

# The success in reorganization: Decision of Board Dependent\*

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## Abstract

The paper empirically investigates whether the success in the reorganization is contingent on the decision of the statutory body to provide specific measurements according to insolvency law in the dataset of 236 insolvency reorganizations in the Czech Republic conducted between 2009 and the end of 2021. It focuses on the dependence between success in the reorganization and the decision of the statutory board of the company about measurement in the insolvency proceeding. The author assumes that the decision to propose a reorganization plan involving measurement realized immediately after its acceptance leads to a higher probability of success of this plan in an insolvency proceeding. It takes into account the time, size and ratio of creditor's satisfaction as an indirect variable.

**Keywords:** Bankruptcy; managerial decision; turnaround; reorganization.

**JEL Codes:** M10, G33.

## Introduction

The retrenchment from financial distress through the bankruptcy proceeding depends on several factors. It relies especially on the cooperation between the debtor and the creditor and between the debtor and the shareholder. The debtor as a corporation is represented by its statutory body. The statutory body has the main executive power in corporations and decides about the undertaking of the business and strategic decisions. Moreover, the statutory body is limited only by the doctrine business judgment rule and is independent of the instructions of the general meeting. On the other hand, it is important to note that the statutory body might be dismissed by the decision of the general meeting. The statutory body might be created as one person body or more members body. In case of more members body, the members have to adopt a resolution about their decision. In the bankruptcy proceeding, the statutory body has to adopt many resolutions concerning the way and the direction in this bankruptcy proceeding. These resolutions are under the supervision of creditors and insolvency court. One of the first decisions after commencing insolvency proceedings is a decision about the form of the bankruptcy proceeding. The statutory body has two possibilities on how to solve financial distress before insolvency court. It may adopted the decision on entering into liquidation or on applying for reorganization. The reorganization is a legal measurement that provides a platform on which debtors and creditors may agree to resolve the debtor's insolvency.

\* Received: 20.01.2021, accepted: 24.06.2022, 1 revision.

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The debtor's statutory body remains in charge of the assets of estates and keeps running the business (Richter, 2011, p. 3). In case the statutory body applies for reorganization, the reorganization plan must be created specifying the type of measurements that should lead to the turnaround of the debtor.

This paper investigates if there is any dependence between the decision about the form of reorganization and the success in reorganization. For the purpose of this paper, the success in reorganization means that the reorganization plan has been fulfilled by the debtor, and therefore the decision of the statutory body about measurements adopted in the reorganization plan could be viewed as a good one. Also, the author examines individual decisions of the statutory body and their impact on reorganization. Last but not least, the author explores decisions to stop reorganization and to convert reorganization into liquidation and the reason for this decision. At the end, the paper focuses on debtors that have to file the bankruptcy petition again after successful reorganization. Except for the decisions of the statutory body, the paper moreover focuses on the time aspect of the proceeding and the ratio of creditor's satisfaction of debts. Furthermore, it takes into account also the possibility of the number of employees and their impact on success in the reorganization proceeding.

It is assumed that the most important factor for the successful recovery of a corporations is the decision about strategy in reorganization and the selected convenient legal measurements to overcome financial distress.

*Hypothesis 1: The success in the reorganization is dependent on the decision of the statutory body about the type of reorganization.*

*Hypothesis 2: There are no other variables influencing the success of reorganization.*

The empirical research involves 236 debtors, including 224 corporations applying for reorganization and 12 natural persons applying for reorganization in the period between 2009 and 2021. This research involves all corporations applying for reorganization in the Czech Republic regardless of industries. It also deals with the content of the reorganization plan and individual proposals in the insolvency proceeding to mine the important information for this analysis.

This paper is empirical and based on the investigation of the individual insolvency proceeding in the case of 224 corporations. First, it describes the theoretical background and research gap. The next chapter addresses the methodology that was used in the paper. The part of methodology also introduces selecting sample data, steps in the analysis and research variables. There are research variables (types of reorganization, steps in the insolvency proceeding, time of proceedings, the reason for transformation into liquidation) and final success or failure. The result of the empirical study and the discussion about mined

data follows in chapter 3. Finally, the paper presents a conclusion and makes suggestions for future research in the last section.

The paper should explain which variables, legal measurement, time, and size influence the success in reorganization and whether it impacts the rate of satisfaction of creditors.

It is assumed that the most important feature for the successful recovery of corporations is the decision about strategy in reorganization and the selected convenient legal measurements to overcome financial distress.

Furthermore, the paper verifies studies by Hotchkiss (1995) and Moulton and Thomas (1993) in Czech insolvency law.

There is no literature on the topic of how the decision of the statutory board impacts on the success in insolvency proceedings.

At the end, the author has created a decision tree, showing the probabilities and success of individual decisions in each step.

## 1. Theoretical Background

The bankruptcy or administration has been the subject of research in the past decades. Hotchkiss et al. investigated theoretically mechanisms available to resolve distress. One of the first predicting models of bankruptcy has been provided by Altman (1968). Hofer (1980) described possible action for corporations suffering a threat of bankruptcy. In US Chapter 11, Hotchkiss (1995) concluded that one-third of corporations after the reorganization reenter bankruptcy. Moulton and Thomas (1993) found only fewer than 10% of successful turnarounds in bankruptcy proceedings. The time consuming and costly bankruptcy proceeding is mentioned as one of the reasons for an unsuccessful reorganization (Jackson 2001). Altman et al. (2009) concluded that those companies filing second bankruptcy petitions were less profitable and highly leveraged. Some advantages can be found in prepackaged reorganization (Betker 1995). The change of owner increases the probability of successful reorganization (Cepec/Grajzl 2020). Also, strategic management and turnaround management in the different research fields have been examined for a long time. The existing review of the literature and the current gap in research of turnaround management and corporate distress have been investigated by Schweizer and Nienhaus (2017). Sudarsanam and Lai's (2001) classified operational restructuring. Eichner (2010) investigates the empirical effectiveness of restructuring strategies. The empirical effect of downsizing corporations and selling assets is investigated by Love and Nohria (2005). The selling of assets as the precondition for successful reorganization is shown by Hotchkiss (1995). Baird and Rasmussen (2003) concluded that 56% of restructuring companies are sold according to the restructuring plan approved by the court.

Schweizer and Nienhaus (2017:32) recommended focusing on empirical works analyzing the effect between recovery and the chosen strategy. The literature is not focused on the topic of how the success in insolvency proceedings depends on the decision of the statutory body.

In Czech insolvency law, an insolvency proceeding is commenced by filing an insolvency petition by debtors or creditors. The debtor is entitled to apply for reorganization in order to protect the going concern of their business. In case of corporations, the decision to apply for reorganization corresponds to the statutory body and the statutory body is independent of shareholders. The statutory body also has to inform about the legal measurements of how the business should be a turnaround. The limitation of the statutory body is the duty of proper care which is transferred from shareholders to creditors. If the creditors agree on the reorganization, the statutory body of the debtor has to prepare the reorganization plan and propose specific legal measurements for the recovery of the debtor that should be followed. The management of the debtor might follow legal measurements that involve the rescission of debt, postponing the maturity of debt, selling the assets of the company, issuing of shares, merger or division. According to the analysis of the individual reorganization plans it has been found that these measurements are used or a combination of these measurements is applied.

It is assumed that different measures should lead to a different result in the reorganization process, and it is investigated which measures are most successful. Also, there other variables are taken into account such as time, the number of employees or rate of satisfaction in the insolvency proceeding.

## 2. Research Methodology

The aim of the paper is to find contingency among the decisions of the management on the content of the reorganization plan and success in reorganization proceeding or other variables as time or rate of satisfaction in an insolvency proceeding. The definition of what is meant by the success in the reorganization is needed. The success of corporations in the reorganization is connected with three steps. The first step is the approval of the creditors and the commencing of the insolvency proceeding by the court, the second step is the approval of the reorganization plan by creditors and the court, and the third step is the fulfillment of the reorganization plan. The corporations that achieved this approval are included in this research. The success in the second step is connected with the obligation to submit a reorganization plan with specific legal measurements. The reorganization plan is approved by creditors and the insolvency court. The failure of a corporation may be connected with the breach of an obligation to submit the reorganization plan. After agreeing on the reorganization plan, a

corporation's failure means that the reorganization proceeding is conversed into the liquidation of the corporation.

The paper is based on the dataset from the publicly opened insolvency register from 2009 to the end of 2021. This dataset involves 224 corporations claimed for reorganization proceedings, the number of corporations succeeded in reorganization proceedings, the number of corporations failed in reorganization proceedings and the number of corporations in the progress of the reorganization proceeding. The dataset also involves the content of the reorganization plan for each corporation. Also, the content of individual applications was investigated due to the content of the individual decision of the statutory body to convert reorganization into liquidation.

Based on the individual cases, a model will be created describing success in reorganization dependence on strategic decisions of the statutory or managerial body of the corporation. This method is recommended by Yin (1994). The number of cases also enables generalized investigated dependence (Eisenhard/Graebner 2007). The success in a reorganization is based on the content of the reorganization plan involving the strategic decision of the statutory body of the corporation. The content of the reorganization plan is used as an explanatory component, as recommended by Sousa and Voss (2001).

From the investigation of the content of the reorganization plan, the four possible strategies have been developed:

- (i) Rescission of debts and issuing shares
- (ii) Rescission of debts and repayment of debts through new facility agreement
- (iii) Rescission of debts and gradual repayment of debts
- (iv) Rescission of debts and repayment through selling assets

These four strategies are used as variables to examine which decision about the type of reorganization is the most successful. Jackson (2001) concluded that the time of measurement for success in the reorganization is essential. Therefore, the paper also investigates the time impact on the success of reorganization and a specific strategy. From this point of view, it should be assumed that the most successful reorganization should be under possibility (i) and (ii) due to the fact that they are usually realized in a short time period. To confirm this assumption the author has used the descriptive ex-post correlation method.

The examination of the time aspect is based on simplifying and sampling of data, according to Sousa and Voss (2001). During the investigation of the reorganization plan it was found that in case of the issuing new shares or acquiring a new facility, the measurement is realized in one moment. A different situation occurs during the remaining strategies. Therefore, the time aspect of reorganization and its impact on the decision of the statutory board is explored on two

samples of strategy, specifically on the strategy of gradual repayment and on the strategy of selling assets. These strategies had been planned for a different time period, and these findings concerning small samples might be generalized. In summary, this filtering leads to isolating the time aspect from other factors. This simplification also fulfills a condition of Eisendhart and Graebner (2007) that the number of observations between 4 to 10 works well.

All the information the author used was mined from the public insolvency register. Due to the completion of some proceedings, there are some data about steps in the insolvency proceeding, but the content of the reorganization plan was hidden. These data are used for replication of the theory developed in the paper.

The data used involved formal research variables and descriptive data from the content of the reorganization plan and applications filed before the court. The results of the study will show the probabilities and the success of an individual decision in the reorganization process and dependent variables.

As introduced in the corresponding literature, there is rare empirical research on the dependency between strategy and success in reorganization proceedings, and the paper investigates in this light the following research question: Is the successful retrenchment from bankruptcy dependent on the used strategy?

The dependency between the strategic decision of measurement to overcome bankruptcy and success in a proceeding is assumed. Also, the study is focused on other variables that might have an impact on the success of the reorganization. And, the size of companies over and under 50 employees, respectively is examined as well, as the condition for direct application for reorganization has set the limit of 50 employees. Schweizer and Nienhaus (2017:26) mentioned different theories concerning the size of companies. In the case study, the corporation has been divided into two categories up to 50 employees and over to 50 employees. This criterion has been chosen due to the Czech Insolvency Act, and it is traceable in the insolvency register which differentiates debtors according to the number of their employees. The differences in the dataset have been examined.

### 3. Research Results

The insolvency register has been investigated in which the author examined 236 reorganization procedures. It means all reorganization in the Czech Republic, including 224 corporations and 12 natural persons. To provide for a complete picture, the insolvency register includes over three hundred thousand entries. Due to the fact that the paper is focused on the managerial decision of the statutory body in restructuring proceedings, it has eliminated 12 debtors who are natural persons. So 224 corporations, due to the decision of management,

successfully applied for reorganization proceedings under the Czech Insolvency Act in the specified time span. This first step included filing the proposal for reorganization proceedings, and having it approved by creditors and the insolvency court.

Following the approval of creditors and the insolvency court, the management of the corporation has an obligation to develop an entire reorganization plan. The management of 37 debtors decided that the reorganization plan has not been submitted or failed with this obligation. As it is shown in Table 1, the decision of creditors and court about 21 reorganization plans was negative, and 166 reorganization plans were approved. During the process of fulfilling the reorganization plan, the management of 40 debtors decided about transforming the proceeding into liquidation. The reorganization of 89 debtors was successfully ended, and 37 debtors are still under the process.

**Tab.1: The end of the reorganization proceeding**

| The end of the reor-<br>ganization proceed-<br>ing | The number of<br>submitted reor-<br>ganization<br>plans | The number of<br>decisions ap-<br>proving the re-<br>organization<br>plan | The number of<br>reorganizations<br>in progress | The number of<br>completed reor-<br>ganizations |
|--|---|---|---|---|
| Successful   | 187   | 166   | 126   | 89  |
| Unsuccessful/failed                                | 37  | 21  | 40  | 37  |
| Total  | 224   | 187   | 166   | 126   |

Source: own research

After a general examination of the distress of corporations, the author focused on the content of the reorganization plan and investigated how different strategies about measurement in the reorganization plan are successful. The results are shown in Table 2, and it might be seen that the most successful process is the rescission of debts and the issuing of new shares, and the most unsuccessful process is rescission and gradual repayment of debts. In case the management of the debtor proposes the rescission of debts and issuing of new shares, there is a probability of 88% of achieving success in reorganization. According to the reorganization plan of two unsuccessful cases, founded on issuing shares new investors should have been acquired after adoption of the reorganization plan. The management of the fifteen successful debtors chose another decision, and the obligation of buying shares was included into the reorganization plan. A similarity might be seen in the case of rescission, and immediate repayment of debts in this method of reorganization triggers a 75% probability of success. Usually, the management of debtors negotiates a new facility loan, and the success of this method depends on loan conditions. If the facility loan has been provided in one tranche at the moment of approving the reorganization plan,



the reorganization process was successful. Three unsuccessful cases negotiated the loans that have been provided in several tranches during the process of reorganization. Because the second tranche of loans has not been provided, the management of debtors has to decide to transfer the proceeding into liquidation. On the other hand, there are measurements that have a high level of probability to fail in reorganization proceedings, especially gradual repayment of debts.

**Tab.2: The success according to chosen measurements**

| The chosen measurement/<br>Success in a relevant phase | The number of debtors rescinds debts and issues shares | The number of debtors rescinds and immediately repays debts | The number of debtors rescinds and gradually repays debts | The number of debtors rescinds debts and sells assets | The number of debtors with no information about a content |
|--|--|---|---|---|---|
| Failed   | 0  | 0   | 11  | 9   | 0   |
| Transferred into liquidation                           | 2  | 3   | 18  | 10  | 6   |
| Succeed  | 18   | 11  | 21  | 24  | 14  |
| The probability of success                             | 90%  | 78.6%   | 53.8%<br>(42%)  | 70.6%<br>(55.8%)                                      | 70%   |

Source: own research

Once the reorganization plan has been approved, the probability of transforming reorganization into liquidation in case of gradual repayments of debts amounts to 46.2%, as is showed in Table 2. If the author also considers the denied reorganization plans in case of gradual repayments of debts, the probability of failure in the reorganization process increases to 58%. The selling assets also depends on the timing of the selling. More successful are sales with the contract, including into the reorganization plan than an obligation to find a buyer in a certain period of time, as has been seen in the reorganization plan. The findings are that the sellers usually fail to agree on the price of the assets. The probability that reorganization will turn into liquidation in case of selling assets is 29.4%, and if it the author takes into account also the denied reorganization plan, the probability of failure increases to 44.2%.

It has been concluded that the most successful strategy is the issuing of new shares.

Having obtained this result, the author investigated whether other variables have an impact on the success of reorganization. It is important from this point of view whether the management of the distressed corporation should take into account also other aspects. The average rate of satisfaction of creditors in case of issuing new shares is 16%, and in case of acquiring a loan it amounts to 13 %. The highest rate of satisfaction has been reached in case of gradual repayment



of debts. It is interesting that it is also the longest time consumed reorganization. Jackson (2001) mentioned that there is a negative correlation between time and the satisfaction of creditors.

A correlation has been made between each row of Table 3. No correlation was found between the rate of satisfaction for creditors or time and the probability of success in the reorganization, as seen in Table 3. Otherwise, there a dependency on time or rate of satisfaction has been established. The correlation coefficient between an average rate of satisfaction and the duration time is 0.89 when the author is satisfied with 5% level of confidence. The probability of success and average time or the probability of success and average time there were not proved statistically dependent. The dependence between the time of reorganization and level of satisfaction might be explained by the fact that debtor and managers have to consider the value of money in time and for this type of measurement they have calculated higher satisfaction. This conclusion has been found only in case of gradual repayment of debt. The average rate of satisfaction was 10% in case that debt should be repaid within 24 months, the average rate of satisfaction was 24%, and in case that debt should be repaid over 24 months. When reorganization is solved under the decision of the board by selling the assets, the rate of satisfaction depends on the evaluation of selling assets.

**Tab.3: Success in the reorganization**

| The chosen measurement/<br>Variables | The number of debtors rescinds debts and issues shares | The number of debtors rescinds and immediately repays debts | The number of debtors rescinds and gradually repays debts | The number of debtors rescinds debts and sells assets |
|--------------------------------------|--|---|---|---|
| The probability of success           | 90%  | 78.6%   | 53.8%   | 70.6%   |
| Average rate of satisfaction         | 16%  | 13%   | 19%   | 17%   |
| Average time in month                | 9  | 4.3   | 32  | 22  |

Source: own research

From a general point of view, the time has no impact on the success in the reorganization. In Table 3, it has been shown that the average time is different in specific measurements. Usually, gradual repayment of debts of continuously selling of assets is more time-consuming. The strategic decision has to be taken into account that the duration of reorganization corresponds with the level of satisfaction. The time aspect was explored on the sample of plans with different lengths. This isolation of cases provides more valuable information because is-

suing shares or acquiring a new loan are made in the set point of time according to the reorganization plan.

The average period of recovery for corporations using gradual repayment or selling assets was 28 months. In dataset has been usually set for a period of up to 24 months or over 36 months and therefore the author has chosen the criterion of 24 months. In Table 4, it has been seen that the rate of successful or unsuccessful reorganizations is not dependent on time.

**Tab.4: Time aspects dependent on success in the reorganization**

| The chosen measurement/<br>Success in a relevant phase | The number of successful debtors gradual repays debts | The number of unsuccessful debtors gradual repays debts | The number of successful debtors selling assets | The number of unsuccessful debtors selling assets |
|--|---|---|---|---|
| Up to 24 monthly                                       | 7   | 8   | 12  | 10  |
| Over 24 monthly  | 14  | 10  | 12  | 0   |

Source: own research

As shown in Table 4, the seven corporations repay the debts until 24 months and the twelve corporations over this period of time. The eight corporations fail within a period of time of 24 months, and the nine corporations after this period. In case of selling assets, the corporations ask for transformation into liquidation within 24 months. If the corporation was able to sell assets in a longer time, the corporation succeeded in reorganization. This measure might provide an explanation for the success or the failure in specific measurements, but there is no statistically significant correlation. Practically the cash sources have been exploited until 24 months in case of selling the assets. It might be concluded that cash income should be achieved immediately or within a period of 24 months as another acting leads to unsuccessful reorganization. Having examined the petition for the conversion of the reorganization, it might be seen that the reasons for conversion are independent on time or business decisions. This aspect has been demonstrated in Table 5 and was mined from the application asking for the conversion of the reorganization process into liquidation.

Table 5 shows that the main reason for transforming reorganization into liquidation is non-compliance of the proposed measurement with the reality of the business. In case of the issuing shares or refinancing a new facility, the reorganizations fail due to investors that breached their obligation to buy shares or to provide a loan facility. In the case of gradual repayment of debts, it might be generalized that the reason for transformation is insufficient income. In case of selling the assets, it is similar because the management of the debtor is not able to secure sufficient income through the selling of assets. Insufficient income has been caused by decreasing returns or too optimistic business plans. Only in

minor cases, especially in one case, it was justified by COVID-19, and in one case, it was justified by a breach of honest interest.

**Tab.5: The reason for transformation reorganization into liquidation**

| Type of reorganization                      | Successful/Transform | Reason for transformation   |
|---|----------------------|---|
| Rescission of debts and issuing shares      | 18/2                 | Failure of obligation to buy new shares   |
| Rescission of debts and immediate repayment | 11/3                 | Failure of obligation to provide a loan   |
| Rescission of debts and gradual repayment   | 21/18                | Decreasing returns<br>Loss of customers<br>Failure in business plan<br>Breach the condition of honest interest<br>Discontinuation of business due to COVID-19 |
| Rescission of debts and selling assets      | 24/10                | Inability to sell the assets<br>Inability to agree on the price of assets<br>Insufficient cash income<br>Loss of buyer  |

Source: own research

The similarities might be seen by selling the assets where the main problem is caused by the inability to sell the assets. The reason for this inability is a lack of investors or a disagreement on the price of assets, or a loss of buyers. If the assets are sold continuously, there might arise the problem of slow selling and insufficient cash income.

**Tab.6: Repeated bankruptcy after a successful reorganization**

| The chosen measurement/<br>Success in a relevant phase | The number of debtors rescinds debts and issues shares | The number of debtors rescinds and immediately repays debts | The number of debtors rescinds and gradually repays debts | The number of debtors rescinds debts and sells assets |
|--|--|---|---|---|
| Successful   | 18   | 11  | 21  | 24  |
| Repeated   | 1  | 2   | 0   | 0   |
| Repeated in percentage                                 | 5.26%  | 15.4%   | 0%  | 0%  |

Source: own research

Table 6 shows the probability of repeated bankruptcy of debtors. In case of issuing new shares, it is the probability of repeated bankruptcy at the rate of 5.26%, and in the case of the new facility loan, it is the probability of repeated bankruptcy at the rate of 15.4%, opposite to the case of debtors repaying the

debts or selling the assets in that no repeated bankruptcy case occurs. The investigation of the reorganization plan leads to the conclusion that the management of debtors in case of gradual repayment of debts has to combine legal measurement with an internal restructuring of corporation achieving increased profitability. This explanation might be replicated in the theory of Altman et al. (2009).

In case of selling assets, two main options have been explored, first, that the side business was sold out, and the core business was safe, or second, that the entire business was sold.

After examination of the immediately repayment of debts through acquiring a new facility, usually, there were missing measurements to ensure the higher profitability of the business. A similar situation was also in the reorganization plan of debtors that acquire funds through new shares, but the other measurements were missing.

**Tab.7: The success according to the number of employees**

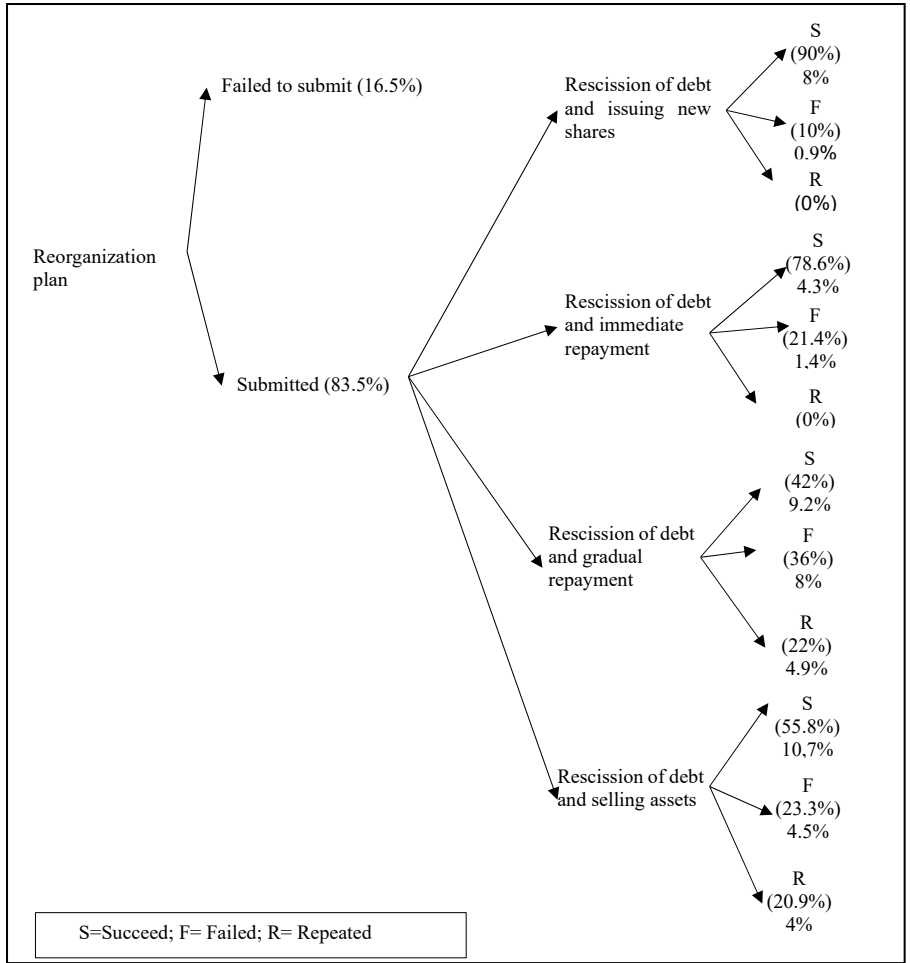
| The chosen measurement/<br>Number of employees | The number of debtors rescinds debts and issues shares | The number of debtors rescinds and immediately repays debts | The number of debtors rescinds and gradually repays debts | The number of debtors rescinds debts and sells assets |
|--|--|---|---|---|
| The probability of success under 50 employees  | 100%   | -   | 56.3%   | 77.7%   |
| The probability of success over 50 employees   | 88.2%  | 78.6%   | 54.5%   | 68%   |
| The probability of success                     | 90%  | 78.6%   | 53.8%   | 70.6%   |

Source: own research

Table 7 shows that corporations with fewer employees are more successful in reorganization. The explanation is given by legislative conditions for these corporations. These corporations have to apply for the reorganization process with the approval of creditors and a prepared reorganization plan. The concerning correlation between the size of the corporation and a positive turnaround is unambiguous. Moulton and Thomas (1993) concluded that the size of the corporation is the context variable. The literature replication is quite difficult due to Kato (2010) who founded a correlation between the corporation entering into the market and existing corporations. Due to different approaches, the size aspect might be seen that this variable might lead to separation. A higher rate of successful debtors is seen with debtors under 50 employees. Denis and

Rodger (2007) argue that bigger corporations are not able to restructure as fast as smaller ones.

Fig. 1: Decision tree



Source: own research

The probability of success and the failure or rejection of the decision in each legal measurement has been shown. The most successful decision is provided by the issuing of shares, and in this context, it covers 8 % of all reorganizations. The second best decision of the statutory body is to acquire a new facility loan that is represented in 4.3% of all cases.

The study shows that the success in the reorganization is strongly influenced by measurements involved into the reorganization plan. So hypothesis 1 has been confirmed. These measurements included in the reorganization plan also increase the subsequent success of corporations and prevent repeated bankruptcy proceedings. These conclusions could be theoretically replicated. The highest risk in the reorganization plan proposed for a longer period causes uncertainty of business and uncertainty for the business contacts. So the author has searched for links between finding and existing theory. Repeated bankruptcy after reorganization has been mentioned by Hotchkiss (1995) and Moulton and Thomas (1993), but the level of repeated bankruptcy under the Czech insolvency law is less frequent than under the US insolvency law. For this result of repeated bankruptcies are founded on different approaches and causalities as described by Kato (2010) or Denis and Rodger (2007).

From the view of time, the author can advise the management of corporations to decide for the solution or measurement realized in a single moment. Under the Czech insolvency law, these measurements include issuing shares or acquiring a facility loan.

The dependence between the time and satisfaction in the reorganization is mentioned by Jackson (2001). A correlation at the 5% level of confidence between time and satisfaction in the reorganization proceeding has been found. This dependency is seen most obviously in a negative correlation between the length of reorganization and the satisfaction of creditors. The highest level of satisfaction has been found in the case of measurements based on the gradual repayment of debts, but there is quite a high risk of failure in the reorganization process. There has been no statistically significant dependence on other variables, and also hypothesis 2 has been confirmed.

## Conclusions

The paper has surveyed the dependence of statutory body on success in the reorganization proceeding using the case study methodology and the ex-post correlation method. It has also examined the content of individual filings into the insolvency register. Once the investigation of the proposal for the reorganization plan has been done, four variables for investigation of the success in the reorganization proceeding have been identified. The corporations, except for the rescission of debt, might opt for issuing new shares, acquiring a new facility loan, gradual repayment of debts or selling the assets. After exploring the time and the size of corporation company dependence, it was found that the success in the reorganization is dependent only on the decision of the statutory body of corporations. So the dependency between strategical decision about reorganization measurement and the success in reorganization has been established. The paper has also been investigated the dependence between the time and

the satisfaction of creditors, and the successful completion of reorganization. A correlation between the time and satisfaction of creditors was found. The number of employees was not significant.

Therefore, the statutory body shall be advised to apply for reorganization and try to achieve issuing new shares or acquiring a new facility. On the other hand, the statutory body should also receive other measurements involving internal optimization because without internal measurements as in the mentioned case, a quite high level of repeatedness of bankruptcy occurs.

The paper has also confirmed some theoretical approached that are also applicable in the Czech reorganization proceeding. The limitation of research could be the impact of leadership styles on the success in reorganization or types of shareholders in corporations.

There also arise questions for further concerning repeated bankruptcy or a different postbankruptcy performance. Also, the impact of internal factors of restructuring outside legal measurement and impact on efficiency could be investigated.

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