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## Eurodecal, France

- Type of restructuring:  
(Avoiding) bankruptcy, Internal restructuring
- Employees before restructuring:  
50-249
- Employees after restructuring:  
10-49
- Nace/Sector:  
Manufacturing
- Country:  
France
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## Abstract

The decision by its main client to cut all its orders caused this company specialising in the design of luxury ceramic goods to decide on restructuring; this entailed job losses, and freezes on promotion and pay. The company went into administration and filed for bankruptcy. A group of external consultants was contracted to assist staff who lost their jobs and provide them with training, skills assessment and assistance in finding employment; the costs being covered by local government. Following the restructuring, Eurodecal is diversifying its business, and seeks to avoid over-reliance on big clients.

## Organisational profile

Eurodecal is part of a group of companies under a holding company called LMA (employing 78 people overall prior to the restructuring of Eurodecal). The other companies are Albert Landgraf (Charleroi, Belgium) with 19 employees and Dekora (Méréau, France) with five employees. The core business of Albert Landgraf is indirect serigraphy and it mainly produces chromolithography for glass. Dekora was set up in 2005 and now sells enamel paints for porcelain on behalf of a German group called Ferro which had closed its two sites in France (employing 180 people) and relocated part of its activities to Germany in 2008. With the creation of Dekora, the group started a diversification strategy expanding the business to other markets. Until February 2010, Dekora was a subsidiary of Eurodecal; they then became sister companies and continue to develop synergies in relation to the decoration of ceramics.

Eurodecal has two production sites in France located at Méréau and Limoges. Eurodecal specialises in printing on Limoges porcelain and luxury glass products (added value products). They are almost wholly dependent on other local firms, most of them with big export businesses (for example, Hermès). After the recent restructuring, the company has diversified its activities to cover direct serigraphy as well. However, the main

business still remains the indirect serigraphy (accounting for 80% of the business). They do not export themselves though they have linkages both with their Belgian partner company and also with some German companies.

The managing director of Eurodecals is Jean-Paul Maignan who, together with five other people, is one of the owners of LMA. He bought into the business in the late 1990s. He bought Centre Decal, based in Méreau, some 12 years ago and then took over other companies in the Limousin region and set up Eurodecals. Prior to these acquisitions, he worked in a bank and later as a consultant. He is also part of the ceramic 'competitiveness pole' (Pôle de compétitivité de la céramique), which is a specialised sectoral development cluster bringing together local business actors. He lives in Paris and has no family links in Méreau and Limoges, where Eurodecals has its office and production sites. He commutes regularly.

Eurodecals is the biggest employer in the group. It employed 54 at the sites in Méreau and Limoges in 2008. After the most recent restructuring, it employs 34 people (two on temporary contract). The average age of Eurodecals employees is 42 years in Limoges and 50 years in Méreau. Of the 54 people working in Eurodecals prior to the restructuring, only four or five were managers ('cadres') / professionals. There are also some very specialised technical production staff, computer graphics artists and machine operators. More than a third of the workforce are naturalised French (of Arab and Portuguese origins).

The staff is represented by two unions: the French Democratic Confederation of Labour (Confédération française démocratique du travail, CFDT) and the General Confederation of Labour (Confédération générale du travail, CGT). There are four trade union representatives: one represents the professionals / managers and the other three represent the workers / employees.

Before the most recent restructuring in 2009, Eurodecals was restructured in 2000–2001 with a social plan affecting 10 jobs, and again in 2005 when the company implemented a collective redundancy plan involving eight jobs.

## Background to restructuring event

The restructuring of Eurodecals was occasioned by a sharp fall in turnover in 2008–9 (turnover dropped from €4.6m in 2008 to €3.45m in 2010), itself brought about by a decision of a principal client (Hermès, accounting for 30% of Eurodecals's business) to cut all orders from January 2009. Hermès restarted ordering in March 2010.

## Restructuring processes

In summer 2009, the management informed the works council (*comité d'entreprise*) about the economic difficulties of the company. An action plan, which was presented to the works council in July 2009, indicated how the company intended to proceed vis-à-vis the public authorities (to extend the payment of social contributions and taxes) and the banks (to obtain medium-term credit). The plan also envisaged an injection of funds from the shareholders and the opening of the capital to a new shareholder. According to the initial schedule, the action plan was expected to be implemented by the end of October 2009 at the latest. At that time, no job losses were yet planned; however, the management already anticipated a possible headcount reduction in early 2010 pending the company results for 2009. At the July meeting the staff representatives were also informed that in case of an unsuccessful outcome of the action plan, declaring insolvency (*depôt de bilan*) was unavoidable. Two further meetings were held with the staff representatives in September and October to assess progress on the planned actions. In early November an extraordinary meeting of the works council was convened to inform the staff representatives of the imminent insolvency. Another two meetings (of which one was held in the presence of the administrator) were held to inform the staff of the Méreau and Limoges sites about the situation and answer their questions.

The company was restructured in December 2009 with the loss of 23 jobs (18 job losses in Méreau and five job losses in Limoges) due to the very sharp fall-off in business. Some of the 18 redundant workers at the Méreau site had 32 years' service. There were no redundancies in the Belgian Albert Landgraf business, where the company made recourse to the short-time work scheme ([Belgian chômage partiel](#)). In an effort to avoid redundancies, Eurodecals had also resorted to the short-time work scheme ([French chômage partiel](#)) in spring 2009 for the period May–June. However, the application was not renewed because the French scheme is regarded as much less user-friendly and overall is employed less frequently than in Belgium.

Unions agreed to the social plan, which was voted unanimously by the works council (*comité d'entreprise*). In addition to the job losses, promotion and pay freezes had also been agreed. Once agreed, the social plan involves selecting individual candidates for redundancy with reference to detailed, objective and pre-established criteria (age, marital status, number of children, etc.). The names of the redundant workers were then communicated to the works council. The whole process of selection of redundant posts is considered objective and removes any taint of partiality. Managers and professionals were less affected by the restructuring than other workers.

In compliance with French law, the affected staff received notification of the dismissal by registered letter. The staff were shocked and deeply traumatised by this restructuring. However, they realised that the business was in trouble and no major crises or strikes occurred – aside from some bitterness on part of two or three staff directed at unions for not saving jobs. In addition, two of the employee representatives on the works council lost their jobs. The managing director was himself very concerned about the employees and felt that he bore some responsibilities for the restructuring. He offered to meet redundant workers individually, if they wished.

The company was required by law to sign an agreement of personal reclassification (*convention de reclassement personnalisé*) with the local

branch of the Directorate for labour, employment and training (direction départementale du travail, de l'Emploi et de la Formation Professionnelle – [DDTEFP](#)). The agreement entitles each affected worker to choose either to serve two months' notice before leaving the company or to renounce the two-month notice and receive training and assistance to find another job and counselling services. In the framework of the agreement of personalised reclassification, redundant employees (with at least two years of service in the company) are entitled to an allowance which amounts to 80% of the salary during the first eight months and 70% for the following four months (this allowance is higher than the ordinary unemployment allowance). At the time of the restructuring, Pôle Emploi (the French government employment centre) encouraged the redundant workers to opt for the agreement of personal reclassification.

Eurodecals went into administration and initiated the liquidation procedure on 17 November 2009. This was the first step in the most recent restructuring. It involved the appointment of an administrator who took co-charge of management during the observation period (*periode d'observation*). The managing director continued to deal with routine administration while the administrator was responsible for validating the main decisions and managing the finances. There were regular progress meetings every three months with the commercial court. In the early stages, the administrator appeared to want to sell the business. It took three months to gain the confidence of the administrator. The observation period was renewed twice. The first observation period ran from 17 November 2009 until 23 March 2010. It was then renewed until September 2010, and further renewed until December 2010. As part of the restructuring, the shareholder owners injected new funds in January 2010 (€200,000) to improve the cash flow.

As soon as the company filed for bankruptcy, the Société Générale bank closed the Eurodecals account and the company was required to open another account at a bank specialised in dealing with companies in administration. During the observation period, the business had no credit and could not overdraw money. Also, the personal bank account of the managing director was closed and his credit card was taken back. In addition, he was not entitled to any remuneration during the observation period.

The managing director of Eurodecals informed the 15 main clients about the insolvency two days before formal proceedings were initiated. A presentation was prepared beforehand to explain the reasons for the insolvency. During the observation period, major clients were kept abreast of developments. Other clients were informed about the insolvency and the developments on a case-by-case basis upon request. Strategic suppliers (suppliers of raw material and banks) were informed in the same way as major clients, while other suppliers and public creditors were informed in writing by the court officer.

The business formally exited the observation period in December 2010 when its continuation plan (plan de continuation de redressement) was accepted by the Commercial Court. Since then, Eurodecals has recruited three of its former employees who had been made redundant in 2009. It is obligatory that former workers are offered jobs that are created when business recovers first. However, some workers turned down the offer because they had been severely traumatised by the restructuring. Only five of the former employees applied for a vacancy at the Mereau site.

## Challenges and constraints of restructuring

Eurodecals operates in a sector in decline which employs about 2,000 people in France nowadays. This decline is due to the weakening of demand (fewer weddings and therefore less demand for 72-piece plate sets) and competition from other big producers (for example, Ikea and Linea) which put less luxurious but more affordable products on the market. The turning point was in 1995, when the sector started going downhill with the collapse of big players. Bernardaud is now the biggest business in this sector, with approximately 350 workers. Although companies in this sector receive subsidies from the region through the ceramic 'competitiveness pole' (*Pôle de compétitivité de la céramique*), they are below the radar of much public aid. This is a sector that carries less influence than other sectors (for example car manufacturing) because it is in decline with a comparatively small number of workers.

One of the problems, common to all companies operating in the sector, is the lack of anticipation and of a coordinated approach to respond to the decline in market demand and competition from other countries. One reason is that managers often lack the management skills and technical competencies to run the business. Better coordination between the companies operating in this sector should be achieved through the ceramic competitiveness pole.

The decline of this sector and therefore the greater exposure to the recession is also due to the fact that most of the companies are small and medium-sized businesses with a weak capital base and low profitability. This makes them less attractive for potential investors. Another factor that contributes to the weakening of the competitiveness of these enterprises is the high labour costs in France (especially in a market open to products coming from countries with low labour costs). Eurodecals also encountered some difficulties during the observation period: the business had no credit (*credit fournisseur*) and had to settle immediately with suppliers while still waiting up to three months for settlement from its clients. There are new rules obliging faster settlement of debts which are, however, not being observed. Medef employers' confederation has a role to play to foster better compliance with new rules.

## Restructuring advice and support

The most important sources of professional help during restructuring were the company's lawyer and the chartered accountant. Both had worked with the company prior to the restructuring. The company received very little support from public sources. Eurodecals was not eligible for many of the measures designed to help SMEs, including the long-term loan guarantee provided by OSEO (support agency for the development of SMEs).

In terms of support to redundant workers, a group of external consultants was contracted to assist staff who lost their jobs and provide them with

relevant support measures (for example training, skills assessment, assistance in finding employment, etc.). The costs were entirely covered by the departmental directorate for labour, employment and training. This support partly overlaps with Pôle Emploi's interventions within the agreement of personalised reclassification.

## Outcomes of restructuring

Following the restructuring, Eurodecal continues to diversify its business to cover direct serigraphy and to expand to new markets. The new diversification strategy, which started in 2010, will be implemented over the next three years (until 2014). This is deemed necessary for the survival of the company in the long term. The action plan is being implemented by a steering committee (comité de pilotage) set up for both Eurodecal and Dekora. Managers have a key role in the organisation – they are responsible for safeguarding employment in the face of the crisis and for ensuring the future viability of the company.

The versatility and multi-skilling of the staff is another important element of the company's strategy. Most of the staff are able and qualified to fill another post if necessary. This entails the provision of training, especially for added value jobs. The aim is to make the organisation more flexible and ensure that all deadlines are respected. This includes recourse to the variation of weekly working hours (*modulation*) to adjust quickly to market fluctuations and client demand. Eurodecal is also keen to avoid any over-reliance on big clients such as Hermès – which now accounts for about 17% of the company's business.

There are now regular meetings with the managers and other staff members to help them be more prepared and react promptly to changing circumstances. Everyone is fully involved to make it work, consulted in relation to decisions taken by the management and staff are ready to work longer hours when necessary.

The restructuring did not impact negatively on the image of the business. This is most likely due to the fact that many other businesses in the sector were faced with the same problems and were forced to trim their workforce or go through liquidation procedures. Also, competitors in the sector did not take advantage of Eurodecal's difficulties and take its share of the market. All in all, Eurodecal came out of the liquidation procedures in a more competitive position.

## Commentary

This restructuring could possibly have been avoided if the company had reacted faster and sooner to the first signs of the crisis back in November 2008 by diversifying more and injecting funds earlier. Anticipation and planning are essential to safeguard the business and its employment. The three-year action plan adopted by the company ensures that these key aspects will not be overlooked in the future.

## Author

Sara Riso, Eurofound

## Information sources

### Interviews

Jean-Paul Maignan, managing director, Eurodecal

Akli Chia, employee representative, Eurodecal (CFDT)

### Company website

<http://www.euro-decal.com/>

- [European Monitoring Centre on Change - EMCC](#)
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