

The Criteria to Identify Company's Crisis in SME Sector

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The prediction of companies' crisis and assessment of crisis probability is an important theoretical and practical problem which is being analyzed by various authors from finance, business administration and law perspectives. Various authors have presented different models for company's crisis identification, but most of them are based on the quantitative assessment of financial ratios. Such models have a limited usability because the lack of factors assessed in case of small and medium companies. In SMEs sector the company's crisis identification is specific because of the nature of SMEs business management which creates the strong dependability of business results on human resources and environmental factors. In this study the set of qualitative and quantitative factors is proposed to support the development of company's crisis identification models for SMEs. The proposed set of criteria allows identification of the real situation in the company regarding not only the financial statements but also a wide variety of factors related to company's management capabilities, competencies of human resources, possible impact of internal and external environmental factors and other important non-quantitative aspects. The proposed set of criteria might be used for the development of company's crisis identification model which would help to forecast the possible company's crisis in SMEs sector.

Keywords: *company crisis, crisis management, SME, bankruptcy, company crisis forecasting.*

Introduction

Company's crisis management is an important and often discussed problem both in academic and in practical level. Various research was performed to define the company's crisis (Horja *et al.*, 2010; Borlea & Achim, 2014; Depamphilis, 2011; Rugenyte *et al.*, 2010), to identify its causes and consequences (Sousa, 2013; Skeel, 2014; Depamphilis, 2011; Wellalage & Stuart, 2012; Stoskus *et al.*, 2007), to assess the impact of crisis for economy and society (Skeel, 2014; Mathur, 2011).

The relevance of company's crisis management research is related to the need to minimize the negative effects of a crisis for employees, business partners, suppliers, creditors, and local community or even entire society. But in addition to the negative effects various authors (Rachisan *et al.*, 2014; Hauschildt *et al.*, 2005; Krystek, 2007; Depamphilis, 2011) also accent the positive effects of company crisis, which are related to the changes the company is forced to perform because of the crisis.

The handling of a crisis has some aspects, which can make a positive impact upon an enterprise. Crisis management requires respective innovations and restructurings. When implemented, they can not only bring the crisis under control or resolve it. Moreover, they can increase competitiveness of the enterprise.

Research problem. One of the main problems in company's crisis management area is the identification of company's performance state with the purpose to identify if company is performing normally, or it is in a crisis stage. The successful company's crisis management requires the clear proactive identification of oncoming crisis stage, because the early identification is a necessity for company's survival.

The literature on the research of causes of a crisis is both extensive and diverse, and the significant part of this literature is for the identification of company's crisis, which is the primary step in company's crisis management. The identification of crisis management is usually based on the identification of the criteria showing the unusual state of company's performance. This principle is used in various company's crisis identification methods and models, which in most of the academic literature sources are treated as crisis diagnostics or bankruptcy diagnostics methods. One of the very first models for company's crisis identification was presented by Altman (1968), who used five main criteria to define the threat of company's financial crisis. Later Altman's idea was developed using various similar and new company's performance state assessment techniques by (Fulmer *et al.*, 1984; Taffler & Tisshaw, 1977; Springate, 1978; Zavgren, 1985; Chesser, 1974) and others.

Currently there are lots of different methods for company's crisis identification based on classical statistical methodology or so-called artificial intellect methodology, but as (Wellalage & Stuart, 2012; Krystek, 2007; Rachisan *et al.*, 2014) state most of them are limited to a narrow number of criteria, mostly based on financial statements, and in most cases are capable only to identify the oncoming crisis.

This paper is a theoretical study on the company's crisis assessment in SMEs sector, where the current models for company's crisis assessment are discussed and the improvement in the theoretical level is presented with the idea to form the background for more detailed and comprehensive model for SMEs crisis forecasting to be created after the more sound research is completed.

Looking at the company's crisis management from SME's perspective the identification of the threat of company's crisis from financial data is not enough. SME's in business is usually treated as having lower competences and more specific business management, which is closely related to limited financial resources, higher impact of external factors and limited possibilities to survive economic recessions with internal resources. For this reason the SME's crisis management requires more detailed analysis of company's performance to identify the oncoming crisis, and this analysis is supposed to be based not only of financial criteria but also on various qualitative criteria. The discussed aspects of SME's crisis management conditions call for the need to concentrate on a wide range of criteria for company's crisis identification and further to prepare the methodology how to analyze and interpret the set of criteria with the purpose to identify the causes of the crisis as well as the moments when company enters the crisis stage and leaves it.

The object of the study is the criteria to identify SME's crisis.

The objective of the study is to propose the optimal set of criteria for the identification of company's crisis in SME sector.

Limitations of the study. This paper presents the framework for the model to identify company's crisis in SME sector, which is based on theoretical research, but not yet tested empirically because of the lack of data. The model is based on the assumption that in SME sector the qualitative factors might play the main role in identifying company's crisis and for this reason the collection of information and assessment of indicators is complicated. Other limitation of the research is related to the general concept of company crisis / bankruptcy models, most of which are tested on specific conditions (country, company type or industry level) and this fact limits the possibility to compare different models and to develop them.

Problem Background: Context and Consequences of Company Crisis in SMEs

Company crises affect a company and eventually those have impact on society. Economic company crises lead to resource limitation of the society. In case of the loss of remuneration under bankruptcy, the welfare state shall provide unemployment benefits. SMEs, along with large enterprises, regionally are essential bearers of social well-

being, including their donations to non-profit institutions up to support to associations and political parties, SMEs are involved into the commonwealth. As Mathur (2011) states, SMEs play essential role financing welfare of local communities as well as the cultural and sports life in the regions. The loss of an SME as a sponsor or patron due to its crisis makes a substantial effect on the existing social structures.

A crisis can result in the loss of a company's independence. In such a case the enterprise itself or some parts of it are overtaken by another market player. A crisis-afflicted enterprise or its parts still have some value and therefore are of interest to the competition.

Mastering the company crisis and eliminating its negative effects as well as its causes is primarily a task of its management, shareholders and owners (Arieshanti *et al.*, 2013). They are the first from all the stakeholders to receive the evidence suggesting a possible crisis. Relying on their competence and relevant decision-making patterns, the management, shareholders and owners might initiate proper measures to eliminate the crisis.

An inadequate crisis management brings to a loss or a partial loss of the equity capital of owners and shareholders. A liquidation or takeover of an enterprise implicates that the shareholders or owners fully or partly lose their invested capital, because there are no returns from exploitation of company's performance during crisis or they are minor. (Iancu & Ciubotaru, 2013) states that when parts of an enterprise are sold to other market players, tangible and intangible assets are usually valued only with considerable discounts which conditions significant losses for the company and current owners.

The company executives are also interested to solve company crisis, no matter if they share the company capital or not. An economic failure of an enterprise makes them lose their jobs or affects their reputation. In addition to the owners, executives and employees there are external stakeholders aiming to secure their interests during the crisis. The influence of financing credit institutions, labor unions, contracting parties, assignees, etc. is rather a regular case.

Credit institutions in particular are informed about the crisis situation at an early stage, if, as (Seranno & Gutierrez-Nieto, 2013) state, they efficiently manage their SMEs loans portfolio. Through credit agreements, they have the power to ask for information and to get additional securities. Enterprises are obliged by the agreement to report about their economic situation, presenting balance sheets and monthly economic assessments. A cash flow analysis allows making conclusions about the economic situation of the enterprise. Sometimes credit lines are completely exhausted or overdrawn. Credit institutions start exerting their influence after having identified a company crisis and being concerned about bad debt losses.

The slowing down economic performance of an enterprise provides credit institutions several options. The enterprise under crisis receives regular warnings, cautions and notes to handle the emerging crisis. To prevent the risk of bad debt losses banks demand increased credit worthiness and reduce their credit lines. The possibly strongest impact of the credit institutions on the enterprise is a requirement to pay the credit liabilities and the

reevaluation of the collateral. The reevaluation of the collateral as a rule makes the handling of a company crisis hardly possible.

The importance of crisis assessment in SMEs sector derives from specific business practice in SMEs. Being relatively small in financial and human resources terms, SMEs in lot of cases are unable to form stable organizational structures for every business process, and therefore SMEs become much more dependent on the specific person or environmental factor. For this reason as (Wellalage & Stuart, 2012) state even the change of one person in management might lead to the significant loss of competences and condition the managerial crisis, which in turn would lead in total company's crisis. The (Krystek, 2007) accent that this is even more important in case then the company's only or major stake holder actively participate in business management (for example performs the role of executive manager or chair of the board) and for some reason decides or is forced to leave the company. Though the simple organizational structure allows the flexibility of SMEs, but this also creates the higher probability of company's financial crisis.

(Wellalage & Stuart, 2012; Sousa, 2013; Hauschildt *et al.*, 2006) accent that the specifics of SMEs crisis also derives from the limited financial resources. The financial statements of small company might show the stable performance, but the change of some environmental factor might force the significant changes in company's finance. For example, bad weather in one season might lead to the default of small hotel because it might not be able to absorb unexpected drop of income, while a large hotel network might cover the temporary losses from the income in other regions.

The discussed reasons highlight the fact that in case of SMEs to identify the potential company's crisis is not enough to look only on financial statements and financial ratios. The management capabilities, environment, human resources, ownership and other qualitative factors might be much more important and should be assessed in the forecasting the probability of company's crisis.

The above mentioned aspects highlight the need to identify SME's crisis with the expectation to prevent them or to mitigate the impact on company-related subjects (personnel, business partners, society). For this reason various methods and tools are created to identify company crisis in an early stage.

The Methods and Criteria to Identify Company Crisis

The assessment of company's crisis is mostly based on company's financial state, which shows certain misfunctions in company's performance or as it is most often stated in academic literature – the probability of bankruptcy. If it is stated that a company faces a high risk of bankruptcy, it means that the financial state of this company is quite difficult and it is important to look for solutions to change either the performance of the company, or its finance management policies and strategy. According to (Wellalage & Stuart, 2012; Seranno & Gutierrez-Nieto, 2013), in this context the identification of company's crisis is performed using conventional bankruptcy diagnostics

tools implying financial criteria analysis and the interpretation of its results.

The pioneer of company's crisis assessment via its financial data was (Altman, 1968) who developed the first bankruptcy diagnostics model based on linear discriminant analysis. Altman's primary model was based on five financial ratios describing company's financial state (Miliauske & Paliulyte, 2013):

- Profitability of assets – the company's annual operating profit (profit before taxes and income) divided by its average assets.
- Income to assets – the company's total annual income divided by its average assets.
- Equity coverage ratio – the relation between company's capitalization (company's market value) and liabilities.
- Return on assets – the company's annual net profit divided by its average assets.
- Working capital on assets – the relation between company's working capital and its assets.

The first formula of (Altman, 1968) for company's bankruptcy diagnostics faced the critics for omitting the specifics of a sector, company size, geographical area and other important criteria, but parallel this model was used as the background for company's financial state analysis and for further development of company's crises assessment models (Grice & Ingram, 2013).

Later Altman developed his very first model and presented other models for non-public companies and for different business sectors. One of the most significant modifications made by (Altman, 2000) was the adoption of the model for non-public companies (private limited liability companies). He also had some active followers of his idea (Fulmer *et al.*, 1984; Taffler & Tisshaw, 1977; Springate, 1978), who developed different models using the same linear discriminant analysis methodology but different financial ratios and different data for identification of weights for every criteria.

(Fulmer *et al.*, 1984) developed the so-called Fulman's model in which is based on the large-scale model based on the same linear discriminant analysis methodic and having 40 criteria in the initial version. The final version of the model was optimized to 9 criteria. The (Fulmer *et al.*, 1984) research showed that this model was able to predict the bankruptcy one year ahead with 98 % reliability, and two years ahead – with 81 % reliability. Fulman's model is treated as the one which can be used for small companies. Taffler and Tisshaw model, as Kubecova and Vrchota (2014) state, that it is also suitable for SMEs, which was empirically tested by the research in New Zealand economy.

The comparison of the criteria used in the linear regression models discussed above is presented in table 1.

To improve the statistical reliability of bankruptcy diagnostics, some authors tried to avoid the linear discriminant analysis methods, which is rarely correct under the real market conditions. To reach the realistic dependency between the financial criteria and bankruptcy risk, some authors (Zavgren, 1985; Chesser, 1974) created models based on logistic regression function.

Table 1

Comparison of the criteria used in linear regression models

Criteria	Models				
	Altman classic, 1968	Altman modified for Ltd's, 2000	Fulmer, 1984	Taffler & Tisshaw, 1977	Springate, 1978
Net working capital / Assets	+	+			+
Retained earnings / Assets	+	+			
Retained earnings from previous years / Assets			+		
Profit before interests and taxes / Assets	+	+			+
Profit before taxes / Short-term liabilities				+	+
Profit before taxes / Assets			+		
Market value of equity / Liabilities	+				
Book value of equity / Book value of liabilities		+			
Sales / Assets	+	+	+		+
Cash flow / Liabilities			+		
Liabilities / Assets			+		
Short-term liabilities / Assets			+	+	
Log- tangible assets			+		
Working capital / Liabilities			+		
Log- profit before interests and taxes			+		
Short-term assets / Liabilities				+	
(Fast-moving assets - Short-term liabilities) / Operating expenses				+	

The other group of company's crisis assessment models is so-called model of artificial intelligence, which are based on qualitative assessment using neuron networks or decision trees. As (Purviniš *et al.*, 2005) state, those models are based on the idea that company's crisis cannot be properly identified using only financial data – it is also important to measure the non-financial criteria, such like competence of the management or the market's structure.

One of the examples of qualitative assessment-based models is (Argenti's, 1976) A-model. Argenti's model in

various studies is often used as an illustrative framework of qualitative assessment-based bankruptcy model, and therefore this model is of specific importance in the context of this study. In his A-model (Argenti, 1976) identified 17 qualitative criteria combined into three groups (Figure 1):

- management weaknesses;
- management mistakes;
- symptoms of crisis.

Every criteria in Argenti's model has a maximum scale, and every group of criteria also has a maximum scale, which signals about the critical situation in the specific area.

(Argenti, 1976) made the conclusion that bad management in all cases leads to one of those mistakes:

- Too high debt ratio, which means company's inability to return the credits because of the lack of income and/or assets;
- The realization of large project which tend to be unprofitable and requires unexpected additional expenses;
- Too big credit (in comparison with company's performance volume), which results in lower working capital.

The most of discussed methods and models to identify company crisis are focused either to quantitative or qualitative measures, mostly concentrating on financial situation of the company. In SMEs sector the financial statements of the company are not always the most important and most accurate tool to identify the real situation of the company.

Being relatively small in terms of sales and number of personnel, SMEs tend to be more related to top managements' capabilities, the impact and attitude of company's shareholders / owners, and the possible resources, both human and financial. For this reason the qualitative indicators, like in (Argenti's, 1976) model becomes very important is assessment of the situation of SME and identification of possible company crisis.

Management weaknesses	Management mistakes	Symptoms of crisis
<ul style="list-style-type: none"> • Autocracy in top management; • Chairman of the board and CEO is the same person; • Board of directors is passive; • Board of directors is unbalanced; • Incompetent CFO; • Unqualified management; • Weak budget control; • No cash movement recording; • No cost reduction system; • Slow reaction to market et changer. 	<ul style="list-style-type: none"> • High dependability coefficient; • Funds over-usage; • Large projects. 	<ul style="list-style-type: none"> • Finandal symptoms of crisis "Creative"book-keeping; • Non-financial symptoms of crisis; • Common symptoms of crisis.

Figure 1. Criteria used in Argenti model (adapted form: Argenti, 1976)

The Selection of Company Crisis Identification Criteria

Summarizing the viewpoints of various authors, the company's crisis might be identified using the complex set of criteria covering both qualitative and quantitative factors. The attention to the qualitative factors is essential in SME sector, where the business success is much more in

relation with management qualities than in large companies. For this reason in case of company's crisis identification in SME sector, it is useful to form a duplex set of criteria consisting of (a) hard criteria, based on quantitative data, which represent mostly the financial situation of the company, and (b) soft criteria, based on qualitative data, which represent the management competencies and business environment. The proposed set

of hard and soft criteria, formed considering the factors used by (Argenti, 1976; Fulmer *et al.*, 1984; Altman, 1986; 2000; Taffler & Tisshaw, 1977; Springate, 1978; Zavgren, 1985; Chesser, 1974; Krystek, 2007; Hauschildt *et al.*, 2006; Seranno & Gutierrez-Nieto, 2013; Rachisan *et al.*, 2014; Iancu & Ciubotaru, 2013), is presented in table 2.

Table 2

Hard and soft criteria to identify SME’s crisis

Hard Key Criteria	Soft Key Criteria
1. Adverse balance, negative balance.	1. Shareholders / owners.
2. Liquidity.	2. Management.
3. Net sales and profit.	3. Personnel.
4. Personnel intensity.	4. Customers.
5. Material intensity.	5. Relationships to suppliers.
6. Funding ratio.	6. Competition.
7. Debt ratio.	7. Finances.
8. Equity ratio.	8. Rehabilitation concept.
9. Yield key figures.	
10. Turnover key figures.	

Each hard and soft criterion is additionally split into multiple sub-criteria, which allows more concrete assessment of each specific area of company’s financial situation and management.

The proposed list of hard criteria is presented in table 3. In case of hard criteria, a crisis can be diagnosed by analyzing key figures in a balance sheet and profit-loss statement. The main criteria worth additional mentioning are adverse balance and liquidity ratios.

Table 3

List of hard criteria

Key criterion	Criterion
1. Adverse balance, negative balance	(a) Level of depreciation and amortization; (b) Possession of the share capital; (c) Possession of the equity capital.
2. Liquidity	(a) Cash liquidity (1st degree liquidity); (b) Current ratio (2nd degree liquidity); (c) Quick ratio (3rd degree liquidity); (d) Working capital; (e) Measures for securing liquidity.
3. Net sales and profit	(a) Decrease in profit; (b) Decrease in net sales.
4. Personnel intensity	(a) Personnel intensity – personnel costs / operational performance; (b) Personnel costs resulting from wages; (c) Personnel costs resulting from salaries; (d) Personnel costs resulting from social security expenses.
5. Material intensity	(a) Material investment; (b) Material costs; (c) Operating performance.
6. Funding ratio	(a) Funding ratio I; (b) Funding ratio II.
7. Debt ratio	(a) Debt ratio – borrowed capital / equity capital; (b) Statistical debt ratio to perform analysis of the capital structure; (c) Dynamic debt ratio.
8. Equity ratio	(a) Equity ratio; (b) Financial stability of the enterprise; (c) Financial dependence of the enterprise.
9. Yield key figures	(a) Return on equity; (b) Return on total assets; (c) Cash flow.
10. Turnover key figures	(a) Return on sales; (b) Efficiency of plant and equipment, material and manpower; (c) Turnover rate.

The “adverse balance” definition means a balance that shows a balance sheet loss. There are 3 types of adverse balances. The first type of adverse balance, without legal consequences, occurs when assets cover all liabilities and at least half of the share capital and legal reserves. The second type of adverse balance, with legal consequences, covers

liabilities and less than half of the share capital and legal reserves. The third type of adverse balance, with legal consequences, shows over-indebtedness, e. i. the assets do not cover completely the liabilities (Boehlje, 2012). However, if the assets include hidden reserves which are higher than the given adverse balance, there is no over-indebtedness.

The liquidity ratio states to what extent the short-term liabilities are covered by the current assets (Maio, 2012). An excessive liquidity negatively affects profitability. And *vice versa*, an under-provision can result in illiquidity (Velnampy & Niresh, 2012). A liquidity ratio over 300 % is uneconomical, meaning too high cash balances at the expense of profitability (Maio, 2012). Short-term liabilities include trade accounts payables and other liabilities, credits and loans of a duration of one year or less, as well as short-time provisions (Maio, 2012). The higher the liquid measures the better is the enterprise’s capability to meet its payment obligations (Alavinasab & Davoudi, 2013). As the crisis develops, the enterprise becomes more and more dependent on its stakeholders, i.e. persons, who are able to influence the company’s survival, e.g., equity holders, banks, suppliers and employees. Therefore they have a significant impact upon the turnaround – successful crisis management. Nonetheless, in time of a crisis the stakeholders can turn away from the company which may lead to such outcomes as supplier change, customer fluctuation, credit termination, cash payments and loss of employees (Boehlje, 2012). For this reason the soft criteria to identify SME’s crisis should be used. The proposed list of soft criteria is presented in table 4.

Company crises are marked by a narrowed management view, poor formal information and increased levels of informal communication, internal dismissal of employees and more often conflicts, which significantly affect the actions of the enterprise. In general, people in crisis situations tend to be reserved about their talents and given possibilities. A crisis manager has to have a strong personality and confidence of his team (Depamphilis, 2011). When managers have no experience in company crises, it becomes another obstacle for the rescue. A lack of rescue experience manifests in typical management and organization deficit, non-systematic ways of thinking and working, insufficient creativity in problem solving strategies.

Additional behavioral deficit of the management encompasses low willingness to implement relevant changes, too distinct optimism and too low confidence in the employees’ spirit of devotion, as well as an awkward and confidence-undermining behavior against creditors, employees and the works council. In contrast to that, an enterprise needs crisis managers capable to resolve the situation. Therefore, when dealing with a crisis the management and the quality of it become of an extreme importance. Since company crises are always coupled with confidence crises, often the only way to achieve sustainable rescue and restructuring is to involve an external consulting. Additionally, by integrating the already mentioned consultants the existing managers are often replaced (Hinterhuber *et al.*, 2003).

Table 4

List of soft criteria

Key criterion	Criterion
1. Shareholders / owners	(a) Shareholders are anxious about total loss; (b) Shareholders' capability to generate capital, or a potency to involve new shareholders and to raise equity; (c) Shareholders' capability to make a valuable personal commitment
2. Management	(a) Experience with crisis situations; (b) Lost confidence; (c) Projects development know-how; (d) Product know-how; (e) Process know-how; (f) Market know-how; (g) Capability to measure the extent of crisis; (h) Capability to communicate to all the groups of interests; (i) Interests conflicts among involved partners; (j) Value of the intangible property; (k) Availability of trustful information; (l) Communication quality; (m) Globalization problem; (n) Technical and technological changes; (o) Dependability from customers; (p) Dependability from suppliers; (q) Political developments; (r) Economic developments; (s) License risk; (t) Patent risk; (u) Development of products
3. Personnel	(a) Confidence of the depending employees in management; (b) Anxiety about losing the workplace; (c) Anxiety about losing the remuneration; (d) Anxiety of the employees' representatives due to the reduced influence; (e) Management's capability to develop initiatives also during the crisis; (f) Human resources
4. Customers	(a) Compromising of performance relationships tends to seek for substitution; (b) Compromising of performance relationships leads to extended payment terms; (c) A negative influence of the customers upon the competitive situation
5. Suppliers	(a) A threat of the bad-debt losses leads to advance payments and eventually to the suspension of deliveries; (b) Product reliability and requirements of the service agreement
6. Competition	(a) Market pressure; (b) Price pressure; (c) Product pressure
7. Finances	(a) Third party concern about losing its security and/or collateral; (b) Concern about the value adjustment pressure; (c) Concern about the high pressure to be sold to the third party; (d) Reaction of the credit institutions; (e) Financial resources; (f) Currency related risks; (g) Investment related risks; (h) Risks of borrowing; (i) Adequate coverage of the company assets by insurance; (j) Fire outbreak, energy crises, etc.
8. Rehabilitation concept	(a) Quality of the newly developed concept; (b) Optimal involvement of the remaining potential of the whole enterprise

In case of SME's crisis management it is crucial to assess not just the internal management factors, but also the internal business environment, which mostly is related with customers and suppliers.

Once an enterprise forfeits the confidence of its customers, it is the true way to insolvency. Therefore it is critical to retain existing customers and to gain new ones. It is also crucial to regain the lost customer confidence. During crises customers are particularly keen to change their providers. The main targets shall be focus on core strengths, regaining of lost or apparently lost customers, expansion of market shares in the existing segments. "To

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make a customer an ambassador of the company", is a slogan, which under crisis gains a particular meaning (Hinterhuber *et al.*, 2003).

Supplier relations are crucial for sustainable existence of an enterprise. Suppliers confidence in the enterprise performance continuity becomes the key factor when setting commercial terms and conditions, e.g., granting longer payment terms, which improve company's competitiveness. Crisis situations bring suppliers into consideration that their services can be left unpaid. It results in reservations and leads to advance payments or additional collaterals.

The proposed set of hard and soft criteria for company crisis identification covers both financial and managerial aspects of company's performance thus allowing to merge quantitative and qualitative assessment which is very important for SMEs because of the nature of their performance. The practice shows that in the SMEs sector the quantitative financial ratios not necessarily clearly describe the real company's situation, and for this reason the proposed mix of wide-coverage criteria should help to assess the MSEs crisis possibility more accurately.

The proposed set of criteria is a first step in forming the model for SMEs crisis assessment. Further research is necessary to define the weight and importance of every criterion and to set the thresholds using both statistical and expert information. The set of criteria presented in this article forms the background for further specification of detailed model for SMEs crisis assessment.

Conclusions

1. The identification of company crisis is a complicated issue because its main proactive goal is to identify the emerging crisis form the very first symptoms. The early identification of possible crisis allows preparing specific solutions to avoid it or to change the management processes and to adapt to new business environment.

2. The analysis of various methods and models for company crisis diagnosis shows that in most cases the quantitative financial factors are considered ignoring the fact that in practice company crisis are often rising from management faults, especially in SMEs sector.

3. In order to apply the comprehensive analysis of SME's situation and its tendency to fall into the critical situation, the set of hard (quantitative) and soft (qualitative) indicators should be used, taking into account that financial situation in SME is not the only key factor showing the possible crisis.

4. The set of financial indicators together with the non-financial indicators covering the attitudes of shareholders and management, personnel, relations with customers and suppliers, competitive situation and finance management capabilities might help to identify possible company's crisis before it begins and to prepare the solutions to avoid it.

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