



Case study summary sheet: FINGER & PELZ

PN, Nov. 13th, 2006

- ✓ FINGER & PELZ is a SME specialised in electronic and electric installations for the chemistry and steel industries. The company is the leader in its national market. Technological changes primarily involve the propagation of information technologies in the company's activities, which depend closely on the capital expenditure policies of major industrial groups. The workforce is comprised of 360 fairly skilled employees.
- ✓ The drop in the number of contracts and their amounts due to the slowdown in major corporate industrial groups' capital expenditures led the company to file for bankruptcy. Apparently management did not anticipate this deterioration in the company's economic situation. Management was unable to adapt its cost structure to the new economic situation even though warning signs appeared as early as 2002. The bankruptcy occurred in May 2004 and the restructuring process was completed in March 2005. The operation took place on a cooperative basis between management and employee representatives (IG Metall trade union and the Works Council or Betriebsrat).
- ✓ The restructuring resulted in a sharp reduction in the workforce, which dropped from 360 to 176. However, the ongoing business was assured and the remaining employees acquired the company, becoming shareholders (RES). All of the bankruptcy measures provided for by legislation were activated including, in particular, implementation of a redeployment system ("transition company"). Local authorities demonstrated their support when employees acquired the company by using the municipal development agency (KomNet Essen). In particular, this organisation mobilised consulting capabilities to help restart the company and preserve a portion of the workforce after the bankruptcy. It should be noted that an outside investor came forward to provide his financial help in addition to the employee shareholders.
- ✓ The trade union put forward an intermediary collective agreement that resulted in a reduction in the workforce and an increase in the working hours in order to give the company room to manoeuvre during the phase to get it started again.
- ✓ The crisis faced by FINGER & PELZ was a lesson that helped create an awareness of the need to anticipate for a SME heavily dependent on major industrial customers and their capital expenditure policy. The question of using the SME's own resources or outside resources for such an exercise remains open.