

# Seeking Incentives for a Successful Second and Third business Opportunity after bankruptcy in Times of Recession

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# Introduction

- In the years of the financial crisis in Greece, many viable businesses that are facing financial difficulties are led to liquidation rather than timely restructuring, with very few entrepreneurs having a second chance.
- In this paper we investigate the factors (economic, social, political) that will help to facilitate entrepreneurs' access to a second and third opportunity
- Moreover, we try to find the characteristics that would encourage entrepreneurs and mainly honest bankrupt entrepreneurs for a second business venture and the sectors where a second chance may have increased chances of sustainability in Greece.

# Introduction

- The corporate failure faced by Greek companies in recent years may have been caused by both endogenous and exogenous factors or a combination of the two.
- However, it is difficult to separate the impact of external factors, such as the economic downturn, from the impact of the company's particular characteristics, which are the result of its management in the event of bankruptcy.
- The cost of a possible corporate failure is high for the company but also for society.

# Introduction

Indicatively, we mention the following consequences:

- Increasing unemployment with the wider social consequences that this entails
- Reduction of living standards
- High inflation
- Insufficient utilization of resources and especially human resources, with consequences for the national economy
- Instability of the banking system due to the inability to repay the loan funds
- Financial losses for shareholders due to the deterioration of the value of the company's share
- Financial market instability resulting in higher borrowing costs for businesses

# Introduction

- During the last years, the unfavorable economic environment seems to have affected the perceptions of individuals in general, let alone the socially vulnerable, about whether they have sufficient knowledge and skills to cope with the increasing difficulties of the current environment in doing business.
- In addition, over time in Greece the index, which concerns the fear of failure, as a deterrent to doing business, moved to higher levels than most countries that participated in the World Entrepreneurship Observatory (GEM) survey.

# Introduction

- Of particular interest is the trend of the index before and after the crisis.
- Specifically, after 2009 the index seems to show an upward trend mainly as a result of the economic crisis, while it remains above the long-term average over time.

# Literature review

- Hegarty et al (2020), while acknowledging that the amendments to the Bankruptcy Laws are in the right direction, barriers to accessing finance remain. Additionally, propose that training programs can help eliminate the stigma of corporate failure.
- Musulin, M., & Gregov, Z. (2019), conducted a survey of companies in Croatia and emphasizes the need of expert assistance (business, legal, psychological) during and after the bankruptcy for honest entrepreneurs.
- Nielsen, K., & Sarasvathy, S. D. (2016), investigate business restarts in Denmark from 1980 to 2007, and stresses the need of appropriate education in order to learn from failure experience and increase the chance of a successful business restart.

# Literature review

- Tajti, T. (2018), argue that lawmakers in order to develop a law framework for a successful entrepreneurs second chance policy, need to have fully understand the impact of bankruptcy stigma.
- Wagner, J. (2002), in his research in Germany, also emphasizes the problem of 'stigmatization of failure' as a barrier to a second business opportunity.
- Simmons et al (2014) recognize the complexity of the second business chance problem and note the need to develop a framework to encourage these entrepreneurs.



# Our survey

We run a questionnaire for every business and every entrepreneur operating in Greece regardless of the country of origin of the owners in order:

- to seek the opinion of entrepreneurs on the need for a second chance for entrepreneurs who fail
- to see if entrepreneurs believe that in Greece there are favorable proposals regarding the political, economic and social conditions that affect business activity in our country
- to investigate if entrepreneurs believe that a business failure stigmatizes the "failed" businessman and if the Greek state makes efforts and actions to prevent this stigma
- The questionnaire was sent by e-mail, using the contact details of companies from databases to which we had access, e.g. ICAP and data from chambers. However, due to the special conditions of the pandemic Covid-19, a small number of companies responded to our initial pilot questionnaire (number of respondents: 110).

# Survey results

	Years of operation of the company
1-4 years	7%
5-9 years	10%
10-20 years	25%
21-31 years	24%
More than 31 years	34%

# Survey results

	What is the field of activity of your company?
Electronic and electrical machines	4%
Constructions	10%
Hotels and restaurants	2%
Transport, storage and communication	3%
Food, beverages and tobacco	19%
Fabrics and clothes	1%
Chemicals and pharmaceuticals	5%
Machinery and equipment	9%
Office machines and computers	1%
Motor vehicles and related	1%
Other manufacturing industries	9%
Wholesale	15%
Retail	1%
Financial services	4%
Real estate	0%
Health and social work	1%
Agriculture, hunting and forestry	2%
Mining and quarrying	0%
Electricity, gas & water supply	0%
Other	15%

# Survey results

	0	1	2	3	4	5 - 9	> = 10
A6_1. Number of employees when the company opened	6%	17%	18%	10%	10%	21%	17%
A6_2. Number of employees today	8%	6%	9%	6%	6%	15%	49%
A6_3. Number of employees when it closed if your business closed or joined a credit protection program or was somehow given a second business opportunity (beyond second chance)	27%	4%	0%	0%	4%	27%	38%
A total of 26 answered the question A6_3							

# Survey results

	Not at all	A little	Moderate	Very	Very much
B1. Financing: In Greece... [there is sufficient equity for new and growing businesses]	19%	45%	30%	5%	1%
B1. Financing: In Greece... [there is sufficient foreign capital for new and growing businesses]	31%	45%	18%	6%	0%
B1. Financing: In Greece... [there is sufficient bank lending]	44%	38%	11%	7%	0%
B1. Funding: In Greece... [there are sufficient government grants for new and growing businesses]	18%	39%	32%	9%	2%
B1. Funding: In Greece... [there are sufficient other financial tools for start-ups]	29%	42%	25%	5%	0%
B1. Funding: In Greece... [venture capitalists are an important source of private support for new and growing businesses]	27%	45%	18%	7%	3%
B1. Financing: In Greece... [there is a stock market that financially supports new and growing companies]	67%	28%	3%	1%	1%

# Survey results

	Not at all	A little	Moderate	Very	Very much
B 2. Government policy: In Greece ... [government policies are constantly favoring new businesses]	33%	37%	24%	5%	2%
B 2. Government policy: In Greece ... [supporting young and growing businesses is a high priority at national government level]	27%	32%	31%	7%	3%
B 2. Government policy: In Greece ... [supporting young and growing businesses is a high priority at the local government level]	30%	38%	22%	7%	3%
B 2. Government policy: In Greece ... [bureaucracy is a deterrent to new and growing businesses]	4%	6%	11%	21%	58%
B 2. Government policy: In Greece ... [the level of taxation is a deterrent to new and growing businesses]	0%	9%	11%	30%	50%
B 2. Government policy: In Greece ... [corruption is a deterrent to new and growing businesses]	5%	9%	21%	24%	42%
B 2. Government policy: In Greece ... [legislative instability and the constant change in tax laws is a deterrent to new and growing businesses]	2%	3%	15%	24%	57%

# Survey results

	Not at all	A little	Moderate	Very	Very much
B3. Government programs: In Greece... [technology parks and incubators provide effective support to new and growing businesses]	18%	41%	29%	10%	2%
B3. Government programs: In Greece... [government programs to support young and growing businesses are effective]	19%	34%	34%	11%	3%
B3. Government programs: In Greece... [there is a sufficient number of government programs to support young and growing businesses]	18%	47%	28%	5%	2%
B3. Government programs: In Greece... [anyone who needs help with a government program for new and growing businesses can find what they need]	27%	31%	26%	14%	2%
B3. Government programs: In Greece... [civil servants are competent and effective in supporting new and growing businesses]	45%	31%	17%	4%	4%

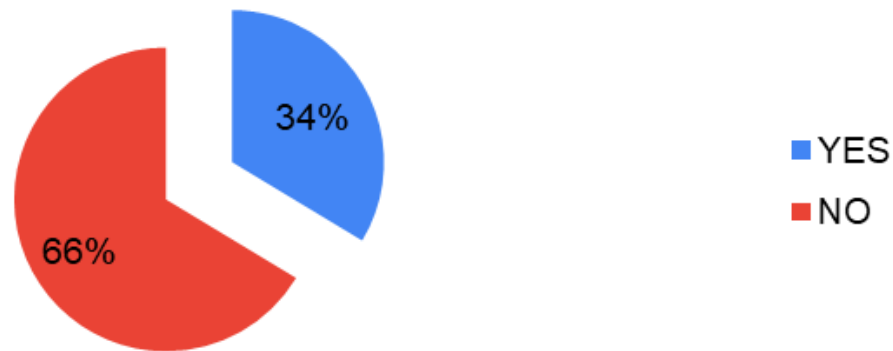
# Survey results

	Not at all	A little	Moderate	Very	Very much
B4. A businessman who has gone bankrupt to what extent do you consider yourself stigmatized: [in society?]	2%	13%	30%	38%	17%
B4. A businessman who has gone bankrupt to what extent do you consider yourself stigmatized: [in public services?]	5%	8%	19%	29%	39%
B4. A businessman who has gone bankrupt, to what extent do you consider yourself stigmatized: [in the banks?]	1%	0%	7%	19%	73%
B5. To what extent do you consider that ... [banks finance a new business if they know that a shareholder has gone bankrupt in the past?]	54%	29%	14%	2%	2%
B6. To what extent do you consider that ... [lack of discharge and / or long-term and burdensome debt repayments make it difficult to finance a second business opportunity?]	2%	6%	12%	34%	46%



# Survey results

**B7. Do you know about the second business opportunity programs managed by OAED?**



# Survey results

	Not at all	A little	Moderate	Very	Very much
B8. If so, [how effective do you think they are? [Not at all (1), Little (2), Moderate (3), Very (4), Too Much (5)]]	24%	38%	29%	7%	2%
B9. To what extent do you think the following actions can contribute to a successful second or even third business opportunity? [second business opportunity programs from OAED]	12%	44%	31%	14%	0%
B9. To what extent do you think the following actions can contribute to a successful second or even third business opportunity? [Adoption in the legislation of fast procedures of liquidation and discharge of long-term and burdensome debt repayments for honest entrepreneurs]	4%	12%	19%	65%	0%
B9. To what extent do you think the following actions can contribute to a successful second or even third business opportunity? [increased networking between entrepreneurs / entrepreneurs]	5%	29%	42%	24%	0%
B9. To what extent do you think the following actions can contribute to a successful second or even third business opportunity? [development of a system for recognizing honest versus dishonest entrepreneurs]	5%	14%	21%	60%	0%
B9. To what extent do you think the following actions can contribute to a successful second or even third business opportunity? [second-hand entrepreneurs' access to funds, cash flows and credit, with few restrictions and no long debt repayment periods recorded in the bankruptcy process]	5%	15%	30%	51%	0%

# Conclusions

It is confirmed in our research that the entrepreneur who failed once is stigmatized in the banks and in society, creating obstacles for a second successful business opportunity.

It needs:

- adoption in the legislation of fast procedures of liquidation and discharge of long-term and burdensome debt repayments for honest entrepreneurs
- development of a system for recognizing honest versus dishonest entrepreneurs
- attracting foreign investment funds

# Conclusions

- development of special financing banking products
- increasing the possibilities of state financing
- creating / strengthening the capital market especially for start ups and / or second chance entrepreneurs
- reducing bureaucracy and corruption
- better staff behavior in government services to better serve entrepreneurs
- increase state programs to support new businesses
- strengthening technology parks

# Conclusions

- It is imperative that entrepreneurs who fail, get back on their feet faster and make a new effort with the wisdom of experience.
- If the characteristics of a framework for a second chance are identified in these entrepreneurs, they will largely achieve better results due to past experience.
- According to European Commission statistics, only 5 out of 100 bankrupts are fraudulent.
- The rest are honest. So with the 2nd Opportunity, tens of thousands, maybe even hundreds of thousands of Greeks, immediately rejoin the production process.

# Conclusions

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# Conclusions

This means:

- new job positions
- Revenue for the State
- psychological uplift for a huge number of Greeks who have fallen
- Immediate cessation by a significant number of companies of delinquent conduct to which they are necessarily led, having gone bankrupt in practice but are not officially bankrupt due to the lack of a Second Chance framework

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