

Maybe what the restructuring industry needs today is a few old ideas

BY DEBORAH HICKS MIDANEK

“I once saw my father wearing the world’s most unfashionable tie. “Dad,” I cried, “that tie is 20 years old!”

“Yes,” he replied. “Soon it will be back in style.”

I think of his remark when asked what’s wrong with the restructuring industry today. If you talk to the people with an interest in corporate restructuring – lenders, creditors, investors and certainly clients – many seem to agree that the business, at least as it’s typically practiced, is broken: debtor professionals seem increasingly to be characterised by exorbitant fees, questionable practices, limited accountability, a rush to file. This can’t go on, they cry. We need new ideas!

Well, call me a Pollyanna, but I think there’s a lot of value in some of the old ideas (and ideals) I remember from the early days of this industry. Maybe more than new ideas, what we need is for those old ideals to come back into style.

Here then are ten terribly old ideas that restructuring professionals working for debtor clients might do well to rediscover:

Old idea 1: The client is the business. You may have been referred by a creditor, an accountant, or a lawyer – each of which has its own interest. But as a crisis manager you must do what is right for the business overall. Even though those loud, greedy, threatening factions won’t admit it, what’s good for the business is, ultimately, good for everyone. It’s the pizza, not the slice, that matters.

Old idea 2: You are not the solution. You are the enabler. Your job is to help other people do their job. Think outside yourself. If your solution is a hammer, every problem looks like a nail. Step back and see what the problem really looks like. Then select the right tools to address it.

Old idea 3: If you’re not asking why, you’re not doing your job. Why? Because you were not hired to be caretaker of the status quo. You were not hired for more of the same. You were hired to question everything and bring new clarity to the process. To bring the benefits of detachment, and yes, often ignorance to the situation. Answers to “why”, often unexpected, can lead to new answers to “how” and even “Why not?”

Old idea 4: Whoever dies with the most toys does not necessarily win. I bet you like money. I do, too. But when looking at endgames for a distressed business, more than money has to enter the equation. Lives and livelihoods and communities are at stake, things that can’t be brutally reduced to balance sheet line items. Robust solutions matter.

Old idea 5: Consensus is not, in fact, weakness. In turnaround situations, many contradictory, unreasonable and downright annoying voices cry to be

heard. Summon your patience, and listen to them. They’re not all right but they’re not all wrong, either. If you can’t get the interested parties to find common ground for agreement, you’ll never arrive at a truly workable solution.

Old idea 6: Bankruptcy is a means. Not an end. The number of Chapter 11 filings in the US has risen dramatically over the last ten years. Complex capital structures, globalisation of many industries – there are a number of factors that contribute to this trend. It pays, however, to remember that the bankruptcy process is designed to protect troubled companies. Not to enrich the professionals involved in managing the bankruptcy process.

Old idea 7: Maybe you were, in fact, hired to babysit. Sometimes the solution to a company’s troubles is right there in front of the management team. Only the team is so embattled they don’t recognise the answer when they see it. Existing management may be helpless, but don’t assume they’re hopeless. Your job may be to help them regain their confidence in their ability to do the right thing.

Old idea 8: Morality is how you behave when nobody’s looking. And in restructuring situations, frequently no one is looking. Creditors “recommended” you but management hires you. Lack of clarity about who your master is, and the ability to tell different versions of the story as need be, allow some to push the limits of ethical behaviour. Don’t be tempted.

Old idea 9: It’s not about power. It’s about influence. Power’s fine – you speak, they act, whether they agree with you or not. Makes you feel, well, powerful. But power is nowhere near as effective as influence. With influence, you speak, they think about it, they buy in, they take ownership of the idea, they will go through walls to make it happen. And they will persist, long after you are gone.

Old idea 10: Go ahead, have a peek beyond your spreadsheet. Spreadsheets were invented hundreds of years ago. By contrast, life (all the stuff that happens apart from your spreadsheet) has been around for about 2 billion years. Not surprisingly, there’s a lot going on beyond what your spreadsheet shows. Don’t be afraid to look.

The restructuring business as a formalised endeavour has been around only about 20 years – or, as my father might have pointed out, just the right amount of time to bring back some of the fine old ideas on which the industry was started. ■

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