

Preparing the Next Generation for Turnaround Management

A Casebook on Corporate Renewal

Edited By Harlan D. Platt & Marjorie B. Platt
The University of Michigan Press, 2004

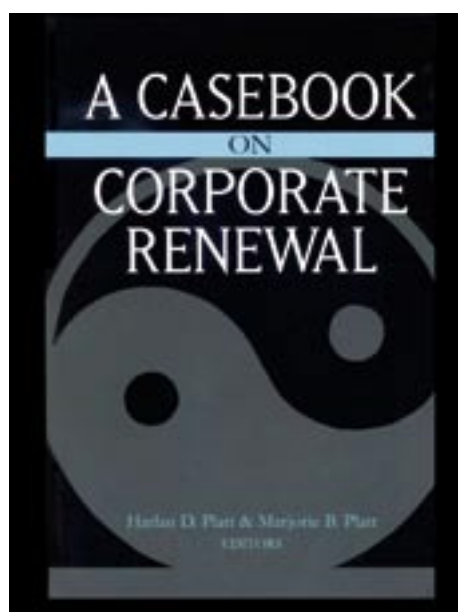
REVIEWED BY LELAND B. GOLDBERG, CTP, PRINCIPAL NACHMANHAYS BROWNSTEIN, INC.

Given the multitude of issues that a turnaround manager faces with each new assignment, Harlan Platt believes that the best way to teach turnaround management is by exposing students to recent case studies on the subject. But Platt, a professor at Northeastern University in Boston and a pioneer in teaching turnaround management to undergraduate and graduate students, found that was easier said than done.

Although he developed many of his own cases and used others that were developed by Harvard Business School in the turnaround classes he has taught for more than 12 years, Platt never felt that he had enough recent material to address all of the important issues turnaround managers face—from legal and ethical concerns to strategic and operational issues to essential financial analyses and leadership matters.

With his wife, Marjorie, a professor in accounting at Northeastern University, Platt decided to do something about that. The two agreed to collaborate on *A Casebook on Corporate Renewal* as a companion to a textbook Harlan Platt wrote, *Principals of Corporate Renewal*, which was published in 1998. A second edition was released last year. Beyond that, however, the Platts wanted to create a work that could be used in conjunction with other college textbooks or on its own in corporate management training programs.

Harlan Platt was the first faculty dean for the Association of Certified Turnaround Professionals (ACTP), TMA's sister organization, a position he held for nearly a decade. He has taught finance and management courses for more than 25 years and



has worked as a turnaround consultant with Huron Consulting Group. Marjorie Platt has taught statistics and accounting courses for more than 23 years. Together, the two have taught thousands of undergraduate and graduate students, and they understand the accounting, finance, and management issues that turnaround professionals must deal with in working with companies in distress. They hoped the availability of both a textbook and a casebook on the subject would help increase the number of business schools teaching turnaround management to a growing number of interested students and corporate managers.

Enron Revisited

In compiling the casebook, the Platts contacted 1,200 academicians, turnaround consultants, corporate managers, and other

finance and accounting professionals to solicit recent case studies that would be of interest to students of turnaround management. From among the responses, they selected 35 cases that they believed provided the best examples of concepts they wanted students to learn and included them in the book.

The casebook is a delight to read, either cover to cover or by picking cases that address a particular subject from the table of contents. For example, from the “Investigation Phase” topic area under “Predicting Distress” is the “Enron Red Flags Case,” prepared by Tom Cook and Hugh Grove, professors of accounting at the University of Denver. This case deals with the question of whether the Enron fraud could have been detected.

The case study describes what happened at Enron in the 1990s, including former CEO Jeffrey Skilling's strategy of creating an “asset light” company by applying the company's trading and risk management capabilities to power plants and other facilities owned by outsiders. The case study leads up to Skilling's resignation in August 2001 and then discusses subsequent events that included:

- The restatement of financial statements by Arthur Andersen.
- The collapse of the proposed \$8.4 billion merger with Dynegy, another Houston energy-trading company.
- The downgrading of the company's bonds to “junk” status by Standard & Poor's.

- The January 12, 2002, release to the public of an internal memorandum to former Enron Chairman and CEO Kenneth Lay from Sherron Watkins, who had questioned the company's financial accounting practices.

Financial statements and footnotes are then presented for analysis, along with excerpts from a November 2001 interview with James Chanos, an Enron short seller, that appeared in *The Wall Street Journal*.

Another case study by David Wesley and Daniel McCarthy of Northeastern University tells the fascinating story of how Alan McKim started Clean Harbors, an environmental recovery firm, in 1979 with \$15,000 in savings. The company, which had \$600,000 in revenues its first year, went on to become one of the largest environmental recovery firms in the United States, with \$611 million in sales in 2003. The case study offers an in-depth analysis of the environmental services industry and examines the likelihood that a troubled company, if renewed, could survive in this heavily regulated sector.

Member Contributions

Other contributors to *A Casebook on Corporate Renewal* included Thomas Allison, a principal with Huron Consulting Group,

and Thomas Hays, a principal with NachmanHaysBrownstein, Inc., both of whom are former TMA chairmen. Howard Brownstein, another principal with NachmanHaysBrownstein, Inc., wrote the introduction to the Platts' book.

Material also is included from former ACTP faculty members Grant Newton, a professor of accounting at Pepperdine University, and Charles Hofer, Regents Professor of Strategic Management at the University of Georgia. Other notable case study authors included James Ebbert, managing director of McShane Group; Lawrence Carr, professor of accounting at Babson College; and Kenneth Merchant, Deloitte & Touche LLP Chair of Accountancy and the former dean of the Marshall Business School at the University of Southern California.

Pratt's textbook contains a chapter that deals with the revised U.S. Bankruptcy Code and was written with assistance from Frank Conrad, a former U.S. Bankruptcy Court judge in Vermont. The casebook, however, does not include a study on this important subject.

In addition, even though the Platts included a case on ethical considerations in weighing bankruptcy and also discuss two companies (Enron and AOL Latin America) that are operating pre-bankruptcy, the

casebook should have included at least one case study on using the bankruptcy process to restructure a company or on using Bankruptcy Code Section 363 to sell business assets free and clear of liabilities. Despite these minor shortcomings, *Casebook on Corporate Renewal* is an invaluable tool for students and turnaround professionals or for someone interested in teaching classes on the subject. It provides interesting reading on many of the issues that turnaround managers must contend with every day. [CR](#)

Leland B. Goldberg, CTP, is a principal with NachmanHaysBrownstein, Inc., Boston, and is a past president of TMA's Northeast Chapter.

