



Eurofound

Restructuring in SMEs: The Netherlands



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Introduction

This first chapter sketches a general picture of small and medium enterprises (SMEs) in the Netherlands. In the Netherlands (and in Dutch literature), active enterprises with fewer than 100 employees are often referred to as SMEs. This is the case throughout this report unless indicated otherwise. This section examines the general situation in the Dutch business world but will also include a preview of developments expected in 2012. At the end of the section, an overview of the structure of the report is given. But we start off with some general background information regarding restructuring in the Netherlands.

Background

A reorganisation is a situation where a change is implemented in an organisation. Restructuring is particularly common in recessions. But, even in times of economic prosperity, there can be reorganisations. Usually, the goal is to reduce costs and/or improve efficiency, especially in economically challenging times. As well as impacting on employees, reorganisations can also affect the production or service of a company.

But reorganisation always comes with a price. Its costs are not only the time and energy of the owner / management. When a restructuring event does not go as planned or is badly planned, there is also the negative publicity of disgruntled employees. Furthermore, there are also costs related to the hiring of private experts regarding reorganisations, or dismissal payments when a company needs to downsize its workforce.

There are also costs for employees. Research undertaken by a Dutch trade union (Warning, 2009) regarding the effects of reorganisation shows that 40% of workers have health-related problems (stress, fatigue, insomnia) because of a restructuring event where employees had to be let go. Moreover, it appears that workers who are well informed about a reorganisation have few or no health problems, even when they hear bad news. Employees who know little (and are not involved in the process) are shown to be often ill. This is a largely unknown effect of restructuring.

A reorganisation for a small company requires a different approach than for a big multinational. In a small business the lines between workplace and management are shorter. An employer knows employees on a more personal level and they are more likely to feel personally responsible for the jobs of employees. A small company is also less likely to have a full-time human resource department, with the time and expertise to develop a restructuring plan. A common way for SMEs to restructure in the Netherlands is to file for bankruptcy and continue business with a new start-up. A major reason for this route is that it is an easy way to downsize the workforce. Of course, there are alternative routes. An important one is not extending fixed contracts, or hiring temporary workers.

Present situation

About 780,000 enterprises are active in the market sector in the Netherlands. The majority of these enterprises (about 775,000) are SMEs (Table 1): 99% of business enterprises are SMEs. Only about 5,000 companies fall into the category of large-scale businesses.

SMEs have an important share of the total sales, gross value added and employment. In 2010, SMEs accounted for 43% of total business sales and 49% of total value added. Approximately 3.6 million persons worked in SMEs, more than half of total business employment.

Productivity in the SME is €62,000 per FTE (full-time equivalent) lower than productivity for the total business world. SMEs' profits (after correction for salaries of the self-employed) are lower than the profits of large-scale enterprises. The SME investments are almost the same amount as those of large-scale enterprises.

Table 1: *SME core details in comparison with the total market sector* in 2010*

Company characteristics	SME	Large-scale enterprises	Total
Number of Enterprises (x 1000)	775	5	780
Sales (in billion euro)	386	514	900
Of which: <i>abroad</i>	81	185	266
<i>home</i>	306	329	634
Gross value added, expressed at invoice cost (€ bill)	175	180	355
Total number of FTEs (x 1000)	2,835	1,960	4,795
Number of employees (x 1000)	3,560	2,434	5,994
Of which: <i>self-employed</i>	812	4	816
Productivity (in €1,000)**	62	92	74
Profit after correction for salary for self-employed (€ bill)	16	34	50
Investments (€ bill)	22	24	46

* The market sector consists of the business world without government authorities, but also without mineral extraction, rental and exploitation of real estate and the health care sector. SMEs are companies with fewer than 100 employees. Large-scale enterprises employ 100 employees or more.

** The productivity is seen as the gross added value, expressed at invoice cost, per FTE

Source: *EIM, 2011*

Forecast

A forecast of the structure and economic development in the business world is given in the publication *Kleinschalig Ondernemen* (Small-scale enterprises) 2011 (EIM, 2011), divided between size classes and sectors. The magazine discusses developments in markets, SME employment, profitability and investments. Other subjects dealt with are the income developments of entrepreneurs and the financing of SMEs. Table 2 shows an overview of important SME performance characteristics, and forecast changes for 2011 and 2012.

SME sales are predicted to increase by 1.75% in 2011 due to the growth in home demand and world trade. The path to substantial recovery started with the modest sales growth of 0.25% in 2010 after the 5.75% decline in 2009 (not shown in table 2). Wholesale business, industry and business services are expected to realise the strongest growth in 2011. The massive pinch in construction is expected to come to an end in 2011. Retail trade and hotel and catering could grow a little in 2011, although consumers remain reticent due to diminishing spending power. A growth in SME sales of 1.75% is also expected in 2012.

Table 2: *SME core details in the total market sector**, 2010-2012

Total market sector	Level (in billion euro)	Volume change in respect to previous year in %		
	2010	2010	2011	2012
Turnover	648	1.75	2.25	2.00
Sales	386	0.25	1.75	1.75
Of which:				
Foreign sales	81	8.00	3.50	3.00
Home sales	306	-1.75	1.50	1.50
Gross value added	182	0.50	2.00	1.75
Average pay	100	-3.00	0.75	0.75
Productivity (in € 1,000)	62	2.25	1.00	1.25

* The market sector consists of the business world without government authorities, but also without mineral extraction, rental and exploitation of real estate and the healthcare sector. SMEs are companies with fewer than 100 employees. Large-scale enterprises consist of 100 employees or more.

Source: *EIM, 2011*

Willingness to invest decreased strongly among SME entrepreneurs in 2009 as a result of the credit crisis (EIM, 2011). In 2010, willingness to invest increased slightly, and in 2011, willingness to invest was expressed by 66% of the SMEs, similar to the level in economically good years, when the percentage of willingness to invest is around 70%. In 2010, investment in SMEs dropped by 1.25%. Investment in SMEs was expected to grow by 3.75% in 2011 and a further 4% in 2012.

Structure of the report

First of all, it is important to mention that Dutch studies often use different SME size definitions. Most studies treat SMEs as companies with fewer than 100 employees, but some use a definition of fewer than 250 employees. In this report, the 100 employee definition is adopted, unless mentioned otherwise.

Section two provides an overview of different types of restructuring for SMEs based on the European Restructuring Monitor (ERM)¹ categories. These categories are: relocation, outsourcing, offshoring/delocalisation, bankruptcy/closure, merger/acquisition, internal restructuring and business expansion. Dutch studies vary in their coverage of the different types of restructuring. Section three deals with the drivers of restructuring, and elaborates on what is known about motives for restructuring. Section four discusses the possible distinctive characteristics of restructuring in SMEs. This section deals with subjects like the anticipation, planning and preparation of restructuring events, how restructuring is managed and the actors involved. The main challenges and constraints facing SMEs in restructuring are discussed in section five.

¹ <http://www.eurofound.europa.eu/emcc/erm/index.htm>

Section six deals with the subject of business support from public and private sources. This section elaborates on the available policy support and demand for public support from firms and/or employees. Section seven gives an outline of the outcome of the restructuring events. This section covers available information about the organisational and employment effects of reorganisations.

The final section provides the most relevant conclusions and discusses policy issues. This also includes information about gaps in the literature and the limitations of available data sources.

Relevance of different types of restructuring for SMEs

This section deals with the different types of restructuring, and what is known for SMEs about the different types. A business can restructure in various ways. The following types of restructuring fall within the scope of this review.

- Relocation: when the activity stays within the same company but is relocated to another location within the same country.
- Outsourcing: when the activity is subcontracted to another company.
- Offshoring/delocalisation: when the activity is relocated or outsourced outside of the country's borders.
- Bankruptcy/closure: when an industrial site is closed or a company goes bankrupt for economic reasons not directly connected to relocation or outsourcing.
- Merger/acquisition: when two companies merge, or during an acquisition which then involves an internal restructuring programme aimed at rationalising the organisation by cutting personnel.
- Internal restructuring: when the company undertakes a restructuring plan which is not linked to another type of restructuring defined above and is aimed at changing the internal organisation of the company.
- Business expansion: when a company extends its business activities, hiring a new workforce.

These various types are discussed below.

Relocation

With this type of restructuring, the activity stays within the company but is relocated to another location within the same country. With this kind of reorganisation it seems likely that some small companies (with only the entrepreneur as 'employee') run their business from their own home. Relocation would probably occur because the owner moves to another house. There are no data available on this kind of relocation.

Many relocations take place in SMEs. In four years, half of SME companies with 5–250 employees have adapted their accommodation by means of expansion, refurbishment or by relocation (ING, 2008). Temporary adaptation of business accommodation is crucial for growth, according to ING. Good, modern accommodation creates efficiency advantages and has a positive impact on logistics and the production process.

Outsourcing

Outsourcing refers to subcontracting of activities to another company, and can come about by various means. There are no exact figures about the number (or percentage) of SMEs that outsource certain activities. But a way in which outsourcing can come about is because of lack of personnel, or open vacancies. It is clear that (temporarily) not filling vacancies has consequences for the operation of SMEs. A number of entrepreneurs have found 'solutions' for difficulties in filling vacancies by engaging agency staff, subcontracting work and altering the strategy (Snel and Gibcus, 2007) (Table 3). About a quarter of SME entrepreneurs (23%; the total under action 3 'Subcontracting work') subcontract work because of bottlenecks in the execution of their activities. Subcontracting is often a solution in construction and the transport sector when problems are experienced over vacancies. This is probably easier to realise in construction and the transport sector because of the usual networks and the large number of self-employed.

Table 3: *Actions by SME entrepreneurs to resolve the bottlenecks caused by difficult-to-fill vacancies (% of SME entrepreneurs)*²

Sector	1	2	3	4	5	6	7
Foodstuffs and luxury food industry	54	13	20	0	41	61	7
Metal industry	51	25	29	5	2	29	9
Construction	41	12	32	9	24	39	0
Automotive sector	15	7	22	0	26	70	7
Wholesale trade	31	10	19	8	33	37	0
Retail trade	8	5	10	3	29	52	4
Hotels and catering	27	7	12	13	14	46	5
Transport sector	21	11	32	9	9	70	0
Financial establishments	22	3	28	17	11	79	0
Business services	26	15	26	19	26	35	2
Other services	4	0	14	13	27	71	0
Total	27	11	23	11	24	45	2

1 = borrowing personnel, engaging employment agency

2 = headhunting personnel from other companies

3 = subcontracting work

4 = adapting company strategy

5 = other

6 = problems have not been resolved

7 = do not know/ will not say

Source: *EIM, 2007*

Another method of outsourcing is working with other companies. About one in five SMEs worked with other companies in 2004 (Snel, 2004). In addition, there is a small group of companies, 8%, who would like to work together but do not yet do so for one reason or another. In most cases, collaborations are in the field of production. This is done by subcontracting, providing additional capacity or by implementing complementary actions. In addition, much work is done together in the field of purchasing, product development and marketing.

Offshoring/delocalisation

Offshoring/delocalisation is the relocation or outsourcing of activities outside of the country's borders. Offshoring, or moving company activities abroad, is not a new phenomenon. Many production activities have already been relocated to low-wage countries to achieve cost advantages.

² This study doesn't provide totals, only percentages.

Various studies have been carried out into offshoring in recent years, many related to Dutch industry (Gorter, Tang and Toet, 2005). Some sketch a sombre picture: offshoring leads to a substantial relocation of the capacity which is undoubtedly accompanied by job losses in the sender country. However, results vary substantially. A survey commissioned by MKB Nederland (trade association for small and medium enterprises, also mentioned in Gorter, Tang and Toet, 2005) mentions the possibility of 6% of companies relocating production capacity in the coming years (no data are available regarding the realisation of these ambitions). On the other hand, Berenschot expects about a quarter of industrial jobs in the Brabant and Limburg regions to disappear. The consequences for the ICT sector in general appear to be just as dramatic. Already, 16% of companies have delocated production abroad over the past number of years and another 15% are considering offshoring activities.

The Offshoring Research Network shows that Dutch SMEs are also relocating, or intending to relocate, company activities to eastern Europe and China (ORN, 2006). Whereas multinationals place administrative and IT functions offshore, SMEs choose offshoring for product development: around 45% of the interviewed SMEs, as opposed to 22% of the multinationals, did so.

Nyenrode and the Vrije Universiteit show that enterprises with offshoring experience during the crisis have delocated activities abroad more often (ING, 2010). Conversely, companies with little experience in the crisis started to think about the added value of offshoring. While large companies were more involved in offshoring than SMEs in the past, SMEs now have more plans to relocate activities in the short term.

Bankruptcy/closure

Bankruptcy or closure refers to situations not directly connected to relocation or outsourcing. The number of bankruptcies in recent years can be found below (source: bankruptcy register of the Dutch courts).

- 2008: 14,835 bankruptcies
- 2009: 22,803 bankruptcies
- 2010: 26,097 bankruptcies
- 2011: 7,875 bankruptcies (January–April)

There are no specific data available for the number of SME bankruptcies. But because 99% of companies in the Netherlands have fewer than 100 employees (see Table 1), it is likely that most bankruptcies are among SMEs.

There is a rising number of bankruptcies. The most likely explanation is the influence of the economic crisis in the Netherlands and Europe. Voluntary company terminations are not included in the list above. Many entrepreneurs close down without being made bankrupt because of the extremely difficult economic climate.

Bankruptcy can also be linked to fraud. The impression that fraud only occurs in large companies – because many renowned fraud cases involve large companies – is not true. Recent figures from the FIOD/ECD (Fiscal Information and Investigation/Economic Control Service) suggest about 450 fraud cases are investigated every year. A small number, about 25–50, involve large or quoted companies. The other 400 cases involve SMEs and allegations not only of fiscal fraud but also forgery, embezzlement and theft. About one-third of SME bankruptcies are the result of fraud.

Merger/acquisition

There are several ways in which merger and acquisition can come about. An entrepreneur can take over another company. About 15,000 entrepreneurs put their companies up for sale every year in the Netherlands (Teeffelen, 2011). About 90% of company take-overs involve SMEs with up to nine employees. Despite this high percentage, commercial parties and the government focus mainly on starting entrepreneurs. The number of companies available for take-over in the coming years will increase due to the ageing population: 35% of Netherlands entrepreneurs are older than 50. Take-overs play an important and constructive role in employment, innovation, productivity and continuity. Looking at the differences and similarities between take-over entrepreneurs, starters and successors (within family companies), Teeffelen (2011) ascertained that take-over entrepreneurs were older and had more management experience than starters and successors. Take-overs occur more frequently in sectors with high starting costs and entry thresholds (hotel and catering, agriculture, wholesale trade).

The take-over market in the first half of 2011 could reasonably be called positive. But Dutch entrepreneurs and investors did not expect this situation to continue in the second half of the year, according to the 'Brookz Overname Barometer' (Brookz Takeover Barometer), a survey of 237 entrepreneurs, advisors and investors. Almost half of those interviewed were optimistic about the number of companies coming up for sale: 44% expected that more companies would be for sale in the second half of 2011 than in the previous six months. On the other hand 45% of those interviewed thought there would be fewer take-overs in the last six months of 2011. The deals that will go through were believed to have a lower average sales price (transaction value) than in the first half year according to almost two-thirds of those interviewed. However, at the moment, deals are less easy to make.

Internal restructuring

Internal restructuring refers to change that falls outside the categories previously mentioned. It includes internal succession within a family enterprise and product/service diversification. There is no specific information available about the exact number of (these kinds of) internal restructuring in SMEs in the Netherlands. We do know that a large portion of family businesses have no intention to sell or transfer the company in the future. About 11% indicate that the business is to be transferred within the next five years (FBN International, 2007). Of the companies that are to be transferred about two-thirds are supposedly to be transferred to the next generation and a quarter to non-family members. The remaining family businesses did not yet know to whom the business would be transferred.

Internal restructuring can be realised in various further ways, and improving the internal process is one of them. Improvement in operational processes is a very frequently occurring form of internal restructuring in SMEs. From EIM data for 2010, it appears that almost half the SME enterprises (with fewer than 100 employees) improved their operational process in the past three years (Table 4). But great differences can be seen between sectors: 65% have improved operational processes in the chemical, rubber and synthetic processing industry, while only 18% have done so in the communication sector.

Table 4: % SME enterprises who have improved their internal operational processes in the last three years (figures for 2010)

Sector	Improvements to internal operational processes in the last three years
Communication sector	18
Construction	34
Retail trade	39
Automotive sector	40
Agriculture, forestry and fishing	42
Other services	43
Transport sector	44
Financial services	46
Hotels and catering	46
Wholesale trade	48
Foodstuffs and luxury food industry	49
Rental and exploitation of real estate	52
Business services	54
Metal industry	55
Chemical, rubber and synthetic processing industry	65
Other services	43
Total	45

Source: EIM, 2011

Business expansion

Business expansion includes: expansion of current premises, relocation to larger premises, expansion of the number of branches and fusion and take-over; hiring new workers; and focusing on new groups of clients and/or markets. EIM carried out a survey in 2002 into the success and failure factors of expansion by SME companies that could develop their opportunities further from a certain start or base position (Mensen, 2002). Fast-growing companies and re-starters are often compelled to relocate.

Fast-growing companies, in particular, play a large role in creating new jobs. What distinguishes fast-growing companies from companies that are not growing fast? To answer this question, EIM carried out a survey in 2007 among 500 SME companies active for at least five years with personnel in the industrial and construction and trade and services (including transport) sectors (Snel and Gibcus, 2007). A company is considered to be fast-growing when employment increases by at least 60% in a period of five years. The period 2001–2006 was examined. Almost half of the SME companies with personnel stated that the number of employees had grown in the last five years. About 6% of the SME companies in these sectors could be called fast-growing companies.

Investing abroad is also a type of business expansion. About half of SME companies (51%) who invest abroad choose to establish their own company or branch (Hessels and Overweel, 2004). This occurs frequently in industrial and trading companies. Approximately four-fifths of companies investing in industry and half those investing in trade establish their own company or branch. SME companies take over a foreign company much less frequently (9%) (Table 5). Participations occur relatively often: 37% of investing companies have a participation in a foreign enterprise. Joint

ventures are also started: 23% of cases concern a joint venture with a Dutch and/or foreign partner. A participation or joint venture is possibly a step towards the complete take-over of a company. Noticeably, SME companies do not appear to choose fusion with a foreign company as a means to expand (a fusion is the merger of two or more companies into a single company).

Table 5: *Foreign investments by the SME in types of investment*

Types of investment	% of SME companies that have invested abroad in the last three years
Establishment of own company/branch abroad	51
Participation in existing company abroad ³	37
Joint venture with a Dutch or foreign partner ⁴	23
Take-over	9
Investment between subsidiary and parent company	7
Fusion	0
Other	9

Source: *Hessels & Overweel, 2004*

³ For example by buying a part of a company via stocks.

⁴ A joint venture is a business agreement in which parties agree to develop, for a finite time, a new entity and new assets by contributing equity.

Drivers of restructuring

Much is reported about restructuring especially in economically challenging times, but restructuring also occurs in times of economic prosperity. The concept of restructuring often entails (mass) dismissal, according to reports from various news media. Motives for restructuring are often similar in SMEs and large companies. But, as broached in the previous section, there are often differences in the various types of restructuring too. What is known about the drivers of restructuring in SMEs is described below, but a problem with many studies is that they only look at SMEs or only at large enterprises.

The ambition to relocate can be fuelled by dissatisfaction: 17% of Dutch SMEs are dissatisfied with their premises, and 12% are not satisfied with the location of the enterprise (Dantuma, 2008). Too few parking places and poor accessibility are frequent complaints. This emerged from an ING Bank survey of 17,000 companies with 5–250 employees in 2008. One in five respondents felt that growth is curbed because of a lack of suitable accommodation.

The motivation to subcontract work or tasks could originate from various causes. Subcontracting work which is not part of the core business is an important motive. But a lack of personnel can also be an important motive for subcontracting. Subcontracting work is one of the most important solutions to compensate for the shortage of personnel in SMEs (EIM, 2007).

Offshoring or delocalisation of activities is becoming an increasingly important motive for restructuring. Research by the Offshoring Research Network (ORN), (ORN, 2006), shows that Dutch SMEs are delocating, or intending to delocate, activities to eastern Europe and China. Compared with multinationals, which often choose offshoring for efficiency reasons, SMEs adopt more strategic motives. SME enterprises find an international strategy an important motive for offshoring in about 70% of cases, as opposed to ‘only’ 33% of multinationals (ORN, 2006). Access to new markets is also stated by SME enterprises five times more often as motive for offshoring activities. Large companies are more involved in offshoring than SMEs (Nyenrode, 2009). But the exact reason for this difference, and why (Dutch) organisations start with offshoring or delocalisation of activities is not discussed in many studies. It seems likely that cost reduction or international ambition play a very big role in the motivation to start offshoring or delocalisation.

Take-overs and fusions can come about by various means. About 90% of company take-overs involve SME companies with up to nine employees. For many SME entrepreneurs selling their company is an important financial source for their pension.

Improvement of the operational process is a frequently occurring motivation for SME entrepreneurs to start internal restructuring (EIM, 2010).

Distinctive characteristics of restructuring in SMEs

This section deals with possible distinctive characteristics of restructuring in SMEs. It will look more closely at the anticipation, planning and preparation of restructuring events, the managing of the restructuring event and the actors involved.

Anticipation and planning of restructuring events

There are a lot of different types of restructuring events. It is important for a company to be well-prepared for situations in which the organisation is undergoing change. This ensures that when needed, plans are available for the restructuring event. Not a lot is known about SME plans made prior to the event, but it seems likely that plans are only made when needed. This can be seen in an EIM study in 2009 of company plans for employee reduction (Winnubst et al, 2009).

The study found that about three-quarters of companies have no plans (Table 6). The practices of SMEs and large companies differ, as might be expected. Larger companies are more likely to have arrangements in place: 83% of small companies, 65% of medium-sized companies and 46% of large companies have made no plans (further specifications regarding company size and the options described in Table 6 are not available). Large companies more often set down plans in formal documentation. Only 14% of companies with plans also include a communication plan detailing how employees will be informed of dismissal procedures. So it is likely that SMEs start planning when the event is imminent, and more likely that SMEs do not set everything down in (formal) documentation.

Table 6: *Strategy plan ready or arrangements made for when the number of employees is to be reduced (percentage of all companies, SMEs and large)*

Strategy and arrangements made	Percentage
Yes, have thought about it	7
Yes, discussed internally, nothing set down in (formal) documentation	7
Yes, discussed internally, busy with the (formal) documentation	3
Yes, discussed internally and set down in (formal) documentation	8
No strategy plan made	76
Total	100

Source: Winnubst et al, 2009

Managing restructuring

Little is known about how SMEs manage restructuring events. There is some information available regarding the management of restructuring where workforce reductions are likely. Part of restructuring is concerned with helping employees to find a new job if they are threatened with unemployment. Such activities often start with social plans agreed by unions and employers. A survey from 2008 charted how many social plans⁵ have been agreed in the Netherlands since 2004 and which activities and arrangements are included (De Kok et al, 2008). The developments of the time (2002–2007) were also mapped out.

⁵ A social plan is a collective scheme, which describes how a restructuring will proceed and what has been arranged for employees who lose their jobs. A social plan is not legally required, but is mandatory in many collective agreements.

Almost three-quarters of social plans came from large organisations (100 or more employees). There are very few social plans from SMEs (with fewer than 100 employees): the chance of an SME having a social plan is less than 1%. Explanations for this might be that there is often less reason to write a social plan in smaller organisations (due to a lower risk of unemployment); or because SMEs might set up social plans less frequently at the moment employees are threatened with unemployment. The second explanation appears to be more plausible than the first (incidentally this has not been investigated further). Small companies will formulate a social plan less frequently, because:

- there are often fewer employees (as a result of which it could be more efficient to organise mobility activities in another way);
- small companies are involved in slimming-down and restructuring less often compared with some large companies;
- they do not have the relevant knowledge and experience required for setting up a social plan;
- they often have less financial headroom.

Actors involved

The (formal) parties involved depend partly on the manner of restructuring. A number of specific situations are described below. They concern:

- dismissal;
- collective dismissal (and the role of the works council and trade unions);
- works council and restructuring.

These three situations all are laid down in law, so they must be followed by all employers, whatever their size, with the only exception that a works council is only mandatory for employers with more than 50 employees.

There are also other types of actors, that don't have a legal (and compulsory) status, like consultants, family and friends. We discuss this at the end of the chapter.

Dismissal via the UWV WERKbedrijf and the magistrate

A dismissal procedure is a legal procedure aimed at (unilaterally) terminating an employment contract by the employer. Two types of dismissal procedure are recognised: via the '*UWV WERKbedrijf*' (administrative office for the Employee Insurance Agency) and via the magistrate. In the UWV WERKbedrijf procedure, employers request permission (from the UWV WERKbedrijf or the magistrate) to terminate the employment contract. When permission is received, the employer must take the period of notice into consideration. In the dismissal procedure via the magistrate, the employer (or employee) requests the magistrate to dissolve the employment contract. In 2007 about 55,000 employees were fired because of economic reasons (Central Bureau of Statistics, 2012). There are three distinct types of economic dismissal reasons: dismissal via the UWV/magistrate, bankruptcy dismissal, and collective dismissal. There is no specific figure available regarding the number of dismissals in SMEs.

The situation described above refers to unilateral termination by the employer. Employer and employee are of course free to make their own (mutually agreed) arrangements when they both want to end the employment contract.

Collective dismissal (and the role of the works council and trade unions)

The collective dismissal act is relevant when 20 or more employees are dismissed at the same time. Employers must apply for a dismissal permit (from the UWV WERKbedrijf or the magistrate) following trade union involvement and consultation with the works council. Every company in the Netherlands with 50 or more employees must organise a works council. It is the responsibility of the employer to give employees the opportunity to organise a works council. But this doesn't mean that all of the companies with more than 50 employees have a works council. This can, for example, happen because the employees don't want a works council. Table 7 shows the percentage of employers that have a works council.

Table 7: *Compliance percentage works council law ('Wet op de Ondernemingsraden') by size, 2008*

Company size	Percentage
50–74	52%
75–99	72%
100–199	81%
200 or more	95%
Total	71%

Source: *Visee and Mevissen, 2009*

Companies with fewer than 50 employees can voluntarily organise a works council, and when a majority of the staff asks for the establishment of a works council, the employer is also obliged to let them form one. Works councils are representative employee bodies who consult with employers on behalf of employees about business policies, including collective dismissals. The size and composition may differ per company. The works council has no role in individual dismissal but it does in collective dismissal. The trade unions often use their right to draw up a social plan during collective dismissal. The works council uses information from the social plan to provide advice about the decision behind the dismissal.

Works councils and restructuring

When a company wishes to restructure and has a works council, a request for advice has to be submitted to the council. There is no clear-cut line regarding what kind of restructuring is subject to this rule, but any decision that (possibly) affects employees must be discussed with the works council. When formulating the objectives and layout of the advice, the works council must be guided by the most concrete questions that employees would ask:

- Does this reorganisation really have to happen?
- If there are dismissals, why does it have to be me?
- Is there an arrangement to help me find a new job?
- If it has to be, can it be as soon as possible?

When the request for advice has been received, the works council will first investigate the benefit and the necessity of the proposed restructuring. After discussions with the director, the works council must assess whether the proposed interventions will resolve the problem and whether there are better alternatives. After this phase, the works council can map out the social consequences. What does the proposed measure mean to employment, the function content, the employment situation and employment conditions? These consequences must be included in a social plan.

Other actors

There is a wide variety of consultants/advisors able to supply support services to SMEs, for example regarding taxes, business transfers and legislation. These can be public consultants (available via the Chamber of Commerce, see section 5) and private consultants. There are no specific data available regarding the number of SMEs that use a (public or private) consultant during a reorganisation. Furthermore, many employers are also members of an employers' organisation. Some organisations provide help when a business is planning a restructuring event.

In conclusion, family and friends can also help SME owners when planning or implementing a restructuring event. It is likely that family and friends play a larger role in (very) small businesses, but there are no data available to substantiate this.

Main challenges and constraints facing SMEs in restructuring

This section deals with the challenges and constraints SMEs face in restructuring events. There is a lack of specific information regarding SMEs. Most literature identifies general challenges and constraints, rather than focusing on SMEs specifically.

First, we will deal with the problems regarding relocation. A division exists between large and small companies regarding the locations available (Dantuma, 2008). Large companies 'steal' the most modern new buildings. SMEs are often left with antiquated buildings, in poorly accessible locations. Developers and estate agents seem to be interested in large-scale accommodations built for big tenants. It is less efficient for them to deal with several smaller tenants in a building than a single large one. But small companies want to be in a good position too. Accommodation is important, partly for the image shown to customers and employees.

When we look at offshoring and delocalisation, a problem can be seen with companies that decide to return relocated activities to the Netherlands (about 17% of the relocated activities are returned) (Nyenrode, 2009). The main challenges, that couldn't be overcome were that the costs were higher than expected, it was more difficult to manage the tasks abroad and the labour productivity was lower compared to the Netherlands.

At the moment there is a slight decrease in the number of mergers and acquisition. Deals are, at the moment, less easy to make. The Euro crisis and the situation in the financial markets are causing great uncertainty. More than half of the entrepreneurs interviewed (56%) see financing take-over as the most important stumbling block for deals not going through (Brookz Takeover Monitor). A large majority of those interviewed think that the financing climate in the Netherlands will become even more difficult for SME take-overs in the coming period.

An EIM survey (Mensen, 2002) suggests that SME companies wanting to expand often meet problems. The greatest obstacles are rules and legislation. Objections and appeal procedures can delay or even halt plans. Many entrepreneurs also experience problems when recruiting extra personnel and acquiring the necessary floor space.

Furthermore, reorganisations often have a negative impact on employees. There is often an increased workload and job uncertainty and a negative atmosphere in the workplace (Wiezer et al., 2011).

A common problem for SMEs is access to finance. Banks and (large) suppliers often refuse to offer credit. Consequently, SMEs lack money which results in staff being dismissed and, in the worst case, bankruptcy. Banks (and large concerns) often consider SMEs risky. The following arguments have been put forward for this. SMEs:

- often depend on one person (continuity);
- have no access to the financial market due to closed structure;
- have lower solvency (= financial resilience) than large companies;
- depend greatly on banks and suppliers for maintaining liquidity.

Business support from public and private sources

This chapter examines the supply and demand for public and private support in respect of restructuring. The supply side of business support deals briefly with the restructuring support services available to SMEs. The demand side of business support refers to the needs of small employers regarding support during restructuring events.

Supply

There are no public service providers who can advise in all fields of restructuring. A number of public organisations can provide advice and information in specific areas. First, chambers of commerce offer information and advice about the formal side of selling an enterprise and about company transfers. For this reason, they have several types of advisors offering a particular specialisation (for example: lawyer, accountant: transfer specialist).

Second, the UWV WERKbedrijf offers support to employers about how to deal with surplus personnel. Employers can direct employees threatened with unemployment to the *UWV Werkbedrijf* service; it is then up to employees to contact them. It is, however, not clear to what extent SME entrepreneurs are aware of these opportunities and/or make use of them. Surveys by EIM, RvB and Consult (2008) suggest that only a small group of SME employers are aware of this.

As well as public service provision there is also the opportunity to engage private service providers to help with restructuring. Companies can use private legal organisations to help with the legal part of a reorganisation.

Additionally, employers (and employees) can make use of the structured mobility and advice activities that have been set up via (some of the) employers' organisations or via a regional collaboration of employers. In these collaboration platforms, employers voluntarily help each other by sharing vacancies, information and their experiences in restructuring events. These platforms are sometimes supported with the help of public or private organisations like employment agencies and municipalities. There are a lot of different types of these collaborations, but not all sectors and regions have them. These platforms are often the result of an ambition of (SME) employers who want to collaborate, or because of the ambitions of a regional government or an employer's organisation that does not want to lose skilled employees within their own region or branch.

Demand

It is likely that the support an SME desires is linked to the complexity of the restructuring event and the management time and expertise available. SME owners possess limited human resources and expertise to implement a restructuring event. This might especially be the case in offshoring/delocalisation, international business expansion and mergers because of the legal complexities. So, it is likely that SME owners need more support in these situations.

But there is little published information regarding employer demand for restructuring support services from public and private sources. It appears there is a lack of familiarity with respect to public and private support service provision. An EIM survey shows that only a small group of SME employers are familiar with the opportunities offered by the UWV WERKbedrijf (De Kok et al, 2008). It is, therefore, a question of whether there is a demand shortage or a supply shortage.

Outcome of restructuring events

But what is the outcome of restructuring events? The outcome can be seen as the impact or effect of restructuring activities on organisations implementing restructuring activities. What is known about the outcome is largely described in previous sections (for example, the number of relocations, bankruptcies, mergers etc.).

But furthermore, Nyrenrode (2009) shows that 17% of activities relocated abroad were returned to the Netherlands; that is among all companies, SMEs and large ones. The reasons for this are:

- costs are higher than expected;
- the difficulty of managing tasks abroad;
- the lower labour productivity compared to the Netherlands.

Company take-overs play an important and constructive role in the economy with regard to employment, innovation, productivity and continuity. Take-overs have a proven better chance on the market than starters: 96% of take-over entrepreneurs are still active after five years, as opposed to 50% of starters (Teeffelen, 2011). Two-thirds of take-over entrepreneurs are successful in achieving increases in turnover, client base and profitability.

Furthermore, fewer than half of Dutch SMEs (45%) have improved their internal operational processes in the last three years (EIM, 2011).

Conclusions and policy issues

This section focuses on the key findings and key policy issues. The highlights of the findings of this study are:

- About half of the SME companies relocate within a period of five years after start-up. A problem for SMEs is that large companies ‘steal’ the most modern new buildings.
- Almost a quarter of SME companies that have difficulty filling vacancies use subcontracting as a solution to ensure they are still able to perform the required activities.
- Multinationals often choose offshoring for efficiency reasons, but SMEs have more strategic motives. Multinationals mostly choose offshoring for administrative and IT functions; SMEs choose offshoring for product development.
- There is a growing number of bankruptcies, most likely because of the economic crisis in the Netherlands and Europe. A third of all SME bankruptcies are the result of fraud.
- About 90% of company take-overs involve SME companies with up to nine employees. About 9% of the foreign investments of Dutch SMEs can be seen as a take-over of a foreign company.
- Fewer than the half of Dutch SMEs (45%) have improved their internal operational processes in the last three years.
- SMEs that want to expand often meet problems. The greatest problems are obstacles regarding the rules and legislation.

A lot of (general) literature is available about reorganisations, but not everything is aimed at SMEs. In survey studies the research is mostly aimed at restructuring in SMEs or restructuring of large companies, but not both. The relationship and the differences between both size classes is not always discussed within one study. For a good comparative analysis, both groups (SMEs and large companies) need to be included in, for example, a survey study. For good (statistical) evidence-based research regarding one specific subject, both groups must be approached with the same method. This is definitely a point requiring attention in future surveys / studies.

Not a lot is known about the needs of companies regarding support from public and private sources. There are no studies that deal with this specific subject. But it mainly appears that there is a lack of familiarity in respect to public and private provision of services. A survey by EIM (De Kok et al., 2008) shows that only a small group of SME employers are familiar with the opportunities offered by the UWV WERKbedrijf. It is therefore a question of whether there is a demand shortage or a supply shortage. The main problem appears to relate to the familiarity with (public) organisations that offer support during restructuring. This requires more (policy) attention.

A specific problem that can be seen between SMEs and large enterprises regarding equal opportunities is the availability of modern locations. Developers and estate agents seem to be interested in having large-scale accommodation built and are mainly looking for big tenants. But small companies want to be in a good position too. Accommodation is important, partly for the image shown to customers and employees and for the innovation power of SMEs.

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Michel Winnubst, EIM, Zoetermeer