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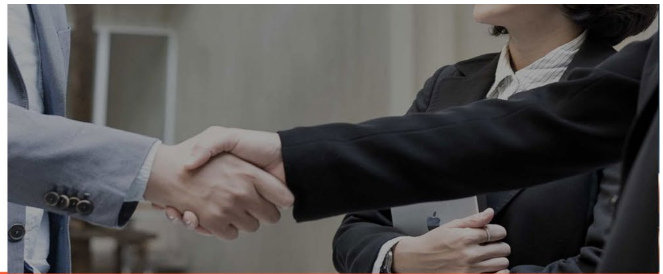

Thought Leadership l Restructuring and Insolvency

Corporate Restructuring Strategies for the Post-Pandemic Recovery

Businesses in Thailand are facing a difficult road ahead. The latest wave of COVID-19 infections continues to hammer the economy, further delaying a recovery that many companies were counting on to relieve their financial woes.

Those struggles have been considerable. According to the National Economic and Social Development Council (NESDC), Thailand's gross domestic product shrank by 6.1% in 2020 – the steepest decline since the Tom Yum Kung financial crisis of 1997.

The situation has prompted many companies to explore new ways to stay afloat, while getting the most effective returns from their resources. Some have begun restructuring their businesses, or resorting to layoffs, in order to stave off bankruptcy.

Although the current situation remains dire for many, there are also opportunities amid the ongoing crisis. In recent years, countless businesses have come to the realization that their traditional operational structures were ill-suited to the modern economy, with its frequent technological innovations bringing about rapid change across industries.

By forcing many companies to restructure anyway for financial reasons, the pandemic clears the way for a more purposeful transformation – away from static hierarchies, and toward a more vibrant and agile operational model.

Both financial and organizational restructuring come with their own sets of challenges, and it is worth exploring each process separately to understand what a successful effort involves.

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Get in touch

Kudun Sukhumananda
Partner
kudun.s@kap.co.th

Saravut Krailadsiri
Partner
saravut.k@kap.co.th

Somboon Sangrungjang
Partner
somboon.s@kap.co.th

Pariyapol Kamolsilp
Partner
pariyapol.k@kap.co.th

Niruch Winiyakul
Partner
niruch.w@kap.co.th

Kudun and Partners

23rd Floor, Unit C and F, Gaysorn Tower 127, Ratchadamri Road, Lumpini, Pathumwan
Bangkok, 10330, Thailand
contact@kap.co.th

Financial restructuring

This procedure is often initiated following a sharp decline in revenue – although there may be other reasons, such as a change in company ownership. Financial restructuring begins after the business appoints a legal and financial advisor, and various options are discussed. In cases where the entity is financially distressed, these options typically include a reduction in overall operations, and a formal debt restructuring process.

Structural adjustment can take many forms, and the optimal path forward will depend on the specifics of any given case. For some organizations, a more lenient debt servicing schedule can provide enough leeway to allow for future growth. For others, shifts in equity or cross-holding patterns may be necessary as part of a larger effort to free up more liquidity.

In all such cases, the debt restructuring process should represent an accurate and proportional response to the needs of the company. When the appropriate course of action is agreed upon, it should be carried out promptly and smoothly to patch up the underlying financial issues while causing minimal disturbance to the business itself.

Organizational restructuring

This form of operational adjustment is explicitly intended to change how the business functions. Tactics depend on strategy; if the goal is temporarily to move away from a growth mindset while the economy remains weak, then targeted layoffs across non-essential positions may make up the bulk of the restructuring process.

Alternatively, a restructuring effort with more permanent aims could be conducted in a way that flattens the existing corporate hierarchy itself. Old-fashioned pyramid structures centralize decision-making among managers, while newer and more collaborative arrangements give increased autonomy to teams at ground level.

The latter configuration relies on a strong company culture and common understanding of the organization's general goals. Within that framework, however, teams are encouraged to take the initiative and experiment to find better ways of reaching those goals. This decentralized approach allows for greater business flexibility (because the managerial bottleneck is removed), along with a much higher chance of developing new and successful innovations.

About Us

Business Restructuring and Insolvency Practice Group

Our lawyers have played pivotal roles in some of Thailand's largest corporate disputes, including several ground-breaking bankruptcy and business rehabilitation cases arising out of the 1997 financial crisis, representing both creditors, corporate debtors and business rehabilitation plan administrators. With a proven track record coupled with a sound knowledge of the Bankruptcy Act in Thailand, our clients are impressed with our innovative ideas and pragmatic solutions in handling all situations due to debt crises.

Our partners and co-heads of dispute resolution practice, Somboon Sangrungjang, Pariyapol Kamolsilp and partner, Niruch Winiyakul have unrivaled experience with multi-faceted cross border issues arising out of business reorganization, debt restructuring and insolvency, bankruptcy proceedings, and protection of creditor and debtor rights. We continue to represent creditors, corporate debtors, distressed debt purchasers, financial institutions, and plan administrators including some of the highest profile and high net worth clients.

Many of the world's most profitable businesses reached their ultimate potential only after carrying out this type of organizational reform. The list includes Google, Tesla, Disney, Apple, and many others that learned to encourage initiative within departments as a way of accelerating progress.

Of course, such ambitious efforts at organizational restructuring are necessarily complex – requiring both a clear vision for success and real expertise to make it a reality. A lack of adequate planning or follow-through helps explain why many such projects fail to achieve their objectives. With expert guidance, however, businesses can keep their internal readjustment projects on track.

Putting the plan together

Corporate restructuring initiatives come in many forms. There are mergers, demergers, divestments, joint ventures, takeovers and many more – each involving subtle legal and procedural issues, accounting aspects, taxation requirements, valuation and funding details to determine, and more. Mistakes or oversights in these areas can lead to costly delays or penalties for businesses whose resources are already in limited supply.

Moreover, every change inevitably sends ripples throughout the organization. Staff must be kept in the loop, to prevent information gaps from being filled by rumors. Organizational shifts need buy-in from all personnel, to keep your teams on the same page and ensure they clear about their new roles. Internal synergies do not develop automatically; they must be nurtured by leaders who encourage independent teamwork and set the right example.

These and other considerations lead to one overriding conclusion: Corporate restructuring is a delicate process. Each stage must be planned in advance, with potential pitfalls covered from every angle. Although the bar is high, the rewards for successful execution make these restructuring endeavors more than worthwhile.

Taking the long view

The pandemic marks the end of one business era – but also the start of another. As vaccine distribution leads to the reopening of society, a new and sustained growth period will almost certainly begin.

Yet businesses cannot afford to take the return of their customer base for granted. Market expectations have changed drastically, and habits have been disrupted. Companies should not presume that the key to success is simply to reheat their leftover 2019 strategies. Inertia is never a good policy in the business world, but it is even more fatal during periods of rapid change elsewhere.

Companies that are spending the current moment streamlining their operations, re-evaluating their products and services and building up internal innovation engines to develop new ideas will be the ones that benefit most from tomorrow’s economic growth.

These restructuring projects require careful planning, and constant attention to detail. Kudun & Partners has the experience as well as the knowhow to guide your organization forward – and put it in the best position for future growth.