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OiTBC FOR MSMES

Awareness and Readiness of European SMEs for Financial Distress

A Multi-Country Study

Partner Coordinator

Casartigiani Arezzo (IT)

September 2024

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Authors of the report
Michele Rossi, PhD; Patrice de Micco, PhD; Erina Guraziu, PhD

Partner Coordinator
Casartigiani Arezzo (IT)

Collaborating Partners
CE Consulting
Emilio Sola, Project Manager

Global Business Group Ltd.
Krasimira Demerdzhieva, Programs and projects expert

Grupo Oporto Forte (PRATICUS - Formação e Serviços de Apoio às Empresas, Lda.)
Catarina Pacheco, Project Manager
Nadja Ferreira, CMO
Sérgio Castro, CEO

OpenCom (IT)
Aurora Mariscal Pérez
Fabio Frangipani

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Abstract

This study examines the awareness and understanding of European Directive 2019/1023 on preventive restructuring frameworks among micro and small enterprises in several European Union member states. The Directive aims to harmonize insolvency and restructuring procedures, promoting business continuity and offering entrepreneurs a "second chance". In the context of significant regulatory changes affecting business operations, this research focuses on assessing the preparedness of micro and small enterprises for these new legal requirements.

The study's primary objectives are to evaluate the level of knowledge among micro and small enterprises regarding the Directive and its implications, understand their awareness of emerging regulatory obligations, and identify potential gaps in understanding that may affect compliance and business operations.

The methodology involves a survey administered to micro and small enterprises in the project partner countries. The survey was designed to ensure respondent privacy and ease of participation and create a representative sample across various sectors and company sizes.

Results from the survey provide insights into the current state of knowledge and preparedness among micro and small enterprises regarding the new insolvency and restructuring framework. The findings are expected to highlight areas where further education and support may be necessary to ensure effective implementation of the Directive's provisions at the business level.

This research contributes to understanding the practical implications of the Directive for its target audience. The findings have significant implications for policymakers, business support organizations, and the enterprises themselves, providing a foundation for developing targeted information campaigns and support mechanisms to help micro and small enterprises navigate the new regulatory landscape effectively.

Introduction

The European Union's Directive 2019/1023 on preventive restructuring frameworks, discharge of debt and disqualifications marks a significant step towards harmonizing insolvency and restructuring regulations across member states. This directive aims to establish more efficient procedures for addressing business financial difficulties at an early stage, before insolvency occurs. By providing tools for early restructuring, the EU seeks to preserve viable businesses, protect jobs, and maximize value for creditors and the broader economy.

As detailed in the previous report analyzing the directive's implementation, member states have taken varied approaches to transposing these new requirements into national law. While the overarching goals of promoting business continuity and providing second chances for entrepreneurs are shared, the specific mechanisms and timelines differ between countries. This diversity in implementation reflects the need to adapt the directive's principles to existing legal frameworks and business cultures in each member state.

The current report builds on this foundation by examining the level of awareness and understanding of Directive 2019/1023 among businesses, with a particular focus on micro and small enterprises. Through targeted surveys and analysis, it aims to assess the extent to which these companies are familiar with the new preventive restructuring frameworks and their potential benefits. Additionally, this research explores how businesses perceive the appropriate methods for addressing corporate crises, providing valuable insights into the alignment between the directive's approaches and companies' own perspectives on financial distress management.

Furthermore, this study gathers respondents' opinions on the adequacy of existing national regulations concerning insolvency and restructuring, as well as their views on the necessity of EU-level intervention in this area. By comparing these perspectives across different member states, the report seeks to identify potential gaps or inconsistencies in the current regulatory landscape that may require further attention.

Lastly, a key objective of this research is to evaluate the need for additional training and information dissemination regarding the new restructuring frameworks. It aims to assess not only the demand for such knowledge-building initiatives but also to identify the most effective methods for delivering this crucial content to businesses, particularly SMEs. This information will be invaluable for policymakers and business support organizations in developing targeted programs to enhance understanding and utilization of the new preventive restructuring tools.

The OITBC-MSMES Project

The OITBC-MSMES (Observatory and Initial Training on Business Crisis for MSMEs) project aims to raise awareness and provide information to micro and small enterprises regarding the significant legislative changes triggered by European Directive 2019/1023. This directive concerns "preventive restructuring frameworks, discharge of debt and disqualifications, and measures to increase the efficiency of restructuring, insolvency and discharge of debt procedures." The project seeks to support firms by informing and training them on the content and new obligations of the Directive, while also making them aware of how this change represents an opportunity to implement or improve their business performance management systems.

Project Background

The European Directive 2019/1023 focuses on the timely identification of business crises and the subsequent opportunity for early restructuring. It aims to harmonize the different regulations of individual Member States regarding business crisis issues. The Directive emphasizes the importance of identifying and monitoring early warning tools to enhance the efficiency of restructuring procedures, encouraging entrepreneurs to access preventive restructuring frameworks at an early stage. Member States were required to transpose the Directive by July 17, 2021, though some countries obtained extensions due to the COVID-19 pandemic.

Objectives

The main objectives of the OITBC-MSMES project are:

1. To summarize the content of Directive 2019/1023
2. To analyze how European countries have transposed the Directive
3. To understand the level of knowledge of small and micro enterprises regarding the emerging regulatory obligations
4. To raise awareness among businesses about the opportunities that the adoption of the Directive brings to the EU

Expected Results

The project aims to produce several key outputs:

5. A report on the transposition of European Directive 2019/1023, with a specific focus on partner countries
6. A report on the level of knowledge of the Directive and its related obligations among MSMEs
7. A platform for document collection on the project website, containing the above reports and informational/training materials related to the project theme
8. An informational and training seminar, along with dedicated materials disseminated through the project website

Project Applicant and Consortium

The project applicant is Casartigiani Arezzo (IT), an organization with extensive experience in vocational training and active labor market policies. The project consortium includes partners from different European countries:

- OpenCom (IT): A social enterprise experienced in education, training, and project management
- CE Consulting (ES): A company providing comprehensive business consulting services
- Grupo Oporto Forte (PT): A consulting firm with expertise in business development and training
- Global Business Group Ltd (BG): A company offering worldwide solutions and services to foreign investors and internationalizing businesses

This diverse partnership ensures a comprehensive approach to addressing the project's objectives across different European contexts.

1. Elaboration of the survey

The project aims to support micro and small enterprises in the process of the relevant regulatory change represented by the implementation of the European Directive 2019/1023 that introduces innovations in the detection and management of corporate crises. The project intends to support firms not only by informing and training them on the content and the new obligations of the Directive but, more importantly, it is committed to make them aware of how this change represents an opportunity to implement or improve their business performance management systems.

The Directive focuses on the timely identification of the crisis and the subsequent opportunity for early restructuring and tries to harmonize the different regulations of individual Member States regarding the issue of business crisis. The Directive points out the relevance of identifying and monitoring early warning tools to enhance the efficiency of restructuring procedures, encouraging entrepreneurs to access preventive restructuring frameworks and techniques at a very early stage It does not present a comprehensive or detailed plan for the regulation of business restructuring in crisis situations but provides guidance on some fundamental points. For this reason, the proposed restructuring is "flexible" and can be translated into one or more procedures, measures, or provisions, both extrajudicial and judicial. In the latter case, the involvement of the judicial or administrative authorities may be limited.

Since the topic is complex and highly relevant, for the project to be successful and reach its objectives, it is essential to understand the level of knowledge shared by companies. To this end, a questionnaire was elaborated and administered.

1.1 Methodology

To ensure the accurate and representative collection of data concerning the level of knowledge of the European Directive 2019/2023, a structured and systematic questionnaire administration methodology was adopted. This approach involves several critical stages, outlined in the following sections, which cover the design of the questionnaire, selection of the sample, distribution, monitoring and collection of responses, and analysis of the gathered data.

After establishing clear objectives, the process began with the initial step of designing the questionnaire. In this phase, questions were carefully crafted to address all pertinent areas of the study. The questions were designed to be clear and precise, minimizing any potential for misunderstanding and ensuring the relevance and accuracy of the data collected. Questions were translated in all the partners' languages to avoid any possible causes of misunderstanding and increase the reliability of results.

Special attention was given to selecting a representative sample of participating companies. This included, in particular, small and medium companies, operating in the partners' countries and in different sectors.

Before official distribution, the questionnaire underwent a rigorous pilot testing phase. First, it helped identify any ambiguities or confusing questions that may lead to misinterpretation by respondents. This allowed us to refine the wording and structure of the questionnaire to ensure clarity. Second, the pilot test helped assess the questionnaire's length and flow, which might affect respondent engagement and the quality of the data collected. Additionally, the reliability and validity of the questions were tested, ensuring they accurately measure what they are intended to. Finally, feedback from the pilot test helped fine-tune the questionnaire, ultimately leading to more accurate, reliable, and meaningful results in the study.

After being translated into all partners' languages, the questionnaire was disseminated via an online platform, simplifying the process for companies to participate. Project partners shared the questionnaire link with selected companies in their respective countries, ensuring a consistent and organized administration process. Throughout this stage, ongoing monitoring was maintained to ensure a high response rate and to quickly resolve any issues that arose. Responses were then translated into English.

Once the response collection phase concluded, the analysis of the data began. This involved statistical processing of the responses using STATA, a software package designed for data analysis, management, and visualization. The purpose of this statistical analysis was to extract valuable and detailed insights from the companies' answers, forming a strong basis for subsequent project activities and the creation of a targeted, useful, and effective training program.

1.2 Objectives

Given that the project's goal is to educate companies about this new Directive—its significance, the obligations it imposes, and the opportunities it creates—a thorough preliminary study was undertaken to identify the essential competencies and key areas the project should emphasize to meet this objective. The questionnaire precisely supports this effort and contributed significantly to the definition and understanding of the most relevant aspects the project should focus on.

The specific objectives of the survey are as follows:

- understanding the level of knowledge, with a special focus on micro and small enterprises, regarding EU Directive 2019/1023 on preventive restructuring and insolvency;
- understand how companies believe a corporate crisis should be addressed;
- gather respondents' opinions on the adequacy of national regulations on the matter and the need for intervention by the European Union;
- assess the need for training and more information sharing on the topic, and the most suitable delivery method for conveying the necessary content.

Therefore, the survey aims to provide a comprehensive overview of the level of knowledge, not only on the Directive itself, but also from a broader perspective, on the detection, management, and resolution of business crises.

1.3 The sample

In order to develop a questionnaire that provides a significant empirical basis for the project's subsequent developments and effectively directs its activities, considerable attention has been given to defining the sample to which the questionnaire would be administered. To ensure the sample is representative of the business world, companies of varying sizes, ages, and sectors are included. Specifically, the project targets very small, small, and medium-sized enterprises, as these companies often lack information about new regulations. In terms of sectors, both manufacturing and production companies, as well as those in the service sector, are included. The diversity in the characteristics of the companies within the sample allows for a more comprehensive analysis and understanding of knowledge regarding the European Directive and the business crisis management practices employed.

Additionally, the responding companies are located in all the project partner countries . Beyond the importance of actively involving all project partners in this structured activity of engaging with businesses, it is essential to understand the different needs and challenges related to the content of the Directive. Engaging with companies from different countries facilitates the development of project activities adopting a multidimensional approach and fostering knowledge and awareness.

The respondents are individuals who have an understanding of the company and may hold different positions. The project required each partner to involve 40 micro and small companies, and this target was achieved.

1.4 The questions

The questionnaire consists mainly of closed-ended multiple-choice questions. There are only two open questions: the first concerns the year of foundation and the second one the country.

The selection of topics to include in the questionnaire and, consequently, the related questions are based on the previous activities of the project, in particular of the desk research that was divided into the two following sections:

- the content of the Directive, its progress, and its underlying reasons, referring not only to regulatory sources but also academic articles;
- the transposition of the Directive by some EU member countries with particular attention to the project partner countries, by conducting a rigorous study of the decrees through which European countries have transposed the Directive, both in terms of content and timing.

Therefore, the content of the questionnaire are shaped by the findings of the desk study, which highlighted the key innovations in European Directive 2019/1023, the most significant differences compared to any existing national regulations, and the critical issues and opportunities that companies face due to the new regulations.

The questionnaire is divided into three main parts:

- The first part collects demographic information about the company, such as the size of the company (micro, small, medium and large enterprise, the sector in which the company operates, and the country where it is located.
- The second part investigates several topics directly linked to the objectives of the questionnaire. In particular, each question aims at evaluating a specific aspect. In particular, questions focus on firms’ awareness of the existence of the Directive, the importance of timely crisis management, the knowledge of early warning indicators for detecting financial difficulties and of restructuring procedures, the relevance of financial risk management, difficulties in accessing to crisis management information, and the need for regulatory improvements. Some of these questions are designed to assess the respondent's level of knowledge, both on general aspects and more specific ones, such as early warning indicators for detecting financial difficulties and the legal aspects involved in these situations. Other questions focus on the initiatives deemed necessary in the event of a business crisis and the respondent's views on the importance of

receiving specific training on financial risk management, as well as the adequacy of current regulations in their country for supporting business continuity during financial difficulties. Specifically, to address the project's objectives, the questionnaire asks whether there is a perceived need for improvements in national and/or European regulations to better support financially distressed companies. Additionally, it explores the current state of the company in terms of preparedness to handle potential business crises. Lastly, it inquires whether companies are able to access the information they need on managing business crises.

- The third part concerns the need companies feel of receiving additional training/information on the new tools provided by Directive 2019/1023 and on the desired delivery mode of training content. Specifically, companies are asked to specify whether training and information should be provided relying on seminars/workshops, written training and informational materials (guides, brochures), online educational videos, personalized consultations or by organizing specific training courses.

Finally, the respondent can leave his/her email if he/she is interested in being contacted for seminars and materials that the project will provide.

2. Analysis of the questionnaire

2.1 Descriptive statistics

In order to construct a statistically significant sample, the questionnaires administered to companies by the project partners were collected through the online platform, and rigorous data cleaning was performed, which resulted in the elimination of questionnaires with missing or evidently incorrect data. In total, 174 valid responses were obtained. Figure 1 shows their distribution among the various countries involved.

Companies are almost equally distributed among the project partners' countries (Bulgaria 39 companies, Portugal 41, Spain and Italy 46)

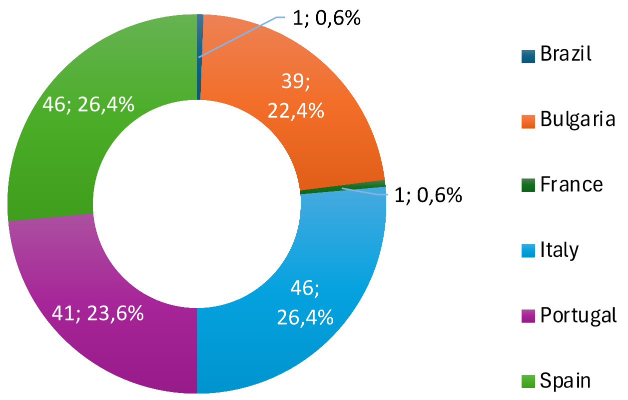

Figure 1 - Companies by country; Source: Our elaboration

Regarding the size of the company, the questionnaire proposes the following classification:

- 1-9 employees (micro-enterprise)
- 10-49 employees (small enterprise)
- 50-249 employees (medium enterprise)
- 250 or more employees (large enterprise)

As outlined by the project's target, the majority of the companies (95.7%) are micro or small enterprises, meaning they do not exceed 49 employees (Figure 2).

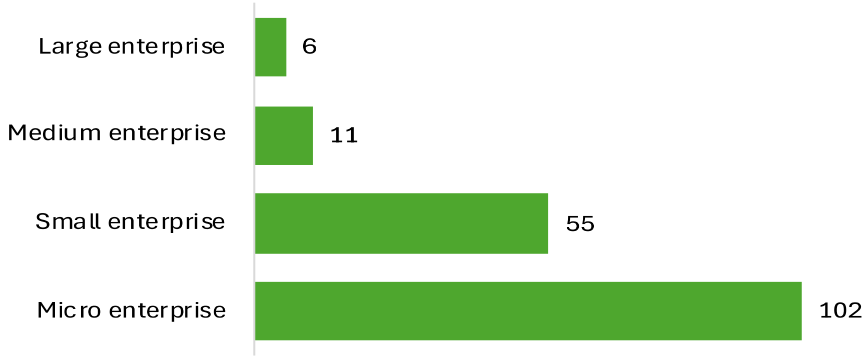

Figure 2 - Companies by size; Source: our elaboration

The sample includes companies of varying ages. The majority of the companies (64%) have been in operation for less than 20 years (n=110). The oldest company was founded in 1959, while the youngest was established in 2024 (Table 1).

Table 1 - Companies by year of foundation; Source: our elaboration

Year of foundation	Number of firms
1959-1969	3
1970-1980	7
1981-1991	21
1992-2002	30
2003-2013	48
2014-2024	62

As for the sector(s) in which companies operate, the majority of these operate in the service sector (117)), followed by manufacturing (36) and trade (18). The distribution of the companies among sectors is similar in the different countries (Figure 3).

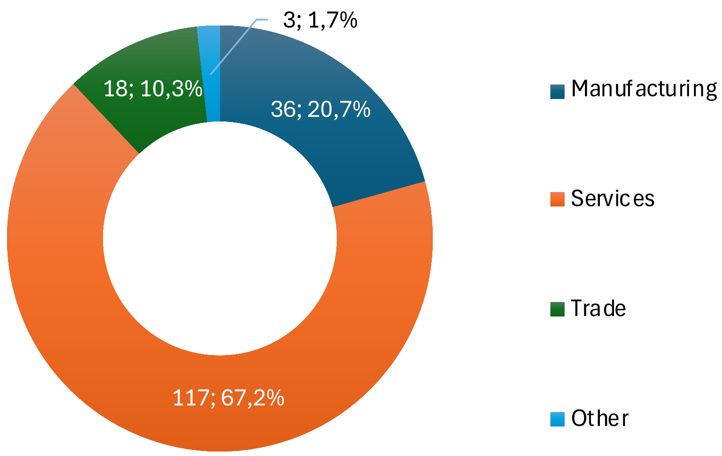

Figure 3 - Companies by sector; Source: our elaboration

2.2 Results and discussion

As mentioned above, the second section of the questionnaire focuses on several topics among which firms' awareness of the very existence of the Directive, the importance of timely crisis management, the level of knowledge, both on general aspects and more specific ones, such as early warning indicators for detecting financial difficulties and legal aspects. It also contains questions that investigate companies' potential ability to handle business crises.

2.2.1 Knowledge about the Directive

The first question is about if and how much companies know about the existence of the European Directive 2019/1023, also known as the Directive on Restructuring and Insolvency. This is a very important aspect to be assessed for the project. Figure 4 shows the results.

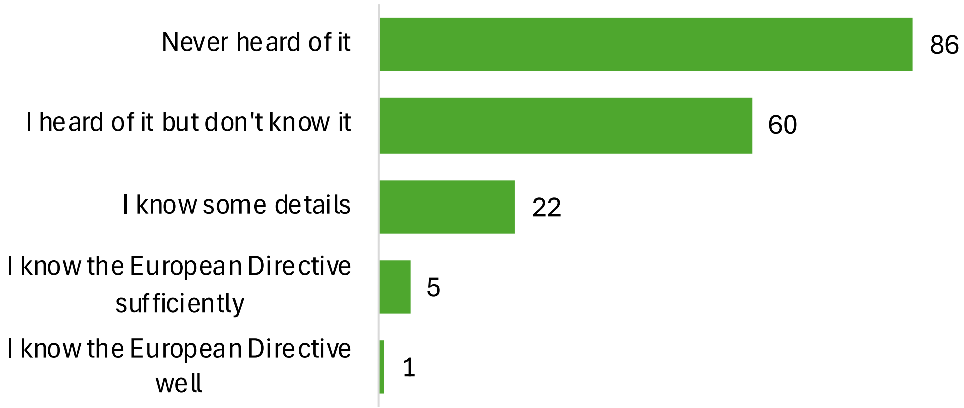

Figure 4 - Awareness of the Directive; Source: our elaboration

Only one respondent claims to know the European Directive 2019/1023 well, suggesting that in-depth familiarity with this Directive is extremely rare among the surveyed group. A small number of respondents feel they know the Directive sufficiently (n=5), indicating a slightly broader, but still limited, group of individuals with a good understanding. However, a significant number of respondents have heard of the Directive but do not understand it (n=60). This indicates a broad awareness of its existence but a lack of detailed engagement, suggesting that while the Directive has some visibility, it has not been deeply explored by most people. The majority of respondents have never heard of the Directive (n=86), highlighting a substantial gap in awareness. This suggests that the Directive, despite its importance, is not widely recognized, possibly due to a lack of communication or perceived relevance to the general public or non-specialists and highlighting the need for our project. This is a characteristic that can be found in all countries, with Spain and Portugal being the countries where awareness of the Directive is most lacking, and in all sectors.

2.2.2 How to manage a crisis

The following question investigates what an entrepreneur should do when he/she perceives a crisis situation in the company, proposing different options (Figure 5).

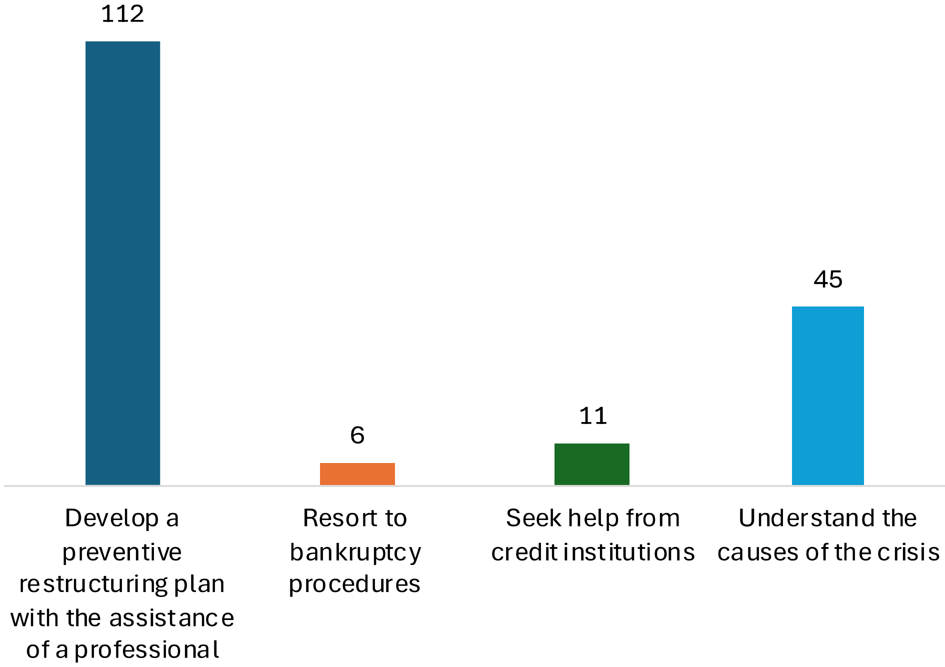

Figure 5 - Crisis management; Source: our elaboration

A significant majority of respondents (n=112) believe that when an entrepreneur perceives a crisis situation, the best course of action is to develop a preventive restructuring plan with the help of a professional. This strong preference suggests a recognition of the value of early, strategic intervention and the importance of expert guidance in navigating financial difficulties. It indicates that most respondents prioritize proactive measures aimed at stabilizing the company before the situation worsens. A considerable portion of respondents (n=45) emphasize the importance of first understanding the causes of the crisis. This response reflects a belief that before any concrete actions are taken, it's crucial to diagnose the underlying issues accurately. While this approach is more analytical and reflective, it shows that many respondents view problem identification as a critical first step in effectively managing a crisis. Very few respondents recommend resorting to bankruptcy procedures when faced with a crisis (n=6). This minimal support likely reflects a general preference for exploring other solutions first, such as restructuring or understanding the crisis causes, before taking such a drastic step. It also suggests that bankruptcy is viewed as a last resort, rather than a first-line response. The distribution of answers is confirmed across countries and different sectors.

2.2.3 Crisis detection and warning indicators

The level of the respondent's knowledge about early warning indicators for detecting financial difficulties is then examined. Interestingly, 52.9% admit that they are unaware of which early warning indicators can signal the onset of a financial crisis in their company. It is interesting to notice that there are differences among countries. While in Spain there is a balance between those who claim to know the early warning indicators and those who do not, in Portugal and Bulgaria, the majority admit to not being familiar with them. In Italy, however, most respondents indicate that they are aware of the indicators to monitor in order to detect an approaching crisis. As for sectors, the one with the majority of respondents who are familiar with the indicators is manufacturing.

Those who claim they know which early warning indicators to use are then asked to choose which indicators are better at predicting companies' crises. The options provided are the following and respondents can choose more than one option:

- Value of imports and exports
- Sales level
- Production level
- Liquidity ratios
- Profitability ratios
- Financial leverage ratios
- Solvency ratios

In Section 6.Appendix, a brief explanation for each of the above options is reported. Table 2 summarizes the answers provided.

Table 2 - Early warning indicators; Source: Our elaboration

Indicators	Number of respondents
Value of imports and exports	7
Sales level	45
Production level	24
Liquidity ratios	45
Profitability ratios	47
Financial leverage ratios	33
Solvency ratios	35

Most respondents thinking about which indicators can signal a potential business crisis, point out sales level (n=45), liquidity ratios (n=45) and profitability ratios (n=47). Actually, a significant drop in sales is seen as an early warning sign of declining demand or operational issues, which could eventually lead to a crisis if not addressed promptly. Poor liquidity can quickly escalate into a more severe financial problem if not managed properly and a decline in profitability can be a strong indicator of underlying issues that might lead to a financial crisis. More than 30 respondents choose solvency and financial leverage ratios, which indicates that understanding a company's ability to manage its long-term debt and equity structure is seen as a vital factor in predicting financial trouble. In reality, to identify a potential business crisis, it is advisable to calculate various ratios that provide a comprehensive view of the company. In particular, liquidity ratios, profitability ratios, financial leverage ratios, and solvency ratios, when calculated, monitored, and interpreted collectively, can serve as effective early warning indicators. The respondent can also specify other indicators, admit he/she is not aware of these indicators and/or specify that despite being even partially aware, the company does not use them. Interestingly, only 5 declare that they do not know any of the indicators provided.

2.2.4 Legal procedures

The following question concerns the knowledge related to legal procedures that allow a struggling company to financially restructure before becoming insolvent (Figure 6).

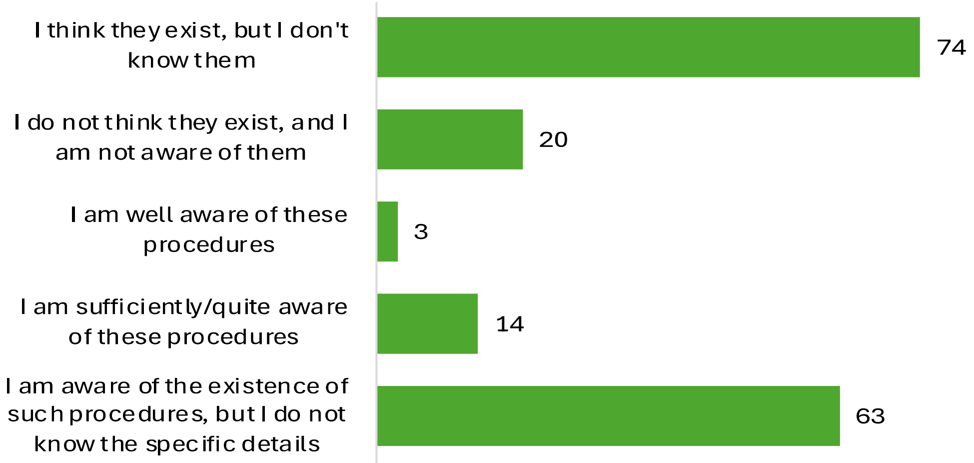

Figure 6 - Legal procedures; Source: our elaboration

The responses reveal varying levels of awareness and understanding regarding the existence and specifics of certain legal procedures. The majority of respondents thinks that these procedures exist, but do not know them (n=74), suggesting that there is a perception of the procedures' existence but a lack of detailed knowledge about them. This response indicates a need for increased awareness and education to bridge the gap between recognizing the procedures and understanding them fully. This is fully confirmed by the second choice of respondents in terms of number of responses received: "I am aware of the existence of such procedures, but I do not know the specific details" (n=63). Only a very small number of respondents (n=3) claim to have a thorough understanding of the procedures. This indicates that only a few individuals have in-depth knowledge, which could be valuable for providing guidance and support to others within the organization. It is interesting to notice that the lack of knowledge about legal procedures is particularly serious for micro and small companies, pointing out to the fact that the level of knowledge tends to increase with the firm size.

2.2.5 Current national regulations

With specific reference to current national regulations, companies claim that they do not adequately support business continuity during periods of financial difficulty, advocating for a change. This result is highly relevant for the purpose of the project as it supports the European legislative intervention on the topic (Figure 7).

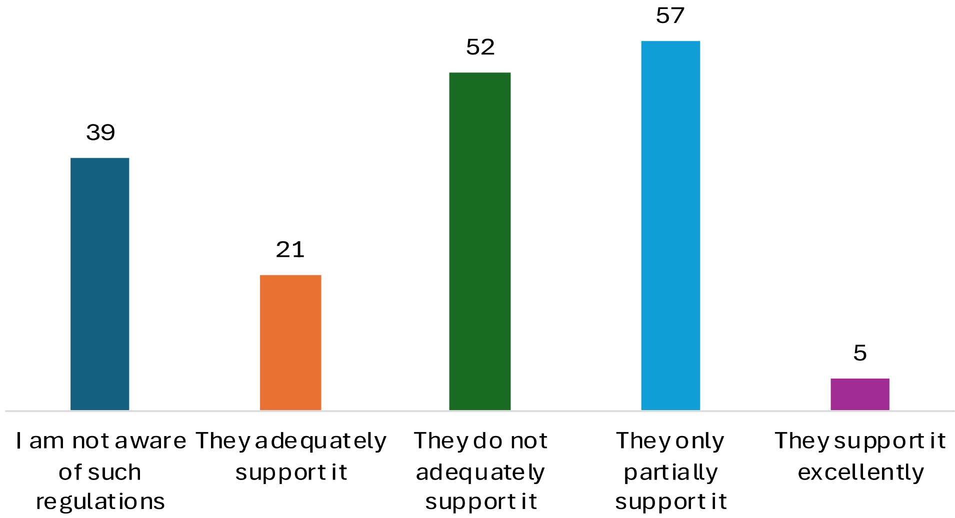

Figure 7 - Current national regulations; Source: our elaboration

These results indicate a significant level of uncertainty and concern among companies regarding the effectiveness of current regulations in supporting business continuity during financial difficulties. A notable portion of respondents (n=39) are not even aware of such regulations, which suggests a potential gap in communication or understanding of the available legal frameworks designed to assist businesses in crisis situations. The largest group of respondents (n=57) believes that the regulations only partially support business continuity, while another substantial group (n=52) feels that the regulations do not adequately support it. Together, these two groups account for over 60% of the total responses, highlighting widespread dissatisfaction or skepticism about the sufficiency of existing regulations to protect businesses during financial hardships. Only a small number of respondents (n=21) think that the regulations adequately support business continuity, and an even smaller group (n=5) believes they support it excellently. Results are very similar across countries, highlighting that this is a common issue.

2.2.6 Court intervention and preventive restructuring process

Regarding the extent of court involvement in a company's preventive restructuring process, there is common agreement on minimal involvement or interventions limited to complex cases. This suggests a preference for greater company autonomy during the restructuring process and also moderate confidence in the court's role as a guarantor of the process (Figure 8).

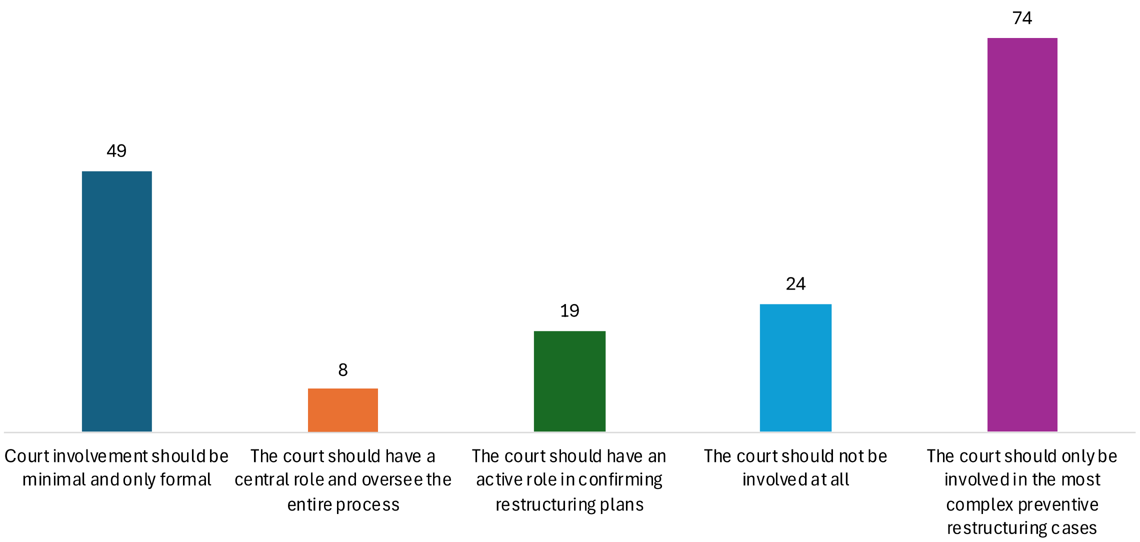

Figure 8 - Courts and preventive restructuring process; Source: Our elaboration

2.2.7 How well the company is prepared to manage financial risks

Besides investigating the level of knowledge on specific aspects related to business crisis, the survey focuses on the perception of respondents concerning how prepared their firm would be to manage financial risks that could lead to a crisis (Figure 9). Being prepared to manage financial risks is crucial for any firm, as these risks can quickly escalate into a full-blown crisis if not properly addressed. By proactively identifying potential financial risks and developing strategies to mitigate them, a firm can prevent these risks from undermining its operations.

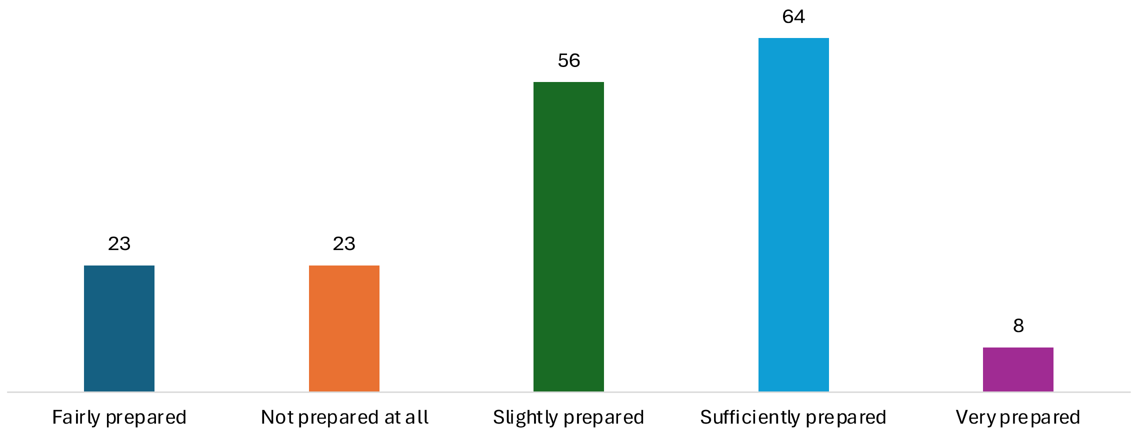

Figure 9 - Financial risks management; Source: Our elaboration

Most companies consider themselves sufficiently prepared (n=64) or slightly prepared (n=56) to manage financial risks. However, a significant portion feels not prepared at all (n=23) or only fairly prepared (n=23), with only a minority feeling very prepared (n=8). This suggests that while some companies are confident in their ability to manage financial risks, many others could benefit from improved preparation and training in this area. As the size of the company increases, the perception that the company is prepared to face risky financial situations becomes more common.

2.2.8 Specific training

Figure 10 shows the results of the question investigating the importance given to receiving specific training on financial risk management for business executives.

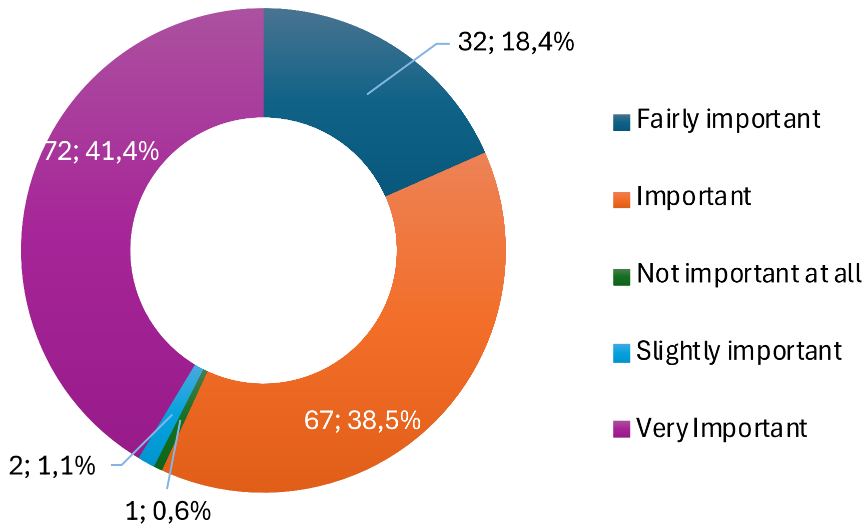

Figure 10 - Receiving specific training; Source: Our elaboration

This is a key point for the questionnaire. Answers on the perceived importance of financial risk management training for business executives reveals strong support for such training across the surveyed companies. These results show that an overwhelming majority of respondents—139 out of 174—consider financial risk management training to be either very important or important for business executives (57%). This suggests a broad recognition of the value that specific training in this area can bring to enhancing a company's ability to navigate financial challenges and mitigate risks. Similarly, the fact that only a minimal number of respondents—3 in total—consider this training to be slightly important (1%) or not important at all (0,5%) indicates that companies see substantial benefits in equipping their executives with the knowledge and tools necessary to effectively manage financial risks. The distribution of answers does not depend on the company size nor on the sector, pointing out that the need for training is a common feature for firms.

2.2.9 Ease of access to information about crises management

Similarly, when asked about access to info on crises management, over 70% of companies indicate that they do not have access to enough information on managing financial crises (Figure 11). This highlights a critical gap in the availability or dissemination of crucial information, which could hinder effective crisis management and leave companies vulnerable in times of financial distress. This is true for firms of any size and sectors.

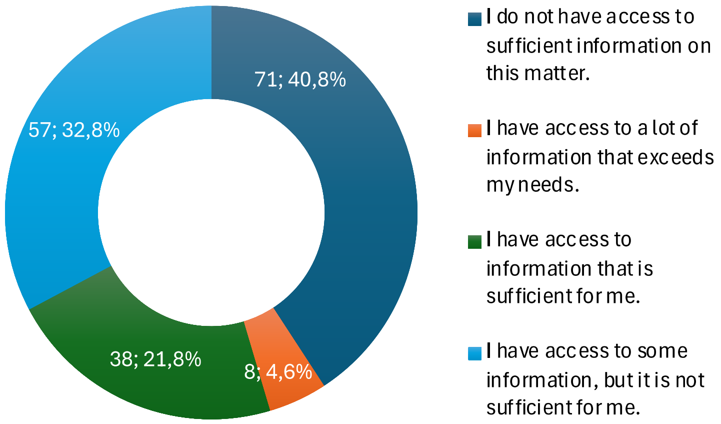

Figure 11 - Access to info on crises management; Source: Our elaboration

After assessing the relevance of receiving specific training and the ease of access to information on crisis management, companies are asked to express their interest or lack of interest in receiving additional training or information on the new tools provided by Directive 2019/1023. A solid 31% are definitively interested, indicating a strong demand for targeted and relevant training programs related to Directive 2019/1023. Moreover, nearly half of the respondents (46%) are open to receiving additional training, but their interest depends on the specific content offered. Approximately 23% of respondents are not interested in receiving further training or information. This group may feel confident in their existing knowledge or believe that the new tools are not relevant to their needs (Figure 12).

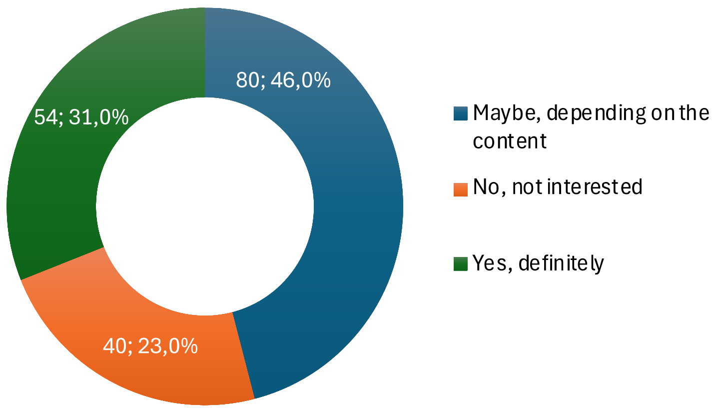

Figure 12 - Interest in additional training; Source: Our elaboration

2.2.10 Modalities of training

The survey also investigates the preferred modalities of training for respondents interested in learning more about the new tools provided by Directive 2019/1023. Figure 13 summarizes the respondents' choices. The most popular modality, with 61 respondents, is online educational videos and suggests a preference for flexible, on-demand learning. Online videos are likely favored for their convenience and ability to be accessed at any time. Interestingly, this is followed by written training and informational materials (51 respondents) and seminars/workshops (46 respondents). This indicates that many participants appreciate interactive learning environments where they can ask questions and engage with instructors or peers. Specific training courses are chosen by 38 respondents who prefer more structured learning, showing a desire for comprehensive and in-depth training on the new tools. While less popular than the other options, 35 respondents expressed interest in personalized consultations. This reflects a demand for tailored guidance and advice specific to individual company needs.

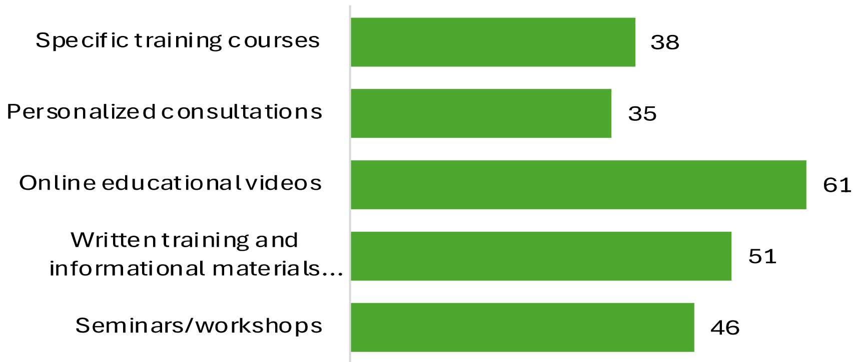

Figure 13 - Training and information modalities; Source: Our elaboration

2.2.11 Need for regulatory improvements

The questionnaire contains with a key question that explores the perceived adequacy of national and European regulations in supporting financially distressed companies, and whether there is a need for regulatory improvements. The options provided allow respondents to express varying levels of satisfaction or dissatisfaction with the current regulatory framework, ranging from no need for change to a complete overhaul. The following table shows the results (Table 3).

Table 3 - Need for regulatory improvements; Source: Our elaboration

Need for regulatory improvements	**Number of respondents**	**%**
No improvement is necessary.	5	2,9
The regulations adequately support financially distressed companies, but they could do better.	27	15,5
The regulations adequately support financially distressed companies, but some improvement could be useful.	42	24,1
The regulations do not adequately support financially distressed companies, and some significant improvements are necessary.	47	27,0
The regulations do not adequately support financially distressed companies, and significant improvements are necessary.	36	20,7
The regulations should be completely revised.	17	9,8

Only 3% of respondents believe that the current regulations are fully adequate and less than 16% feel that, while the current regulations are generally supportive, there is potential for enhancement. This suggests that some stakeholders believe small adjustments could lead to better outcomes for distressed companies. This reflects a general consensus that, while the framework could be functional, it could be optimized further (24,1%). However, the largest group believe the current regulations are insufficient and require substantial improvements. This indicates a strong demand for reform to better support companies in financial distress. In particular, 17 respondents, (9.8%) advocate for a complete overhaul of the regulatory framework. This reflects a belief that the existing regulations are fundamentally flawed and require comprehensive revision to be effective.

5. Conclusions and recommendations

The analysis of the survey results provides valuable insights not only into the relevance of the project but also into the content to prioritize in training and informational activities, as well as the most effective methods for disseminating this content.

The survey results provide valuable insights into the current state of crisis management practices implemented by companies and highlight several areas for improvement. One key finding is the significant need for enhanced dissemination of information and education regarding the European Directive 2019/1023.

Companies do understand the importance of enacting proactive and informed crisis management strategies, with a clear emphasis on professional assistance and understanding the root causes of issues before taking action**.** However, the survey also reveals a mixed level of awareness and understanding of existing procedures. While many respondents acknowledge the existence of these procedures, detailed knowledge is lacking. This gap highlights the need for improved communication and training to ensure that all individuals have a comprehensive understanding of the procedures, which is essential for better implementation and more effective outcomes.

Preparation is another critical area identified in the survey. Regularly assessing financial health, implementing robust risk management practices, and having contingency plans in place are crucial for safeguarding against potential crises and enhancing a company's resilience. In today's uncertain economic environment, effective preparation is not only a good business practice but essential for ensuring continuity and success. The results further suggest that while there is some awareness and preparedness among companies, significant gaps remain in their ability to manage financial risks effectively. Developing targeted training programs and providing resources tailored to improving these capabilities could help companies advance from being moderately prepared to being well-prepared.

Therefore, ensuring that leaders are equipped to anticipate, identify, and address financial risks will contribute significantly to the long-term stability and success of organizations.

Additionally, the survey highlights a perceived need for improvements in the regulatory environment to better support business continuity during financial difficulties. A significant portion of respondents feel that current regulations are either inadequate or in need of substantial enhancement. This reflects a widespread call for regulatory reforms to better assist companies during challenging financial periods.

Finally, the preferences for training modalities reveal a diverse range of needs, with online educational videos and written materials being slightly favored. To address these preferences effectively, training programs should offer a mix of flexible, accessible formats alongside opportunities for interactive and personalized learning experiences.

In summary, the survey results underscore the necessity for improved dissemination of information, enhanced training and support, better financial risk management practices, and regulatory reforms. Addressing these areas will be crucial for strengthening companies' resilience and ensuring effective crisis management.

6. Appendix

Value of Imports and Exports: This refers to the total monetary worth of goods and services brought from foreign suppliers (imports) and sold to foreign customers (exports) by a company over a specific period.

Sales Level: This indicates the total amount of revenue generated from selling goods or services within a certain period. It reflects the company's market performance and demand for its products.

Production Level: This measures the volume of goods or services produced by a company over a given period. It provides insight into operational efficiency and capacity utilization.

Liquidity Ratios: They are crucial financial metrics that evaluate a company's ability to meet its short-term obligations using its most liquid assets. These ratios are essential for assessing the financial health and operational efficiency of a business. An example of a liquidity ratio is the Current Ratio, calculated by dividing a company's current assets by its current liabilities. It measures the company's ability to cover its short-term liabilities with its short-term assets. A higher current ratio indicates better liquidity and financial health. Liquidity ratios are important for investors, creditors, and management to gauge whether a company can handle its short-term debts and operational needs. A company with strong liquidity ratios is generally considered more financially stable and capable of weathering economic uncertainties.

Profitability Ratios: They are financial metrics used to evaluate a company's ability to generate profit relative to its revenue, assets, or equity. These ratios provide insight into the efficiency of a company in converting its sales and assets into profit. Profitability ratios are essential for investors, management, and analysts to gauge how well a company is performing in terms of profit generation. High profitability ratios generally indicate effective management and strong financial health. For instance, a key profitability ratio is the Net Profit Margin that measures how much of each dollar of revenue is converted into net profit. It is calculated by dividing net profit by total revenue. A higher net profit margin indicates that a company is effectively managing its costs and expenses relative to its revenue. Another one is the Return on Assets (ROA) that indicates how effectively a company is using its assets to generate profit. It is calculated by dividing net income by total assets. A higher ROA signifies efficient asset utilization.

Financial Leverage Ratios: They assess the extent to which a company relies on borrowed funds to finance its operations and growth. These ratios provide insight into a company's financial structure and risk level associated with its debt. An example is the Debt Ratio, calculated by dividing total debt by total assets. A higher debt ratio indicates a higher level of financial leverage and potentially greater financial risk. Financial leverage ratios are crucial for investors, creditors, and management to understand the level of risk associated with a company's debt and its ability to meet financial obligations. High leverage can enhance returns but also increases financial risk, especially during economic downturns.

Solvency Ratios: Solvency ratios assess a company's ability to meet its long-term obligations and evaluate its financial stability over the long term. These ratios provide insight into whether a company can sustain its operations and fulfill its debt commitments. An example is the Cash Flow to Debt Ratio that measures the proportion of a company's total debt that can be covered by its operating cash flow. It indicates how well the company's cash flow can handle its debt obligations. A higher ratio suggests better solvency and financial stability. Solvency ratios are essential for investors, creditors, and analysts to evaluate a company's long-term financial health and its ability to meet future obligations. Strong solvency ratios generally reflect a lower risk of financial distress and a more stable financial position.

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ANNEX 1 –Questionnaire for businesses

Objective: SO4 "Understanding the level of knowledge of micro and small enterprises regarding EU Directive 2019/1023 on preventive restructuring and insolvency, as well as the reasons that led the European Union to adopt this measure".

Stakeholder: 40 micro and small enterprises per country

1. **How many employees does your company have?**
    a. 1-9 employees (micro-enterprise)
    b. 10-49 employees (small enterprise)
    c. 50-249 employees (medium enterprise)
    d. 250 or more employees (large enterprise)
2. **In which sector does your company mainly operate?**
    a. Manufacturing
    b. Services
    c. Trade
    d. Other: Specify __________________
3. **In which country is the registered office of your company located?**
    [Insert options for target countries]

QUESTIONNAIRE

1. **Awareness of the Directive: Have you ever heard of the European Directive 2019/1023 ,also known as the Directive on Restructuring and Insolvency, which aims to provide a framework for effective preventive restructuring procedures, insolvency, and discharge of debt across the European Union?**

a. Never heard of it
b. I heard of it but don't know it
c. I know some details
d. I know the European Directive sufficiently
e. I know the European Directive well

2. **Importance of timely crisis management: What do you think an entrepreneur should do when they perceive a crisis situation in their company? Choose only one option.**

a. Resort to bankruptcy procedures (e.g., bankruptcy a composition with creditors in order to avoid bankruptcy)
b. Seek help from credit institutions
c. Develop a preventive restructuring plan with the assistance of a professional
d. Understand the causes of the crisis
e. Wait for the crisis to resolve itself and for the situation to return to normal
f. Other _____________________

3. **Knowledge of early warning indicators for detecting financial difficulties: Do you know what early warning indicators can signal the onset of a financial crisis in your company?**

- ☐ Yes
- ☐ No

If yes, which of the following indicators do you use to monitor the financial health of your company? (Select all applicable options)

- ☐ Value of imports and exports
- ☐ Sales level
- ☐ Production level
- ☐ Liquidity ratios
- ☐ Profitability ratios
- ☐ Financial leverage ratios
- ☐ Solvency ratios
- ☐ Other (specify) _________________
- ☐ I am not aware of such indicators
- ☐ I am aware of these indicators, even partially, but do not use them

4.Knowledge of restructuring procedures**: Do you know if there are legal procedures that allow a struggling company to financially restructure before becoming insolvent?**

a. I do not think they exist, and I am not aware of them
b. I think they exist, but I don't know them
c. I am aware of the existence of such procedures, but I do not know the specific details
d. I am sufficiently/quite aware of these procedures
e. I am well aware of these procedures

5.Preparation for financial risk management**: Do you think your company is adequately prepared to manage financial risks that could lead to a crisis?**

a. Not prepared at all
b. Slightly prepared
c. Sufficiently prepared
d. Fairly prepared
e. Very prepared

6.Importance of financial risk management training**: How important do you think it is for business executives to receive specific training on financial risk management?**

a. Not important at all
b. Slightly important
c. Fairly important
d. Important
e. Very important

7.Influence of regulations on business continuity**: Do you think the current regulations in your country adequately support business continuity during periods of financial difficulty?**

a. They do not adequately support it
b. They only partially support it
c. They adequately support it
d. They support it excellently
e. I am not aware of such regulations

8.**Access to crisis management information**: Do you feel you have access to sufficient information on how to manage potential financial crises in your company?**

a. I do not have access to sufficient information on this matter.
b. I have access to some information, but it is not sufficient for me.
c. I have access to information that is sufficient for me.
d. I have access to a lot of information that exceeds my needs.

9.**Involvement of the court in restructuring procedures: In your experience, how involved should the court be in the preventive restructuring process of a company? Choose only one option**

a. The court should not be involved at all
b. Court involvement should be minimal and only formal
c. The court should only be involved in the most complex preventive restructuring cases
d. The court should have an active role in confirming restructuring plans
e. The court should have a central role and oversee the entire process

10.**Need for regulatory improvements**: Do you believe that there is a need for improvements in national and/or European regulations to better support financially distressed companies?**

a. No improvement is necessary.
b. The regulations adequately support financially distressed companies, but they could do better.
c. The regulations adequately support financially distressed companies, but some improvement could be useful.
d. The regulations do not adequately support financially distressed companies, and some significant improvements are necessary.
e. The regulations do not adequately support financially distressed companies, and significant improvements are necessary.
f. The regulations should be completely revised.

11.Would you be interested in receiving additional training/information on the new tools provided by Directive 2019/1023?

- Yes, definitely
- Maybe, depending on the content
- No, not interested

12. How would you prefer to receive training/information? (Multiple options can be selected)

- ☐ Seminars/workshops
- ☐ Written training and informational materials (guides, brochures)
- ☐ Online educational videos
- ☐ Personalized consultations
- ☐ Specific training courses
- ☐ Other ______________________

Leave your email if you are interested in being contacted for seminars and materials that the project will provide.

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