

Scott Duncan – Exploring a Search Fund Bankruptcy

Search funds are growing in popularity; aspirants need to understand that failure, and its emotional toll, remain a distinct probability

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Search funds and entrepreneurship through acquisition (ETA) continue to boom in popularity on MBA campuses. What was once an off-the-beaten-path endeavor is now a normalized post-MBA expedition. According to the 2024 Stanford Graduate School of Business Search Fund Study, new U.S. search funds reached a zenith in 2023 at 94,³ and one well-placed investor shared with us that they were introduced to 300 new search funds in 2024. With more aspirants entering the ETA jungle fueled by scores of podcasts, conferences, MBA courses, and widespread media coverage, we are fearful that many potential search fund entrepreneurs have an overly rosy perception of the journey and what it might bring. Unfortunately, we do not observe enough airtime and coverage of the bad ETA outcomes in classrooms or conferences. Many academics aim to be inspiring and uplifting, not dour cynics.

Additionally, a failed ETA CEO rarely shares their story openly in a case or on a podcast. Negative outcomes become orphans and fade away, while the biggest winners are deified and celebrated as examples of success. In other words, many aspects of ETA land are romanticized and glorified. Regrettably, this does a disservice to students considering an ETA path. Our note [When to Give Up on Your Search Fund Dream](#) addresses the downside's grim math.

We acknowledge that the biennial Stanford Search Fund Study breaks down the probability of undesirable outcomes, indicating that 37% of searchers do not find an acquisition candidate and that 31% of the 63% of ETA CEOs who do close a deal incur either a partial or complete loss of equity.⁴ However, we are skeptical whether ETA contenders fully internalize the raw data since it lacks context, story, and emotion. We attempted to address this issue in our note [On the Nature of a Search Fund Not Working Out as Planned](#).

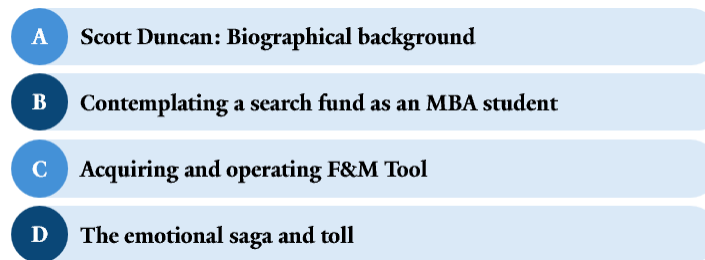
We hope this case addresses part of that situation. In this example, we will profile Scott Duncan (Harvard Business School 2017) and his ETA trek. This is not a typical case study where the document is constructed with a key decision point for students to grapple with, such as “Should Scott go left or right?” Duncan did indeed face many critical decision points during his five-year quest; however, with this note, we aim to show readers the larger picture, the sweeping drama, including the ultimate resolution – bankruptcy.

We want readers to experience the blow-by-blow downfall with all the false starts and the breathtaking (sometimes nausea-inducing) rollercoaster ride. We aim for potential searchers to see that they, too, can be Duncan – and crash. No one is immune to possible failure in the ETA labyrinth. Duncan was a qualified candidate, and his decisions appeared to be sound when they were made. Anybody contemplating an ETA mission must think about their potential for failure and what it might mean for their career and life. We hope this note can help with that process by

putting an actual face on it. After outlining Duncan’s collapse, we will share how he felt during and after the fiasco. Analyzing failure probabilities and chronicling the fall is clinical and antiseptic; hearing the raw emotions and impact is deeply personal and humbling— and should make any potential searcher pause.

In this case, we will tackle four elements of Duncan’s story (**Figure 1**). First, we will establish Duncan’s biographical background, which is fairly typical and qualifying for most searchers. Second, we will delve into his mindset and thought process as a student when contemplating a search—what he envisioned. Third, we will present a high-level diary of the company’s acquisition and operation, as well as the journey that led to bankruptcy. Fourth and finally, we will analyze the entire situation through an emotional lens and highlight the personal toll. We strongly advise readers to pay attention to this cautionary tale.

Figure 1: Our pathway for the Scott Duncan case



Scott Duncan: Biographical background

Duncan grew up in Worcester, Massachusetts, the second-largest city in New England and a former industrial hub of the region. Like many cities in Massachusetts, Worcester was shaped by the industrial revolution and has been in decline since the end of World War II. However, its landscape is filled with unmistakable reminders of the city’s industrial past, including Worcester Polytechnic Institute (WPI), where Duncan eventually attended college.

The drive to become an engineer was strong in Duncan’s family. His grandfather worked as a draftsman for General Electric, his father was an electrical engineer turned sales executive for a steam turbine manufacturer, and many aunts, uncles, and cousins also chose that career path. Additionally, Duncan was disassembling small engines in his parents’ garage in middle school and performed well enough academically that majoring in mechanical engineering seemed almost inevitable.

Duncan was encouraged from a young age to become a business owner. His father dreamed of owning a small business but was hesitant to take the financial risk because he was the sole provider for a family of five. In high school, Duncan started several small entrepreneurial ventures, including installing stereo systems in classmates’ cars and giving guitar lessons at an hourly rate much higher than what his friends earned at their typical high school jobs. Seeing the immediate financial benefit of his efforts became addictive, and every academic and professional move from that point on was driven by the goal of owning a business.

Duncan chose to join the co-op program at WPI, graduating in 2010 with nearly 18 months of work experience. However, like many engineering students, he found that most engineers spend more time working in Excel than in the prototyping lab, and career advancement often takes engineers out of the shop

and into meetings. Attracted by learning opportunities and stock option grants, he started working for medical device startups in the Greater Boston area.

Duncan spent the next few years working as a manufacturing engineer, loosely keeping the goal of applying to business school in mind. He realized that many of the founders and executives at the companies he worked for had attended top business schools, but he did not take any serious steps toward this goal until his former manager from his first co-op position offered him a job at a startup founded by an HBS graduate. On his first day at the new job, his new mentor said, “We need to make you think less like an engineer.” And so began Duncan’s journey into the HBS class of 2017.

Contemplating a search fund as an MBA student

Duncan was familiar with the search fund model before attending HBS, but he was mainly interested in pursuing startups during his first year. For his summer internship, Duncan worked with an HBS entrepreneur whose startup was developing a biopharmaceutical to treat addiction disorders. Although he was inspired by the mission and the work, Duncan could not help but think that the incentives of venture capital meant that none of the startups he had been involved with had had a successful exit. In each case, the companies had created a compelling solution for a real market need but had not reached a milestone that justified further investment or gained enough traction for an acquisition by a strategic partner.

Duncan decided that selling shovels was a more practical way to achieve financial independence than digging for gold. That summer, after reading an early copy of the *HBR Guide to Buying a Small Business* in a single sitting, Duncan chose the ETA track and spent his next year at HBS working toward the goal of buying a small business after graduation.

In the fall of 2016, Duncan enrolled in “Financial Management of Smaller Firms,” taught by Professors Royce Yudkoff and Rick Ruback. The courses Duncan enrolled in on the ETA track provided exposure to real, tangible problems and hands-on experience with the kind of intense and grueling situations a searcher might encounter; this only solidified Duncan’s resolve to enter the ETA fray.

By the spring of 2017, Duncan was determined to search. During this time, many of Duncan’s classmates focused on recruiting, but he deliberately avoided these activities, believing the promise of a steady paycheck might be too tempting. As graduation approached, while his classmates received job offers from prestigious firms, Duncan was working on his pitch deck and starting to have introductory calls with traditional search fund investors.

After a few false starts, Duncan secured his first tentative commitment from a search investor. However, the fundraising process made Duncan seriously reconsider his reasons for starting this expedition. He realized it would be a tough challenge to raise a traditional search fund focused on a specific region. His family ties and professional networks were heavily concentrated in Massachusetts, and he had just enough money to sustain a self-funded search while his girlfriend finished graduate school.

Additionally, the coming years were likely to bring more responsibilities beyond just running a small business. Engagement, wedding, house, and children were all on the horizon for the coming years. The most valuable asset Duncan owned was a 19-year-old car. If there was ever a time to take the financial risk of a self-funded search, it was now. The week after graduation, Duncan shifted his focus and began working with the region’s business broker network.

Acquiring and operating F&M Tool and Die

One of the first opportunities that came across Duncan's desk was for a 40-year-old manufacturing firm called F&M Tool and Die. F&M had just over 20 employees and had averaged about \$3.6 million in sales with a 25% EBITDA* margin during the period covered in the confidential information memorandum provided by the broker. The company specialized in manufacturing and servicing injection molds—tools used by the plastics industry to produce high-volume plastic parts.

Furthermore, over 70% of the business came from the service and repair of injection molds, which occurred regularly, had relatively high switching costs, and involved a presumed high willingness to pay. Many of these repairs needed to be completed quickly and were delaying production for F&M's customers.

Duncan was also familiar with some of the drawbacks of a business like this. He knew from experience that injection mold builders could go through boom-and-bust cycles, and that moldmakers (the most skilled and experienced employees in such a business) were known for being prima donnas. Moldmakers were hard to find and could be difficult to manage.

Duncan was willing to accept the risks associated with the technical employees. F&M appeared to fall within the normal range for a typical, especially blue-collar-focused, self-funded search. The company also showed no signs of being a typical boom-bust, project-based business. It grew through the Great Recession and increased revenue and EBITDA over the years for which Duncan had diligence materials. No single customer accounted for more than 10–15% of sales, depending on the year. Furthermore, the offering memorandum included an organizational chart showing several moldmakers and apprentices under 40, which is quite rare in the industry.

And finally, what was there to lose? Duncan's mentors emphasized the importance of making numerous offers, and at this early stage in the search, Duncan definitely saw no reason not to make one. After building a basic financial model, Duncan sent an indication of interest (IOI) to the broker at roughly four times the average EBITDA and hoped for the best. After a few calls with the broker and seller, the IOI was considered close enough to justify an in-person visit.

When Duncan arrived, he was immediately overwhelmed by the condition of the shop. The floors were grimy, with machines, tools, papers, and parts scattered across every surface. Duncan recognized some of the machines as being from before World War II. The garage bay doors were wide open in early July, and the temperature on the shop floor was probably above 80°F. Most of his work as a manufacturing engineer before business school had been done in a cleanroom, which required scrubbing in like a surgeon, passing through an airlock system, and wearing a Tyvek suit, gloves, and a hairnet. Additionally, much of his work had involved designing, systematizing, and documenting manufacturing processes. This was a heavy lift, at best.

In the week following the tour, Duncan told the broker and seller that he was no longer interested and resumed his search. It was the third month of his search, and although F&M looked fairly appealing on paper, Duncan decided it was best to continue exploring options at this point. However, after several

* Earnings before interest, taxes, depreciation, and amortization.

months, Duncan received a call from a new broker representing F&M who offered a significant price reduction and shared news of ongoing growth.

By mid-October 2017, Duncan was under LOI on F&M and started sourcing debt and equity for the deal. After a challenging six-month process to secure an SBA loan, Duncan signed the closing documents and faced the reality that, in a few days, he would be introducing himself as the new owner.

01 Year 1 (2019): Operational shock and leadership void

When Duncan arrived on his first day and was introduced as the new owner, the employees were more shocked than he was – who was this guy, and why had he bought the company? Duncan made a point to be on the floor and talk with employees, even though it was uncomfortable in those first few days.

The first few weeks of ownership were full of challenges. One skilled employee quit in the second week. Another key staff member left to start his own business, doing exactly the same work he had done at F&M for the company's biggest customer. Although Duncan knew this employee planned to go independent before the sale closed, he did not realize his shop was in the same building as that customer, separated only by a single garage door. The new office manager, who was hired only a few weeks prior, stole the seller's credit card and charged up a \$5,000 bill at several stores. Less than two months in, Duncan had lost 10% of the shop floor staff, effectively lost his biggest customer, fired an employee for a criminal act, and was working over 50 hours a week at the shop plus a long commute each way.

Duncan felt completely out of control. By early December 2018, the company was bringing in only \$3 million per year, down from \$5 million at the start of the year. He would later realize that a group of customers close to the former owner had stopped buying during the 12 months leading up to the sale, with many never transacting again. His former employee, now a low-cost competitor, had a successful start to his own business. In the 12 months before the sale, F&M generated nearly \$900,000 in annual revenue from the customer he had poached. In the six months after the sale, F&M only booked \$150,000 with that customer. As the year was ending, Duncan had less than a month's worth of operating expenses in cash left in the bank and was considering making layoffs.

To remain in covenant compliance with the senior lender, approximately four full-time employees would need to be laid off, roughly 20% of the company. How would the employees respond? Would this lead to a mass exodus? Duncan struggled with intrusive thoughts.

Duncan debated the decision for weeks. Fortunately, in early December 2018, the decision was made for him. F&M's now-largest customer placed a \$400,000 order, which included a 50% up-front deposit. They followed this with a \$486,000 order in the final week of the year. With these orders and other customers utilizing their 2018 budgets, F&M had booked nearly \$1.1 million in work and collected almost \$600,000 up front. F&M was back.

Things started to stabilize somewhat in 2019. The shop was very busy with work scheduled in late 2018 and early 2019, and the company kept securing jobs at a normal rate during the first half of the year. Duncan and his now-fiancée moved from their apartment in the Boston area to a single-family rental in Central Massachusetts, reducing his weekly commute from between nine and ten hours to less than two.

Duncan also started making operational changes to fix ongoing issues like poor communication, late orders, and limited visibility into basic processes. In the first half of the year, Duncan began implementing the

Entrepreneurial Operating System (EOS) with help from an outside consultant and introduced a visual scheduling process to improve transparency about activities on the shop floor.

Duncan was also validated in some early decisions. The two major projects that started late in 2018 were completed on time in mid-2019. Both were highly profitable, thanks to a few contrarian choices Duncan made with the engineering team, such as strategically outsourcing lower-value parts instead of manufacturing them in-house. However, Duncan also sensed growing resentment from some senior employees as he moved further into the operation, including some employees outright undermining his initiatives.

In August 2019, Duncan took his first vacation during his more than a year of ownership, and he realized he could not stop thinking about the business. Stepping away just for a few days made Duncan realize just how unhealthy his ruminating was, and when he mentioned seeking professional help, his fiancée agreed.

Things declined throughout the rest of the year. Although quoting remained steady, the company was now booking roughly \$2.6 million annually, which was not enough to cover debt payments in any scenario. Compared to the \$1.5 million booked in Q4 2018, the company only booked \$582,000 in Q4 2019, and cash flow stayed tight. In December 2019, while Duncan was visiting family in Ohio for a long weekend, he learned from an employee that the shop had to be evacuated due to an overnight rainstorm flooding the basement.

The shop was closed for nearly a week while sketchy electrical work in the basement was fixed. Although it might seem like a small issue, a one-week shutdown was significant because the business only became profitable after reaching a certain level of capacity utilization, similar to how the last three to five seats make a flight profitable for an airline. Duncan's first full year of ownership ended with EBITDA margins in the low teens, just enough to cover debt payments. However, the weak sales pipeline was hard to ignore as 2020 approached.

02 Year 2 (2020): COVID-19 and strategic shifts

The shop floor was noticeably slow in early 2020. The visual scheduling system Duncan implemented made it clear that very little new work was coming in, and the backlog of work was decreasing. During the daily stand-up meetings, shop floor employees voiced valid concerns about having nothing to do. Duncan was running low on answers, was barely sleeping, and his therapist told him that the strange symptoms he experienced in the mornings before work were panic attacks and were not normal.

By February, the backlog had decreased from \$1 million to \$200,000, providing enough work to keep the shop busy for only two weeks. By early March, COVID-19 was dominating the news and creating unprecedented uncertainty in the business world. Duncan once again faced the possibility of a layoff. In mid-March, with nearly no work on the shop floor and the beginnings of a global pandemic, Duncan fired seven employees, about 30% of the company. The following week, at his state senator's office's request, he shut the business down indefinitely because it was considered "non-essential." Duncan's therapist referred him to a local primary care doctor, who diagnosed him with severe major depressive disorder and prescribed medication.

For several weeks, Duncan kept driving to the empty shop, often being the only vehicle on the road during his 25-minute commute. By April 2020, some clarity started to emerge. The state senator had clearly overstepped by demanding the shutdown. The company received numerous letters from customers who

were considered essential, which in turn made every vendor in their supply chain essential as well. The remaining staff started to trickle back into the shop, and so did the workload. Duncan became the interpreter of frequently changing rules and regulations and the first line of defense for many mundane tasks caused by being short-staffed.

The effects of the layoff were seen in the P&L and overall morale on the shop floor, as many of the employees who were let go were low performers. His bank deferred Duncan's SBA loan, and the first round of PPP loans meant that, for the first time in a year, F&M had ample cash in the bank. For now, the company could survive despite an unpredictable workload. The downtime gave Duncan a chance to implement long-overdue improvements to the backend systems supporting the business. He upgraded the decades-old ERP system, enabling a variety of additional changes. Employees were now able – and expected – to track their time against individual jobs using barcode scanners. The new ERP also improved job costing, allowing Duncan to analyze historical profitability by job and to price new work more strategically.

Later that summer, an unexpected opportunity arose. A brand-new computer numerical control (CNC) machine was stranded on a cargo ship, and the distributor needed to move it quickly. Duncan negotiated a steep discount and purchased the machine – his first new equipment purchase since acquiring the business and the most noticeable change to the company. It was a bold move during a volatile year. Investing in new equipment would lead to a series of quality and throughput improvements, helping the company transition into the modern era of manufacturing rather than remaining decades behind. But not everyone saw it as progress.

The company was evolving operationally, but the culture remained unchanged. Some employees resented the move away from the “art” of moldmaking, where manual adjustments and final tweaks were a point of pride. The newer, more advanced processes required less craftsmanship and often demanded less from the most skilled workers in the shop. Quality was improving, throughput was increasing, and systems were functioning well, but tensions were also growing.

By December, it was clear that change was necessary. Duncan could no longer ignore the cultural resistance and leadership gap on the floor. He had believed that leading by example and implementing the right systems would be enough to transform the company. However, for a group of employees who were twice his age and cautious of change, his vision did not resonate.

He began looking for an operations manager who understood the industry, commanded respect on the floor, and could serve as both a cultural translator and an operational leader. A little gray hair would not hurt either. Duncan felt that, for whatever reason, he was not an effective operations leader and should consider firing himself from the role, just as he would any other ineffective employee.

At home, change was also on the horizon. He and his wife were expecting their first child. The stress he brought home was manageable for both of them when it was just the two of them, but it was not sustainable in the long run, even without a new baby. As 2020 drew to a close, F&M was not thriving, but it was surviving. For Duncan, going sideways was an acceptable outcome during a global pandemic, and F&M finished the year with \$30,000 in EBITDA.

03 Years 3–4 (2021–2022): The ride up

By early 2021, it was clear that F&M had weathered the worst of COVID-19. Quoting activity was increasing. Customers were reaching out again, and there was a general sense that things were returning to

normal. Duncan still felt anxious about cash, productivity, and his leadership abilities, but he realized that these fears might never fully disappear as a small business owner. Despite his worries, the company was no longer fighting for survival.

In January, Duncan hired a new operations manager who was the former owner of his own tooling and molding business. The new operations manager had credibility on the shop floor, a strong technical foundation, and a practical understanding of how both F&M and the company's customers operated.

He immediately won over the shop floor and some key accounts. However, within a few months, the entire legacy management team had left. The foreman quit to work for one of F&M's customers, and Duncan had to fire the head engineer, who reportedly undermined the new operations manager.

In mid-2021, Duncan launched a small injection molding division. It was not a major financial risk. He leased two injection molding machines, purchased a third for \$8,000, and set them up in a former cow barn converted into an injection molding facility. Within a year, the new division generated over \$500,000 in revenue. More importantly, it created a new entry point into customer relationships and enabled cross-selling of the company's tooling services. This new capability positioned F&M earlier in the buying process and represented the future of F&M. Duncan saw less of a future in remaining a pure injection mold builder, and the molding division seemed to be the path to growth.

The company's customer base started to shift. Many of the small, regional injection molders that were once key to F&M's revenue either shut down, were sold, or moved during the pandemic. In their place, Duncan found himself quoting larger projects for bigger companies, including medical device manufacturers, defense contractors, and hardware startups.

On paper, it looked like a recovery. By the end of 2022, the company was booking work at an annualized rate of \$6 million, up from \$3 million just two years earlier. The backlog had increased to \$2.4 million, roughly six months' worth of work. The molding division was gaining momentum. New customers with recognizable names were reaching out. However, these new customers had higher expectations, and the condition of the current buildings—a shop floor filled with WWII-era equipment and a rented barn on an active farm—did not inspire confidence. Duncan began searching for a new facility.

Despite signs of growth, they still struggled with profitability. Steel prices skyrocketed by over 240% in just 12 months. An order could take a year or more from quote to delivery, so jobs quoted in late 2020 were won in mid-2021 and shipped at the end of the year, leaving many significantly undercosted by that time. Duncan and his team revisited customers who had placed orders and requested retroactive price increases, but this severely damaged customer relationships. Many customers were either unwilling or unable to pay the additional 30%–40% needed to keep projects profitable.

A complete reversal in the job mix exacerbated this. With sizable capital expenditure budgets and after sitting on the sidelines during COVID-19, customers less frequently repaired or modified older tooling and instead placed big purchase orders for new jobs. The company increasingly behaved more like a project-based business, a shift driven by customer demand. Operationally, F&M was used to shipping \$5,000 repairs, but now it was handling \$500,000 mold builds without the necessary staff, processes, or equipment to do so consistently.

Still, things felt different. Duncan liked the team he had put together. The firefighting had eased, and new customers were confirming the company's direction. Even the lingering anxiety had shifted in nature. For the first time since acquiring F&M Tool, Duncan felt like genuine progress was happening.

04 Year 5 (2023): Expansion, relocation, and market slowdown

The sense of progress peaked in early 2023. After a lengthy search, an ideal location came onto the market. It was a purpose-built injection molding facility that had recently been remodeled, and it was just a seven-minute drive away. Additionally, the rental costs were the same as the high lease rate Duncan paid the former owner of F&M for the current facility plus the separate location housing the molding division. Duncan signed the lease in March.

The success of the relocation depended on perspective. For Duncan, nearly 15,000 square feet of heavy machinery were moved to the new building within two weeks, with each machine and workbench marked with tape on the floor and an electrical drop from the ceiling. However, opinions on the shop floor varied—some long-time employees were in shock after being in the same location for about 25 years. Most importantly, both new and returning customers were impressed with the new facilities, and new bookings came in from customers whose orders might otherwise have only covered the costs of the move.

Emotionally, Duncan felt a sense of pride walking the floor. This now felt like his business. But nearly as soon as the move was complete, the momentum broke. Although the most intense chaos was over, it took months for the team to settle into the new location, both physically and mentally. Despite record quoting levels, the company was once again in a cash crunch while waiting for big orders to materialize. In the middle of the year, Duncan had no choice but to lay off roughly 25% of the staff.

The shift in job mix after COVID-19 created strange incentives. Customers were firm that large programs quoted in 2022 and 2023 were imminent and awaiting CapEx approval. A single program for Callaway Golf was slated to bring in \$2.5 million in recurring revenue. On one side, fixed capacity needed to be maintained for when these jobs came in. Cutting costs now would ensure the company couldn't deliver, forever closing the door on important new relationships. On the other side, the current cost structure was completely unsustainable with the level of work being booked.

By the end of the year, every week became a gamble. Repair and service work had stagnated, and reducing staff and other expenses to match revenue ensured that the company not only would fail to service its customers but also struggled to service its debt. The company had quoted approximately \$19 million worth of work and booked \$3.9 million in 2022. It closed 2023 having quoted a record \$26 million worth of work but only booked \$2.8 million. In the first weeks of 2024, Duncan started negotiating with his senior lender for relief.

05 The final collapse and implosion

Respite was slow to arrive, taking nearly two months of back-and-forth with the bank. Business conditions were not improving, and Duncan was once again wrestling with the decision to cut staff or persist as customers claimed big orders were imminent. When Duncan was not managing cash flow or running scenarios to help with his decision-making, he was visiting customers, trying to drum up work.

The sales activity was somewhat beneficial. By the end of the first quarter, trailing annual quotes again reached an all-time high of \$29 million. In previous years, the company typically expected to win about

20–30% of quoted work, but currently it was booking less than 10%. Duncan remained hopeful that some of this work would be secured in the second half of the year.

In the second quarter of 2024, vendor relations hit an all-time low. Duncan had been extending payables for months and was now on hold with numerous vendors. He personally approved every dollar of expenditure and negotiated with vendors to release orders vital for generating future cash flow. However, even with concessions from the bank and testing the strength of relationships with trade vendors, Duncan had no choice but to cut staff further and explore options for restructuring the debt or shutting down the business. In June 2024, he engaged a debt restructuring firm to start an out-of-court restructuring of the company's debt. This move would allow the company to keep serving customers and retain existing employees, but it would also mean Duncan was filing for personal bankruptcy. F&M closed the first half of the year with only \$1 million in revenue.

Entering the restructuring process pushed many creditors past their limits. Most creditors simply paused the company's orders; some, however, became aggressive with collections, calling every reachable phone number at the company to demand payment. Duncan was now spending every hour in crisis management mode, approving \$10 supply orders, dealing with vendors, and calming employee concerns. Lawsuits started arriving in July. Many were just emailed, while others were served by the county sheriff. The most aggressive creditors hired collection firms that contacted Duncan's wife, father-in-law, and anyone else they could link to Duncan and find contact information for. Some vendors even sent pictures of Duncan's house to his employees. In August, Duncan used a little-known unemployment program from the COVID-19 era to cut staff hours by 50%. The third quarter ended with the company having only booked \$650,000 of work and with just over one payroll in the bank.

Just one day later, the fourth quarter began with a single \$500,000 purchase order and hopes of a \$250,000 program finally taking off at Callaway. Duncan managed to bring employees back full-time, and survival was secured for the coming months. In December, the restructuring firm finalized a tentative deal with the senior creditor and arranged new debt and equity financing.

The first few months of 2025 resembled mid-2024. With uncertainty about upcoming tariffs, most customers sharply cut back their spending. One customer reduced an existing purchase order by half, which meant that a deposit check Duncan had been including in his cash flow forecast for weeks would no longer arrive. As a result, Duncan paid rent in February on a weekly basis instead of monthly, and his landlord took the opportunity to terminate the lease, wanting the building for his own use. In the last week of February, with no cash, no lease, and no signs of future work, Duncan called an all-hands meeting and informed all employees that the business was closing. The company only booked \$10,700 in February.

The emotional saga and toll (told in the first person by Duncan)

I expected some fanfare when I initially purchased and closed on F&M, but there wasn't any. I sat with the bank's attorney, signed a stack of documents, and now I owned a business. Nearly seven years later, the scene was similar, just with a different attorney and a shorter stack of documents – and a different meaning to the word “closing.” After filing, I got in my car, uncertain if I would still own it in a month, and drove back to my house, relatively certain it was safe from creditors. I sat in my office with nothing to do, no goals to achieve, and no professional identity. F&M was bankrupt, and so was I.

There was no sense of relief. That came a month earlier when I told the staff we were shutting down. There wasn't even shame. The previous six months had been a crash course in developing thick skin. Few things had built my capacity for emotional distress like getting served lawsuits by the county sheriff. What I felt was grief. My sense of loss wasn't from losing the business; it was from the end of the linear, self-reinforcing plan I had been following since graduating college. My purpose in sharing this isn't to tell war stories, but to shed light on an aspect of ETA that's rarely discussed: failure. The following is a summary of what has changed for me as a result of my experience as a searcher.

Self

F&M was undoubtedly the biggest failure and most challenging period of my life. The experience was objectively difficult, but it would have been easier to handle if I had more realistic expectations. Early success in life had led me to believe that I could control outcomes and that any goal I set would become reality. Although I knew poor outcomes were common in ETA, I believed that no matter the circumstances, I would be able to succeed. The hardest part wasn't the experience of failing itself; it was that nothing I did seemed to affect the outcome, and the close link between action and result that I was used to was gone.

I realized that my self-worth was deeply connected to external success and being good at stuff. This drive to achieve helped me in my life before F&M, but it also had a darker side. The other side of my striving was insecurity. I worked just as hard to avoid negatives as I did to gain positives, and I had shaped my life around avoiding embarrassment, minimizing criticism, and rejecting the idea of failure. This approach works okay when the rules are clear, like in a corporate job or business school, but entrepreneurship is different—the real world doesn't care about feelings, intent, or credentials.

I didn't like the person I was at my lowest. I wasn't fun to be around and wasn't fully present in my most important relationships. Sometimes, I drank excessively. My doctor warned me seriously that if I didn't make changes, I could die from a heart attack in my forties, just like my grandfather did. By the end, I became so absorbed that I forgot to eat and lost 15 pounds in a few weeks. However, I also proved to myself that I am resilient, can handle pressure, and am able to make tough decisions. These qualities will serve me well in the future and are earned by facing adversity.

Family

Although my experience made me a stronger and more resilient person, I can't say the same for my family. I don't think that my relationships with those closest to me were strengthened by "eustress" in the same way my relationship with myself was. Fortunately, I married a caring and incredibly supportive woman who, despite her own career and emotional needs, carried me and our family through the lowest points.

She bore the brunt of the negative effects F&M was causing at home. She handled most of the housework, childcare, and other daily tasks for a family of four. We went on one vacation in the nearly seven years I owned F&M, missed mortgage payments, and faced a level of financial trouble neither of us expected during our careers. All these things felt like necessary sacrifices at the time, but I doubt they significantly impacted the outcome for F&M. However, they did significantly affect our relationship.

My wife never pressured me to get a real job, nor did she ever say she thought I should change my career. She understood that I would be facing a different kind of misery if I hadn't pursued my entrepreneurial ambitions. When people who knew about the situation commented on how well I was holding up, I replied that I married well. When prospective searchers ask about deal sourcing or capital raising, I tell them they

should assess how committed their partner is to ETA as a career path. Search is tough even when everything is going smoothly.

Career

It is too early to evaluate the effects F&M has had on my career. If I had to guess, my experience might be a liability in the short term but an asset in the long run. I have applied to over 100 real jobs without much success. Recruiters and hiring managers have universally recognized my experience as unique, but my skillset is hard to categorize and match with a typical job description. I have hired and fired people, held full profit and loss responsibility, navigated an unsuccessful restructuring attempt, survived a global pandemic, and fought to win business and make payroll until I could no longer do so. In a world that values precision, I am a Swiss Army knife. There will always be a candidate with a more straightforward career progression and less risk for the employer.

Finally, if I were a recruiter, I would be trying to determine how well I, as a candidate, would perform after seven years as an entrepreneur. I believe this is a valid question, especially since I have no intention of being an employee any longer than I need to. Despite the emotional and financial toll, this has been the most fulfilling experience of my professional life. There is something addictive about the independence I had and the feeling of conquering chaos. My best and highest use is to operate businesses, and I plan to continue doing so.

Conclusion

Scott Duncan is a smart, hard-working, personable, and engaging individual who attended an elite business school. Duncan is the complete package in search fund land, yet he flopped. Past credentials and work experiences do not guarantee success in a search fund expedition. They give an aspirant the right to try, but the search fund ecosystem has sidelined Green Berets, Navy SEALs, countless private equity hotshots, and many pedigreed management consultants. Small businesses do not care about Ivy League degrees and Wall Street investment banks. In other words, no one is immune to the risk of failure. Every student and reader can be Scott Duncan, and many will.

We did not set out to write this case to dissuade people from search funds. We believe search funds are wonderful, but they also present a treacherous path. We want readers and students to truly imagine what it might be like to live Duncan's life. That cannot be romanticized or glamorized in any way; it is bleak. It is one thing to analyze expected values and probability trees, but it is another to tell a spouse that a decade was all for naught while attending marriage therapy. Every reader must understand this could be *your* tale. All searchers are the best of the best. They have sterling resumes and stories, but many will fail miserably.

Before we wrap up, kudos and special thanks to Scott for bravely, vulnerably, and humbly sharing his saga. That takes courage and is a truly gracious way to pay it forward. While we hope none of our readers is the next failure, we encourage you to hope for victory but also prepare for defeat. We wish you smooth sailing as a search fund entrepreneur, and no matter what your outcome is, congratulations on venturing into the arena and boldly playing the game. We are rooting for your triumph!

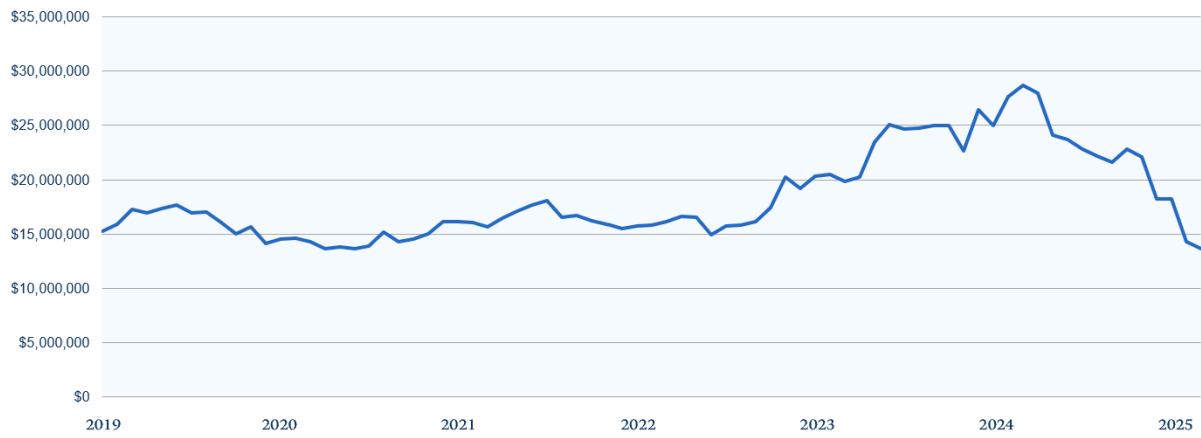
Exhibit 1: F&M P&L statement

	2019	2020	2021	2022	2023	2024
Revenue	3,865,235	2,994,415	4,040,865	4,037,650	3,073,311	2,346,459
COGs	2,101,590	1,778,404	2,327,082	2,741,727	2,206,409	1,273,238
Gross Profit	1,763,646	1,216,011	1,713,783	1,295,923	866,903	1,073,221
Gross Margin	46%	41%	42%	32%	28%	46%
Expenses	1,243,267	1,181,099	1,462,986	1,655,409	1,861,707	1,653,088
EBITDA	520,379	34,912	250,797	(359,486)	(994,804)	(579,867)
EBITDA Margin	13.5%	1.2%	6.2%	-8.9%	-32.4%	-24.7%
Other Extraordinary Income	-	234,974	721,836	-	388,214	-
EBITDA + OEI	520,379	269,886	972,634	(359,486)	(606,590)	(579,867)

Exhibit 2: F&M bookings

	Bookings	Trailing 6 Months Trailing Bookings
Q1	\$589,897	\$2,143,492
Q2	\$798,458	\$1,388,355
Q3	\$728,690	\$1,527,148
Q4	\$582,010	\$1,310,700
Total 2019	\$2,699,055	\$1,310,700
Q1	\$584,579	\$1,166,589
Q2	\$1,071,244	\$1,655,823
Q3	\$521,793	\$1,609,201
Q4	\$848,377	\$1,370,169
Total 2020	\$3,025,992	\$1,370,169
Q1	\$531,964	\$1,380,341
Q2	\$1,414,475	\$1,946,439
Q3	\$1,526,805	\$2,961,402
Q4	\$890,367	\$2,417,172
Total 2021	\$4,363,611	\$2,417,172
Q1	\$460,704	\$1,351,071
Q2	\$1,285,218	\$1,745,922
Q3	\$1,682,423	\$2,967,641
Q4	\$444,128	\$1,618,651
Total 2022	\$3,872,472	\$1,618,651
Q1	\$385,094	\$814,821
Q2	\$930,365	\$1,315,458
Q3	\$720,910	\$1,651,275
Q4	\$750,560	\$1,471,470
Total 2023	\$2,786,929	\$1,471,470
Q1	\$771,609	\$1,522,169
Q2	\$321,651	\$1,093,260
Q3	\$332,799	\$654,450
Q4	\$766,357	\$1,099,156
Total 2024	\$2,192,416	\$1,099,156

Exhibit 3: Trailing quotes



This case has been developed for pedagogical purposes. The case is not intended to furnish primary data, serve as an endorsement of the organization in question, or illustrate either effective or ineffective management techniques or strategies.

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Endnotes

¹ Scott Duncan was the CEO of F&M Tool, a search fund–acquired business.

² A. J. Wasserstein is the Eugene F. Williams, Jr., Senior Lecturer in the Practice of Management at the Yale School of Management.

³ Kelly, Peter, and Heston, Sara. *2024 Search Fund Study Selected Observations*. Stanford University Graduate School of Business. Case E-870.

⁴ Ibid.