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Vialle, the Netherlands

- Type of restructuring:
Internal restructuring
- Employees before restructuring:
50-249
- Employees after restructuring:
50-249
- Nace/Sector:
Manufacturing
- Country:
Netherlands
- Date:
06/09/2011

Abstract

In the Netherlands, alternative fuel systems provider Vialle carried out restructuring in 2009 including 60 redundancies as it faced bankruptcy. However it grew again shortly afterwards, from 60 to 70 staff, and had to be reorganised once more in 2010. The second restructuring involved a newly formed works council that did not exist in 2009 and took a different approach to the smaller number of redundancies involved. The company has now resumed growth and by early 2012 once again had 70 staff in a market boosted by rising fuel prices.

Organisational profile

Vialle develops and manufactures alternative fuel systems. The company is involved in liquefied petroleum gas (LPG), diesel-blend, natural gas and dimethyl ether technologies. Vialle distributes the advanced liquid LPG injection (LPi) system, currently enjoying great popularity in cars. Its excellent performance, maintenance-free operation and very high reliability puts the LPi liquefied petroleum gas system ahead of the field.

Vialle and BK-Gas (another Dutch supplier of LPG) together developed GasFX. Vialle and BK-Gas supply consumer and commercial markets in the Netherlands with an LPi package, including installation, service, guarantee and fuel discounts. The system is supplied in many commercial markets and countries, both through the network of installation centres as well as in collaboration with car manufacturers and importers.

Established in 1967 in Eindhoven, the business is a private limited liability company and began by importing parts for liquefied petroleum gas installations from Italy. As a result of the 1970s oil crisis, Vialle grew and quickly became the market leader for liquefied petroleum gas installations in the Netherlands – a position the company still holds today. In less than 15 years the company grew from a trading company to a manufacturer with its own research and development capability. Some management members hold shares and there is also a co-investor.

Driven by the sharp increase in interest from car manufacturers and high demands from motorists, manufacturing activities were gradually outsourced to third parties in the 1990s. This allowed Vialle to focus on new product development and quality improvement.

Vialle employs approximately 70 people, divided fairly equally among technical, assembly and administrative departments. Approximately 10% of sales are in the Netherlands; the rest are from the EU, Asia and the Pacific.

Peter Rutten has been chief executive (and one of the owners) since 2002, as well as a major shareholder and director. Auke Faber started working for Vialle in 2006 and has been head of the works council since 2010. Both have been interviewed for this case study.

Background to restructuring event

Vialle has reorganised three times in the past 10 years, once in 2001–2002, again in 2009 and then in 2010. This case study is mainly about the 2009 and 2010 reorganisations. The company was successful in the period leading up to reorganisation in 2009. In 2008, turnover doubled compared to 2007, mainly due to increasing fuel prices. Rising prices encouraged consumers to use LPI in their cars. However, growth suddenly stopped in 2009 because of the economic crisis, which saw orders decline drastically – to 5% of the level of 2008 (a very successful year). The company reduced employment in 2009, but it wasn't enough. The company increased the workforce after reorganisation by about 10 employees, but this occurred too quickly and so in 2010 jobs had to be cut again.

Restructuring processes

There was no works council during the reorganisation in 2009. Vialle management asked employees if they wanted to form one, but no one did. Management introduced a plan, with the guidance of a private legal office, to ensure there were no legal problems with the process because of the absence of a work council.

The 2009 restructuring plan was limited: it mainly described the process regarding the reorganisation. The company was at the edge of bankruptcy, so drastic measures were needed. The management decided who was going to be made redundant and the redundant employees received minimal compensation. If the employees voluntarily ended their contracts, they could get 100% compensation for their loss of wages in the first month after termination. Because of the urgency, there was a very tight timetable and everything had to be arranged in a couple of months. The process was finalised according to this timetable.

The management informed employees of the restructuring plans and decisions concerning their employment in one-to-one talks. A couple of lawsuits from redundant employees are still running but so far court rulings have been in favour of Vialle.

After the 2009 reorganisation, the company grew from 60 to 70 employees. But, looking back, this growth perhaps took place too quickly because the organisation had to be downsized again in 2010. After this reorganisation, the company grew again to about 70 employees (early 2012).

Before the 2010 reorganisation, a works council was formed as a mutual employer–worker initiative: the management wanted a works council and there were employees who wanted to be part of it. The management plans for the reorganisation were shown to the council, before being communicated to the workforce. One works council member, however, leaked the plans to the media, causing considerable employee unrest, so speed was of the essence.

The works council agreed with management that downsizing was the only option. They made some minor requests regarding the departments where people were going to lose their jobs. Some positions/departments were vital for the continuation of Vialle. The management agreed to their suggestions.

Following the works council agreement, management took a different approach from the one taken during the previous, larger, 2009 reorganisation. They invited all the employees from a specific department to a meeting at which they informed the group who was going to be let go; this was followed by one-to-one talks with these employees.

Challenges and constraints of restructuring

Looking back, the 2009 restructuring was not drastic enough, and the subsequent growth was not a good idea. After 2009, work pressure on remaining employees increased, leading to a rise in sick leave, and Vialle incurred extra costs because of this.

The main challenge for the 2009 reorganisation was the absence of a work council. A company without one generally has to wait one month before the public office in charge of national insurance (UWV Werkbedrijf) will issue a collective discharge permit. However Vialle's problems were so great and speed was so essential that the Minister of Social Affairs and Employment (*Sociale Zaken en Werkgelegenheid*) had to sign the plans to get priority at the 'UWV Werkbedrijf'.

The main challenge in the 2010 reorganisation was the leaking of restructuring plans to the media. Employees were understandably alarmed given the downsizing that had occurred the year before.

Restructuring advice and support

For both the 2009 and 2010 restructuring events management sought legal advice from a service provider with whom they had previously done business. Compulsory redundancies are not to be taken lightly because of their complexity and the financial/economic implications and advice and guidance is necessary.

For the 2009 reorganisation, the *UWV WEKRbedrijf* gave a presentation and information to employees regarding the consequences of dismissal. This was a joint initiative by the public office and management. Since works councils are made up of company employees, they don't necessarily have experience in dealing with management restructuring plans. Vialle therefore paid for advice from a private expert regarding severance arrangements.

Outcomes of restructuring

The most important effect of restructuring was on employment numbers. In 2009, employment decreased 50% from approximately 120 to 60. Following the 2009 reorganisation, the workforce grew by 10 employees, but then had to be decreased again to about 60 employees.

The 2009 reorganisation led to a number of employee-related challenges. First, reorganisation produced a large increase in employee workload, with a subsequent rise in sick leave. There was also an unexpected problem in the form of feelings of guilt among the retained employees. This is something that received more attention during the 2010 reorganisation. For example, one employee offered to resign in place of a dismissed employee. Such emotions are very difficult to manage, underlining the point that retained, as well as newly redundant, employees often need support during a reorganisation. Third, downsizing affected workforce expertise as skilled employees had to go.

The current forecasts for Vialle are good. After a turbulent couple of years, the company is growing again. By the beginning of 2012 it employed 70 people, and with increasing fuel prices, LPi systems should have a lot of potential growth.

Commentary

Employees to be made redundant were approached differently in the 2009 and 2010 reorganisations, and both approaches worked. Because of the large group affected in the 2009 reorganisation, an individual approach to handling redundancies worked. All employees got time with management to talk about reorganisation motives and effects.

In the 2010 reorganisation, a team approach worked very well, because they were very close-knit teams and employees could be informed quickly. So there is no 'one best way' of dealing with this kind of situation. If redundancies were to happen again, the management would again carefully consider how to tell individual employees.

Management-works council relations are important influences on restructuring processes. When relations are poor, discussing plans can be difficult. In this case, the works council had no complaints about the process.

A very important learning point for management is to be firm when deciding the number of employees that has to go. Perhaps, if management had not been so 'friendly' during and after the 2009 reorganisation, the 2010 reorganisation might not have been necessary.

However, the chief executive emphasises that every situation is unique. This is why legal advice is very useful. The chief executive, while working for a previous company, downsized a workforce from 560 employees to 140. On that larger scale, one looks less at individual employees. It is a much more personal process in a small or medium enterprise, where management knows the individual employees. Furthermore, he is also a part-owner of the company. This means that one looks differently at restructuring events, because one is more financially involved in the company. It is important that one is personally involved and that one empathises with all employees.

The most important learning aspect for the head of the works council is that reorganisation can be an emotional and difficult process. Employees can take a lot of the burden to heart. It is important to think more generally, because when you think too much about the individuals involved, the job of a works council member can be very tough.

Author

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Information sources

Interview

Peter Rutten (CEO) and Auke Faber (head of the works council),

Vialle Alternative Fuel Systems B.V.

Company website: www.vialle.nl

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