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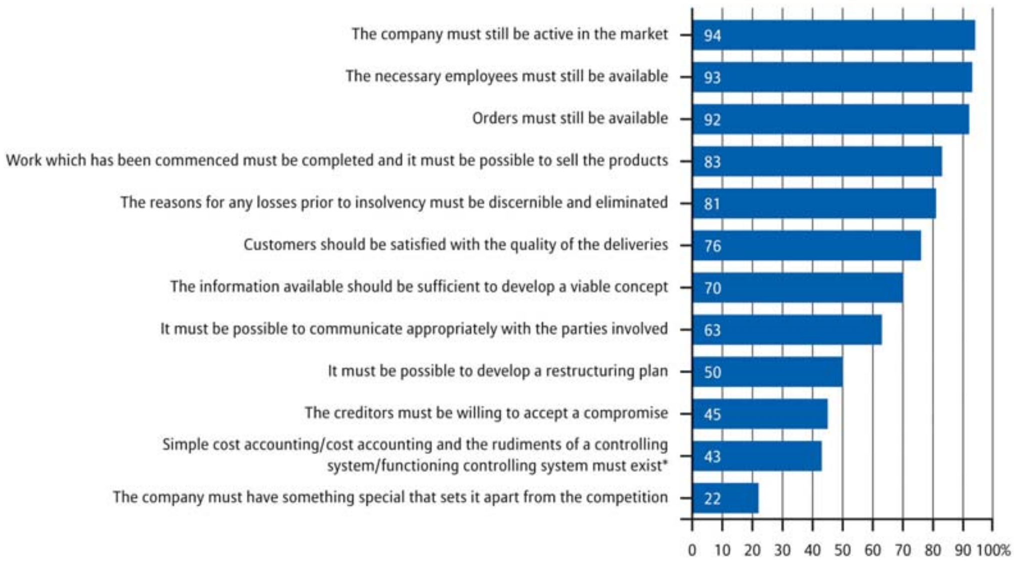
# Employees: A critical factor in corporate restructuring

**Insolvent companies must in particular seek to retain the expertise of their most important employees**

This is the view taken by around 93 percent of the insolvency administrators active in Germany. Frequently, top employees are the first to try their luck in the labor market in the event of a crisis. This robs the insolvent company of crucial expertise. For this reason, employees should be taken into account as a key factor in the insolvency process. This means that swift initiation of insolvency proceedings is crucial. 98 percent of the experts stress that an ailing company can improve its chance of survival substantially if it lodges an application for insolvency at an early stage. Swift and professional restructuring minimizes the risk of competitors wooing the remaining key holders of expertise during the acute crisis phase. These are the results of a study entitled “Rescue from Insolvency” by Euler Hermes Kreditversicherungs-AG and Zentrum für Insolvenz und Sanierung at the University of Mannheim (ZIS).

51 percent of the exerts interviewed recommend specifically identifying and utilizing management expertise during the restructuring process. Employees’ strategic knowledge is particularly important in this respect. In a crisis situation, the relationship between staff and management in any case suffers for the most part. Accordingly, special confidence-inspiring measures are necessary to preserve employees’ loyalty. Yet, according to experts, this is frequently a problem. In a previous survey to identify the most frequent causes of insolvency, 44 percent of the insolvency administrators stated that insufficient transparency and communication errors on the part of managers frequently conceal the existing crisis for too long. This harbors the risk of sustained impairment to employee trust. In the event of a crisis, it is therefore crucial to regain employees’ loyalty as quickly as possible.

Basis for developing a restructuring model




Question: What conditions must an insolvent company with revenues of … million meet as a basis for developing a restructuring plan and finding investors?
(aided; top-two box on a scale from 5 (very important) to 1 (not important); basis: insolvency administrators n = 106)
*Item wording dependent on size of company (below 0.5 million, 0.5 to under 5 million, over 5 million).

**Information on the study:**

Entitled “Rescue from Insolvency - Opportunities, Barriers and the Particular Role of Private Equity”, this study marks the continuation of the insolvency study first presented by Euler Hermes Kreditversicherungs-AG in conjunction with Zentrum für Insolvenz und Sanierung at the University of Mannheim in 2006. For this study, KOHORTEN-Institut in Wiesbaden asked 106 insolvency managers and 69 M&A advisors, private equity managers and corporate restructurers for their views on the possibilities and obstacles arising from insolvency proceedings.

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