



Enterprises in hardship: economics, managerial and juridical perspectives

Time relevance within companies non-bankruptcy insolvency proceedings. Evidences from Eastern Sicilian Courts

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* *Research idea*

* Many studies have stressed that businesses are now facing

“A TIME OF CRISIS”

* Not so many have highlighted the relevance of the

“TIME ON THE BUSINESSES CRISIS”

* *Keywords*

Time covers every moment during the life of individuals, organizations, companies etc..

TIMELINESS

TIMELINE

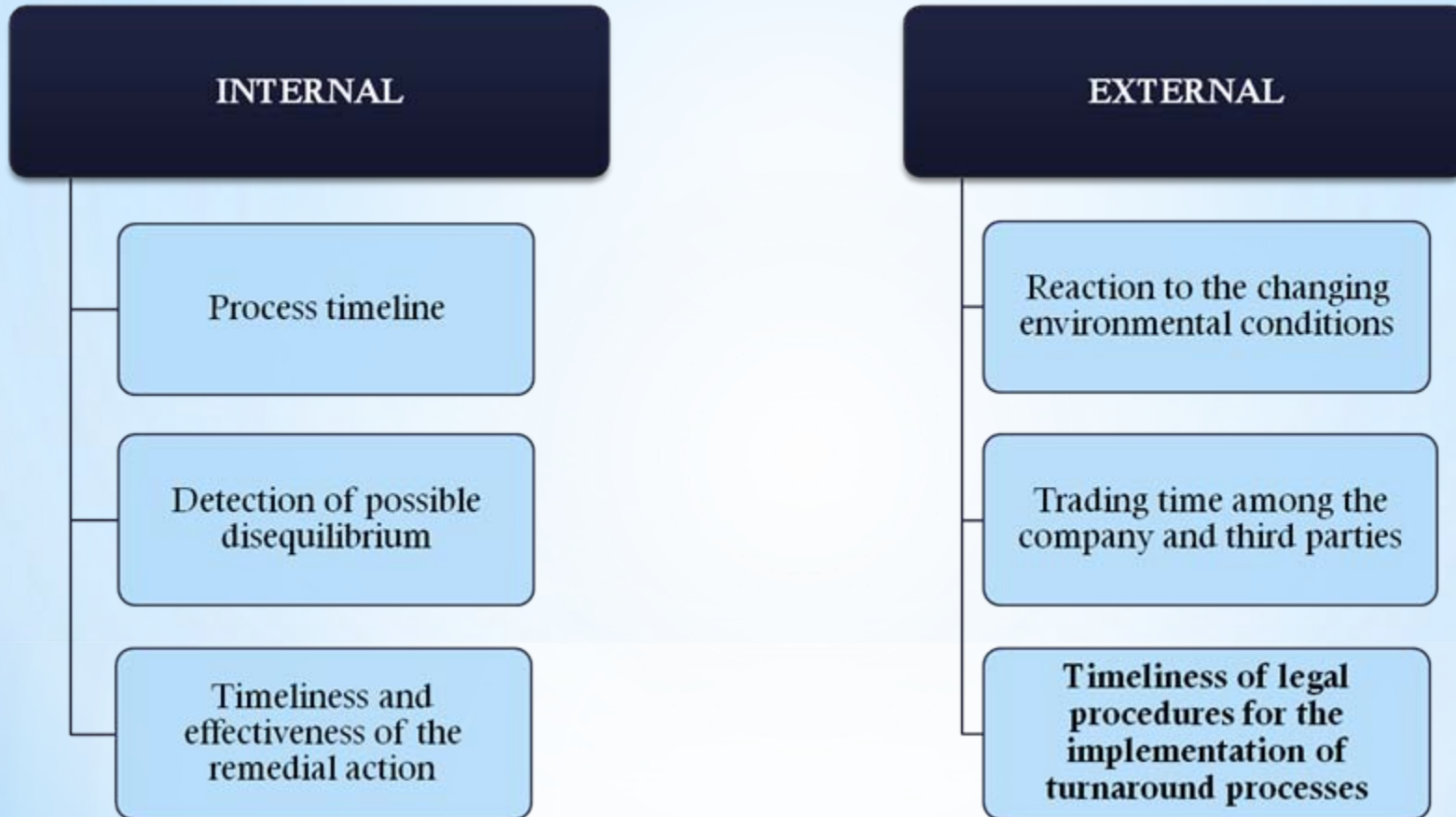
TIME PERIOD

TIMELY

PERIOD

MOMENT

Time is a variable of key strategic relevance both on an “internal” as well as an “external” point of view. From these perspective, the time factor affects:

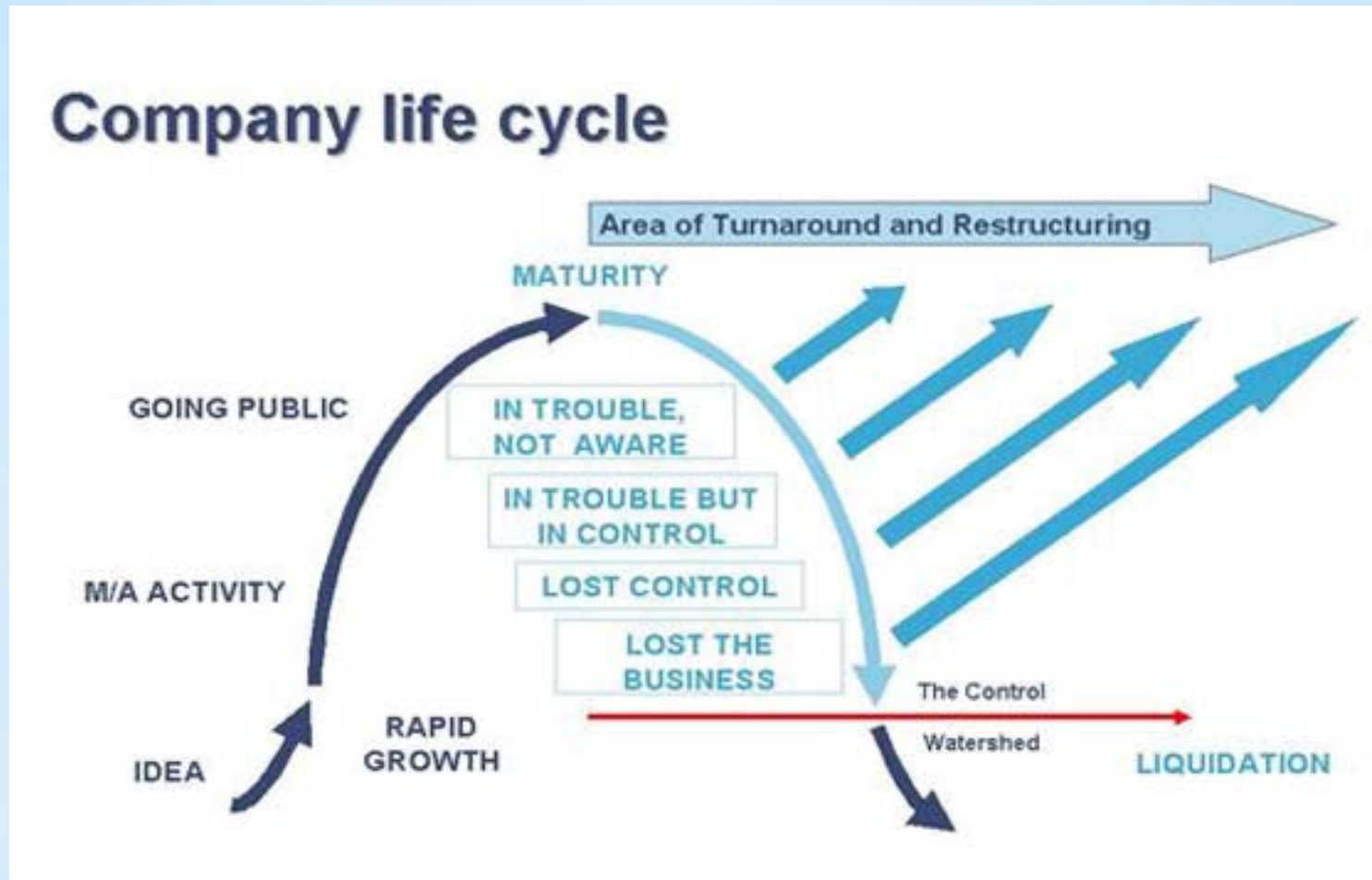


- * Business crisis might be considered a physiological step of the “business evolution”.
- * A **timely warning** of the crisis signals can avoid the extinction of the firm and facilitate the implementation of turnaround processes.

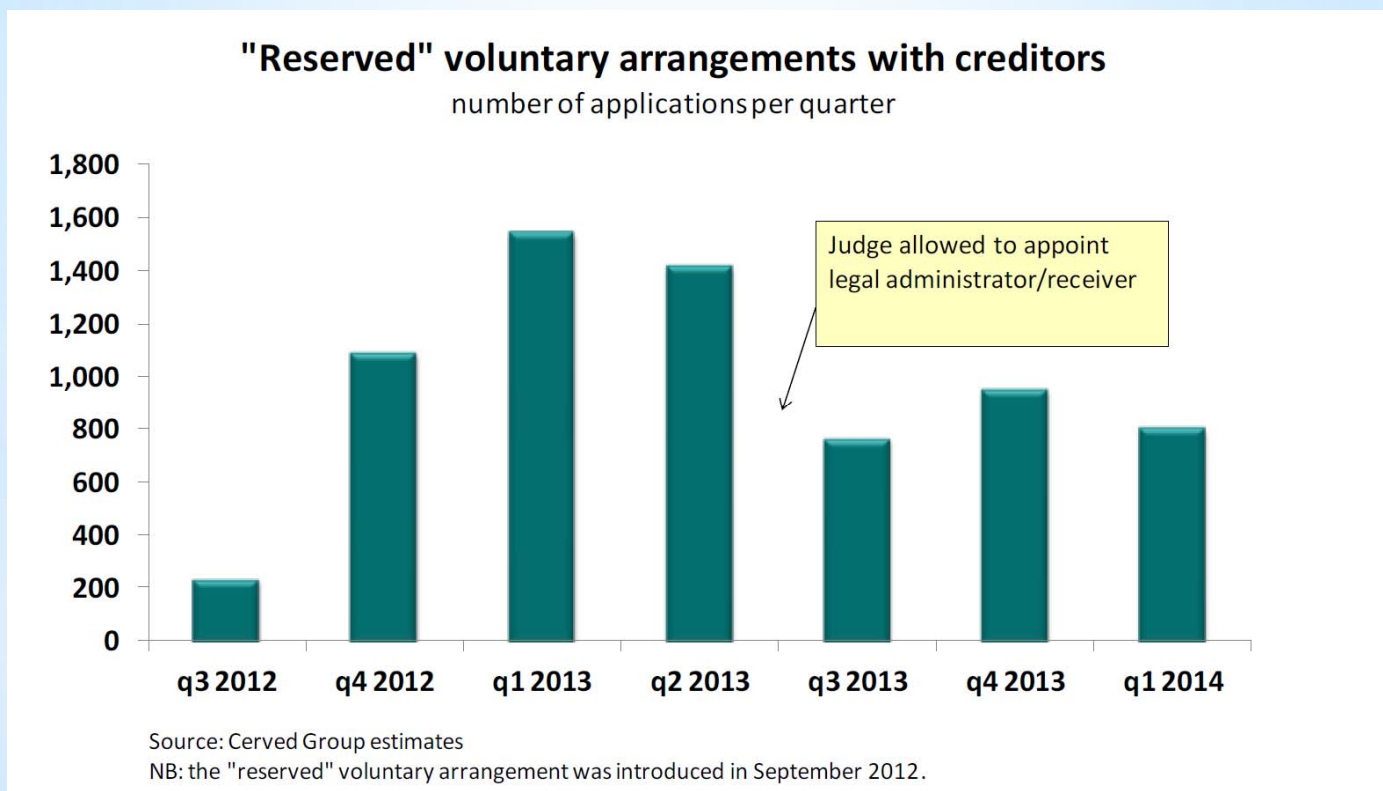
* *Stakeholder involved in the business crisis*



- * Time follows an organization during its whole life cycle



* In 2013, there were about 3,000 non-bankruptcy insolvency proceedings, 53.8% more than the year before. This sharp increase is attributable to a boom in voluntary arrangements with creditors, which more than doubled from 2012 (+102,7%), especially due to the introduction of the **"reserved" voluntary arrangement**. This new format has in fact been very widely used by Italian businesses (by over 4,400 in 2013).



* *The new legislative framework*

- * “Reserved” arrangement requests are applications that have been introduced during the second half of 2012 with the s.c. “Decreto Sviluppo”, by which a company can legally prevent its creditors from taking executive action to recover credits, **giving it time to prepare a restructuring plan, which must be submitted by a deadline set by a judge (no more than 8 months)**. If that plan is accepted by the company’s creditors and verified by the court, then an official voluntary arrangement is signed; if it is not approved, bankruptcy may be declared.

* *Data gathered*

- * Providing an overview of voluntary arrangements with creditors recorded at the Courts of eastern Sicily
- * The data were collected from Eastern Sicilian Courts.
- * Timeframe: 2009-2013.
- * List of non-bankruptcy insolvency proceedings

* *Preliminary empirical
evidences*

*Based on a restricted sample but consistent with the general landscape of
other Regions.*

* *Key Variables*

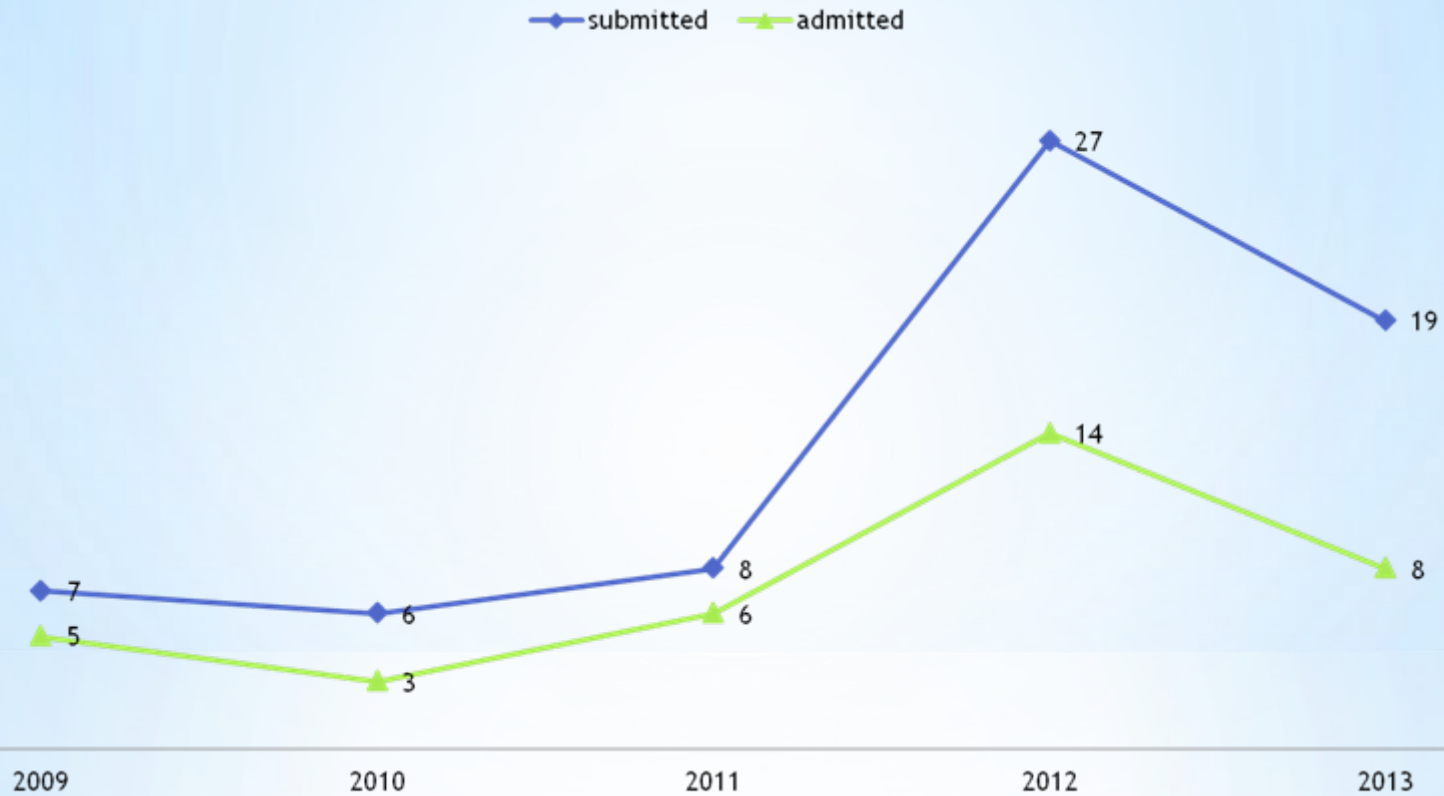
- * Number of proceedings
- * Date of petition
- * Type of firm (Corporation, Limited Liability Company, etc.)
- * Date of admission or denied (first step of proceedings)
- * Type of non-bankruptcy insolvency proceedings (voluntary arrangements with creditors, restructuring plan, etc. ..)
- * date of convening of creditors committee
- * date of approval or denied of the plan
- * date, if any bankruptcy

* *Petitions 2009-2013*

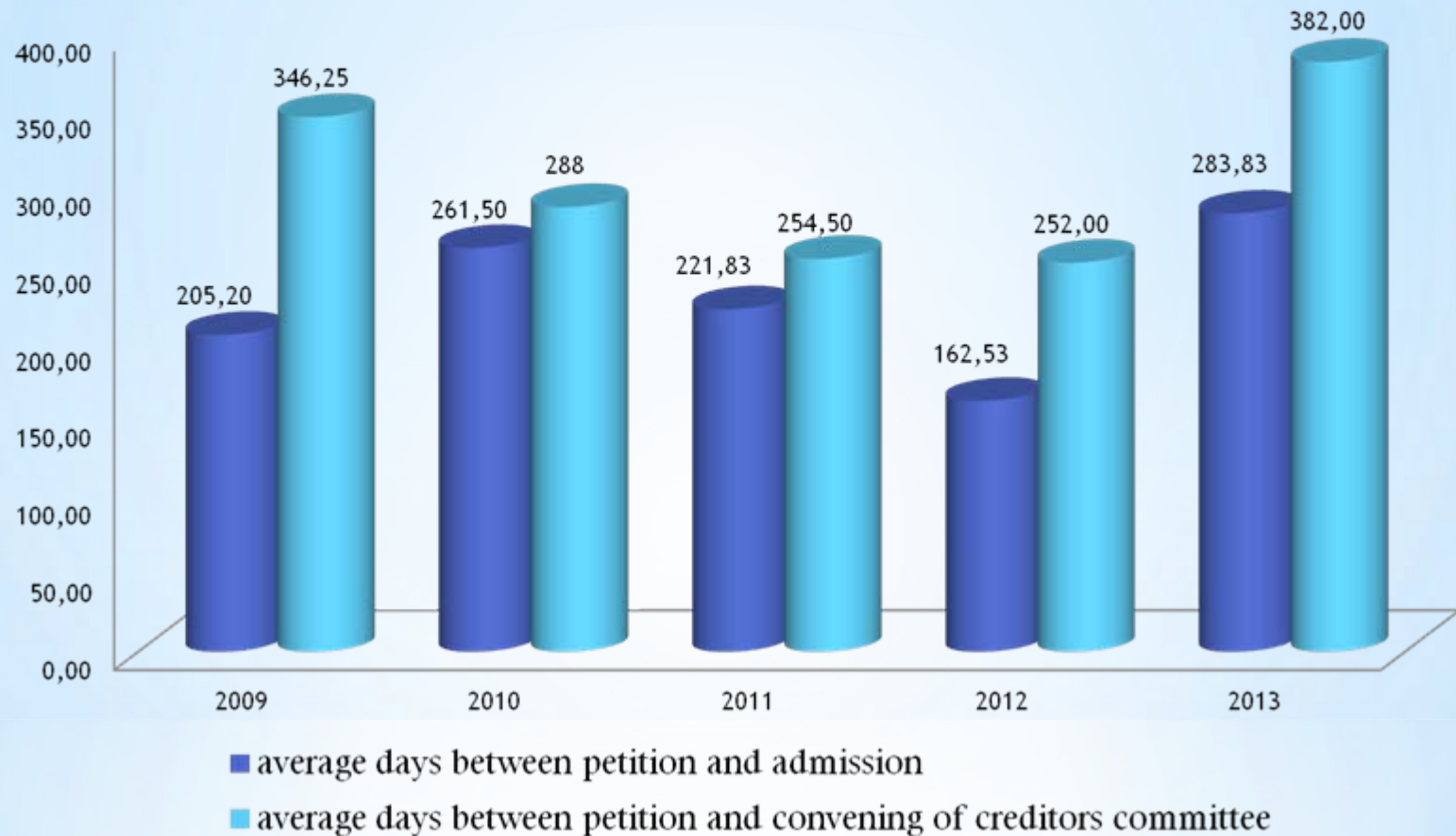
Court	Petition submitted	Petition Admitted	Admitted/Submitted
Messina	52	29	56%
Patti	15	7	47%
	67	36	54%

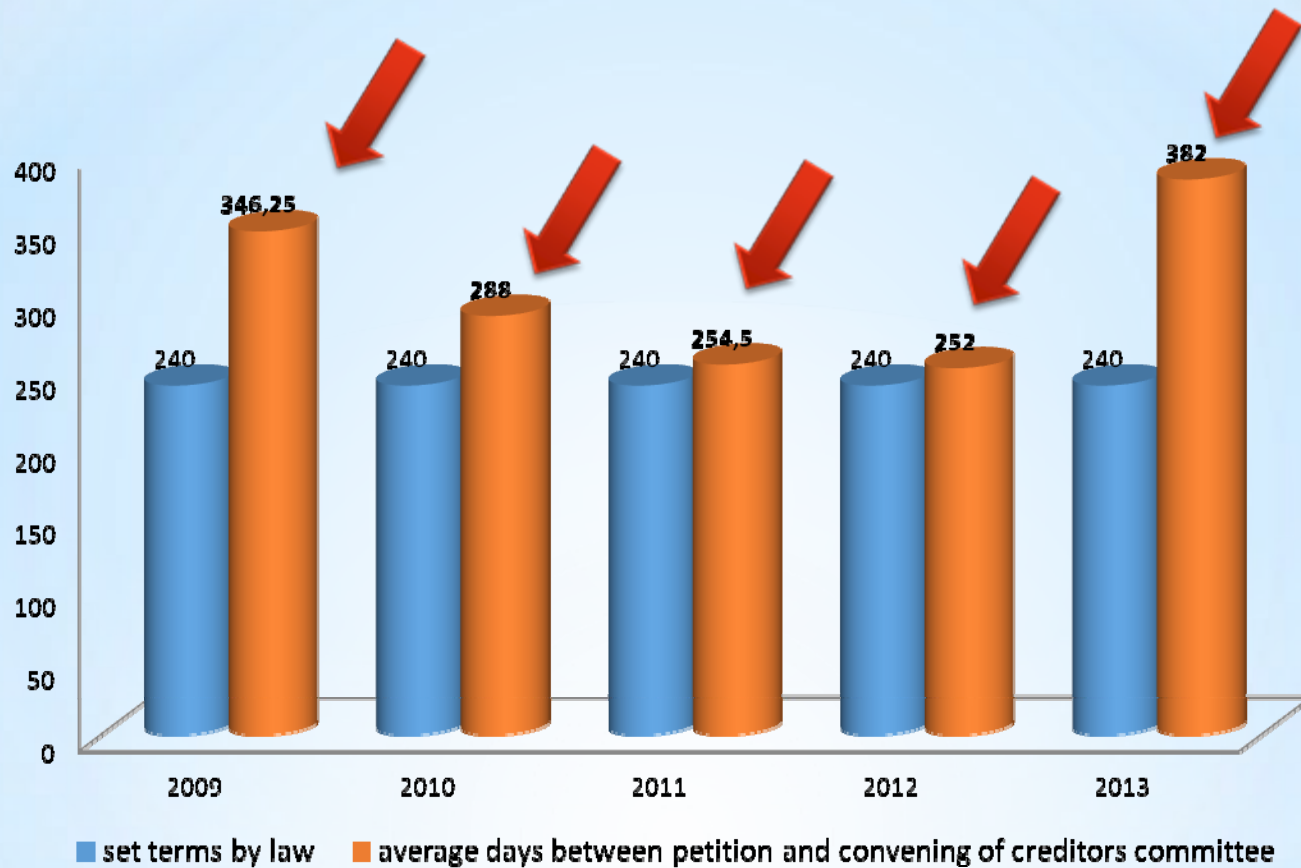
- Submitted= Firm submit its petition from the Court
- Admitted= Court initiates proceedings

* *Petitions submitted Vs. petitions admitted*



* *Initiation proceeding*





- More than 53% of firms have been admitted after over than 240 days!!!!
- More than 30% of firms went in bankruptcies after less than 290 days!!

* *Preliminary results*

- * Despite the great attention paid by the Government on a quick start of turnaround processes, without compromising the survival of firms, the average time of the procedures go far beyond the legal deadline sets for their conclusion.
- * With the sole exception 2012, the time between the submission of the petition and examination by the court, exceeds 200 days.
- * The actual initiation of proceedings takes on average 300 days.
- * These underlines a great defect in the legislative framework that have determined several abuse and have allowed the enhancement of the crisis.

* *Preliminary results*

- * Time is a value driver;
- * Time wasted during the “legal process” affects the actual chance of the firm to return to value.