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"Business turnarounds fuel big business"

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It's that part of business that nobody wants to talk about. But turnarounds — or "the dark side" as local attorney Bobby Guy puts it — are a reality that fewer companies can ignore.

The business of getting companies back on track is becoming an increasingly developed, sophisticated industry in its own right on the local level.

"Today's different, because everybody's beat up," said Steve Curnutte, founding principal of Tortola Turnaround, a Nashville restructuring firm. The economic pain "is agnostic to region or sector."

Curnutte, who announced this week the expansion of Tortola into a range of turnaround functions, is among those in Nashville exemplifying how engaging distressed businesses has become a fatter marketplace. It's a phenomenon that includes players in numerous sectors — business consultants, attorneys, accountants, investors and others — and is forcing conversations about issues most businesses once ignored.

It's difficult to quantify a "turnaround industry" that literally runs through every sector of the economy. The closest measure is bankruptcies, though turnaround experts say they work with scores of companies before they reach that point.

In the 2011 second quarter, Tennessee saw more than 11,650 business and individual bankruptcy filings. That's down from the 2009 second quarter high of more than 14,450 but still nearly 80 percent above pre-recession levels in 2006.

While economists debate the health of the economy, the best-case scenario of a continually feeble recovery means the turnaround business will continue to develop. It's a dynamic that's creating new resources for companies but also underscores the pitfalls even a relatively healthy company can face.

Companies can pay anywhere from $15,000 to a few hundred thousand dollars per month in fees; the biggest bankruptcies can generate millions of dollars in fees. But the cost depends on size, types of problems and what sorts of experts join the fray. Turnaround experts tell companies fretting over costs that without the right expertise, a liquidation or reorganization may yield far less for creditors or owners.

Curnutte's response to the rise in turnarounds has been to bring in four new principals —Steve Moore, Geoffrey Stewart, Trent Watrous and Bob Whisenant — spanning a range of expertise. Moore, for example, is an executive and attorney who worked on the massive liquidation of Movie Gallery/Hollywood Video. Watrous and others have expertise in forensic accounting, scouring for deep-seeded financial issues like fraud.

Guy, a Nashville attorney with Frost Brown Todd who mainly helps debtor companies restructure, shifted toward that work about five years ago. He's since written a book, "Distress to Success," and fashions himself as more than a bankruptcy attorney.

Too many companies, he said, view turnarounds as the "dark side," incorrectly assuming that as long as they're not yet in bankruptcy, they're not in need of serious turnaround work. He views his role not only as negotiating for clients with banks but in guiding a restructure that saves jobs.

"The market is extremely robust right now," Guy said.

Of course, as more people rush toward the turnaround industry, such as it is, the meaning and quality can dilute. Tom Lawless, a Nashville attorney who represents banks in negotiations with struggling borrowers, said he's encountered attorneys and other financial professionals who pivoted quickly in the downturn and don't have the chops.

"You screw it up, and all hell breaks loose," Lawless said.

Do you need a turnaround expert?

Anybody who's been part of a deteriorating company knows time is of the essence — and they may wish they'd realized that much sooner.
Turnaround experts of various kinds likely have existed as long as business itself, but their expertise has developed and has virtually formed a market in and of itself. Jeff Cornwall, director of the Center for Entrepreneurship at Belmont University, offers the following tips for when and how to handle turning your company around.

• **Look for early signs.** While he says experts can be helpful, the best scenario is to recognize the problems on your own. The issues are smaller, and the turnaround can be less costly or consequential. If this sounds obvious, Cornwall and other experts say many good business people remain optimistic and regret it.
"Unfortunately, the longer you wait the more difficult the cure," Cornwall said.

• **Watch your financials.** The best way to spot early warning signs is to be mindful of how liquid your company is. Has cash flow altered? Have other numbers taken major swings?

• **Understand your business.** Some businesses may be accustomed to swings. But others with high overhead or many fixed costs may find themselves in dire straits much earlier than some if revenue is interrupted.

• **Don’t lose hope.** The consequences can be serious, but it’s important that you see the matter through. Companies can restructure; business people can rebuild.

Brian Reisinger covers banking/finance, state government, and manufacturing.