

## Insolvency - France

### Insolvency Procedures on the Increase

Tati is one of the most well-known discount companies in France. On September 2 2003 the Commercial Tribunal of Paris placed Tati into reorganization, even though many experts thought that liquidation was Tati's only option.

Tati has four months in which to save itself and the jobs of its 1,200 employees. While the poor economic situation is one of the reasons for Tati's decline, poor strategic decision-making has also been a contributing factor. Tati's senior management decided to diversify its activities. Thus, Tati not only sold clothing as previously; branches were opened which sold candy, jewellery and holidays.

The management believed that diversification would mean that Tati would not be reliant on a single market. However, Tati is a discount brand, and its consumers do not have sufficient funds to purchase products such as jewellery and travel. People who do have enough money do not want to travel with Tati because of its discount image.

Unfortunately, Tati is just another example of the current economic situation.

The number of insolvency procedures in France increased by 8% in the first half of 2003. Further, it is no longer only small or medium-sized companies which are failing. Insolvent companies Daewoo Orion, Air Lib and Metaleurop are famous in France for their products and services, as well as their large number of employees.

Twenty-four thousand, eight hundred and ten companies were insolvent at the first semester of 2003, and more struggling companies are emerging in the manufacturing and transport sectors.

Unfortunately, most of these companies are not facing merely reorganization, but rather direct liquidation. The former is often merely a prelude to the latter. About 80% to 90% of companies face liquidation procedure following reorganization. The management should examine alternative solutions, such as *ad hoc* administration (for further details please see "[Ad Hoc Administration: A Practical Alternative to Bankruptcy](#)").