

HOW RESTRUCTURING SPECIALISTS CAN HEAL SICK BUSINESSES

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The human body and businesses are both complex systems. Thus, medical comparisons in the field of restoration and restructuring are a perfect fit.

Latin ‘sanare’ means ‘to heal’ – hence the economical German term ‘Sanierer’ is a fitting word for professional consultants specialized in restoring and restructuring businesses. “A business is, just like the human body, a complex system, an organism – in both cases, similar processes are used to overcome complications and crises”, says Dr. Wolf-Rüdiger von der Fecht.

From long years of practice, the experienced restructuring specialist knows what he is talking about. For the whole range of medical proceedings, from prophylaxis to aftertreatment, the partner of the von der Fecht LLP finds analogies for the art of entrepreneurial healing. When the specialist is using medical metaphors, even non-experts can easily grasp all of the concepts.

It all already starts before the crisis. “When are businesses actually sick? When the power to self-heal is starved and simple remedies are not sufficient anymore.” Like animate beings, companies and their business models can be exposed to stress and pressure on a daily basis. Like many patients, entrepreneurs often fail to realize that they need help early on.

Especially at risk are successful business owners that have overcome every single crisis until now, while sometimes even getting out stronger, von der Fecht knows. “Such business personalities cannot possibly imagine falling into a downward spiral that they may not get out of on their own.” The outbreak of the disease of a business usually happens in the three stages of strategy crisis, result crisis and liquidity crisis. At first, business seems to be running slow, then the sales appear to be too low and finally, there is not enough money to keep the company running.

This is the point at which even the toughest ‘self-healers’ feel the urgent need to find a doctor, or, respectively, a restoration and restructuring specialist. Even in this case, we can find an accurate analogy between general practitioner, medical specialist, surgeon and consultant, restructuring specialist and insolvency trustee. In case of emergencies, everything needs to happen even quicker. Then, the expertise and experience of the medical and entrepreneurial experts are vital.

For the treatment, there is an extensive toolkit – from drugs to surgery. The patient needs to trust the expert. In case of a business crisis, the expert has to be trusted with the duties of the consultant, trustee and chief restructuring officer (CRO), resulting in them often being involved in the healing process while working in management of the company. Von der Fecht values this way of supporting: “The management has capacities to take care of the operative business while the CRO can dedicate their time to the processes of restructuring and issues of bankruptcy in which they are an expert in.”

Just like during a surgery, the process of restructuring can bear unexpected surprises. A sudden hemorrhage in the body has the same effect as a bailing client has. Nobody should interfere with the surgeon's work now, this seems obvious to most – but the same goes for the restructuring specialist, too.

After treating all acute causes and symptoms, a business has to go into rehabilitation, like a patient. Both have to learn to walk again, train the muscles – which means to establish itself in the market again, strengthen the distribution, staying conscious and awake – “ideally, under supervision of the expert that is highly needed”, von der Fecht recommends.

Essentially, in many cases, a crisis is avoidable, just like a disease. It would be better to find a specialist before the crisis starts, and ideally seeking frequent health checkups – even for businesses.