Lappeenranta-Lahti University of Technology LUT
School of Business and Management
Master's Programme in Strategic Finance and Business Analytics

Kim Lovén

CORPORATE RESTRUCTURING AND FACTORS THAT AID IN RECOVERY: CASE TRAINERS' HOUSE 2008 - 2018

Examiners: Associate Professor Sheraz Ahmed
Professor Mikael Collan

ABSTRACT

Author:	Lovén, Kim
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This thesis studies factors that aid in recovery from corporate debt restructuring process. The research was conducted as a qualitative case study. Case company is Trainers’ House Plc, and time frame used is 2008 – 2018. Two different methods were utilized to collect data for analysis. (1) Interviews with parties such as employees, clients and restructuring program liquidator, and (2) access to Trainers’ House restructuring program proposal and Trainers’ House financial statement 2018 to collect financial market performance indicators.

According to the results identified factors are supported by numerous previous studies, and can therefore be considered credible for broader context as well. Found factors aiding in recovery are; excellent customer relationship management, committing key personnel in the company and skillful leadership. In addition to finding the factors, the study assessed the value experienced by stakeholders as a result of company successfully recovering from the restructuring. Chosen stakeholders are employees, client companies, stockowners and the society.

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Tämä pro gradu -tutkielma tutkii keinoja, joilla yrityksen kykenevät parantumaan velkasaneerausmenettelystä. Tutkimus toteutettiin kvalitatiivisena tapaustutkimuksena. Kohdeyritys on Trainers' House ja aikaväli on kymmenen vuotta; 2008 – 2018. Datan keruu toteutettiin kahdella tavalla, haastattelut ja osakkeiden kurssin- ja liikevaihdon muutokset. Haastatteluissa kohteena olivat Trainers' Housen työntekijät, asiakasyritysten johtajat sekä velkasaneerausmenettelyn valvoja. Toinen tapa oli kerätä tilinpäätöstiedoista taloudellisen toiminnan mittareita.

Tulosten mukaan löydetyt keinot selviytyä velkasaneerausmenettelystä olivat jo aikaisemminkin hyväksi havaittuja tapoja aikaisempien tutkimusten perusteella. Tämä johtaa siihen, että yhden tapauksen perusteella keinoja voidaan yleistää hieman laajempaankin kontekstiin. Kolme tärkeintä keinoa selviytyä saneerauksesta olivat: Erinomainen asiakaskokemuksen johtaminen, avainhenkilöiden sitouttaminen ja taidokas ja oikea-aikainen johtaminen. Kolmen seikan lisäksi tutkittiin sitä arvoa jota syntyy pelastumisen seurauksena työntekijöille, asiakkaille, osakkeenomistajille ja yhteiskunnalle.

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1. Introduction

In general, financial difficulties and occasional unfortunate events lead companies to debt restructuring, and even bankruptcy. Although seeking bankruptcy is avoided until the end, sometimes the only way for an organization to recover is to make radical organizational changes such as applying to debt restructuring program. The purpose of this research is to investigate factors that lead to recovery in order to avoid the worst case scenario, bankruptcy. The subject is researched through a qualitative case study of the company Trainers' House Plc, that faced financial difficulties, and was able to recover successfully.

Trainers' House is a Finnish public limited company founded in 1990 by Finnish entrepreneur Jari Sarasvuo and it is based in Helsinki. Trainers' House is a change company and its main industry is business management consultancy. Clients use Trainers' House services to implement a new strategy faster, more effectively and feasibly. One of Trainers' House' main services is boosting client companies sales. Trainers' House' customers rely on the company's professional and customer-focused employees, unique working tools, and modern methods. The co-operation is measured by results and improved sales. Real results are best achieved through encouraging corporate culture to support the assigned goals.

The main focus of this research is to investigate how companies operate in order to recover from debt restructuring and it aims to answer the question "*What are the most important factors to successfully recover from debt restructuring"*. Corporate restructuring does not necessarily always lead to bankruptcy. Many companies manage to continue their growth after successfully recovering from restructuring. In order to re-negotiate and reduce debts as well as improve liquidity, legal restructuring is sought to allow the legal entity to continue operating. The object of a debt restructuring can be a private trader, an open company, a limited partnership, a limited liability company, a cooperative, a housing company, or an economic association.

The case company chosen for this study is interesting because they managed to exit the program a year early. This raises the question of what were done correctly that allowed this to happen and which were the most significant contributing factors. The fact that investors often do not know whether ethical behavior would have a direct impact on stock prices and thus raise awareness of where to invest, and where not to, is interesting. Ethical and environmental acts can either accelerate, and same time slow down the company's performance.

The results of this research can be used to create new perspective for executives, employees and stakeholders in broader study of recovering from debt restructuring. Some executives might examine seeking bankruptcy, and "giving up" too early, with the idea of saving assets. This research gives a concrete example on how a Finnish public limited company, Trainers' House Plc, successfully recovered while it faced financial difficulties and can be utilized as a guideline for companies struggling with financial difficulties or whose performance have decreased.

Owners can learn from this research quite much since there are many companies in the markets that are facing similar financial complications as Trainers' House. After successful restructuring program the company usually has more motivated employees who have beaten difficulties and perform on higher level.

This research is a case study of the company Trainers' House Plc between 2008 - 2018. Thus, it is wrapped in 10 year timeframe. The research studies the factors during the debt restructuring that aid in recovery, and what were the policies that needed to change in order to succeed in the restructuring. The research is following a chronological timeline from the beginning of financial complications with background of the company and restructuring in general until the day that Trainers' House was able to pay all the loans back to their owners.

The event is analyzed from different perspectives; employee, customers, society, and owners point of view. The literature that is used in the thesis is from similar situations in which the company has faced financial complications, and finally found itself recovering from it. There are many theories around this topic and the research mostly focuses on the aiding part.

1.1 Theoretical framework

The theoretical framework of the thesis follows the structure of this research (see figure 1). As figure 1 illustrates employees, customers & society, and stockowners enable the company to operate in general. Theory around debt restructuring and its possible outcomes are analyzed before examining results from the data collected. Later it is explored how the possible topics could be used for future studies about the same topic, or how this research could be expanded.

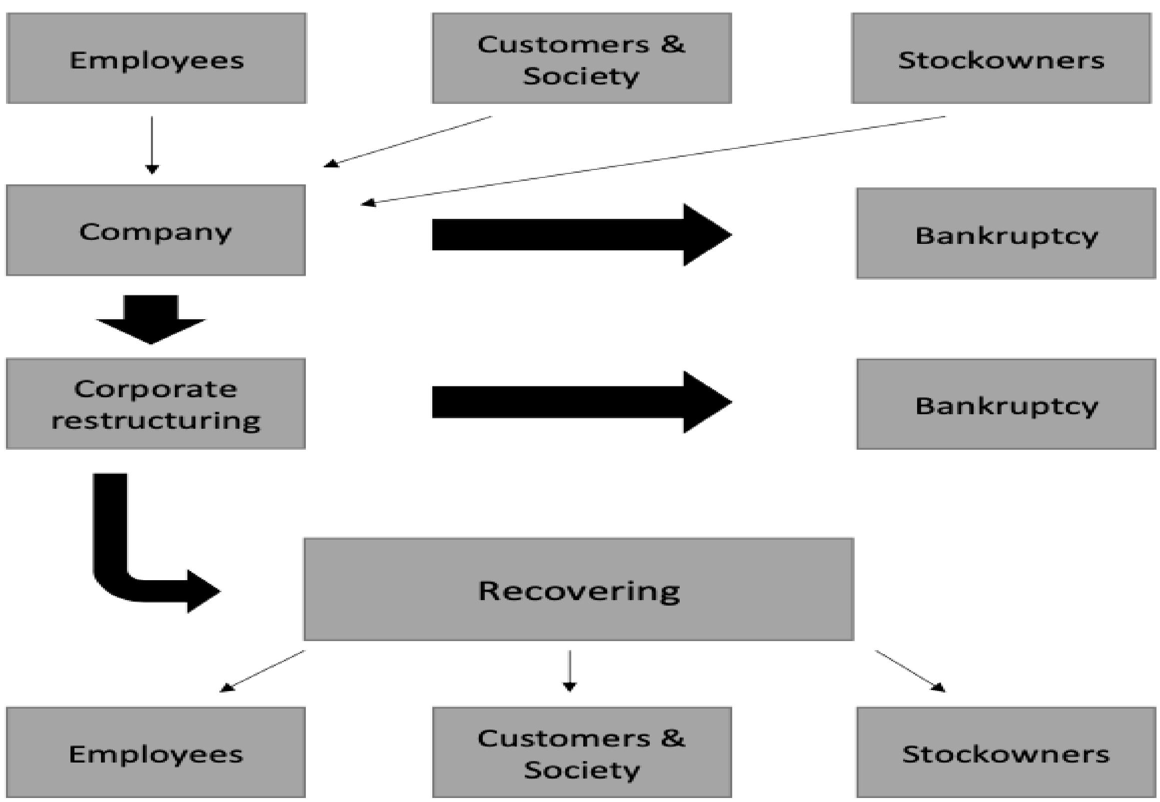


Figure 1. Theoretical framework.

As presented in figure 1, employees, society & customers and stockowners are all affecting factors in terms of a company’s performance. Once there is financial complications sighted, bankruptcy and debt restructuring are worst case scenarios. Even if company manages to start the restructuring program, it it still possible to end up in bankruptcy. If everything goes like it should, company will recover, and can continue performing positively.

Empirical information is limited to describe only the relationship between company and target groups, which in this case refers to employees, society, customers and stockowners, as well as stock price data will be used to analyze Trainers’ House performance before, during, and after the crisis.

1.2 Research design

The phenomenon of recovering from debt restructuring is researched through the case company in order to determine key factors that ultimately lead to the recovery process and that can be utilized later on in further research. The research is qualitative and data is collected with interviews. Many management and organizational phenomena require a qualitative method instead of the traditional statistical method. Qualitative research enables the chosen comprehensive review of the change process. The goal is to create the best possible understanding of the subject being investigated, a unique process of revitalizing your business (Koskinen, 2005, 15). The structure of the interviews are different for the employees of Trainers’ House and client companies, because they represent different sides in the case (see attachments 1 and 2). Employees from different levels were interviewed in order to get broader perspective. A few of Trainers’ Houses the most important client companies were interviewed (company that have been customers before, during, and after the restructuring process. Only three companies were available). Another method to collect data is from Trainers’ House financial statement 2018, and restructuring program proposal 2015.

Thus, the case company is used as an example with previous studies to study a larger phenomenon. A lot of information can be found around the topic from previous studies and researches. This research is qualitative that aims to research factors that helps recovering from debt restructuring. In this research there are terms might have been used similar term, such as “Debt restructuring”, “corporate restructuring”, “organizational restructuring”, “corporate financial restructuring”, “re-organizationing”, which in in this case are synonyms to debt restructuring, and it’s analyzed more in chapter two.

1.3 Research questions

Besides the main research question, the study has been narrowed to investigate three sub-questions. What did the client companies and society, employees and stockowners benefit from this event.

First, client companies risked their money while working with Trainers’ House. What did they, and the society receive, when Trainers’ House managed to pay all its loans. It can be seen as customer value maximization. Besides this, what did the society benefit? Many employees are still paying their taxes, and learned from this event. Trainers’ House is a company that other companies might use as a benchmark in the industry.

Second sub-question concerns employees. What was the value for them when Trainers’ House managed to complete the program faster than planned. This is valid point to consider because Trainers’ House has nearly 150 employees. Trainers’ House has training program for its marketeers; Trainers House Growth Academy. This program is training future talents and train them in field of sales and management. It lasts one year, and includes ten training sessions, once a month. Removing this program might have some effect on sales and management industry Helsinki area, in Finland.

Third topic concerns stockowners who have risked their own money in the company. What is the value for stockowners, and how did Trainers’ House manage to maintain the trust between stockowners and employees, and the society. If the stockowners would've abandoned this company, it might have had higher impact for the whole company in the long run. Since many investors are using others working mechanisms, it can start a chain reaction. If a large amount of investors sell many of their stocks and leave, others might do that too.

There is one major research question and three sub-questions, that are answered through the thesis. The main question is:

- What are the factors that aided Trainers' House to recover from debt restructuring in 2018?

Sub-questions:

- What is the value for the client companies & society when Trainers' House managed to recover from debt restructuring?
- What is the value for employees of Trainers' House when they managed to recover from debt restructuring?
- What is the value for stockowners when Trainers' House managed to recover from debt restructuring?

The data to answer the research question was collected with interviews from key employees of Trainers' House, and its client company executives that were customers before, during and after restructuring. Stock price data is collected from Kauppalehti historical stock price chart.

1.4 Structure of research

The research begins with introduction. Theoretical framework, research design, and research questions are introduced first. Second chapter includes theory and previous studies of the topic. It also opens up statistics from Finland around the topic. Third chapter introduces the reader to the case company, Trainers' House and its performance. It opens up its background, and history. Reasons why financial problems occurred and how they were handled. Finally, there is a step by step review of the debt restructuring program and its outcome. Fourth chapter includes research design and data gathering methods. Interviews were implemented to gather data. There will be list in interviewees and their roles. Fifth chapter opens up interview results and answers to research questions. Answers are compared to previous studies to find the best practices. Sixth chapter is about summing up. Answers to research questions lifted up. The criticism towards the research and possible further research topics are analyzed. In the end there will be list of references and attachments.

2. Literature review

This part of the research introduces reader to the basics of debt restructuring common and previous studies around it. Commonly used theories are agency theory, basics of debt restructuring, and company turnaround process. In the end there is statistics from Finnish restructuring programs and bankruptcies between 2008 – 2018.

In previous researches, the topics have been dealt with mostly the concept of debt restructuring for subsequent research and their incorporation about their performance of different companies in specific markets. This chapter is supposed to find links between previous studies and this research to find universal factors that work in broader context. There has been many studies concerning "turnaround process", which means, that the before or in during restructuring has been successful. That is why it is used in this research, because it includes similar aiding factors, even though the situation differs a bit. "Turnaround" for the company, or "recovery" can happen even before the company is in the debt restructuring process, but in this research it is taken into account that it means only the situation where the company is already in the debt restructuring process, so these notions are not mixed later on.

In this research successful restructuring, or recovery is used as a synonym for turnaround. Recovery and debt restructuring have differences, such as not already being in debt restructuring, and it can recover its performance even earlier. Thus, the ultimate goal is to avoid bankruptcy, and perform normally.

Table 1. Commonly cited sources.

Author	Year	Article
Lohrke, F., Bedeian, A., Palmer, A.	2004	The role of top management teams in formulating and implementing turnaround strategies: a review and research agenda
Bibeault, D.	1982	Corporate Turnaround: How Managers Turn Losers Into Winners!
Hambrick, D., Schrecter, S.	1983	Turnaround Strategies for Mature Industrial-Product Business Units
Chowdhury, S., Lang, J.	1996	Turnaround in Small Firms: An Assessment of Efficiency Strategies
Francis, J., Desai, A.	2005	Situational and Organizational Determinants of Turnaround
Pajunen, K.	2006	Stakeholder Influences in Organizational Survival
Ross, S.	1973	The Economic Theory of Agency: The Principal's Problem
Savolainen, M.	2013	Suomen Asianajajaliitto: Yrityssaneeraus
Bratton, W.	1989	Corporate Debt Relationships: Legal Theory in a Time of Restructuring
Bowman, E. Singh, H.	1993	Corporate Restructuring: Reconfiguring the Firm

When studying a company, it is well known fact that if company will drift into a situation where it has to start restructuring, some of the main economic performance indicators have failed. In table 1 commonly used researches to this topic can be found. Some of them are studies that are supporting the results in the end. In previous research, the status of a company has been mostly defined with different economic indicators (Lohrke & al., 2004, 79). The most commonly used indicators are mainly “profit before tax” (Bibeault 1982, 82-83) or “return on capital” (ROE or ROI) (Hambrick & Schecter, 1983, 234-235, and Chowdhury & Lang 1996, 172-173). Compared to either the company's past performance, industry average figures or the level of profit and income generally accepted in the economy. Some researchers has combined a number of economic measures, such as “return on capital” and “net profit” (Francis & Desai, 2005, 1210).

Bratton (1989) presented “Three conceptions of corporate debt-equity relationships”, in this method it was explained how debtors and creditors make a simple exchange. Funds are being advanced by the creditor and he also receives a promise to repay with interests. However, sometimes this simple start leads to relationship that can be very complex, because with large and usually long-term loans to a major producing institutions like “management corporations”. In those cases, usually the creditor can be another firm or in some cases a financial institution or a group of institutions, or group of dispersed individuals.

The definition “turnaround company” or later in this research “successful debt restructuring”, or “recovery company”, a business exists the risky situation under imminent threat. The company has to focus on solving survival threatening problems (Slatter, 2006,19). Changing a company from good to excellent however, does not meet the definition of a successful company restructuring (Wild, 2010, 623). According to a 2013 research, a definition of potential recovery company or successful restructuring company was under legal protection, such as company restructuring or chapter 11 of US bankruptcy law applying for creditor protection for the company (Trahms & al., 2013, 1280-1287). Such as the definition has also been used by Collet & al. (2014), the survival of the firms selected for judicial restructuring by judicial decision, and failure.

Previous studies have found actions in business recovering processes that could happen regardless of company size. However, the size of the business is a crucial factor, which influences the outcome of the recovery process (Francis & Desai, 2005, 1207). Company size is also most often a background variable associated with industry research and some studies regard it as the key to the success of health care as a variable (Schweizer & Nienhaus, 2017, 26). The smaller company may, on the one hand, impose constraints and, on the other hand, provide specific opportunities through, for example, more flexible operating models. Small Business turnaround strategies contain the same elements as big business strategies (Chowdhury & Lang, 1996, 176). Smaller companies also rely on recovery in the early stages of well-established recovery methods (Cater & Schwab, 2008, 18 44). There is often a need for health in the small businesses compared to larger companies because small businesses react very strongly to economic changes in the market and are more fragile than large companies which can tackle these kind of problems easier (Boyle & Desai, 1991, 34).

The financial structure of SMEs (small and medium size enterprise) is different and their margins are smaller than larger companies have. Smaller companies have more financial resources critical constraints compared to larger conglomerates, such as smaller ones cash resources i.e. liquidity, and more limited access to external financing (Bibeault, 1982, 118; Rasheed 2005, 242). A larger company can negotiate more effectively its debts in a situation where its actions are under a threat (Sudarsanam & Lai 2001, 189). Smaller companies generally do not have the same escape plan concerning financial resources than larger companies have (Chowdhury & Lang, 1996, 169).

According to EU commission recommendation 2003/361/EY, the category of SMEs is made up of companies with less than 250 employees and an annual turnover is not exceeding 50 million euros, or a balance sheet total not exceeding 43 million euros. (User Guide Definition of SME, 2015, 3). Companies size does not directly explain the difference to larger companies, but contributes to SMEs typical practices.

A smaller company usually has lack of knowledge in terms of leadership, expertise and economic resources. Larger companies have generally more professional specialists and management of the various functions, and professional staff with more job-related skills. A small business often requires more extensive knowledge and problem-solving skills because one person has usually wider responsibility. There are more discontinuities in the operation of a small business, which creates growth to make it more challenging. Smaller companies are out of business similar economies of scale as larger companies. Smaller company’s financial resources are usually lower. Operations are often invested in or set as security for the entrepreneur's personal property.

Grinyer & McKiernan found out that 55% of recovery processes start with a change of CEO. This was the most common trigger for recovery process - event (Grinyer & McKiernan, 1990, 138). Most of the reasons which lead the company to fail and encounter problems are internal and managerial (Boyle & Desai, 1991, 33). Bibeault says the company has weakened up to 85% of the causes are due to poor management (Bibeault, 1982, 35). Lack of information and leadership is the most common cause of failure as well in small businesses (Boyle & Desai, 1991, 39-40). There are two types of management mistakes:

1. Decisions are made based on incorrect information and their implementation inadequate control or inability to adjust business to a changing environment (Bibeault, 1982, 38).

2. Bad leadership contributes many other problems like work atmosphere, decision making and decreasing internal efficiency (Arogyaswamy & al., 1995, 499-500).

Stakeholders are those groups which play so important part about the company's everyday life that it could not perform without them. (Stanford Research Institute, 1963) The key role of stakeholders in the company leadership has been understood since at least the 1980's. In the literature of management, there is a widely accepted view that a great stakeholder leadership correlates with growing economic results (Donaldson & Preston, 1995, 77-78). Every company has their own stakeholders, such as customers, which actually play large part of company's successful performance. Other stakeholders can be owners, financiers, employees and suppliers. The dependence of a company on its stakeholders is emphasized especially in crisis situations, and of course to be able to keep the key employees committed to their work. (Pajunen, 2006, 1261).

Continuous support from stakeholders is important for the successful performance of the recovery process in debt restructuring, and creates financial margin (Chowdhury & Lang, 1996, 176). A change of a strategy is the last, but not always necessary step of a recovery process in restoring performance. It is possible for a company to be able to succeed in improving its performance without changing its strategy. (Pearce & Robbins, 2008, 121). In a growing industry, the best way to recover has been noticed to actually change strategy and in some cases also organizational structures. This way the recovery has been the most effective. (Thrams & al., 2013, 1131). The recovery process is a multi-step process that requires the executives to manage and make correct decisions to avoid financial failure (Lohrke & al., 2004, 67).

Qualitative research is essential for studying organizational processes and understanding changes in them (Bluhm & al., 2011, 1870). Organizational change that involves influence by the context in which the phenomenon occurs and the content of the change, i.e. the company changes to be made. The purpose is to increase understanding of how companies operate by distinguishing qualitative (Koskinen & al., 2005, 16).

This thesis is a case study and the most important data that can be used is received from key employees, clients of Trainers' House and liquidator of restructuring program, in the end the results are compared with previous studies. The research is done qualitatively to get deeper understanding of the event. In practice, this often means giving the perspective and experiences of the subjects and familiarizing themselves with the thoughts, feelings and motives associated with the event. Metsämuuronen (2005, 203) stated that qualitative research is difficult to define because it does not have its own clear theory or completely own methods. However, it can be described as a complete set of different interpretative research practices. A qualitative research method is well suited for exploring the causal relationships of certain situations, being interested in the meaning structures of individual actors, and looking for a natural situation in which it is not possible to control influential factors. The empirical part is done by using case study and content analysis.

Case study is one of the most common methods of business economics research, and refers to research that investigates a few or just deliberately chosen companies (Koskinen, Alasuutari and Peltonen 2005, 154) Empirical materials are taken from the literature and the results from the interviews. Case study enables real life phenomena such as organization or a comprehensive review of management processes (Yin, 1998, 3). Single the case is suitable for critical testing of an earlier theory (Yin, 1998, 40). Theory development occurs when qualitative research tests existing models or conceptual ideas without formal hypotheses (Bluhm & al., 2011, 1870). According to Schramm (1971), the central purpose of a case study is to illuminate a decision or series of decisions; why is that decision made, how is it implemented and what are the results?

Bowman and Singh (1993) stated that debt restructuring, is a measure approved by the court to remedy and recover the activities of an over indebted legal entity. Applying for restructuring program is often an alternative to bankruptcy. In order to re-negotiate and reduce debts, and improve or restore the liquidity totally, legal restructuring and retrenchment are sought in order to allow the legal entity to continue operating its successful performance in the markets.

The definition of a “company turnaround”, or in this research later “recovering”, has been the subject of a previous study long-term discussion between different researchers for a long time. A successful recovery can be simply defined as business to recover from its financial performance after a decreasing performance, that is threatening the future of the company (Bibeault, 1982, 81, Pandit, 2000, 31), or there is a threat to the company survival (Hofer, 1980, 21). The business situation has to be taken seriously, because it plays an important role in explaining the successful recovering action.

2.1 Agency theory

When studying an agency relationship, there is always one group which is acting on behalf of the other party. It is interesting, that there is a concept, that has not been linked to sociology before, and has no narrative in the sociological literature. (Shapiro, 2005) The first persons who explicitly proposed and really began developing agent theory were Stephen Ross and Barry Mitnick. They did not work together, but they studied the same topic about the same time. Ross is the one who is responsible for the origins of the agent theory's economic side and the institutional side was created by Mitnick. Although the concepts underlying these ways approaching might be similar. These approaches can be seen as supplementary using similar concepts in different assumptions. In a nutshell, Ross was studying an agency study on the problems of compensation contracting, which means, that the agency was basically seen as an incentive problem.

Mitnick stated, that the general view that organizations build around agency, and evolve to deal with agencies in response to the inherent imperfection of agency relationships. (Mitnick, 2006) In this research only economic side is opened up and later analyzed, although both of them could be linked to this topic.

In economic side of this theory, the problem usually is the choice of a compensation system that produces the agent's behavior in accordance with the principal's preferences. Therefore, the focus might be on the nature of the incentive system and contractual arrangements that govern the distribution of these incentives, as well as the risk and information conditions that influence the choices made by the operators. Ross (1972) presents the problem very clearly and concisely in a paper he presented at the December 1972 economic conference and published in a paper later. He identifies the agency problem clearly as a general problem in society, not just a problem business theory.

Managers and executives of Trainers' House might have had difficulties to justify the compensation for employees to stay in the company. Later on it was stated as one of the key elements in order to succeed in the restructuring program. This factors was also supported by Pajunen (2006).

This is one factor that separates his work from other corporate theories (Baumol 1959, Marris 1964, Williamson 1964, Alchian and Demsetz 1972), just like more general formal way to study decision-making when there is risk, and in different information (Arrow 1963, Spence and Zeckhauser 1971, Marshak and Radner 1972). Ross had re-defined the issue of representative relations and clearly identified the key problem, and key factors.

Incentive model for organizations was developed and it was created by Clark and Wilson in 1961. Relational, and also incentive-based claims had evolved, or changed to one way literature. From an economic point of view, Williamson's management reflection model (1964) were similar to some of old assertions of managers' discretion, but it presented a sleek utility trade where managers could cope with making decisions that were beneficial to themselves, as well as to producers who make less than maximum returns.

Coase (1937) introduced a classic model of companies where hierarchy determines employees roles. Later in 1975, Williamson introduced a new possible approach to study management in a company, to why the hierarchies might be better than contracts in market. Transaction cost and the way of study suggested that institutions could be forming because they was a better option to handle those costs, given others conditions, like the characteristics of the asset, technology, opportunism and other possibilities. Agency theory was not linked in political science before Moe's article (1984), the theory was not considered significantly incorporated into social sociology before Shapiro’s research (1987), and wasn’t prominent in management work before Eisenhardt issue which was released (1989).

In all of these researches Mitnick was cited originally, but it had been published many years before these came out so those authors took their primary direction from the most popular streams back then in economics. The original work of Mitnick about agency theory has been cited (Cook 1982, Galaskiewicz 1985, Spulber 1989, Spulber and Besanko 1992, Macey 1992, Waterman and Meier 1998, Krause 1999), there are also few more, but it is not that knows nowadays anymore, especially in economics, compared to the work that Ross started and later Jensen and Meckling continued. In article published by Ross (1973), people were thinking about terms of modeling economic agency relationships, not only just about terms of incentives or compensation systems. These were the factors indeed and also part of Ross’s research, which many scientists had been writing about in the past too, of course.

2.2 Debt restructuring procedure

The goal of restructuring process is avoiding profitable business ending up in bankruptcy. If the debtor's application already supports at least two significant external creditors, the application procedure is much simpler and faster. The debtor should try to do this in the first place. Unless the creditors' claims are received, the debtor much attach to his application an explanation of its eligibility for the restructuring and the auditors statement on the matter. A small company application is often appropriated to give directly to a lawyer who is suitable to be a liquidator of the restructuring program. He or she can already assess in advance the conditions for the success of the renovation and the cost of the procedure. In the case, the application phase can also be used later in the procedure. (Theintactone, 2018) Also, the main financiers can give good tips on a suitable liquidator.

Savolainen (2013) states that in case of serious difficulties, it is advisable to take timely remedial action. The escalation of payment difficulties too much complicates the restructuring process. If the restructuring is applied after a creditor has already applied company to bankruptcy, the credibility of the restructuring is put to a real test. However, restructuring can be applied as long as the company is still not bankrupt. It is advisable for the creditor to be active if the continuation of the operation would lead to the creation of additional debt or threatening bankruptcy would endanger the creditors significant interests. The district court will decide on the initiation of the debt restructuring procedure. If the creditors have already approved the application in advance, the court may initiate the procedure for the arrangement immediately. Otherwise, the district court will ask the opinion of the major creditors on the application before resolving the matter. At the initiation of the proceedings, the right is assigned by an external liquidator who is usually a lawyer in charge of debt restructuring. In larger debt settlement cases, the creditor committee of creditors' representatives is often also set up.

The debts of the company that arose prior to the restructuring are debt restructuring loans within the meaning of the company restructuring act. The debt restructuring debts may not be paid or recovered until the restructuring program has been approved, there are exceptions too. The idea of a prohibition on a payment and collection is both to protect the company and to safeguard the fairness of payments for restructuring debts. During the debt restructuring process, the company continues its business with the management chosen by the owners. As a rule, the business contracts of the company are binding on the company as such and the company must deliver the promised deliveries. The prohibition on payment and recovery of restructuring debts facilitates the company's operations and immediate liquidity. However, often the need for financial planning continues, as the new business obligations and payments have to be paid on time. In practice, this will require a positive cash flow from the business unless the new equity investments from the owners or other risk funds are available. (Savolainen, 2013)

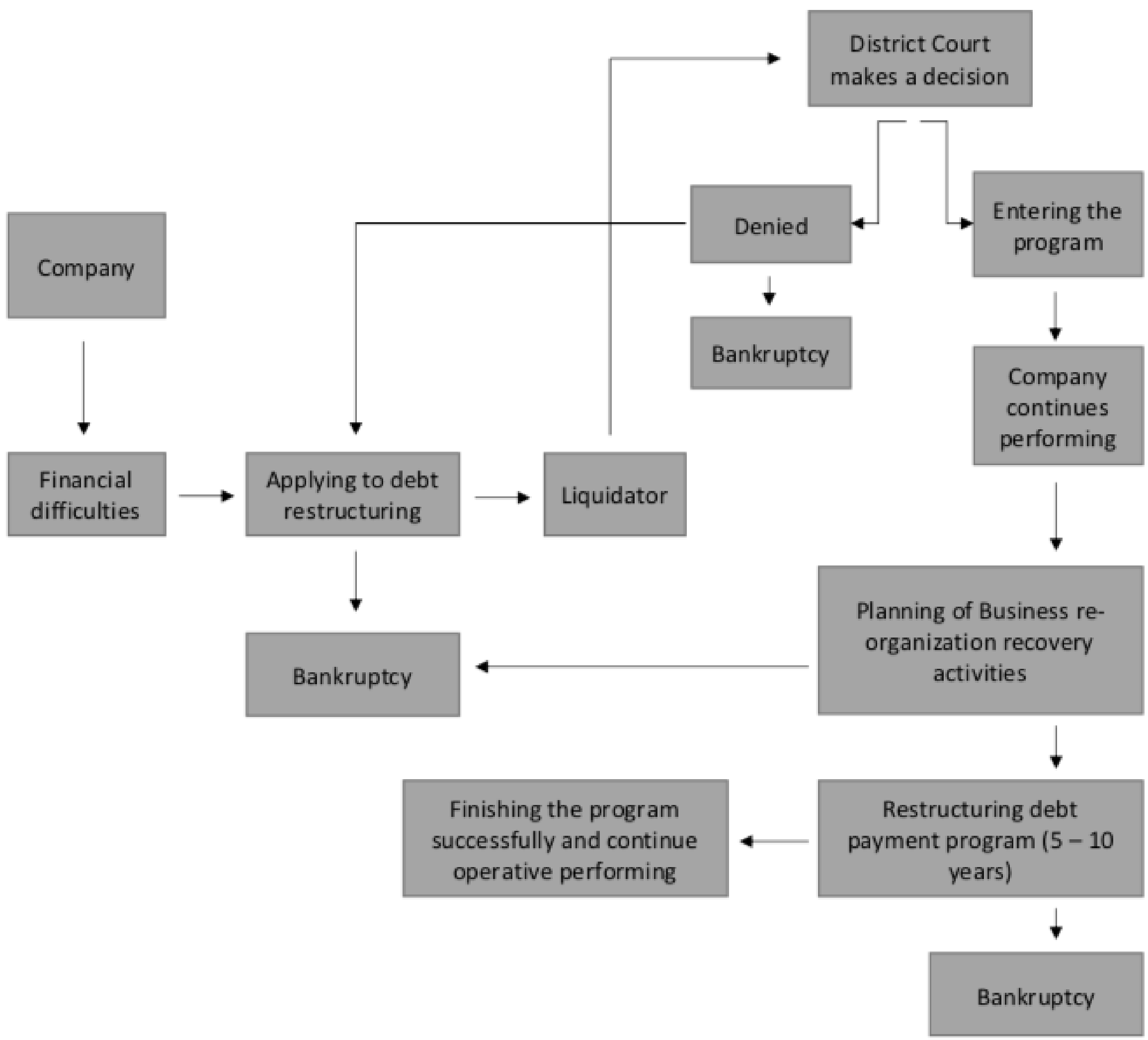


Figure 2. The process of debt restructuring (Keskitalo, 2019)

The liquidator begins to prepare a financial report on the assets and liabilities of the debtor company and on its operations. At the same time, the planning of business restructuring recovery activities is started. The liquidator works with the debtors’ management and principal creditors and, if necessary, uses other experts such as auditors and business consultants too. In debt restructuring planning, the company’s future debt servicing capacity is assessed on the basis of the company’s business forecasts. The written restructuring program prepared by the liquidator is at the heart of the procedure. The program includes business restructuring measures and a payout program for restructuring debts. The aim of the program is to seek the best possible result for creditors. On the other hand, the program should be realistic and also motivating the entrepreneur. Usually it means going on with the debtor company and partially reducing debts. Creditors will then vote for approval or rejection of the program proposal. The district court will then decide on the approval of the program. The most of the companies that are admitted to the restructuring procedure will also be approved for the restructuring program. (Savolainen, 2013)

The debtor company must comply with the program and pay the debts due under the restructuring program. The company has to perform well enough to be able to pay program fees to the restructuring debtors in addition to the new obligations. The duration of debt restructuring programs are usually from five to ten years. Despite the restructuring, some companies will go bankrupt before they can reach the end of the program, but a growing amount of restructuring programs have already ended after the program debts have been paid out. After that, the restructured companies will continue to operate normally without any legal constraints on restructuring. (Savolainen, 2013)

According to Singh (1993) when changing the capital structures in the organization it usually involves the infusion or huge number of debts to finance leveraged buyouts or to buy the stocks back from investors that invested in the company earlier. One possibility is also to pay very large dividends once. When organization has to be re-organized, it is usually meant to increase the efficiency and the whole effectiveness of management teams and usually this means downsizing the organizational structures. Restructuring, which mainly involves an organizational structure changes is often done by asset disposal or acquisition of funds.

The restructuring of companies and the restructuring of the financial sector are two sides of the same problem. The amount of debt that an enterprise can maintain, and which lenders can rely on for reliable debt management is determined by the amount of a company's incoming cash flow. In fact, the company cannot maintain those interest payments which are exceeding its cash flow in total. In a short run it might be possible for a little while, but in a long run it will create problems for company's liquidity. This can be very harmful and it is said that the business is not healthy if it does so. Although there are various number of ways that company can do to resolve debts. Some of these are better than others. It is argued about what is the best way, but one on the best might be to raise new equity, sell non-core business and assets away to retire debt while restructuring its operations. For example, the winding up of unprofitable or loss making companies, or business sectors, or business units and of course the reduction of labor and other extra costs in the long run to increase its earnings and capacity of the debt service. (Mako, 2001)

Second, or next best approach how to perform when dealing with debt restructuring for creditors might be to convert debt into equity or possible lower-yielding convertible bonds. Obtaining some kind of instruments such as equity, options or warrants might be a possibility for creditors to act in order to avoid moral hazard. They should not consider debt write downs before using all the other options have been taken care of or used in participating in recovering process. It would be acceptable to extend the terms, provided they might not have to practical effect in the transform of debts into an instruments that are like equity without giving the creditors the same rights that equity holders have. Also, it would be acceptable to adjust the interest rate below the risk adjusted level as long as the capital is still repaid. (Mako, 2001)

How should the results be analyzed then. (Mako, 2001) states three different strategies and dimensions that could be used while measuring and analyzing the results. First would be a long term deterrence of the imprudent debt investments. Second would be a stabilization in a short run for example 3 months to avoid the over leveraged viable companies liquidation. Third and last one would concern medium term operational restructuring for example for 6 months to three years. This would be done to improve profitability, liquidity and solvency.

2.3 Debt restructuring and bankruptcy procedure in Finland

Although debt restructuring is similar in almost every country, there are many country specific differences. In this chapter debt restructuring and bankruptcy are studied and viewed in the point of view of Finland. What are the characteristics around these topics. The purpose is the get a deeper insight into the subject and to give the reader a better understanding of the details of the debt restructuring and bankruptcy. The goal is also to be able to utilize the information with own company in a case if similar situations arise in the future. Thus, the content of this paragraph is to provide opportunities and alternative ways of dealing with different situations where a company has encountered payment difficulties and the next steps should be outlines for the future. One of the key points is to see what are the numbers behind this topic in Finland in the past.

Introduction stated that one of the aims of this study is to provide corporate management tools, and anticipation capabilities to identify future and resolve difficulties. Kontkanen (2017) studied insolvency statistics in Finland in the previous years. She has collected some data from 2016 and 2017 and is comparing them. The number of bankruptcies and corporate debt restructures has been declining since 2014. In 2013 there was 2,245 bankruptcies in Finland and when it was compared with 2016 the number had declined to only 1,812 which means that there was nearly 20% less bankruptcies in three year period.

When bankruptcies are compared with debt restructures the amount is much lower because it is difficult to even enter the program and all the companies can not usually even think about the program so they have only one options and it is bankruptcy. The number of debt restructures in 2013 in Finland was 382 and three years after in 2016 the amount had decreased to 295. So it can be noticed that there was lessening too and the percentual amount was nearly 23% lower. In recent years, over 70% of bankruptcy applications have led to concrete bankruptcy. On the debt restructuring side, the corresponding number is somewhat lower, and it is around 65%. The Statistics Finland published some statistics in Finland in the first quarter of 2017 and the results confirmed a continuing declining in the statistics. In contrast, the corporate debt restructuring applications were made in the early part of the year against the trend so far compared to last year. So the amount of the applications to enter debt restructuring grew in the first half of 2017 in Finland. (Kontkanen, 2017)

In the period between January and March in 2017, 447 bankruptcy applications were made, which is 35.9% and 250 bankruptcy applications less than in the corresponding period a year earlier. Knowledge of more than a third of the reduction was received in the media and society with pleasure. After all, the number of bankruptcies is one of the indicators when assessing the state of the economy more generally. In the period between January and March 2017 a total of 118 applications for debt restructuring was initiated, which was 14.6% and 15 units more of the applications when comparing to same time year earlier. It has been desirable for long already to seek redevelopment at an earlier stage for the company in order to better manage their business at the present and in the future. It is still argued that would it still anyway change the situation in the total on average. (Kontkanen, 2017)

A more detailed analysis shows that, in January-March 2017, bankruptcy and corporate debt restructuring figures were associated with special features that need to be known before starting to far reaching conclusions from just three months of applications. In the case of bankruptcies, special features were found in the behaviour of the applicant debtors and in the structure of debtors' companies in terms of corporate debt restructuring. A tax administration has consistently made nearly 40% of all bankruptcy applications in Finland. According to the statistics, the applications initiated by it decreased by 71.8 percent in January-March timeframe from the previous year. The reason for this was as concrete a reason as the transition to a new data management system at the end of 2016 and the resulting temporary delay in drawing up bankruptcy applications. The exceptionally low total number of bankruptcy applications therefore does not appear to be solely due to the brighter economic prospects of companies. (Kontkanen, 2017)

Since the number of companies applying for corporate debt restructuring is relatively low on a monthly basis, individual cases may change the statistics a lot. The increase in the number of applications sent in the early part of the year 2017 is also influenced by the tendency of the department store - chain Hong Kong to seek for debt restructure program. The Honk Kong entity is made up of 29 separate and own companies, all of which were subject to separate applications for renovation, and all of whom started their own restructuring procedures. Thus, a quarter of the first three months of restructuring applications were related to the same entity. Due to the specificities mentioned above, it was particularly interesting to receive the application data at the end of April 2017. The previous trend seems to continue. The number of bankruptcy applications by 29.6 percent compared to the same period last year. According to statistics from Finland, the number of applications made by the tax administration was already at the level of last in April. In January - April 2017, the tax administration’s number of applications remained at a further 55.6 percent below the previous year’s figure. (Kontkanen, 2017)

Thus, a number of bankruptcy applications other than by the tax administration has also decreased. For example, applications made by insurance companies fell by 24.1% in the early part of the year 2017. The claims made by the debtor itself decreased by 13.3%. If the tax administration is left out invoices, according to Finland’s statistics center, the applications made by all others have been initiated in January - April timeframe by about 14% less than last year. Finland’s Statistics center publishes data on the number of corporate debt restructuring applications much less frequently than bankruptcies. (Kontkanen, 2017)

2.3.1 Debt structuring statistics

Statistics Finland (2019, c) has published the new numbers and values of employees and debt restructurings in Finland in April 2019. The numbers are taken from January - March timeframe of 2019 in Finland and the number that has been reviewed is the number is debt restructures at first. “Only” 101 debt restructures were initiated, which is only 3 units less and 2.8% less that at the same time a year earlier. The total number of employees in the companies that applied for debt restructures was 583, which is 586 employees less (50.1%) than in the previous year.

When looking at the number of employees it shows that last year much more people were in the organizations that applied for debt restructures compared to 2019 first quarter even though the number of the applications were almost the same. In the th of June Statistics Finland will publish the whole statistics of entire 2018 in Finland. Then we can make more analyzing about the topic but at the moment we will live with the situation that we are having at the moment.

The number of corporate debt restructures decreased in the main sectors of trade, transportation, storage, accommodation, and catering. In terms of numbers, the largest number of debt restructures decreased in the main retail sector, which initiated 13 units of restructures, ie 6 less when compared to year 2018. The number of restructures increased in the main sectors of agriculture, forestry, fisheries, industry, and mining. The number did not change in the main sectors of lending and other services. “Other services” in this context includes information and communication services (ICT), financial and insurance activities, real estate, professional, scientific and technical activities. The rest are administrative and support services, educational, health and social services and arts.

Entertainment and recreation are also included in the other services listing. (Statistics Finland, 2019, c)

These numbers and changes between 2018 and 2019 can be seen in table 2 below sorted by their own sector of business. It can be seen that the highest number of restructures were in “other services” field with 26 units each year. So the amount did not change compared to 2018. Second highest was construction field with 23 units and it grew with 4 units compared to 2018 first quarter. Third largest was with only a small gap industry and mining field with 13 debt restructures and the number grew with only one unit compared to first quarter of 2018.

The larger changes happened in employees section instead of amount of restructures. In 2018 there was 1169 employees working in the organizations that were applied to debt restructures and this number decreased with about 50% and ended up with only 583 employees. This can be said to be a good thing because it is not a perfect situation to work in a company which has negative future forecasts. The biggest change happened again in “other services” field because it includes so many industries. The change was huge: 465 in 2018 and only 165 in 2019 so the difference was 300 employees which almost alone explains the whole difference in total. Second largest change happened again in industry and mining field with 208 employees in 2018 and 101 in 2019. So the difference over there was also over 100 employees, which means that the remaining 100 employees difference in first quarter of 2019 can be explained from all of the remaining industries.

Restructures that are put in motion are companies and entities applied for corporate restructures during the calendar year. The same company can be applied for corporate restructure during the year by several creditors. The number of applications is always higher than the number of attempts to restructure the company. The first company in calendar year that applies for the restructure is compiled as a debt restructuring initiated. Other applications for the company or community that have arrived in the calendar year will only appear in the statistics for the issues that have been processed.

Table 2. Number of debt restructures and employees in companies. Jan - Mar 2018 - 2019. (Statistics Finland, 2019, c)

Industry	Debt restructions in Jan - Mar 2019	Debt restructions in Jan - Mar 2018	Number of employees in Jan - Mar 2019	Number of employees in Jan - Mar 2018
Agriculture, forestry and fishing	6	1	6	2
Industry and mining	13	12	110	208
Construction	23	19	35	62
Transportation and logistics	11	12	42	76
Accommodation and catering	7	10	39	82
Other services	26	26	165	465
Industry unknown	2	1	2	1
Total	101	104	583	1169

In table 3, there are same statistics from the first quarter of 2018 and 2019 with the differences and the providence separation to see what, or which parts of Finland have the highest number of debt restructures and which locations do not have this issue. It can be seen that the largest number of debt restructures happened and applied in Uusimaa, which means basically Helsinki area. This is very logical because there is most of the big companies and most of the population of Finland live there. In 2018 there was 30 restructures in Uusimaa in first quarter and the difference to 2019 was -4, so the are managed to “survive” with lower amount compared to the previous year. Second highest number in 2018 was in Pirkanmaa, which follows the logical line because is might be the second biggest business are in Finland and its amount was 15. In 2019 the number was 7 so there was a high decrease with the restructures. All the other areas remained almost the same in 2018 and 2019 with only one exception, which was Pohjois-Pohjanmaa. 2 Restructures in 2018 and 8 in 2019. Something has happened in there and there was no data found why, or which companies had been applied to corporate restructure in 2019. Again in the employee section the differences are bigger. Largest difference is again in Uusimaa with 418 in 2018 and 190 in 2019. The difference is 228 employees in one year so it can be said that the difference was huge and over 50% decrease, which is good thing.

Table 3. Number of debt restructures and employees in companies. 2018 and 2019 with providences. (Statistics Finland, 2019, c)

Province	Debt restructions in Jan - Mar 2019	Debt restructions in Jan - Mar 2018	Number of employees in Jan - Mar 2019	Number of employees in Jan - Mar 2018
Uusimaa	26	30	190	418
Varsinais-Suomi	8	7	40	33
Satakunta	4	5	7	51
Kanta-Häme	4	1	23	58
Pirkanmaa	7	15	50	167
Päijät-Häme	3	4	9	75
Kymenlaakso	1	2	6	9
Etelä-Karjala	3	5	15	21
Etelä-Savo	5	2	26	2
Pohjois-Savo	7	8	71	20
Porjois-Karjala	1	3	13	26
Keski-Suomi	6	8	41	171
Etelä-Pohjanmaa	7	7	19	35
Pohjanmaa	3	1	10	3
Keski-Pohjanmaa	0	1	0	12
Pohjois-Pohjanmaa	8	2	29	63
Kainuu	3	1	20	3
Lappi	5	2	14	2
Ahvenanmaa	0	0	0	0
Whole country	**101**	**104**	**583**	**1169**

Surprisingly Pirkanmaa does not have second highest difference between 2018 and 2019, instead it was in “Middle-Finland”. Eight restructures in 2018 and six in 2019 means that there should be less than 171 which it has in 2018, but maybe not a lot. In 2019 it had only 41 employees in the companies that were applied into the debt restructure.

Pirkanmaa comes in third place with 167 employees in 2018 and 50 in 2019 first quarter. In total in 2018 there was 104 debt restructures in Finland in first quarter and 101 in 2019. 1169 employees were working in the companies that were applied into the debt restructure in 2018 and only 583 in 2019.

In the statistics, other restructuring cases handled by the district court are also recorded in addition to debt restructuring applications. The statistics of already finished restructuring cases are figuring a different group than initiated restructuring cases. The issues dealt with in the end already include issues that had already been initiated in the statistical year, and similarly, some of the issues initiated in the statistical year will only be processed in the future. (Statistics Finland, 2019, c)

The regional data for a company restructure statistics are based on a single located companies in the location of establishment. Companies with multifunctional sites, all opeting in the same municipality, are also used to locate the company’s locations. Companies operating in several municipalities are classified as previously in the municipality. In other cases, the regional information is based on the debtor’s place of residence. The company’s location and home location information is available from Statistics Finland’s business register. Statistics released before 2004 were always based on the company’s home base. (Statistics Finland, 2019, c)

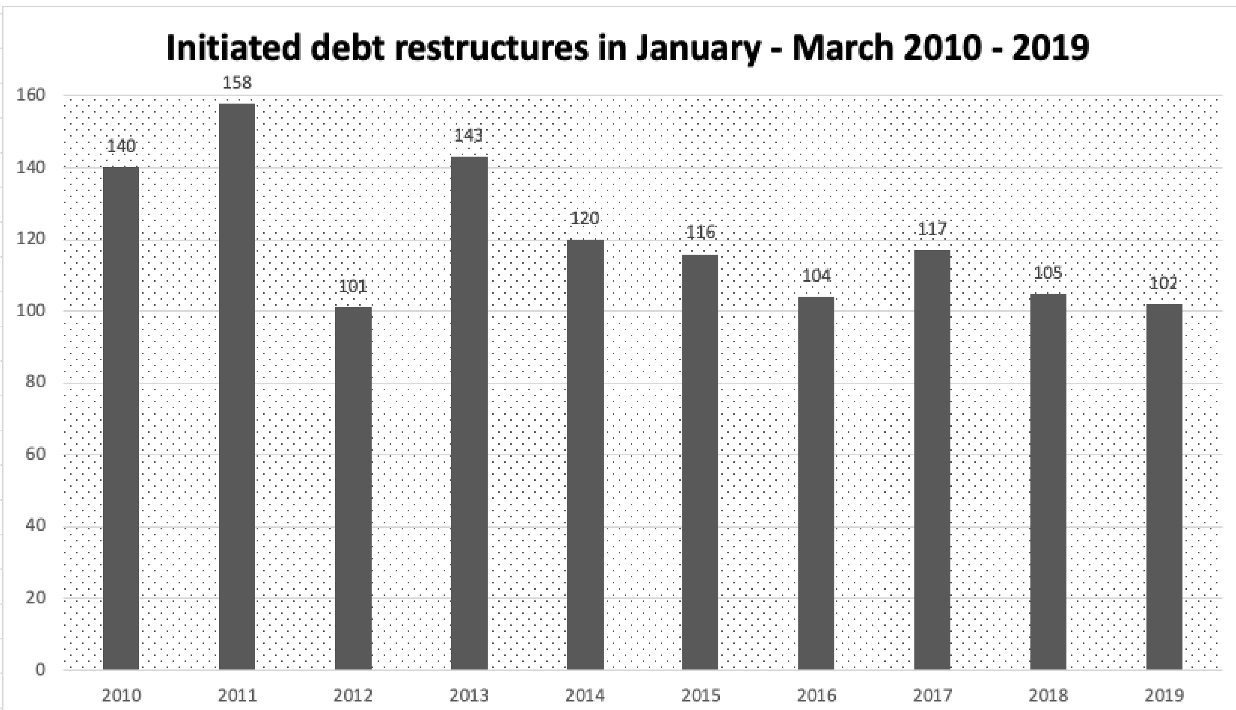
In February 1993 a new law on debt restructuring came into action. The law seeks to remedy the financial position of companies in financial difficulties. Debt restructuring is an alternative to bankruptcy in many cases. The aim of the procedure is to ensure the viability of a viable business. It is at the discretion of the court to decide whether the company should get a possible life saving opportunity. After the law came into actions the debtors’ could not have ran the viable companies straight into bankruptcy anymore. The restructuring procedure replaces the bankruptcy if, according to the court's judgement, there are any conditions for restructuring. Bankruptcy can be avoided by applying for a restructuring before a bankruptcy decision is made. Likewise, if an application for restructuring has been made and the company is filed for bankruptcy, the processing of the bankruptcy petition must be postponed until the decision to initiate the restructuring procedure has been taken. In the future, bankruptcy proceeding may be re-launched if the debtor fails to pay the debts under the payment program or becomes insolvent. (Statistics Finland, 2019, c)

The statistics of the cases that have arisen are published about one months after the end of the quarter. Statistics on completed cases are published five and half months after the end of the statistical year. Statistics on debt restructuring filed by district court are published quarterly on Statistic Finland's website. Information on completed issues is published once a year, in May. The main business and regional time series of pending restructuring at monthly, quarterly and annual levels from 2003 until today can be found in Statistics Finland's free StatFin information service on the internet. The statistics use the municipal classification valid at the end of the statistical year. The figures for previous years have been adjusted to match the latest municipal classification to make the statistics comparable. The number of district courts that have been held in statistics corresponds to the situation at the time of the statistics. Previous years' district court information has been changed to match the latest situation to improve its comparability. The figures are not fully comparable with Statistics Finland's previously published in bankruptcy release compared with debt restructuring statistics. The total number of pending debt restructurings has not changed at the annual or quarterly level, only the data for the main industry has been reported differently than in the past. (Statistics Finland, 2019, c)

It seems that the situation and the amount of debt restructures in Finland are shrinking and it can be concluded that the number of bankruptcies is following the trend. This means that better times to start a business are at hand, so it is not a barrier to set up a business, or you can't put it at the moment. As a result, business activity in Finland should be expected to grow as a result of the positive economic outlook and forecast.

The removal of the minimum payment for new companies and the incentive for them is likely to have resulted in higher activity between young people. For the it is likely to have resulted in a lot of positive results. The expansion of networks and the creation of contacts are very important in today's business life.

Table 4. Initiated debt restructures in January - March between 2010 and 2019 in Finland. (Statistics Finland, 2019, c)



As it can be seen in the table 4, there has been decreasing trend lately in previous years with the number of initiated debt restructures. This time frame includes latest nine years in account and it can be seen that the highest amount of debt restructures happened in 2011 with 158 restructures. Lowest amount or the best year, if it can be said, happened 2012 with 102 restructures. Very close to that was 2019 first quarter with 102 and 2014 with 104 units.

On average these nine years combined averaged 120.6 debt restructures yearly in first quarter in Finland. It would be very interesting to combine first and for example last quarter together and find out if there are any changed between those times. All of the year that have been examined here are getting values between 100 and 160, which happens to be the normal range between 2010 and 2019. Later it would also be very interesting to research if there are same kind of line between years 2010 and 2019 when examining full years and see if it really has the same trend.

2.3.2 Bankruptcy statistics

Usually the worst case scenario is called bankruptcy in the point of view of the company. This section compares statistics between industries and number of employees who were involved.

In order to get relevant data there is two time periods analyzed in this chapter. Time period of Jan - Apr 2018- 2019 is chosen, because it is the most recent data and then to be able to compare the results between debt restructures and bankruptcies together there is also period of Jan - Mar 2015 - 2019 analyzed. It might sound a little irrelevant because there is almost the same kind of data two times, but for the research it is relevant.

Between January – April 2019, 895 bankruptcies were initiated, which is 62 bankruptcies (6.5%) less than at the same time a year earlier. The total number of employees in bankruptcy companies was 4196 which is 540 employees lower (11.4%) than on the previous year. The number of bankruptcies declined in the main sectors of industry and mining, accommodation and catering, and other services. In terms of numbers, the largest number of bankruptcies fell in the main services sector. 265 bankruptcies were filed in the industry, which is 32 bankruptcies (10.8%) less than in the previous year. The other services includes information and communication services, financial and insurance activities, real estate activities, professional, scientific and technical activities, administrative and support services, educational services, health and social services, and arts, entertainment and recreation. The number of bankruptcies increased in the main sectors of agriculture, forestry and fisheries, construction and trade. In terms of numbers, the largest number of bankruptcies was recorded in the main agricultural, forestry and fisheries sectors. 8 bankruptcies were initiated in the industry more than a year earlier.

Table 5 shows amount of bankruptcies and employees in those companies in Finland between Jan - Apr in 2018 compared to Jan - Apr 2019. They are sorted by their own sector of business. It can be easily noticed that largest difference can be found in the “other services” sector where the difference to the previous year has decreased by 32 bankruptcies. It’s the largest change and highest decrease compared to the last year. The number in 2018 was 297 and in 2019 265. The second highest difference happened in “industry and mining” sector with 23 units less bankruptcies in 2019 when compared to 2018 Jan - Apr.

The largest difference that happened in employee sector in first third of the year between 2018 - 2019 were in “catering and accommodation business” sector. There occurred 11 bankruptcies lower number when compared to the previous year but the difference was much higher in the employee section.

Table 5. Number of bankruptcies and employees in in Finland between January - April 2018 - 2019. (Statistics Finland, 2019, a)

Industry	Bankruptcies in Jan - Apr 2019	Bankruptcies in Jan - Apr 2018	Number of employees in Jan - Apr 2019	Number of employees in Jan - Apr 2018
Agriculture, forestry and fishing	27	19	49	59
Industry and mining	66	89	498	779
Construction	189	183	1336	1078
Trade	182	179	636	491
Transportation and logistics	72	78	266	333
Accommodation and catering	89	100	300	612
Other services	265	297	1106	1372
Industry unknown	5	12	5	12
Total	**895**	**957**	**4196**	**4736**

The second largest difference between beginning of the year 2018 and 2019 in employee sector happened in industry and mining business sector. Number of bankruptcies decreased, like previously told, with 33 units but the difference in employees was 281.

To summarize the total number of bankruptcies that occured in Jan - Apr 2018 was 957 and it decreased with 62 and was 895 in 2019. The total amount of employees that worked in these companies that seeked for bankrupt were in 2018 4736 and it was in 2019 only 4196 so the amount that the ratio decreased was 540 employees. It has to be said that it is always good that the number decreased because there can be many other positive details behind this statistics too which help the economy in the long run.

Comparing regional variability also provides more comprehensive information on where the biggest differences occur and whether there have been many changes in the regions between current and previous year. When looking at the table 6, it shows the information concerning the differences in different business provinces. It can be mentioned again, like it previously was too, that the highest number with both statistics can be found in Uusimaa because of the highest amount of the population in the area. It it also the biggest single business area in Finland. 349 bankruptcies was confirmed in Uusimaa in 2018 and the amount dropped to 316 totalling 33 units less compared to last year.

Table 6. The number of companies seeking bankruptcy and the number of their employees in the province in January-April 2019 and 2018. (Statistics Finland, 2019, a)

Province	Bankruptcies in Jan - Apr 2019	Bankruptcies in Jan - Apr 2018	Number of employees in Jan - Apr 2019	Number of employees in Jan - Apr 2018
Uusimaa	316	349	1905	1713
Varsinais-Suomi	78	84	235	389
Satakunta	39	29	135	106
Kanta-Häme	18	32	66	192
Pirkanmaa	69	104	324	467
Päijät-Häme	16	35	33	271
Kymenlaakso	26	28	122	95
Etelä-Karjala	17	10	77	39
Etelä-Savo	21	24	71	136
Pohjois-Savo	42	48	174	211
Porjois-Karjala	25	17	124	164
Keski-Suomi	48	48	225	241
Etelä-Pohjanmaa	38	32	150	131
Pohjanmaa	29	22	88	85
Keski-Pohjanmaa	11	7	26	36
Pohjois-Pohjanmaa	66	49	298	243
Kainuu	5	17	15	59
Lappi	27	18	124	138
Ahvenanmaa	4	4	4	20
Whole country	**895**	**957**	**4196**	**4736**

In the second largest business region, Pirkanmaa, the difference between 2018 and 2019 measured with employees was 143 and the number decreased, which is good. The difference in bankruptcies was 35, and the amount in 2018 was 104 and in 2019 it had decreased to 69.

The third largest difference in bankruptcies happened in Päijät-Häme. The difference was 19 units and the amount in 2018 was 35 bankruptcies and in 2019 only 16. In Päijät-Häme happened also the biggest change between these two year when comparing the number of employees. The number is 2018 was 271 and it had decreased in 2019 to only 33, so the difference was 238. All the other provinces had almost the same value with these two years and it would not be that informative to open them all here. There was changes but most of them had values between 0 and 10. And in the employee section the difference was mostly between 10 to 50.

Table 7. Initiated Bankruptcies in January - April 2015 - 2019 in Finland. (Statistics Finland, 2019, a)

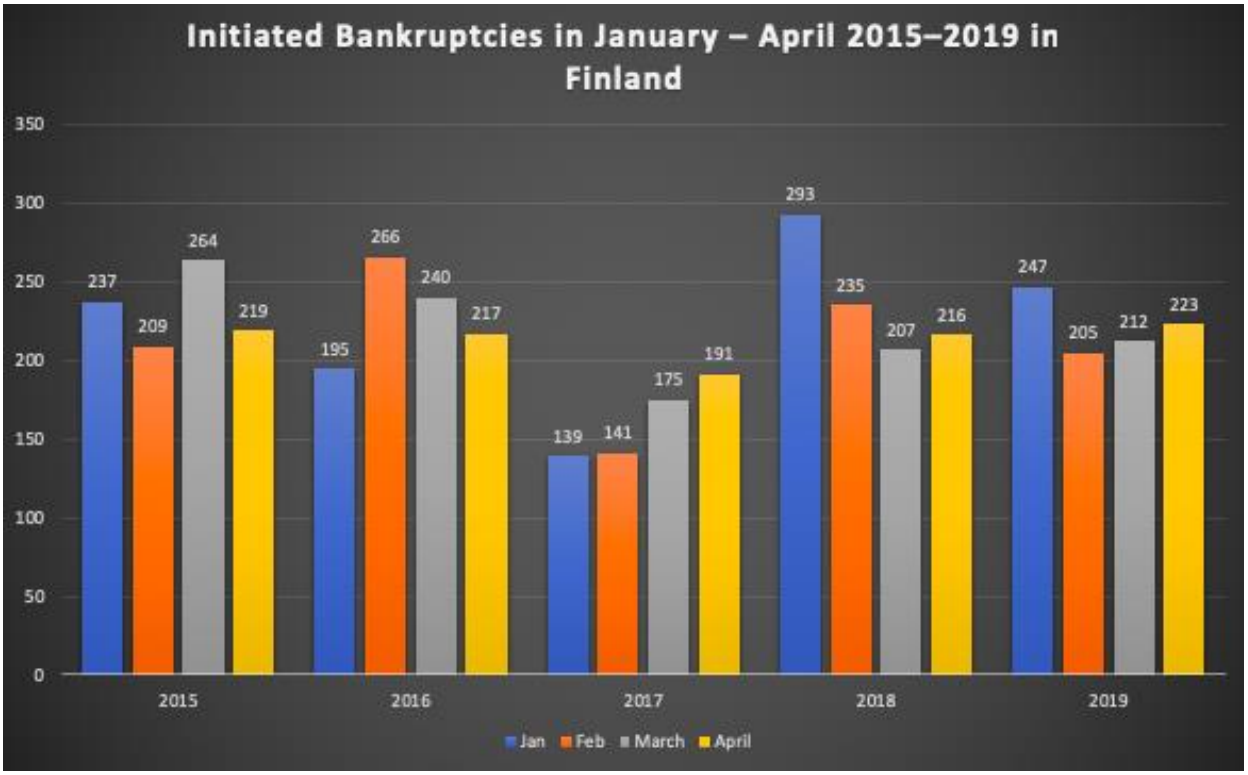
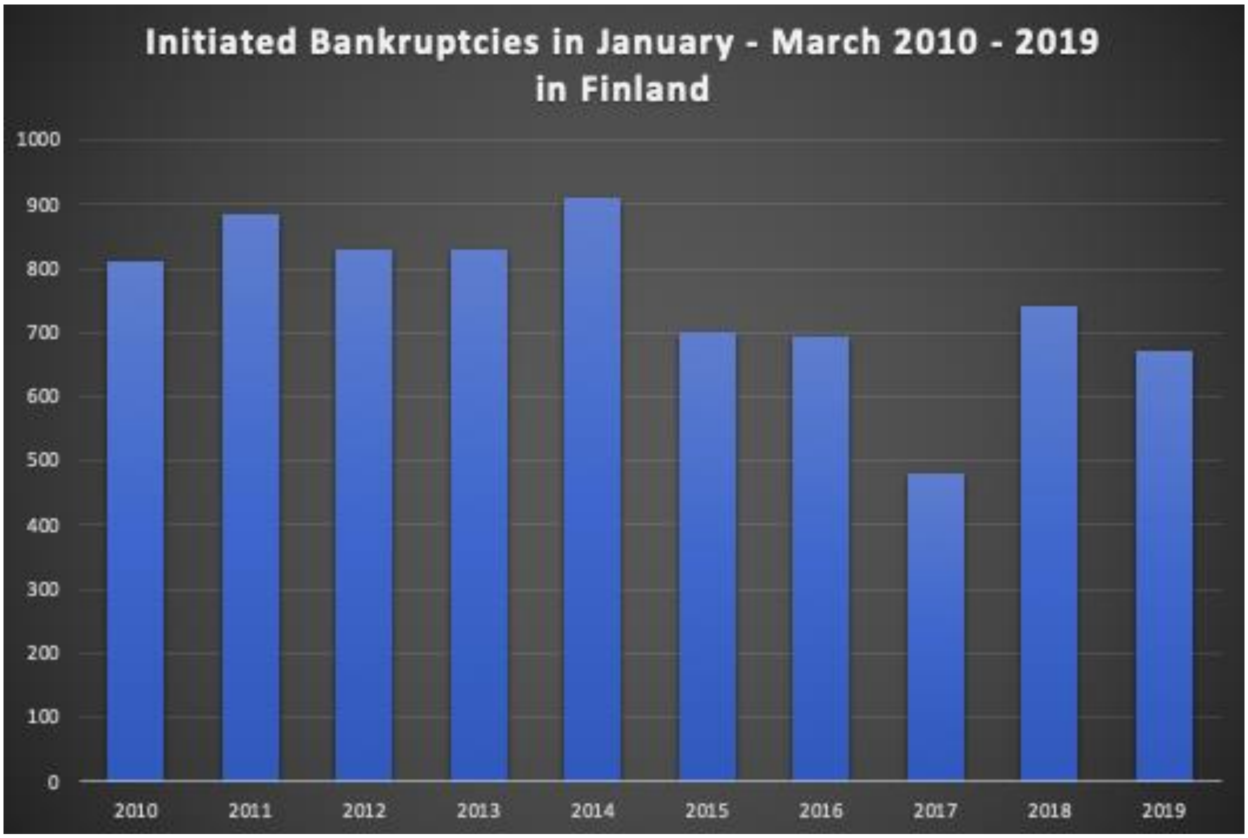


Table 7 shows statistics from Jan - April 2015 to 2019. The statistics are showing the number of initiated bankruptcies that have been started in Finland between that time frame. As it can be seen that there can not be seen any kind of trend or conclusion that one months always has the highest amount of bankruptcies. But there is one trend that can be seen and it is that the amount has maintained little bit over 200 and these years are getting 216 bankruptcies on average in Finland in this time frame. There is one year when the amount was lower than on average and it happened on 2017.

The highest amount can be found in January 2018 when the amount was 293, and also in 2018 there was highest differences between highest and lowest value, 86 bankruptcies.

The lowest, or again, the “best” value can be found only one year earlier in 2017 with only 139 bankruptcies. So the difference between January 2017 and 2018 was 154 which is very high difference.

Table 8. Initiated Bankruptcies in January - March 2010 - 2019 in Finland. (Statistics Finland, 2019, b)



When table 8 in being examined, the first thoughts could be that there is a trend that the amount of bankruptcies are decreasing over time in the previous five years. HIghest amount of bankruptcies happened in 2014 when the amount was 911 bankruptcies. It was the only year in this time period that crossed over 900 bankruptcies. Second highest was in 2011 with 884 and third largest in 2012 with 831. But the trend seems to be real and the lowest amount was in 2017 with only 481, which is the only year that was under 500.

These year were averaging 755 bankruptcies per year, which seems to be more than in the last five years. In the next chapter there is an analysis where debt restructures and bankruptcies in 2010 - 2019 are being compared together. Thus, it is only concerning first quarter so there will also be wider analysis between full years from 2010 to 2019 between debt restructures and bankruptcies in Finland.

2.3.3 Overall statistics

Most of the Statistics Finland numbers that are used in this research were from first three or four months of the year. Statistics from whole year timeframe were difficult to find so only first quarter or first 3 months were are used in this thesis.

Table 4 and 8 show data concerning restructures and bankruptcies from the first quarter of 2010 to 2019, so they are the best tables to describe what has happened. Table 4 is showing the amount of debt restructures in Finland and in table 8 the amount of bankruptcies. It can be noted that the trends are not similar. There can't be seen any kind of trends in debt restructures table, but there can be seen in table 8 with bankruptcies. There is a slight trend in table 4, which is showing the decrease in the amount when moving forward from left to right, but there is more clear trend in table 8.

When the trends between these two tables are compared, reader can see the same trend in these both tables. It can be stated that amount of bankruptcies and debt restructures in Finland are highly positively correlated with each other. It has to be taken in account that the time frame is relevant, but only the first quarter of the year might not be.

Of course when concerning only first quarters the truth might not be consistent, but when taking for example January - August in account the research is much more relevant. When looking only single year there can be lots of changes like in the next chapter, where January - August is being examined from 2017 to 2018 and after that there is January - September from 2016 to 2017 and the results and trends are the opposite.

It can be noticed that between 2010 - 2014 there was more restructuring programs and bankruptcies than after 2015. One reason might be that in general difficult times are behind and economic growth is faster now. It would be interesting to see the results after 2020 to 2024. Covid-19 affects this of course, but how much? No one knows yet. There is not dramatical changes between those time periods but little movement towards better days, which means lower amount of restructuring programs and bankruptcies can be sighted.

3. Case company: Trainers’ House Plc

In this chapter the case company Trainers’ House is being studied. Reasons why Trainers’ House faced financial difficulties are explained, and in the end there is a debt restructuring plan and the actual outcome.

Trainers' House is a Finnish public limited company founded in 1990 by Finnish entrepreneur Jari Sarasvuo and it is based in Helsinki. Main industry is business management consultancy and the CEO is Arto Heimonen since 2013. Trainers' House is a change company. Their clients use them to implement their own strategy faster, more effectively and more likely. One of Trainers’ Houses main “products” is boosting client companies sales and business. Trainers’ Houses customers rely on their professional and customer-focused people, unique working tools and modern methods. The co-operation is measured by the results achieved by the customers itself. Real results are achieved best by encouraging the corporate culture to support the goals.

Trainers’ House values are: People, Courage, Velocity, Growth, and Results. People means that Trainers’ House want to help us and our clients make the strategy a reality. Our culture is at the heart of our work community. Courage in the work community means, that they do not shy away from going through difficult things. They do the work that needs to be done for our client to succeed. Velocity has meaning that they are not in a hurry, but they still want to work quickly in every situation. They know from experience that postponing work destroys efficiency and results. Growth is always a goal in the end. They challenge themselves and the customers for better results as a people, professionals and as a companies. Proven results give our clients reason to continue working with us. Proven client results give us a sense of purpose to continue our work.

Trainers’ House strategic foundation is to be a strong company in the domestic market. This can be gauged by cash flow and verifiable client results. Second strategic focal area is developing products and building new growth concepts and new earning models. The most important investments are change management systems and digital training-programs. In the third phase of our strategy, we will internationalize with and through their clients.

Their mission is to help people realize and love a shared story so that the most important actions become a reality. success is measured by enthusiastic employees and verifiable results within the client. Trainers' House vision is, that they want to be a world-class change management company. They employ the finest experts in the field, provide unique tools and methods and have a driving passion for guiding their clients successfully through change management.

After 2013, it has been possible to purchase a service from Trainers' House where the legal subsidiary, Ignis ltd, will arrange an agreed number of sales meetings for the client company. Meetings can cover any industry, or any group of decision makers, including other countries too. In 2018 and 2019 Ignis ltd booked over 30,000 meetings in 28 different countries, which is probably the highest number in Finland that year. Trainers' House has four different offices in total. Three of them are in Finland. Helsinki is the headquarter, and others can be found in Turku and Oulu. The last one missing can be found in Torrevieja, Spain. These three offices not including Helsinki are mostly working as Ignis bases, which means that those offices are focused to book meetings to train young professionals. (Trainers' House, 2019)

Trainers' House currently employs approximately 150 persons, where 100 are under Ignis and around 50 are in sales, management and consulting. A subsidiary of Trainers' House, Ignis ltd is a great place for a young college student, or a graduate, to start a career in the business world. In Trainers' House young person has the ability to progress quickly to very challenging and responsible tasks, that involve a whole group, a company, or several companies.

The main field where Trainers' House operates in a nutshell is to help customers solve their problems, boost sales, help with recruitment to find the best available professionals to join them, or simply help company to boost their business in field where they have been already operating for years or whole new field / industry.

3.1 Description of company's historical performance

This section opens up Trainers' Houses historical performance. Performance of Trainers' House can be measured in few different ways. One way is to look directly at historical stock prices before and after the debt restructuring. Another way to measure performance is the quality and quantity of customer projects. In this part stock prices are being taken into deeper account.

Between 1990 and 2010 Trainers' House was growing and it was able to create positive results year after year. In the beginning of 2000 century Trainers' House stock price was around 100 euros and since 2001 to 2010 it stabilized between 2,0 and 7,0€. There is no data before the year 2000 in kauppalehti stock history. (Kauppalehti, 2020) It must be taken into account that euros arrived in Finland in 2002, which probably changed stock prices. Trainers' House was suffering financially difficult times in the beginning of 2010-century and in 2014 applied to debt restructuring program. After starting the restructuring program the stock price started to grow again and it has been more stable around 0,5€. This can be seen directly from stock price depreciation in figure 3 below. It can be noticed that in the beginning of decade Trainers' House Plc stock was worth 2,35€ in 2010. Directly after that stock price started to decrease and in the end of 2014 stock price was nearly zero (0,16€). It means that the stock price has not been above 1 euro since 2013, which implies that stockowners value has not yet appreciated compared to the loss they faced.

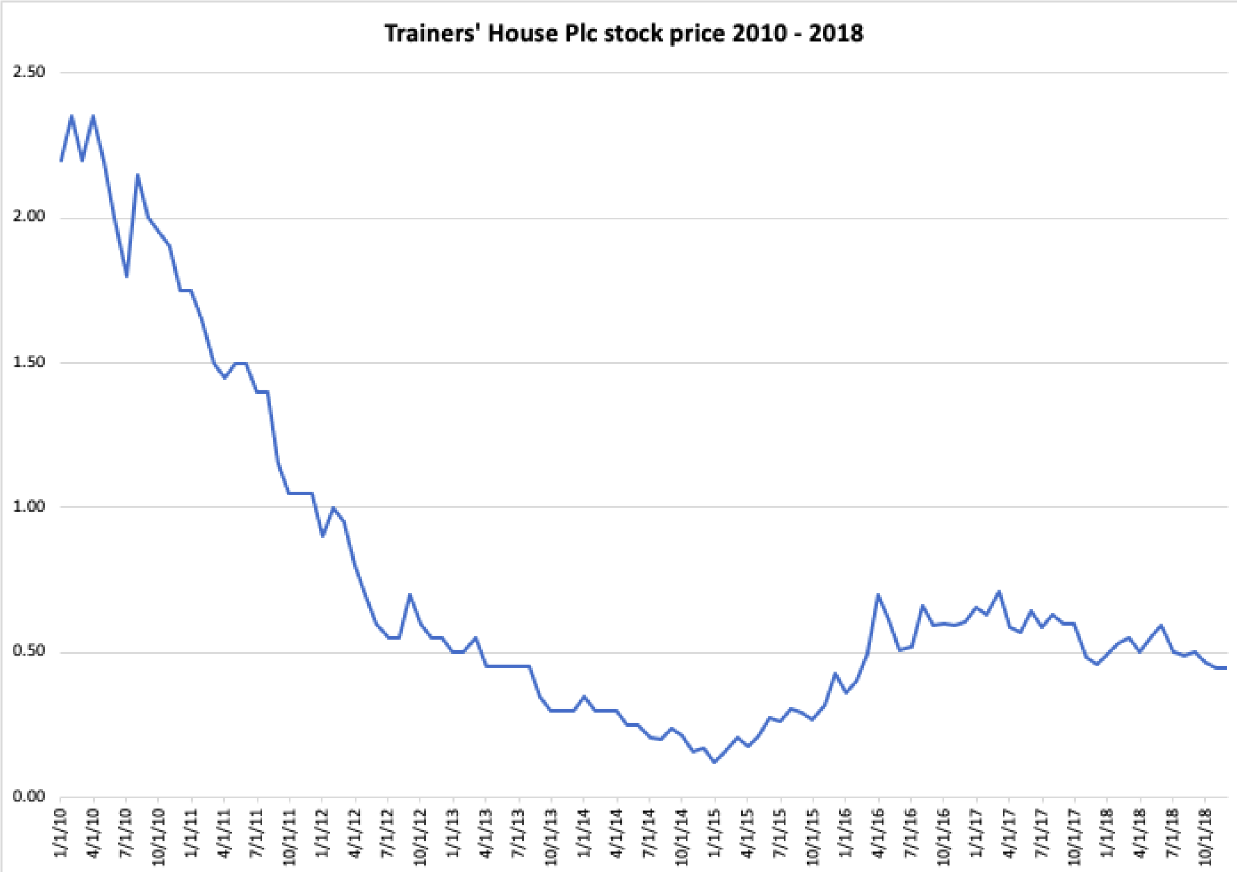


Figure 3. Trainers House Plc stock price 2010 - 2018. (Kauppalehti, 2020)

3.2 Causes of Trainers' House' financial problems

While this chapter is meant to illustrate to the reader the reasons that led Trainers' House to collide with financially difficult times after 2010, it is worth noting that in a changing markets, the exact answer is extremely difficult to find. We cannot pinpoint one of the reasons for this, but it is more important to be able to identify the factors that, in the future, are a sign of danger to a functioning company in order to prevent similar problems. In 2008 financial crisis played a huge role and ended up changing the markets widely all over the world. As we understand it, a listed company has obligations and responsibilities that affect many parties. Stakeholders play an important role in the daily life of the company, as Trainers' House's business is based on project-based business, where customers and every success matter a lot.

One of the main reasons that caused Trainers' Houses difficulties was merging with Satama Interactive in the end on 2007 before crisis. Trainers' House Plc in 2020 was created in 2007 when Trainers House' Ltd and Satama Interactive Plc was merged in 31.12.2007. Satama Interactive Plc is a digital marketing and technology company. Sales of marketing and technology services declined significantly after the merge, and by 2012 the company made several corporate arrangements. Trainers' House in 2020 is engaged only in providing training and management consulting services to its client companies. Executives did not see this coming because after the merge between 2008 and 2013 the turnover in training and consulting services decreased to less than a quarter of the previous year before this time gap. (Keskitalo & Sarasvuo, 2019)

As Trainers' Houses net sales declined, it has not been able to adjust all of its costs to the reduced net sales. The most significant costs were renting premises, and the amount of debt, and its financing costs. To recover from this stage, at first it was necessary to bring rental costs and debt to a sustainable level with the company's net sales. The liquidator of the debt restructuring process (Mika Ilveskero) noted that, the continuation of the company's ongoing efforts to expand its service offering and enhance new customer sales, and acquisition of new customers to be essential to the company's business continuity. In addition, Trainers' House Plc was in need to be able to keep its current key personnel committed to them. (Ilveskero, 2015).

Even after two years Trainers' House Plc's net sales was committed and significant part came from IT company Satama interactive. However, the net sales that was generated by Satama Interactive Plc's business operations decreased with large amount after this time frame. Between the years 2008 and 2012, Trainers' House made many arrangements which led to action where Satama Interactives entire business was transferred outside from Trainers' Houses core business leaving core business as training and management consulting services. Trainers' Houses financial situation has been significantly influenced by the challenging general economic situation that began in 2008. Customers that were buying from Trainers' House, were Finnish service, sales and industrial companies. Because of the decreasing business cycle, many of the customers reduced their purchases. It was largely reflected in Trainers' Houses sales, and other business operations. Trainers' House was not able to maintain its revenue level that time. Trainers' House sought to respond to conditions in market with changing its cost structure and business operations. Necessary personnel changes were made and has been reducing all its financial and operational expenses that was possible. (Ilveskero, 2015)

Although Trainers' House did put effort in cost structure by adjusting the amount of employees, the financial and operational expenses were not on the successful level and did not match with the changes in revenue. Financial expenses and gearing were not sustainable in relation to the net sales. The financing- and accommodation arrangements were based in the first place to suit Satama Interactive Plc's technology business, and as those operations were cut off from the core business, they became as too large burden for Trainers' Houses current business scope and the financial situation. (Ilveskero, 2019)

One of the largest cost was 10-year rental deal that was made in 2008 with Ilmarinen pension insurance company. The office that was rented in 2007 was suiting Trainers' Houses vision of the future well, but as the difficulties began it was 10 times larger that the company needed and the costs were way too high to suit the business. Even after sublicensing the office, Trainers' House used less than 10% of it and something had to be done quickly in order to avoid bankruptcy. (Keskitalo, 2019)

3.3 Debt restructuring program 2014

This section explains what was the proposal for restructuring program and what actually happened. The restructuring program schedule can be seen in table 9 below. The difference between proposal and the outcome was that Trainers' House managed to exit the program earlier than planned. It was supposed to last four years, but instead lasted a bit less than three years. All of this happened because of skillful management, successful decision making, and of course, hard work.

Trainers' House had publicly applied for restructuring program in December 2014. Espoo district court named Mika Ilveskero to act as debt restructuring program liquidator. At that time the company estimated that its turnover and profit level will not be sufficient to meet the obligations under the financing agreements. The main reason for financial difficulties were large business, and financing costs, such as rental contract. With the consent of liquidator, Trainers' House terminated its rental contract 14.4.2015. Trainers' House managed to make agreement and leased office in Innopoli 2, Otaniemi, Espoo. This way it saved up to 800,000 euros annually rental costs. (Ilveskero, 2019)

The duration of restructuring program was set four years from 2015 to 2019. Trainers' Houses financial liabilities consists of the senior loan (3,2M€), and its junior loans (2,2M€), hybrid loans (3M€), and capital loans (3,1M€). They also has intra group debt to Satama Netherlands Holding B.V. (6,4M€). Total amount of loans was 17,9M€. The liquidator considers that the restructuring program can be financed with Trainers' House cash and cash-flow from its operations. There was no need for separate funding for the implementation of the restructuring program. (Ilveskero, 2015)

The company's customer work went on without interruption, and the proceedings had no effect on the quality of Trainers' House's customer projects. The company did not suffer any key personnel losses, and was able to relocate to smaller office. The company succeeded in recovering, and achieving a positive operating result. The restructuring program supports the company's business, and has already increased the company's value. Secret behind these results were careful communication and openness with Trainers' House management and creditors' representatives. During the program, the communication was regular and continuous information sharing helped to keep valuable experts in the company. (Ilveskero, 2019)

Trainers' House was able to continue its business normally and serve client companies with maximum effort. After few years in May 2018 Trainers' House had paid all its loans and exited restructuring program year early. The differences between proposal and outcome was that Trainers' House was able to exit sooner than expected. In the end everything went by the book.

Table 9. Trainers' House debt restructuring program schedule. (Ilveskero, 2019)

Stage	**Date**
Trainers' House applied for debt restructuring program	Dec-14
Espoo district court approved the application	Jan-15
Espoo district court names Mika Ilveskero as a liquidator of the program	Jan-15
According to the decision of the District Court, the proposal for the restructuring program must be prepared by the beginning of June.	Jan-15
Trainers' House informed all their client companies immediately.	Feb-15
Trainers' House managed to terminate rantal contract from Niittykumpu, Espoo.	Apr-15
Trainers' House rented new office in Innopoli 2, Otaniemi Espoo	Apr-15
Debt restructuring program duration was set at four years.	Jun-15
Deadline for restructuring program proposal	Jun-15
Payment schedule was set	Jun-15
Trainers' House continued operationg normally and kept informing its client companies about the program	2016 - 2017
Trainers' House paid its final loan payment, and exit the restructuring program year early.	May-18

4. Research design and data gathering

The research is a case study which is explaining a larger topic of recovering from debt restructuring with single company's performance. To receive empirical data the most important shareholders and employees of Trainers' House were interviewed. In total 12 persons were interviewed. Eight within Trainers' House, which includes three from Ignis ltd, three from the most important client companies, and of course, the liquidator of the debt restructuring process. Questions were conducted in order to get the most relevant data concerning factors that aid in recovery and also to be able to find answers to sub-questions.

4.1 Interview design

Design of the interviews is built to collect enough information to answer all the research questions. Questions are different for employees and client companies. There are 15 question for employees of Trainers' House and 11 for client companies. The interview for debt restructuring liquidator was mixed with questions from both questionnaires. Interviews have similarities concerning the questions, but all of them couldn't be asked from both parties. The questions can be seen in attachments 1 and 2 in the end of the text.

4.2 List of interviewees and their roles

List of interviewed persons and their roles can be found in table 10 below. Explanations why they were chosen are opened up after.

Table 10. List of interviewees and their roles.

Name	***Role***	***Company***	***Date***
Hannu Takala	Sales Director	Trainers' House Plc	3.12.2019
Saku Keskitalo	CFO	Trainers' House Plc	10.12.2019
Charlotte Sinkari	Team Leader	Ignis Ltd	12.12.2019
Arto Heimonen	CEO	Trainers' House Plc	13.12.2019
Puja Miraftabi	Operations Director	Ignis Ltd	13.12.2019
Janne Möykkymäki	Sales Director	Ignis Ltd	16.12.2019
Jari Sarasvuo	Founder & CMO	Trainers' House Plc	18.12.2019
Nuutti Manninen	Director, Operations	Amiedu	18.12.2019
Janne Pyrrö	CEO	Finn-ID	19.12.2019
Mika Ilveskero	Supervisor		20.12.2019
Marko Lehtinen	Consultant Team leader	Trainers' House Plc	23.12.2019
Pekka Helin	Commercial Director	Froneri	18.2.2020

CEO of Trainers' House Arto Heimonen, CFO Saku Keskitalo, founder & CMO Jari Sarasvuo, sales director Hannu Takala, change consultant and Sales team leader Marko Lehtinen, Ignis Ltd sales director Janne Möykkymäki, operational director of Ignis Ltd Puja Miraftabi, and Ignis Ltd team leader Charlotte Sinkari were interviewed to gather data within the company. The reason why there is many people from different levels of the company is because to get broader view about the situation that has happened. It is clear that CEO, CFO, and Founder was interviewed, but other interviewees play huge role too. Today Puja Miraftabi is operations director and Janne Möykkymäki is Sales director of Ignis ltd. Charlotte Sinkari is the most relevant team leader to be interviewed. Hannu Takana is in charge of sales of Trainers' House and Marko Lehtinen is a team leader of largest consultant sales team. This group was chosen to be interviewed to get as much information from different levels as possible.

Client companies that were interviewed were Amiedu, Finn-ID and Froneri. They all are Finnish companies, Amiedu is focused on adult education services, Froneri is a company performing in grocery industry, and Finn-ID is technological company mainly focused on logistics management technology. The liquidator of the debt restructuring process, Mika Ilveskero, was interviewed to gather information concerning if the restructuring program plan was followed or not.

All of the interviews were conducted in December 2019 and one in February 2020, when Trainers' House had already managed to pay off from its debt restructuring program permanently. After paying out Trainers' House had been able to perform profitability in 2018 and 2019, and it seems that it's continuing this path in 2020.

5. Survey findings and implications

This chapter simply describes the research results and survey findings, and analyzes them. The case study of Trainers' House is aiming to find factors for the best ways to recover from debt restructuring. The research questions were limited to provide a comprehensive response to the details of the various stakeholders. The value, what stakeholders received when Trainers' House did not go bankrupt is estimated. In this context the target group is: employees of Trainers' House Plc, society & customers, and the stockowners.

In total of 12 interviews were conducted, and eight of them were Trainers' House employees from different levels. Management team as a whole was interviewed. In addition, interviews were conducted with three Trainers' Houses client companies that remained clients before, during, and after the debt restructuring. There is limited amount of organizations that were available, so there are only three of them in this research. The interview was also conducted with restructuring liquidator, supreme court judge, Mika Ilveskero.

The factors that aid recovering from debt restructuring are limited to three, which affect the most according to the employees of Trainers' House, customers and the liquidator. The factors can be found in table 11 below. They are compared with previous studies to find the best practices.

Table 11. The factors that aid recovering from debt restructuring. (Interviews, 2019)

#	Main factors that aid in recovering from debt restructuring
1	Excellent customer relationship management before problems were in sight.
2	Engaging key people in the company
3	Timely management and decision making. Significantly more accurate monitoring of financial figures, even on a daily basis, and faster response to problems.

It seems that the major part of responses considered the work, that had already been done for the client companies before the problems were even in sight. It is chosen as first factor. It means that in every situation Trainers' House was service its client companies as much as possible. When there are problems in sight, those customers will most likely not abandon you, if you have served them well earlier. It is normal that companies are serving their customers as well as possible, of course, so it is not even surprising that it is chosen as the most important one. This factor is supported by Chowdhury & Lang (1996), and Takala (2019), who stated that ongoing customer support is vital to the success of recovering process, and one way to maintain it is always to pay maximum effort on customer service.

All of the interviewed customer companies stated that the openness and correct timing with publishing the news about the restructuring process was successful. It is not only challenging, but also necessary to be able to tell about those kind of news quickly if working together.

All of the respondents agreed that one of the results was to be able to commit the key employees in the company. This also supports the theory according to Pajunen (2006), and Lehtinen (2019). This factor was selected as a second factor that aid in recovery in debt restructuring process.

Third factor is skillful leadership, which means timely management and decision making. In other words it means that executives succeed with decision making. This statement is also supported by Bibeault (1982), who stated that 85% of companies will fail without skillful leadership. A review of the restructuring status was provided to employees on a monthly basis at joint meetings. Everybody in the company knew what was happening next. Those who were affected in restructuring actions were notified, and made the actions while others focused on their own work.

Keskitalo (2019) stated that the one of important factors to succeed was to adjusting and optimate financial tracking. Usually in sales the measurements are yearly, monthly, and sometimes weekly. According to Keskitalo (2019) even hourly calculations allowed right time decision-making. It is not in top three factors, but is relevant in this context.

The answers to sub-questions are explained next. While trying to answer the question “what is value?”, it has to be taken into account that “value” has broad meaning. In this research the value is synonymous to benefit. To measure value without financial indicators are analyzed based on experiences and answers of target group. Answers to sub-questions can be found in table 12 below.

Table 12. Values received by target groups.

Target Group	Value received
Employees	Saved jobs, ease, learning & experiencing debt restructuring
Customers	Improved sales, maintainin trusted partner, simplicity,
Society	Taxes, maintaining the benchmark of the industry, many startups, save Finlands resources
Stockowners	Monetary value correlated with stock price movements

Society in this context means Finnish markets, employment statistics, and taxpayers. There is no clear statistics what Trainers’ House caused to Finnish society, so the answer is based on the beliefs and experiences of the interviewees.

The value that society and customers individually received has to be split in two. Customers had their trusted partner easing their performance and delivering the results they were used receiving. Society did not lose tax payers payments, and one of the industry’s benchmark companies maintained standing.

It can be estimated that the value that client companies received between years 2014 – 2018, is tens of millions of euros through improves sales, better goal setting, more effective decision making, better recruitment process, and management in total. Of course, it is possible that these firms would've come up with some ideas, if Trainers' House had ceased its operations. Tens of millions of euros can be estimated from benefits that Trainers' House delivers for its clients. For example higher sales, Trainers' House (Ignis) project books 100 sales meetings which leads to 20 deals. If each deal is 5000 euros, then Trainers' House created 100,000 euros higher sales to its client company. Without these meetings booked by Trainers' House, clients would have probably have 100,000 euros lower sales in that time period. Typically Trainers' has annually 100 - 200 ongoing projects so the multiplier effect can be enormous.

The value that the society received through Trainers' Houses recovery is benefit to Finland by taxpayers. Trainers' House employs approximately 150 employees and the annual amount of taxed that has been paid is prominent as SME company. Most of the employees earn monthly between 2000€ and 7000€ euros, so on average full time employee pays 13,500€ annually. 13,500 x 150 = over 2 million euros. In the end it has a huge impact. The impact on employment statistics needs also to be taken into account, as if Trainers' House had gone bankrupt, about 150 people would have lost their jobs, and this would have had a major impact in Finnish business consultancy industry in the period 2014 – 2018. As Trainers' House is one of the best known Finnish business consulting companies in Finland, bankruptcy would have had a huge impact on the entire industry. This is one of the major company in the industry that smaller starting companies are benchmarking and follow the formula they are presenting in their trainings.

It is possible that many successful co-operations and start-up companies would not have born without this story, and it's also possible that the whole business consulting industry in Finland could have gone into downturn with one trendsetter leaving the stage.

The value for employees is simply that they still have their jobs. Those few who were fired, of course, did not receive this "value". The founder & CMO Jari Sarasvuo (2019) stated that in 2014, many of the employees had just started their families, had taken mortgages, bought cars and so on. He did not want to deliver bad news for the company and was fighting for survival. He didn't think that everybody would have stayed unemployed for long because they only recruited talented specialists in first place. The value the employees faced was relief, saving time and effort, because they didn't have to start their career all over again and were able to continue performing. Those few who lost their jobs have different situation. Some of the employees were looking for new possibilities when they heard the news and left before the real difficulties even began.

For the stockowners the answer is actually not that clear. The value they faced was monetary, of course. But if it is being analyzed, how much the they would actually save, or wouldn't have lost, it is needed to look at some financial indicators. In 2014 Trainers' House turnover was 8,0M euros when the restructuring began, and compared to the end of the year 2018 it was 11M euros. So business is back on the track, but it can't be seen in the stock price. The profitability indicators such as EBIT in 2014 was negative –1,02M euros, and compared to 2018 it was positive 0,81M euros. The stock price has decreased over the year dramatically. If the last ten years are being analyzed the stock price has dropped from 2,285 euros (3/2010) to 0,393 euros (12/2018). The stock price has decreased nearly to one sixth of its price between this time frame. In 2010 there was 107,357,060 stocks in the market and the price was 2,285 euros so the capital was nearly 250M euros. Compared to the end of 2018 the capital was only 42M euros so the loss was over 200 million euros. Of course, if the company faces financial difficulties the stock price will decrease. The goal, of course, is to increase the value of company back to its former level, and even more. (Ilveskero, 2015; Keskitalo, 2019; Trainers' House, 2018)

So the value for stockowners was not only to lose all their invested money, but in the future a possibility to actually get all the invested wealth back and even likely to make a profit out of it. The value at the moment of exiting the debt restructuring was a promise that single stock would multiply its value in the next years. Now the value is negative so stock owners have to be patient to get positive monetary value. After 2013 the stock price has not been above 1 euro, and there is no guarantee that it ever will.

In July 2019, Trainers' House wanted to be able to pay dividends to its stockowners so so they performed a reverse split on 1st of July 2019. Five stocks were merged into one.

As a result of the reverse split, the unit price of Trainers' House stock will increase from 0,7 euros as the number of stocks decrease but the capital remains the same. This is clearly sign of a healthy company. (Heimonen, 2019)

It clearly seems that results were able to support the previous studies. Staff of Trainers' House and their customers were on the same page about the most important factors that aid in the recovery process, and also the values that target groups received were explained. It can be stated that value of Trainers' House stock has decreased a lot in the past 10 years, but since it already succeeded with its problems, it is more than possible that in next years the value of the stock will increase slowly.

Grinyer and McKiernan (1990) stated that in 55% of times in successful recovering process the CEO has changed during this time period. In Trainers' House this did not happen. Instead, according to nearly all of the interviewees, the CEO of Trainers' House, Arto Heimonen, was said to be in the middle of the events. Of course 55% means, that it does not happen every time, but it is still more probable to happen statistically. Employees of Trainers' House stated, that the most important tool which enabled successful debt restructuring, and more specifically, the fact that the customers did not leave, was followed by informing clients in the early stage. This statement was confirmed by customers that were interviewed. They happened to enjoy the intimacy that the account manager did for them and it was very informative. Helin (2020) said that it is not much work to do, but in this industry where competition is rough it is an excellent way to differentiate from competitors. Informing client companies was first thing to do when the program started. Openness is always a good thing.

One of the key questions in all interviews was to find out opinions of every interviewee; "what were the main factors that aided Trainers' House to recover from debt restructuring process". Answers differentiated a bit. The most popular answers were, that the information has to be transparent all the time during the process to make it easy for the customer to keep on with the pace that the restructuring company is having, and eventually trust them. Another popular answer was to retain the key employees in the company. This supports the theory that Pajunen (2006) stated that it is one of the most important roles that the acting CEO and management has to do in order to continue efficient performing in the markets. Pajunen (2006) also stated that those two different things have large effect on the company's ability as a whole to succeed in the competent markets that even failure of one of them usually makes it a failure.

Keskitalo (2019) pointed out that the most important theme throughout the entire restructuring process from the beginning was skillful leadership from the management and taking the financial measurements for a week, and even to the daily level to make sure that the operational performing is as efficient as possible. This is supported by Bibeaults studies (1982). Keskitalo also emphasized that the customers and stakeholders in general played a vital role in this series of events to make it possible to start going right way, recovering. As the liquidator Ilveskero (2015) stated in his background work the starting point, when Satama Interactive Plc and Trainers' House Ltd merged happened at a time, when no one could yet predict the worst in Finnish markets in 2014. Almost the whole industry fell and everything that Trainers' House received from Satama Interactive Plc melted away. That is one of the reasons why the difficult times were not predicted in advance.

One of the main recovering "tools", which enabled Trainers' House to its success was the right timing focus on the core business and leaving everything else behind, as a customer's point of view. "Even though Trainers' House was in debt restructuring that time they were still able to win their offer when we were trying to find a business partner to develop our management team work, because they were that good in their own core business, it was the reason why we selected Trainers' House to be our strategic partner in this field. We had a good feeling from the start because the account manager, Antti Kiukas, contacted us personally to open up the situation about the debt restructuring, ad it was still clear for everybody that the customer was in the first place. Artos (CEO) presence along this journey was great. He came to say hello to us after a long day, and asked personally for a feedback. I felt that it was one of the moments, that we knew that we selected the correct partner. It is small things that matters in the end. (Helin, 2020)

Helin also pointed out main factors that he saw, which aided for recovery and they were: committed employees, humility and pride at the same time, and of course strong financial management and decision-making. Helins (2020) statement supports the theory that Bibeault (1982) and Chowdhury & Lang (1996) studied about the status of company facing difficulties and in the end it can be stated as a risky business.

Many of the interviewees pointed out that now in 2019-2020 it is very important to look forward and face the fact that organization structure is younger compared to the years when Trainers' House was in the debt restructuring, it is necessary to be able to perform even better in the upcoming years forward. This is an interesting topic for the future, because as the threshold of the new generation has to be able to deliver the company commercial success in the beginning of the new decade, while still recovering from the burden of previous years actions.

Miraftabi (2019) pointed out some physical changes that everyone was able to see when something had to be done to secure the future. Some changes were also made in the company's strategy, because the whole structure had to be lightened. Trainers' Houses subsidiary Ignis Ltd makes today almost half of Trainers' Houses' turnover annually. Ignis is strategically very important piece of this whole chess. Eventually there was a need to change the structures in Ignis Ltd too. (Keskitalo, 2019)

Changes were made within management structures and also in level of requirements between employees in Ignis. Younger people were given more responsibility and a broader job description to lead the project teams and, unlike the previous job description, it was possible to see a growth in sales activity among Ignis employees too. Some of the marketeers were promoted to a senior-marketeers, to ensure that every project are performing at its highest possible level to retrieve customer value. In a nutshell, Trainers' Houses consultants are selling services, and Ignis marketeers, and senior-marketeers redeem the sold services. These services that Ignis is redeeming are usually "new customer acquisition services", and change support team activities to receive higher customer satisfaction. "When the company was accepted to debt restructuring I was a marketeer and had been in the house for maybe less than a year, so I did not understand everything that was happening around me. I remember that I saw someone coming out of the conference room crying as the company had announced that some of the employment relationships would end." (Miraftabi, 2019)

Miraftabis' experiences are not fully supporting the theory according to Pearce & Robbins (2008), where the change in strategy is usually the last option in order trying to recover the company that has faced financial difficulties. In this case the it is the changes made to structures are indeed strategic, but not Trainers' Houses official strategy. So it can be stated that Trainers' House did not actually change its strategy. Partially it did and partially did not. Leaving Satama Interactives core business behind as an IT company, and focusing on the management consultancy services can be seen as a change of strategy. Thrams et al. (2013) presented a scenario where not only the structures has to be edited, but also have changes in strategy at the same time in order to receive the best results from recovering process. This example takes place in a growing industry. It can be argued that is management consultancy growing business in Finland or not, but in this scenario it is and suits the theory.

According to Takala (2019), one of the main factors is to continuously serve the customers with 100% effort, even when there is no financial difficulties in sight. "At the time when the difficulties are front of you, it is too late to change your attitude against customers needs. If you have served your customers altruistically, they will also help you in times of need." The case will already be lost if you try to change your behavior as difficulties appear. (Heimonen, 2019) Lehtinen (2019) was having a same idea with Lohrke et al. (2004) when they noted that recovering process is actually a multi-step process that require management to make correct time specific decisions, and also avoid financial failures. This is why Heimonen and Keskitalo (2019), and the rest of the executive team shaped the financial tracking indicators, that the details of each day could be tracked.

6. Concluding remarks

The goal of this case study was to find out what are the factors that help companies to recover from debt restructuring programs. The results were supported by previous studies thus the results can be applied in broader context. Sub-questions included in the study, which were meant to illustrate the different benefits and outcomes that a diverse set of participants inside and outside the company experience, and receive as a result. In this research a single case is analyzed, where one single event seeks to find ways to broaden the context that the same problems could be tackled by other companies. The factors that worked with Trainers' House would probably work with any other company. The data was collected via interviews and Trainers' House financial statements. Executives and employees of Trainers' House were interviewed and Trainers' Houses most important client companies between the years 2008 – 2018 as well as the liquidator of the program.

Applying into debt restructuring is not the only challenge. Statistics are showing that only one out of ten firms that apply are selected, and one out of ten selected firms survive the process. This means that only 1% of companies in Finland who face financially difficult times will recover successfully.

The research is limited to the phenomenon of corporate debt restructuring and finding ways to recover. The research dealt with the "turnaround process", which in this context has have same meaning than recovering company. Trainers' House was chosen as the case company to explain broader topic in general. Of course, it would have been more informative to include more companies to this research.

Many similarities were found with the previous studies that explain found factors. The factors that aid in recovery can be found in table 11, and they are;

- Excellent customer relationship management before problems were in sight
- Engaging key people in the company

- Timely management and decision making. Significantly more accurate monitoring of financial figures, even on daily basis, and faster response to problems.

There were three sub-questions in the research to deepen the knowledge received from the study. All three of them were trying to estimate, what was the value for the target group.

First group was society and the customers. Society received immeasurably amount of value when Trainers' House did not fail its business. It can be said that one of the industry benchmarks did not fail and has huge impact. There were various measures used which were for example, tax benefits, employment, and the business consultancy industry's performance. One scenario is that if Trainers' House would have gone bankrupt, the whole business consultancy industry would have decreased.

Debt restructuring is always perceived as negative. In reality it is situation where executives can learn a lot. Trainers' House employees, who participated in it, will have various tools at their toolkit to avoid, or better manage similar situations in the future. This can be seen as society benefit as well.

Customer value was measured with the fact that Trainers' House is a big name in Finnish consultancy market and if it would have gone away, many of the rivals would probably have done things differently, and this might have ended up decreasing the competence in the industry. Some of the client companies results, and benefits would obviously not have been received. In this case it is about tens of millions of euros in customer value.

Third and last sub-question was about the value that the stockowners received. They did not lose their money. Only those who sold their shares, when stock price decreased dramatically. In the end the value for the stockowners monetary if the stock price appreciates. After the successful restructuring program, the value for stockowners cannot be yet measured. Trainers’ House started to pay dividends in 2019, and is potentially going to multiply its stock price in coming years.

Further study topic In the end of the research, the future topics to extend the research are opened. It would be interesting to study what happens in the companies, that have successfully exited debt restructuring program, but are also facing change of generations. Experienced employees leaving the company, and younger people are getting more responsibility. Business consultancy industry has loads of immaterial property. How it can transferred to others without the risk of facing the same financial problems in the future, that has been already dealt with.

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Attachments

Attachment 1

Questionnaire for Employees of Trainers' House

1. Why did Trainers' House find itself in a position where debt restructuring was the only option for survival?
2. What were the main reasons why Trainers' House was able to pay itself out of the restructuring program prematurely?
3. How could this "downhill" have been avoided? What should have been done differently?
4. How was the restructuring program visible to customers, and how it was seen from the direction of customers to Trainers House?
5. Some of the staff "lent" 5% of their annual salary to the company; How did it feel to ask employees for it and how did you react when you were asked this question, if you were asked?
6. How do you see Trainers' House future from now? What are the minimum goals to achieve?
7. Successful recovery from the restructuring saved several jobs, but what else do you think was saved?
8. Name the 3 most critical factors influencing recovery.
9. When was it realized that Trainers' House had to apply to the restructuring, and where did the initiative come from? Who were involved in the discussion?
10. How actions were managed from the beginning? How was the situation monitored?
11. How did leadership change during the program?
12. How did it feel when you heard that restructuring is the only option? What concerns was followed by this?
13. How did going to the restructuring and working it out look from a management perspective compared to normal everyday life? How did this affect customer behavior?
14. What were the first steps taken when restructuring began?
15. Free speech

Attachment 2

Questionnaire for clients of Trainers' House

1. Why did Trainers' House find itself in a position where debt restructuring was the only option for survival?
2. What were the main reasons why Trainers' House was able to pay itself out of the restructuring program prematurely?
3. How could this "downhill" have been avoided? What should have been done differently?
4. How was the restructuring program visible to customers?
5. How do you see Trainers' House future from this day forward?
6. Successful recovery from the restructuring saved several jobs, but what else do you think was saved?
7. Name the 3 most critical factors influencing recovery.
8. How were the actions managed from the beginning? How did Trainers' House Employees inform you during the program?
9. Did leadership change during restructuring program?
10. What were the first steps when restructuring began in your perspective?
11. Free speech