute for Turnaround and he holds a M.Eng. – Electrical and Electronic Engineering with Management from Imperial College, London.

**Heidi Blakeway-Phillips (Session 10.2)**

Heidi Blakeway-Phillips is an independent executive working in both the US and Europe. She started her career at one of the major accountancy firms doing M&A and financial advisory work before moving into executive roles in major multi-nationals. While in those corporate roles, she typically took on the more challenging areas of the operations. For the past fifteen years she has worked independently as an executive for companies with turnover of $250 million to $1.5 billion. She is one of the initial members, and a former Board member, of the Institute for Turnaround in the UK.

**Stelios Fragos (Session 10.2)**

Stelios has over 11 years of experience in turnaround and restructuring, private equity and investment banking. At AlixPartners, Stelios is a member of the Turnaround & Restructuring practice working closely with companies in financial distress and their stakeholders. He has worked on a number of projects ranging from operational turnarounds and interim management mandates to Chapter XI restructurings.

Before joining AlixPartners, Stelios was an Associate Investment Director at NBGI Private Equity, investing in mid-sized European companies. Previously, he was an Associate Director at NBGI, the investment banking arm of the NBG Group, and head of the M&A team. He worked on a variety of corporate finance advisory and equity capital market transactions across sectors, advising both the private and the state sector. Stelios also worked as a strategy consultant for Mars & Co. advising a range of international leading blue-chip corporate clients in key projects in Europe and the US.
Stelios graduated with distinction from London Business School receiving his MBA in July 2013. During his MBA he also completed an exchange term at Wharton. Stelios also holds a Bachelor’s degree in Economics and Political Science from Yale University.