

## The Truth About Bankruptcy, the “B” Word

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For years, the “B” word has borne a stigma in the business world as prominent as that of Hester Prynne’s scarlet “A.” But the deep recession has lessened the dishonor of corporate bankruptcy, just as time has dulled the disgrace of adultery. As for bankruptcy, the economic downturn also has shown how widely misunderstood it and corporate restructuring are.

Many corporate communicators remain reluctant to breathe the “B” word when financial realities show they should be devising a communications plan should it occur. Their company’s troubles may reflect too much debt and declining revenues, insufficient resources to invest in growth, tort liabilities, or even the need to restructure debt obligations to facilitate a sale. Rest assured, however, that if bankruptcy is a possibility on the minds of the firm’s in-house communicators or Edelman, it’s already on the mind of the chief financial officer and the general counsel, among a client’s other senior leaders.

Too often, communicators don’t recognize that bankruptcy isn’t synonymous with corporate liquidation. Chapter 11 of the U.S. Bankruptcy Code provides a safe haven for companies to restructure successfully. Moreover, some restructurings are accomplished outside of bankruptcy-court protection. The fact is that restructuring is a tool companies can use to improve their businesses and position them for long-term success. And a restructuring should, if properly communicated, be seen as a positive development by key audiences, particularly employees and customers, because it helps a company address fundamental business problems that will retard its growth.

### Don’t Wait to Plan

Edelman knows this from experience. We have a group that specializes in bankruptcy and restructuring communications. Our financial and investor relations practice has served as a communications counselor to many companies involved in financial restructurings – from the Tribune Company’s landmark bankruptcy in 2008 and Merisant’s Chapter 11 filing to those by Propex Inc., Summit Global Logistics Inc., and Ubiquity Brands.

Companies usually retain Edelman for communications advice well before an actual bankruptcy filing occurs. We often are retained when the media and analysts raise questions about a company’s covenants and meeting bank agreements - or when bond ratings are under review, or a negative credit outlook emerges, especially if it will take the company below investment grade (i.e., below BBB/Baa) and liquidity becomes an issue.

### Our Four-Phased Communications Approach

Edelman follows a four-phased approach to bankruptcy communication, with the number one priority always to keep employees, vendors and customers informed. This approach involves the periods before the bankruptcy filing, the filing itself, the restructuring and post-restructuring.

We use numerous communication tools to reach all stakeholders. Some of these instruments are aimed at all audiences, such as the press release, key messages, questions and answers, and announcement timelines. Others are directed at a specific audience, whether it’s the media, employees, customers, vendors or the public.

The most enjoyable situation, of course, is when a company emerges from Chapter 11 bankruptcy protection and communications activities involve its relaunch, initial public offering or whatever are the next steps in the company’s journey.

For more information about Edelman’s Financial and Investor Relations Practice, please contact [Jeff Zilka](#) or [John Dillard](#).