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Trosa Tryckeri, Sweden

- Type of restructuring:
(Avoiding) bankruptcy
- Employees before restructuring:
50-249
- Employees after restructuring:
50-249
- Nace/Sector:
Manufacturing
- Country:
Sweden
- Date:
16/03/2012

Abstract

The Swedish printing business Trosa Tryckeri was established in 1919 and bought by the family of the current CEO in 1982. An unsuccessful acquisition in 2008 exposed it to likely bankruptcy and it was forced to apply for corporate reconstruction. One-third of the staff (20 people) were given notice and the remaining staff worked with management and the reconstruction administrator to save the company. In the end, only eight people had to leave the company and it has been successfully restructured.

Organisational profile

Founded in 1919, Trosa Tryckeri is a printing business involved in graphic production. The business produces four main products: traditional printed matter, wall calendars, store advertising and packages. When the Lundberg family bought Trosa Tryckeri in 1982, the company had 15 employees. The company has grown and merged with other companies and at its peak had 69 employees. Today, the company has about 50 employees and 15 seasonal employees during the high production period in the autumn.

The company is divided into three different departments – sales, administration and bookbinding, all located in the town of Trosa.

Within the administration, most employees are recruited from other companies within the same industry. In the production unit at Trosa Tryckeri, the majority are trained as apprentices, and thereafter they develop within the company and take up other positions, such as project leader. The workforce is a balanced mix of men and women, with slightly more men, and the average age is 40 years old.

The business isn't directly international since the customers in general are Swedish and local. However, some customers are active globally and have English as their corporate language. Trosa Tryckeri prints in multiple languages and distributes worldwide. It also works with brokers in England working for Swedish clients. Trosa Tryckeri sometimes distributes products directly to Asia; however, most clients are situated in the Stockholm region.

The company has an operations handbook that includes management process protocol and job descriptions, and this is developed continuously since the company works actively on quality and environmental issues. There is no human resource manager in the company; however, there are managers in charge of the different units and a manager of quality and environmental issues. The company has several certifications which it follows in its production in order to improve operations.

Trosa Tryckeri is a member of the Confederation of Swedish Enterprise, an employer organisation. Connection to trade unions is low. Most of the trade union members are white-collar workers, while less than 50% of blue-collar workers are enrolled in a union.

For the last few years, the company has experienced falling profits and sales. In 2008, it decided to acquire a company from a bankrupt competitor. It recruited employees from this company, but results did not turn out as expected. In 2009, all of the recruited people left the company and profits were insufficient to cover costs. As a result of this, Trosa Tryckeri applied for a company reconstruction under Swedish law in August 2010, which ended in May 2011. Now the business is stable and recruiting employees to its sales department again.

Marie Lundberg, together with her husband and son, owns the company. Her family bought the company from the former owners in 1982, and since then she has worked at Trosa Tryckeri in sales and marketing, and currently she is the CEO. Her educational background is elementary school, and before she acquired Trosa Tryckeri, she worked night shift at the police department. While working at her former job, she started a part-time printing paper broker business. That was how she got involved in the printing business, which led to the decision to buy Trosa Tryckeri.

Background to restructuring event

In 2008, the company experienced an increase in its business and made investments in a bankrupt company, recruiting the employees of that company. This was, looking back, a bad decision since the company's profit and sales went down. The unsuccessful acquisition and recruitment led to a crisis where the company, after getting advice from a lawyer, realised that if it did not apply for a corporate reconstruction, it would probably go bankrupt within two to three years. When the management realised this, it took less than a month to decide to apply for and start a reconstruction process. Other options considered before they decided to go through corporate reconstruction were to find a partner, sell parts of the company or find a financier. However, they realised that it was too late to choose anything else but corporate reconstruction.

Restructuring processes

The management team, the board and the owners were involved in the decision. Together with the reconstruction administrator, a legal official appointed by the court, they investigated where the company was bleeding money and where it was making a profit. They realised that parts of the production could be outsourced, and therefore they announced they would give notice to 20 people, one-third of the work force. Marie Lundberg invited the local newspaper as soon as they had filed for reconstruction. There was no speculation in the press before the announcement was official.

A corporate reconstruction is formally planned and implemented and has to follow specific rules under Swedish law. Any business that has severe difficulties paying its debts has the opportunity to establish a specific procedure to reconstruct its business. Companies applying for reconstruction have to complete it within one year, and the process consists of four three-month phases.

For Trosa Tryckeri, the reconstruction was completed after three phases, lasting nine months from August 2010 to May 2011. The reconstruction administrator was made responsible for ensuring that the subcontractors to Trosa Tryckeri got paid, and he guaranteed they would get their payment. During the process, the reconstruction administrator took over Trosa Tryckeri's account, and the company had to have permission from the reconstruction administrator before buying anything worth more than SEK 10,000 (€1,130). This guarantee made the subcontractors stay with Trosa Tryckeri even though the company had informed them it was in trouble early on.

The first months were very intense, and the management adjusted the plan as they went along. For instance, one initial idea was to outsource many of the company production units; however, they realised this would be less profitable than to keep the production within the company.

Trosa Tryckeri has a meeting with the entire workforce every month to inform the workers of ongoing developments and the condition of the company. When management realised what path the company was taking, they gathered the workers to inform them. The reaction was a mix of anxiety that positions were going to be cut and a constructive 'we can solve this' attitude. Some workers had never worked anywhere besides Trosa Tryckeri, and these employees became especially concerned since they had never applied for another job and did not want to leave.

The workers were not involved in the decision to undertake corporate reconstruction but did participate in every three-month phase of the implementation. Together the workers, the managers and the administrator tried to find solutions in order to prevent the company from going bankrupt. The trade union was only present when the notice was given to staff but did not object to the decision, since it understood the lay-offs were a necessary part of the reconstruction and not personal.

Challenges and constraints of restructuring

The main challenge for Trosa Tryckeri was that when it informed its bank that it would apply for corporate reconstruction, the bank froze the

company account and left it without credit. It had no economic support from public bodies, so the reconstruction was financed entirely by the company. As a consequence, it had to be extra careful and bill clients right away in order to ensure income was stable during the period. One thing Marie Lundberg would have done differently given her recent experience is she would not have told the bank early about the company restructuring. They had two choices: tell the bank afterwards or go to the bank before the restructuring was official. They decided to go to the bank before they applied for reconstruction. The bank froze all their accounts and suspended their credit. In hindsight, she would have gone to the bank afterwards as it can be assumed that the bank would have been more cooperative when approached by the administrator rather than by the company. Today the company has a different bank.

Another challenge concerned how the company would convince clients to stay with it during the restructuring. Marie Lundberg had a dialogue every three months with the main clients to inform them of how the restructuring was going and to give an update. Only one client terminated its contract, and Trosa Tryckeri lost one job to a completely new client who believed the company was too unstable and therefore withdrew the order. Other clients kept their confidence in Trosa Tryckeri and stayed.

The company also put a lot of effort into assuring clients that it was committed and trustworthy, in order to persuade subcontractors to continue delivering the necessary equipment so that production could be maintained. The reconstruction administrator took much responsibility in this work and convinced them to stay, assuring them that the debts to suppliers and subcontractors would be paid.

According to Marie Lundberg, for SMEs it is harder to take decisions, and as a result, they wait too long before starting the restructuring process. Large companies act faster and have a better overview of fluctuations in the economy. Large companies also have a better view of European conditions and of sectors where they are active. Furthermore, larger companies have more opportunities to educate their workforce when production goes down. They can go down to four-day working weeks and still always have someone present at the enterprise. Conversely, SMEs may not be as aware of possible restructuring strategies and lack a clear overview of the situation. An SME with a smaller workforce can't reduce one unit in the same way. Mrs. Lundberg concludes that SMEs might have a disadvantage when it comes to one unit making demands on another. In a larger enterprise, the sales unit might place specific requirements on another unit and the production unit might in the same way place demands on the HR manager in order to make production more efficient. In an SME, it is harder to place specific demands on another unit within the company since personal in different departments are close and find it difficult to make straight demands on one another since they are friends working together.

However, according to Marie Lundberg, SMEs might be more flexible and have better customer contact, which makes customers more reliable. Large companies probably have less personal contact with their clients, making them more vulnerable in times of restructuring.

Restructuring advice and support

Marie Lundberg concludes that the company has received the support that it needed and that the advice and guidance from the reconstruction administrator was particularly helpful. He had experience from similar situations, and together they worked out a solution. Also the lawyers advising the company to apply for corporate reconstruction did this at the right stage.

It was difficult at times when every cost over SEK 10,000 (€1,130) had to be approved by the administrator, since the company has a turnover of over SEK 80 million (€904,500). However, the administrator tried to improve the administration as much as he could.

There are no specific recommendations regarding public support. Trosa Tryckeri had great help from the reconstruction administrator. The company received the governmental salary guarantee, meaning the state paid the salaries during the period and the company are repaying this loan today. The government is obliged to pay the workers if the company is unable to do so due to bankruptcy or corporate reconstruction.

Outcomes of restructuring

Initially, 20 people were given notice that their employment was to be terminated. This number was adjusted to 16 and in the end 12 were given notice. Of these 12, 4 were given notice that they could stay but only on a part-time basis. Today, these four employees are back full-time again. So, in total, eight people had to leave the company. Some still return as seasonal workers during the autumn production. The company adjusted the numbers given notice because it realised it could keep some more employees than anticipated by its initial forecast, as production increased.

The employees made redundant had to leave right away and received compensation of six to twelve months' salary. The company tried actively to find new positions in other companies for the workers made redundant. Some have been offered to work temporarily on piecework assignments, and others were encouraged to start a training course.

The sales department was the unit most affected during the process since this was the least efficient area. It outsourced some work in order to cut costs and this caused positions to be made redundant. Since some positions were cut, some tasks were delegated to other workers; however, this has been positively received by the remaining workforce.

The reconstruction turned out better than expected. Production has improved and become more efficient. The company has learned a great deal by this experience on every level. It also managed to withdraw some of the proposed lay-offs since production increased.

Marie Lundberg has not experienced any personal effects of the restructuring. The value of the company might have gone down, but she has

learned a lot during the process. The company has become more careful with expenses and has begun to outsource some production. Regarding salaries, Trosa Tryckeri has not been able to raise salaries in the last year; however, everyone gets paid according to their contracts.

The company works on a long-term business plan and has just initiated the development of one-year, three-year and five-year strategies for the business. It reviews its business ideas and has asked different work teams to give input to this development in order to make everyone aware of the vision of the company. So far, many good ideas have been developed within these groups consisting of employees from different production units.

Commentary

Trosa Tryckeri experienced a very formal reconstruction, which explains the focus on the business rather than on employees in this case study. If the company hadn't applied for a corporate reconstruction, it would probably have gone bankrupt. This case study also offers an example of how important it is, in times of restructuring, to find a way to stay trustworthy and keep clients. The fact that the loss of a big client can mean the end of the business is a clear vulnerability for SMEs compared to larger companies. Therefore, in this type of situation, support from an experienced reconstruction administrator can really save the company by guaranteeing the payments to subcontractors and by giving strategic guidance on how to enable a business in a downward spiral survive.

Marie Lundberg has learnt that a person cannot run a company with their heart. The CEO has to look at the needs of the company and figure out if all the positions are necessary. They have to look at the circumstances of the company and act. There is no reason to maintain a stance that the company delivers everything on its own and never outsources, if this is less profitable than to outsource.

Marie Lundberg recommends other companies in the same position to inform the workforce early and keep them in the loop in order to prevent anxiety among the workers. Also, it is important to be one step ahead of the newspapers so that it doesn't come as a surprise for the workers that reconstruction is on the way.

If an enterprise is experiencing difficulties, it is, in Marie Lundberg's opinion, important to look into what possibilities are available. The reconstruction administrator concluded that Trosa Tryckeri was one of few companies taking action on time. Most companies wait too long to start a reconstruction process. When they finally start, it is too late, and they realise after three months that they will not succeed. Even though it might be awkward to admit that there are problems within the company, it is important to take action early and try to solve them, using guidance from experienced administrators and lawyers.

Authors

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Information sources

Interview

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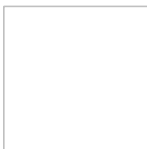
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