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SOLVENCY AUDIT

2022



The Turkey – EU Business Dialogue (TEBD) Project

The **Turkey-EU Business Dialogue** (TEBD) is a project co-funded by the European Union under its IPA II programme with Turkey. TEBD is managed by EUROCHAMBRES, through a grant contract with CFCU, in close cooperation with TOBB, as the end beneficiary institution of the project. The TEBD activities are implemented through the European and Turkish Chambers of Commerce and Industry, and Commodity Exchanges.

The overall objective of the project is to strengthen mutual knowledge and understanding between Turkish Chambers and Commodity Exchanges, and their counterparts in the EU, thus promoting the integration of EU and Turkish business communities and ensuring a stronger awareness of the opportunities and challenges of a potential future Turkey's accession to the EU in both Turkey and the EU.

The TEBD project wants to promote a constructive private sector dialogue between the EU and Turkey that will lead to positive and lasting results for both sides.

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Executive Summary

Early Warning services, aimed at alerting companies of problems and helping them to turn around their business in time. This service has existed for at least 40 years in different countries. The comprehensive, nationwide and freely accessible Early Warning mechanism, originated in Denmark in 2007, has been successfully reproduced in adapted versions in Italy, Poland, Slovenia, Finland, Spain, Greece and Luxembourg. This tool is based on specialist assistance by volunteering business people and have proven to be effective and cost-efficient, as documented in various performance assessments.

Inside the EU, the “Insolvency Directive” 2019/1023, article 3, has obliged all EU Member States to have Early Warning mechanisms alerting debtors to problems that could lead to insolvency, and assisting them in overcoming these problems.

The Solvency Audit activity was developed under the Capacity Building component of the TEBD Project, with the aim to provide Turkish Chamber Executives with the training and tools to offer Turkish SMEs a service of a proactive solvency check-up, based on the best practices of the Early Warning Mechanism developed for European SMEs.

A team of EU experts was contracted to produce a diagnostic toolkit, which would allow Chamber Consultants to evaluate a company’s risk of insolvency or bankruptcy. Executives of 29 Turkish Chambers (selected by TOBB and EUROCHAMBRES) were trained on the diagnostic toolkit in three all-day webinars that took place in December 2020 and January 2021 covering five different modules based on the Early Warning methodology. Following the training each Chamber carried out solvency assistance cases with the support of the TEBD Team, and the experts.

Feedback collected from trainers, trainees and event organisers on the training itself and the pilot consultations of companies is analysed in this report as a ‘lessons learnt’ exercise. The observations made are grouped in four main topics (Trainee Characteristics, Recruitment of companies, Communication and expectations management, Training scope and format) and matched with targeted and practical recommendations.

The ‘Future Actions’ chapter goes a step further by introducing a forward-looking and strategic approach towards the success and expansion of the programme. It covers the main factors around which EW national operators across Europe have adapted and fine-tuned their strategies and examines the areas of Organisation of future training sessions, Recruitment of consultants, Recruitment of companies, as well as the need for launching a Mentoring scheme per EW standards. The final Chapter of the report examines the potential for further development of the programme in Turkey.

1 TEBD Solvency Audit

1.1 Scope of the activity

One of the components of the TEBD Project is called Capacity Building. This component aims to build capacities of Chamber executives by a variety of tools and activities that does include a dedicated Chamber Academy, Study Visits, and proven support tools for SMEs such as Acquis-, Energy Efficiency, Solvency Audits.

Following the first EU Acquis Audit activity that took place in 2019, a second “service” is developed in the project, the **Solvency Audit** activity.

The Solvency Audit is deemed relevant on the background of key developments in the Turkish SME sector affecting large numbers of vulnerable companies.

The objective of this activity is to develop capacity within Turkish Chambers to offer a first line service to companies who face difficulties. This service is based on the existing Early Warning Mechanism developed for SMEs in the EU. The objective is to develop a diagnostic toolkit, which allow the chamber and the company to evaluate its risk for insolvency or bankruptcy.

The methodology followed in the training sessions under the Solvency Audit is that of Early Warning as applied and promoted by the Early Warning Europe Network. In countries with a long-running tradition of Early Warning mechanisms, such as Denmark where 7.500 SMEs were assisted by Early Warning, independent evaluations demonstrate the value of the services in terms of:

- savings for the public treasuries (20 %)
- jobs created in companies that are successfully turned around (61 % higher than the average)
- improved management skills in surviving companies
- higher resilience among assisted SMEs (8 % higher survival rate during COVID-19 than the average)
- better success rates among second starters that were helped by Early Warning (across business sectors, up to 70 % higher than the average).

This approach is recognised as existing best practice by the EU’s Directorate-General for Justice ¹ and by leading scholars ². Under this approach, companies in crisis can seek impartial and confidential expert assistance free of charge. These three elements are essential to its success, because:

- the affected entrepreneurs are usually unable to pay for the service,
- they are under heavy pressure by their creditors and very often also the family and local community. Showing that you are in distress, even to a wife or husband, can be a significant barrier, which makes confidentiality essential,
- the crisis is often caused by bad counselling provided by persons with a direct financial interest (bankers, accountants, lawyers, management consultants etc.) who are, ultimately, profit makers and therefore acting in their own interest, not that of the company they are counselling.

Under this methodology, companies go through a stepwise assistance process comprising the following key steps:

Step 1: Screening and analysis

This is the first meeting between the entrepreneur and an experienced business consultant from a competent business promotion organisation, such as a chamber. The consultant analyses key documentation (budgets, accounts, price lists, strategies etc.) and questions the entrepreneur in order to get an overview of the company and the person to assess their competence for performing a turnaround. The problems affecting the company are analysed in depth to find root causes and symptoms. This step concludes with a decision whether there is a chance to turn the company around or not.

Step 2: Assistance

If the company is found to have a realistic chance of survival, assistance begins. Often, a specialised business mentor is assigned to the company. In the assistance phase, actions are prioritised by urgency and importance, and an action plan is agreed. The Early Warning consultant follows up regularly and ensures that the entrepreneur sticks to the action plan and is able to implement it.

¹ <https://vimeo.com/516366523>

² C. Paulus & R. Damann: European Preventive Restructuring, Article-by-article commentary, p. 82

If the company cannot survive, the Early Warning consultant helps optimise the closure. This includes speeding up all formalities, selling everything that can generate cash for reducing the debt, and appointing a lawyer even before the bankruptcy case goes to court. There are significant savings from this proceeding. In Denmark, for instance, this approach on average reduces tax debt from bankruptcies by 20% - a significant impact on the national economy.

Step 3: Back in business

If the company is turned around, the Early Warning consultant finalises the assistance, and the company is now again able to operate on market conditions and buy the necessary consultancy services.

If it closes, the Early Warning consultant advises on the best approach for requesting debt settlement

and / or opening a new company if this is the best solution for the entrepreneur.

The use of business mentors for assisting the companies in distress adds value to all steps of the action planning and follow-up. Many companies in distress face a complex set of problems that call for specific expertise to be solved. In practice, Early Warning consultants cannot be specialists in everything, and the access to the required skills sets often makes the difference between survival and closure. The mentors are senior businesspeople with long careers as managers or specialists, and they have knowledge of relevant business sectors, local / regional business environments, company types and specific areas of operating a company (management, strategy, organisation, accountancy, marketing, pricing, HR, stock-binding, export, standards, sales etc.).

Case illustrating the value of specialised mentoring:

A small chain of shops selling women's clothes in suburban shopping malls was losing money for consecutive years and was tied to expensive, multiannual contracts for rental, supplies, web shop and consumables that made it impossible to cut costs. As the company was renowned and respected locally, the bank offered to extend credit lines, but the entrepreneur could not accept creating more debt without a realistic prospect of making money, so he contacted Early Warning.

The EW consultant assigned a mentor who is specialised in retail trade in shopping malls. Based on his specialist knowledge, the mentor helped renegotiate the unfavourable contracts, created an overview of all profit- and loss-making products, calculated which shops in the chain were profitable and helped close two unprofitable ones, recycling the best employees in the surviving shops. The pricing of loss-making products was adjusted, and a new web shop was developed. The company is now profitable and rapidly paying off its debt.

With small national variations, this is the method followed by all Early Warning operators in Europe. Considering the success of adapting to different national frameworks, introducing it in Turkey seems a natural step to take. Turkey has a number of features making it suitable for the Early Warning approach, including:

- An extensive and locally anchored network of Chambers of Commerce, coordinated centrally by TOBB. This ensures an understanding of local business environments as well as a possibility to introduce initiatives that span all of Turkey.
- Significant data sets on all aspects of the Turkish SME sector, processed and stored by TOBB. This greatly facilitates the understanding of local business climates and how these evolve over time, and it allows for targeting communication campaigns, reaching out to relevant stakeholders, and seeing critical tendencies affecting parts of the Turkish SME sector before it is too late.

- A business culture where informal mentoring is widespread and where seniority and apprenticeship are prominent features of learning how to manage a company. This is important because it paves the way for an intuitive understanding among potential Turkish business mentors and mentees of how Early Warning mentoring is done.

The Early Warning Europe Network is an organisation comprising 31 partners from all over Europe: public business promotion agencies, chambers, sector organisations, academic partners etc. There are currently Early Warning mechanisms operating in 11 EU Member States, and they have helped turn around tens of thousands of companies in crisis. In these 11 countries, a total of more than 1000 business mentors are actively assisting SMEs in trouble on a daily basis, and the mentors themselves form a highly competent unit capable of integrating new national and international colleagues, generating new best practice and inspiring each other in their daily work.

The idea originated in Denmark in 2008, and today around 1 out of 8 bankruptcies are optimised with the assistance of an Early Warning consultant with an average saving for the public treasury of 20%³. This group of entrepreneurs are much more successful as second starters than the average and create many more jobs. Companies that are turned around by Early Warning Denmark have a higher survival rate in subsequent crises, create more jobs, and during the ongoing COVID-19 crisis, this group has even produced a growth of 8%⁴.

A sustained policy dialogue is ongoing between the Early Warning Europe Network and a series of non-EU countries to implement national Early Warning mechanisms, including Moldova, Serbia, Bosnia & Hercegovina, and Albania. The key focus in this dialogue is adaptation and integration in terms of business culture, institutions and legislation, so that “one size does not fit all”, and that each country achieves ownership of the Early Warning tool through dimensioning, focusing, adaptation, outreach and competence-based work with the consultants and mentors who will be working in the new national operations.

For implementing the solvency audit, an Online training is organised for 29 Turkish chamber executives selected by TOBB and EUROCHAMBRES.

The Solvency Audit activity is organised as a Mentoring and Training modules that took place from October 2020 until January 2021.

The mentoring and training modus consists of 5 different Modules:

- **Module 1:** Introduction to the methodology of Early Warning, understanding the concept, overview of the stepwise assistance, understanding the reasons behind opting for survival or closure of a company.
- **Module 2:** Assisting companies in distress – the initial contact with the company owner, screening and diagnosis, using the interview guideline, good practice in establishing an overview of the company and its problems
- **Module 3:** Assisting companies in distress 2 – action plan and follow-up, using the specialised tools of the toolkit correctly
 - Tool for creditor management (how to engage in the company’s negotiations with creditors to secure backing for the action plan)

- Tool for navigating bankruptcy proceedings/ insolvency checklist
- Guidance/good practice for strategic choices in the Action Planning

- **Module 4:** Case-based training. Presentation of real company assistance cases, highlights of value-adding elements, discussion and reasoning of strategic choices made by the consultant.
- **Module 5:** After the Turkish consultants have their first assistance cases): troubleshooting, best practice, dilemmas, replies to specific queries.

The Online training sessions are organised in 3 different sessions:

- **Training 1:** Module 1 & Module 2 together as a whole-day seminar

DATE	19th November 2020
SCHEDULE	09:00 – 15:00 CET / 11:00 – 17:00 TRT
LUNCH BREAK	11:30 – 12:30 CET / 13:30 – 14:30 TRT

- **Training 2:** Module 3 & Module 4 together as a whole-day seminar

DATE	4th December 2020
SCHEDULE	09:00 – 15:00 CET / 11:00 – 17:00 TRT
LUNCH BREAK	11:30 – 12:30 CET / 13:30 – 14:30 TRT

- **Training 3:** Module 5 as a whole-day seminar

DATE	12th January 2021
SCHEDULE	09:00 – 11:30 CET / 11:00 – 13:30 TRT

Following this training, each Turkish Chamber is committed to carry out 10 solvency assistance cases (all online) among different Turkish companies who face difficulties, offering assistance using the toolkit. The total target is therefore 250 Turkish Companies supported. The TEBD Team, with the support of experts, were in contact with each Turkish Chamber to complete the assistance cases.

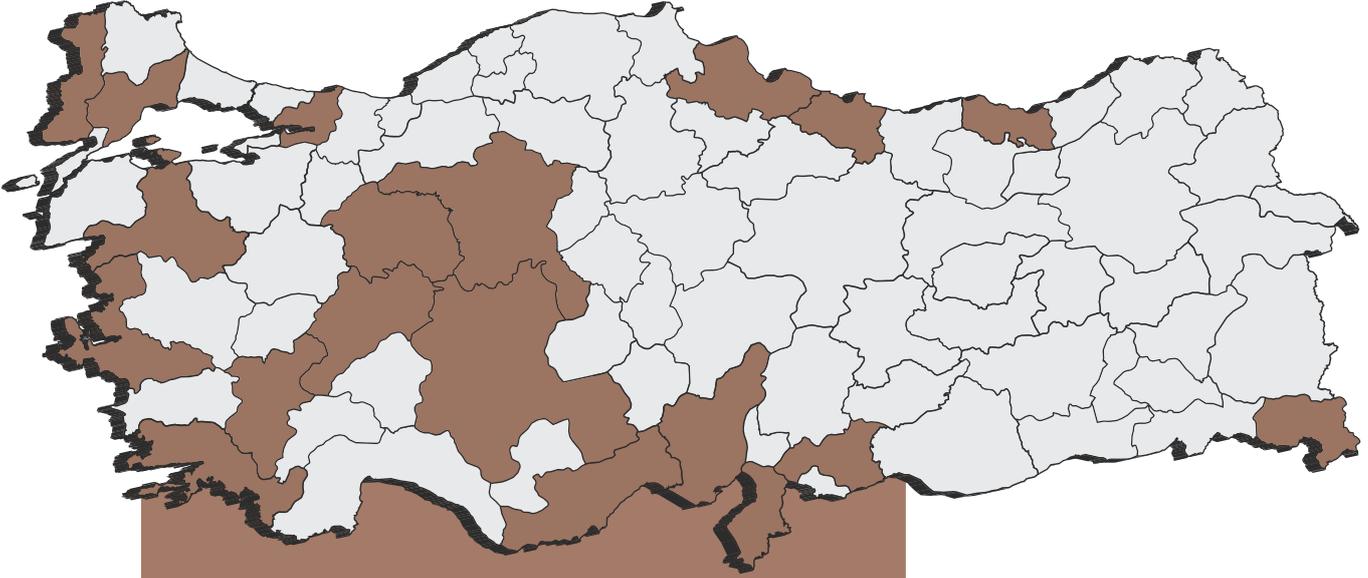
On the basis of the visits results, the Turkish experts provided the companies with information and advice where necessary on the recommendations or advice for further action.

The training and visits results are the basis of this comprehensive report which is published by EUROCHAMBRES and TOBB on the level of risk for insolvency or bankruptcy of the companies, and including specific recommendations.

³ Early Warning Denmark, impact assessment 2015

⁴ Early Warning Denmark, impact assessment 2020

The following local-regional chambers have been actively participating by allocating expert staff and reaching out to companies in the regions:



1. Adana Chamber of Commerce
2. Afyonkarahisar Chamber of Commerce and Industry
3. Ankara Chamber of Industry
4. Balıkesir Commodity Exchange
5. Bandırma Chamber of Commerce
6. Çerkezköy Chamber of Commerce and Industry
7. Denizli Commodity Exchange
8. Dörtöyl Chamber of Trade and Industry
9. Edirne Commodity Exchange
10. Eskişehir Chamber of Industry
11. Fethiye Chamber of Commerce & Industry
12. Gaziantep Chamber of Commerce
13. Gaziantep Chamber of Industry
14. İzmir Chamber of Commerce
15. İzmir Commodity Exchange
16. Kocaeli Chamber of Industry
17. Konya Chamber of Commerce
18. Ordu Commodity Exchange
19. Samsun Chamber of Commerce and Industry
20. Tarsus Chamber of Commerce and Industry
21. Tarsus Commodity Exchange
22. Trabzon Chamber of Commerce and Industry
23. Ankara Chamber of Commerce
24. Çorlu Chamber of Commerce and Industry
25. Yüksekova Chamber of Commerce and Industry

1.2 Scope of the training sessions and toolkit

The toolkit developed by the team of experts should be able to⁵:

- Raise awareness about the technical elements of insolvency and/or bankruptcy, common insolvency warning signs, the three tests of company insolvency principles etc.;
- Provide companies with a diagnostic that can be used to understand whether the company is, if it is entering in financial distress or in a situation that could lead to insolvency or bankruptcy; Support businesses in assessing their level of knowledge about financial distress, insolvency and bankruptcy;

- Provide businesses with further recommendations and identification of possible actions to be implemented.

Based on the above mentioned, the three training sessions aimed at developing capacity within Turkish chambers to offer a first line service to companies who face difficulties. The tools and checklists developed and presented should allow the chamber and the company to evaluate its risk for insolvency or bankruptcy.

The following is an overview of the training days, goals and overall content. For a more detailed view of specific tools and materials please refer to Annex I.

19.11.20 Training 1 – Module 1+2

Participation: 22 of 30 participants present

The first training focused on introducing the participants to the concept of supporting and assisting organizations who face operational and financial difficulties. The learning goals of the training were to:

1. Prepare the participants for the initial contact with the company by:

- 1.1. Giving the participants a framework for engaging with companies (and their owners)
- 1.2. Giving the participants an understanding of what it means to work with companies in distress
- 1.3. Providing the participants with a framework for assessing the personal and business-based state of affairs

Tool overview

- ✓ **Tool 1:** How to start a sincere and open conversation
- ✓ **Tool 2:** Assessment of managers level of happiness
- ✓ **Tool 3:** Company financial profile – first assessment
- ✓ **Tool 4:** Personal Swot

2. Equip the participants with tools and insights for the first meeting with the companies by:

- 2.1. Gaining insights into the code of conduct of assisting companies in distress

- 2.2. Providing tools for mapping and assessing the operations and results of the business and identifying its possible strengths or weaknesses.

Tool overview

- ✓ **Tool 5:** Basic understanding of the concept of assisting companies in distress
- ✓ **Tool 6:** Diagnostic tool

3. Provide a framework for evaluating the company's viability by:

- 3.1. Gaining an insight into the areas of concern
- 3.2. Providing recommendations for good turnaround management

Tool overview

- ✓ **Tool 7:** How to decide whether the company can survive or has to close

Participation: 19 out of 30 participants

The second training focused on equipping the participants for handling the process in both viable and non-viable cases. The learning goal of this training was to:

1. Provide the participants with a framework for the continuous work with viable companies by:

- 1.1. Introducing the participant to tangible tools for an actionable approach towards a healthy turnaround.
- 1.2. Give the participants a hands-on approach for mapping and gaining useful insights into the company together with the company-owner.

Tool overview

- ✓ **Tool:** Business Model Canvas

2. Provide the participants with a framework for the continuous work with non-viable companies by:

- 2.1. Introducing the participants to the process of out of court settlements with creditors
- 2.2. Gaining insight into the proceedings, tools and work-arounds available in certain situations

Tool overview

- ✓ **Tool:** Creditor management

3. Provide the participants with strategies for continuous support for both viable and non-viable companies by:

- 3.1. Gaining insights on how to ensure support to the company during its transformation
- 3.2. Gaining insights on how to ensure support to the company during its negotiations with creditors.

- 3.3. Gaining insights on how to ensure support to the company during insolvency or bankruptcy procedures.

Tool overview

- ✓ **Tool:** Negotiation tips and strategies
- ✓ **Tool:** Insolvency Roadmap

4. Give participants hands-on experience with the tools provided by:

- 4.1. Introducing the participants to real-life cases of companies in distress.
- 4.2. Letting the participants share and develop their knowledge and experiences with their peers.
- 4.3. Implementing tools and discussing action plans for cases with peers

Case studies and analysis with initial BMC's for completion by participants:

- ✓ **Case study 1:** Dress manufacturer
- ✓ **Case study 2:** Fast moving consumer goods
- ✓ **Case study 3:** Retail
- ✓ **Case study 4:** Restaurant

Participation: 13 out of 30 participants

The third training focused on feedback from participants on the use of the tools in action. The goals of the training were to:

1. Facilitate Peer-to-peer exchange and learning from experiences by:

- 1.1. Prompting the participants to reflect on and share own experience.

2. Collecting feedback based on participants experiences by:

- 2.1. Facilitating a plenary discussion on the use of tools

2 Pedagogical Approach

2.1 Background of the team of experts

The Terms of Reference (TOR) of the call for solvency audit experts, defined that the team of experts would be recruited among the European Chambers' network and/or Business Support Organisations which work for/closely with European Chambers to ensure familiarity with such organisations. Other requirements specified were a minimum of 5 years' experience in the policy area covered by the toolkit (solvency), proven experience in offering support services to SMEs and familiarity with the Turkish market.

Applications were evaluated according to the following criteria, which take into account not only the technical skills of the experts but also the soft skills required for a successful roll-out of the project i.e., familiarity with Turkish / South-Eastern Europe business culture and the candidate's personal motivation to participate in this project.

The recruitment process resulted in the following team of experts:

Morten Møller | Business Hub Central Denmark
mmo@erhvervshusmidtjylland.dk

Morten Møller is the Programme Manager of Early Warning Denmark and the Coordinator of the Early Warning Europe Network, a permanent network of partners across Europe assisting companies in distress and generating knowledge on early warning, insolvency, restructuring and second chance policy. He has a background in the consultancy business in the fields of trade, private sector development, support to the SME sector, logistics and transport.

Evangelia Daratsanou | Business Hub Central Denmark
edar@stratigon.gr

Evangelia is a certified Early Warning Mentor for SMEs. During her two years working as a Diagnostic Consultant for the Early Warning project in Greece, she successfully supported circa 143 businesses. She specialises in entrepreneurship, innovation, SME development, employment, and vocational training, funded by both direct and structural funds. She consults SMEs on the optimum exploitation of co-funded investments and modern business tools and products. She is a Co-founder of the Hellenic Investment Plan Evaluation Society, a member of the European Evaluation Society. Evangelia is the co-founder of the Greek consultancy called Stratigon Finance.

Katrina Zarina | Latvian Chamber of Commerce and Industry
katrina.zarina@chamber.lv

Katrina has a broad experience in the government relations industry. She is a strong community and public services professional skilled in international relations, negotiation, business planning. During her professional life she has developed good analytical and communication skills. Currently she is a member of the Management Board at Latvian Chamber of Commerce and Industry (LCCI) and also hold a position as Head of Policy Division. LCCI is the largest non-governmental business support organisation in Latvia, representing more than 2,600 enterprises. For the last five years she has been a national expert for the annual SME Performance Review conducted by European Commission.

Aruna Soogrim | CCI Paris Ile-de-France
asoogrim@cci-paris-idf.fr

Currently head of the distressed companies observatory at the French chamber of commerce (CCI Paris Ile-de-France), she has worked within insolvency law, distressed companies and jurisdictions since 2011. She started her career working with French insolvency practitioners, appointed by commercial court such as liquidators and administrators before moving on the French institution "AGS" that protects employees who have a claim for unpaid remuneration against an insolvent employer. She has also been teaching insolvency law at Sorbonne Law School in Paris.

2.2 Training methodology

2.2.1 Practical considerations before the training

Platform:

The workshops were conducted via the videoconference platform Zoom and lasted 6 hrs. incl. 1 hr. lunch break.

The platform was chosen because of its ability to facilitate both break-out rooms and for simultaneous translation. Zoom requires no configuration and has the necessary features for seamless interaction across organisations. The low threshold usability and non-organizational requirements also played a key point in choosing system and ensuring the highest possible participation rates.

Online format:

The online teaching format, and its difficulties in terms of communication, concentration, and interaction, have been constantly considered for the design of the workshops. During the duration of the trainings, the participants were encouraged to turn on their cameras to secure participation and interaction between the attendees. They were also prompted to turn off notifications on emails and mobiles and turn their full attention to the workshop at hand.

Two interpreters for simultaneous translation (English – Turkish) were provided to facilitate a smooth communication between the experts and the participants thus giving all participants equal opportunity for participation and understanding regardless of English comprehension.

In order to guarantee the retention of the information, different formats and modalities were used by the EU Experts during the training sessions. Such as:

- Break-out rooms with and without facilitation from experts
- PowerPoint presentations
- Video presentations
- Individual exercises and reflections
- Group exercises and discussions
- Plenary discussions

Shifting between formats and modalities aimed at accommodating a variety of learning- and retention strategies among the participants.

Structure:

Each training session started with an overview of the activity and the stage of the process, following with a presentation of the tools (using PPTs slides and videoclips examples).

64 % of the presentations in training 1 and 2 also included an element of participant engagement (Discussions in break-out rooms, Q&A's, self-reflection or example work)

Training 3 consisted of only participant engagement as the participants feedback was the sole focus in this session.

The last training, on the 12th January 2021, consisted mainly of obtaining the participants feedback in order to share their experiences, main tools used, challenges during the visits to companies, etc.

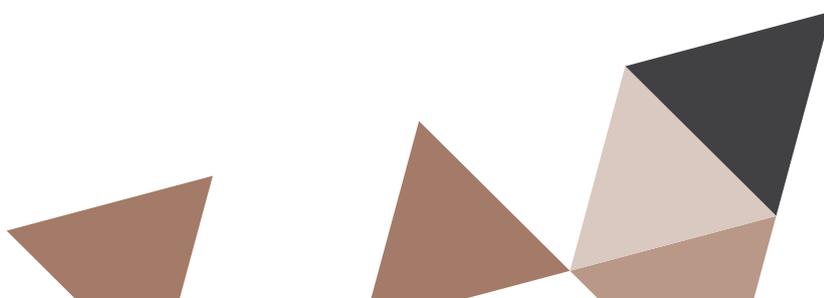
2.2.2 Communication and presentation

The design of the training sessions has been focused on ensuring continuity and consistency in the materials and streamlining the communication and presentation of the separate tools.

Therefore, every tool and presentation were reviewed 1-by-1 in individual coaching sessions between the experts and the TEBD Team. In these sessions, the materials, visual presentations and facilitation of the training were discussed from a didactical point of view.

This action was taken for the following reasons:

1. The clear agenda and step-by-step process of which the tools were presented represented an actual solvency audit process. This was meant as a sort of scaffold for the transfer of knowledge between the theoretical training and the real-life actions taken by the participants after the trainings.
2. By going through all the visual presentations, it was ensured that the tools were presented in a clean and distraction free visual design. This served the purpose of focus and retention for the participants as only essential information was included in the visual materials.
3. By identifying the key points for discussions, break-out-rooms and individual exercises we could design the trainings with an alternating flow between different modalities for optimal retention.



2.2.3 Tool selection and development

International bibliography and practice offer a vast range of toolkits and individual tools that were considered to be used as a basis for this project. However, the team of experts decided to develop a set of tools which:

- Have already been used successfully in similar target groups of trainee consultants and consultees.
- Have already been used successfully in business environments and cultures closer to Turkey, such as in EU members of the Mediterranean;

- Are easy to understand and be used by a substantial number and wide range of trainees.

The reason for this approach was to introduce tools that are practice-based and that are adaptable to the specific Turkish context (law, institutions, business culture etc.) while still preserving their core content.

3 Training Session Highlights

During the training sessions, it was highlighted the high level of enthusiasm and involvement of trainees in the case study exercises. The case studies used were real life examples of cases/businesses consulted in Early Warning Europe and were chosen because of their relativity to Turkish market and relatability to Turkish society in terms of company size, management structure, export activity and special circumstances (e.g., family business succession). The exercise was highly interactive and participative, with the trainees addressing the experts with questions of essence and successfully applying newly introduced tools, such as the business model canvas.

At the end of the training sessions, the Turkish chamber representatives were requested to recruit and assist 10 companies each in coverage area of their chamber, based on the methodology and tools of the trainings.

A total of 57 companies were recruited and assisted according to feedback received by the expert team. The 57 companies were reported by 8 of the participants out of the 13 who completed the trainings. Feedback included the following statements by the chamber consultants:

Egemen Akbulut, Eskişehir Commodity Exchange: The meeting I made with the company official was accepted and it increased its liquidity with the actions suggested by me. With know-how, revenues have increased and the company strategy has changed. (the consultant used his existing knowledge successfully in combination with the tools)

Tugce Kaya, Kayseri Chamber of Industry: There were very helpful tools for assisting companies but unfortunately there was not any applications from companies in Kayseri however we informed all of them. Due to the fact that there was no company which is willing to get assist, I could not send you any feedback. (the consultant has found the trainings useful and reached out through the communication channels of the chamber but not received any interest by local companies. This signals a need for raising awareness around this new initiative among local entrepreneurs)

Taner Hacıoğlu, Bandırma Chamber of Commerce: Meetings was held with the participation bank. The factory will not take any action for corporate financing. (the consultant has combined his existing knowledge with the use of the new tools to help the company avoid a banking arrangement that would have damaged the operation)

Songul Ozbey, Cerkezkoy Chamber of Commerce and Industry: The 2nd generation executives of the firm stated that they are open to improvement in institutionalization. The importance of advertising activities for increasing the awareness of the company has been understood. In doing so, it has been observed that it would be more advantageous to use state supports. (the consultant has used the tools and his own knowledge for guiding a company on organisational changes in the difficult phase of a generation transfer and advised on access to new support mechanisms, whilst fulfilling his task of gaining ownership of the changes through good communication.

4 Lessons learnt

Topic 1: Trainee characteristics

Observation 1.1

Some of the trainees did not meet all the competences requested on the Call for Participants (see Annex II)⁶. Thus, during the training it could be noticed that several participants did not have daily contact with SMEs. As a result of those unexpected gaps from the beneficiaries of the training, the risks facing the project were the following:

- These participants could not add the desired inputs to the process because of the lack of experience in the field;
- The participants might find difficulty following the trainer's teaching pace or understanding financial terminology;
- The participants might not have the opportunity to put the acquired skills to use for the benefit of Turkish entrepreneurs (at least not in the imminent future);
- The participants might not have the skills necessary to screen and select the appropriate companies for consultation.

Observation 1.2

A high number of the recruits did not participate in the training sessions. While absence in the second training could be indicative of the motivation of the selected trainees, the fact that some did not attend the first training is food for thought on how such an activity could be addressed to the Turkish chambers in order to gain their commitment and full understanding of the objectives and benefits from the beginning. As detailed in Chapter 7 below, adapting the format of the trainings to the participant group could be expected to address this issue: organising the trainings physically in Turkey, not possible due to COVID-19 restrictions, had surely yielded a different outturn. And addressing specificities of Turkish business culture in an open exchange with the participants in order to integrate their views and experience, as detailed in Chapter 7, is also recommended.

Recommendations

Conducting interviews with candidates prior to their selection could help filter out those who do not appear motivated enough, do not meet the requirements as consultants or whose level of English would not allow them to be effectively trained by an international group of experts. An interview process would also:

- Allow for the selection of the candidates most willing to actively participate in the sessions (talk on camera, ask questions, contribute to the break-out room activities);
- Clarify whether managers by title also serve as consultants (in the case of smaller Chambers);
- Indicate any local issues, organisational or other challenges that should be taken under consideration.
- Allow for an adaptation of the training materials to match the participants' profiles.

Topic 2: Recruitment of companies

Observation 2.1

Following the 2nd training, the participants expressed that attracting interested businesses proved quite difficult for the trainees. The level of difficulty can be explained by the fact that a percentage of the trainees did not have experience from the daily, hands-on work with local SMEs (see Observation 1.1), by the limited timeframe participants were given to reach out to companies but also by the use of ineffective recruitment methods.

The expert team's suggestion was to make use of the pool of companies already collaborating with the Chambers on other projects or services by identifying signs of financial distress.

When reaching out to the relevant local companies, several of the chamber consultants found it difficult to build trust with the entrepreneurs and reach an understanding of how serious their situation was. This topic was addressed in the trainings but could have been further elaborated.

Recommendations

2.1 For the consultation methodology to be applied effectively, it is essential Chambers make a coordinated effort to attract companies who are genuinely in need of support (see 5. Future actions).

2.2 The new service should be communicated within the organisation to encourage referrals of companies working with other colleagues. The identification of suitable companies would require awareness-raising with regards to early signs of financial distress.

Topic 3: Communication and expectations management

Observation 3.1

During the consultation meetings with business owners, the trainees observed the following counter-productive behaviours:

- Owners considering themselves as “experts in running their own company” but at the same time were unable to provide basic information on their business;
- Owners giving insincere answers to pretend they are not facing any problems;
- Owners were particularly reluctant to sign the Memorandum of Understanding (MoU).

The root causes of the above reactions were identified as:

- The fact that some of the tools (e.g. a formal MoU) and some of their contents (e.g. some interview questions) were too direct for Turkish business culture. This was stated despite the fact that the training materials complementing the tools focused on the correct use of the tools, including the interview questions, and there was detailed guidance for the participants to ensure that they were able to adapt the questions to the situation;
- The overall miscommunication which resulted in a lack of understanding of the programme’s purpose and its value to entrepreneurs.

Observation 3.2

Although the Union of Chambers and Commodity Exchange of Turkey (TOBB) is not associated with direct financing, several business owners were under the impression that participation in this project would directly lead to funding.

Recommendations

3.1 A successful first meeting is about expectations management and setting the tone of the whole collaboration.

What needs to be communicated is that the entrepreneur will only benefit from this service through honest cooperation with the consultant and full disclosure of their circumstances. The consultant’s advice will only be as good as the information the company is providing.

The challenge of every fact-finding interview is to maintain both the flow of the discussion but also its intended structure. An experienced consultant will not get carried away by the interviewee but will use the toolkit to keep the discussion focused. The wording of the questions will have to be adapted to the context (general situation of the company, business sector, owner’s personality, urgency) but the consultant should always keep in mind that the tools aim at gathering factually accurate information and lead to the request of basic documentation. Consultants should consider introducing the MoU after performing the diagnosis, when the owner has a better understanding of the nature of the service (also see 5. Future actions).

3.2 Solvency Audit should not be linked with financing opportunities. Providing liquidity to a business in need of restructuring (operational, financial, marketing) will only prolong their crisis. However, the products of successful consultation (i.e., a new business model, marketing plan, cash-flow or profitability forecast) may support a company’s financing or debt restructuring applications. In fact, such a procedure already exists in Finland, where companies applying for export grants from a public agency (Finnvera) must be deemed solid enough to manage the grants, and the successful implementation of an early warning assistance by the national service providers (ELY-Keskus / Yrittäjät) is one way for the companies to reach this status.

Topic 4 – Training scope and format

Observation 4.1

Participants' learning process was disrupted partly because of the long duration of the virtual training sessions but also because of their learning environment, the complexity of focusing on an extensive training while they are attending the training in their work environment, allowed participants to answer their phones, emails and talk to colleagues or turn their cameras off.

Recommendation

Given the training was conducted virtually, some ways to encourage on-camera interaction and participation in discussions and Q&A sessions would be:

- To organise shorter sessions;
- To split the participants in teams of 2-4 from each chamber and shift the training sessions between mixed groups in online break-out rooms, local teams, and plenum sessions;
- To provide participants with the time-off and dedicated space for the training.

Observation 4.2

Some participants found it difficult to follow the training material as it did not include an introduction to insolvency audit or bankruptcy as a process, their necessity and implications, and it did not cover financial and legal terminology regarding insolvency.

Recommendation

To cover the educational needs of this specific category of participants it would be useful to expand the scope of training to:

- Define and explain solvency jargon and present methods to improve financial literacy;
- Present best practice examples of Solvency Audits from European countries to improve understanding of the process and its benefits to companies and to a country's economy;
- Present ways to attract companies and communicate the value of this service to the owner and its employees;
- Explain the necessity of preparing an information kit of any available financial support schemes and grants.

5 Recommendations' Summary

1. Suitable trainees should be selected following an interview assessment process and according to specified criteria.
2. Chambers should make a coordinated effort to attract companies who are genuinely in need of support by making use of their existing pool of working relationships with businesses and by a communication and outreach effort adapted in wording, message and channels to the local SMEs.
3. The company recruitment process should be restructured to include achievable deadlines and progress monitoring by the team of experts.
4. First meetings should be used to manage expectations and communicate the purpose and value of the project.
5. Factually accurate information should be collected through an open and relaxed but also structured conversation.
6. Arrangements and adjustments should be made both by the expert team and the chambers encourage participation and focus during virtual training sessions.
7. Adapting the training material to the profiles of the existing participants if recruitment according to initial specifications is not possible.
8. Include explanation with examples, cases, numbers etc. of how Early Warning works in other countries.
9. Starting the activity with an in-depth understanding of the situation of local SMEs in the coverage area of the participating Turkish chambers.

6 Future Actions

While the recommendations analysed in sections 4 and 5 provide easily applicable answers to the issues observed, the future success and expansion of the programme would also require several strategic rather than tactical actions.

The experience of Early Warning Europe (EWE) has proven that for a project of this nature and scale to succeed, it needs to be embraced by the Chambers as a new core activity and become part of its strategic plan, with dedicated time and resources. A strategic approach entails a methodical planning of the training and recruitment both of trainee consultants and consultees (businesses).

Such an approach has in fact proven to be a key success factor in the implementation and adaptation of the Early Warning mechanism in new countries since 2016. All national operators across Europe have adapted and fine-tuned the basic approach to factors such as:

- National legislation: key pieces of national legislation on insolvency, bankruptcy, debt discharge and their application for different company types have led to adaptations in terms of the guidance offered to different types of entrepreneurs. As an example, self-employed workers in Spain have an entirely different legal status from other company types, and the Spanish Early Warning mechanism was designed in 2017 to include the sector organisation for self-employed workers (ATA) and a comprehensive training package for the consultants and mentors working with these entrepreneurs. In Greece, bankruptcy legislation is complex and not SME-friendly, and in many cases SMEs in crisis are better placed by becoming inactive for an indefinite period instead of going bankrupt. This feature has played a key role in the advice given to entrepreneurs in crisis in that country, focusing on finding out-of-court solutions whenever possible.
- National institutions: a key factor for a successful Early Warning operation is the existence of public, semi-public, private or non-profit organisations that entrepreneurs in general respect and trust. Examples of this include the semi-public Chambers of Industry in Italy, the public National Chamber of Commerce in Luxembourg, the

public Business Hubs in Denmark, or even the private Family Business Foundation in Poland. This priority of trust and respect is fundamental, because it makes the entrepreneurs cooperate more openly, and it calls for an analysis of each national situation to find such organisations. Additionally, an Early Warning mechanism based on such an organisation will find it easier to cooperate with the most important stakeholders, who in general will tend to respect organisations with a high legitimacy in the market. In other words: the existing, successful Early Warning mechanisms have had to build on existing legitimacy and avoid partners who create conflicts.

- Business cultures: the Early Warning approach originated as separate initiatives in Denmark and the Netherlands more than a decade ago. These are traditional North-West European business cultures with big public sectors, low crime rates, high taxes, a high level of digitalisation, high education levels etc. Moving beyond these countries has meant adapting to entirely different business cultures. These adaptations are numerous but include:
 - Adapting to low levels of trust in the State: in countries where the State is seen more as an enemy than a friend for the entrepreneurs, it has taken much bigger efforts to gain their trust. With Poland being a good example of this, the outreach and communication has focused heavily on the person-to-person relation, showing the entrepreneurs that trustworthy high-level specialists and experienced consultants are standing by to help them. The use of actual cases, success stories and testimonials from “survivors” who turned around their business with the help of Early Warning has been crucial in these conditions, and even more so when these persons are known by the public.
 - Understanding common characters among entrepreneurs: in some business cultures, a specific behaviour is seen in many of the assisted entrepreneurs. These behaviours are linked to local business culture but also to being in a personal crisis, which makes it harder to open up to new ideas and solutions.

An example, which is very commonly observed in the Mediterranean Early Warning operations, is the “world champion” character. This entrepreneur gives the impression of knowing everything about the company, its finances, the market etc., refuses to accept the advice of an outsider, and often hides important information in the diagnosis (such as unreported / informal income sources of the company), as happened in Turkey. Many of them have built the companies themselves, and many are seniors around retirement age. The Italian Early Warning operation has adapted its outreach, communication, trust-building and diagnosis to this character by making it clear in the overview / diagnosis that Early Warning is there only in the interest of the entrepreneur, that the only way we can help is through their full cooperation and information, and that the consequence of not cooperating fully is that in many cases they will lose their company.

- A focus on frequent problems: in some countries or regions, most of the companies contact the Early Warning operators with the same problems. The operators have had to adapt by recruiting consultants and mentors with this specialisation, by spending extra resources on exchange of experience between them and by giving continuous training to keep their skills updated. An example is Poland, where the fall of communism led to a wave of new companies in the early 1990s. These entrepreneurs are now retiring and passing on hundreds of thousands of companies to their children. This leads to a series of problems – succession requires a lot of paperwork and can be costly, the second generation does not have management experience or the professional networks of their parents, the companies often desperately need renewal that the older generation has neglected, etc. Another example is specialised regional economies where most companies depend on the same income, such as the tourist regions of Spain. There, more or less everyone is directly or indirectly dependent on foreign travellers, who are staying away due to COVID-19, Brexit and the collapse of the British travel operators (Thomas Cook, BMI, FlyBe etc.). Without realistic prospects of making money in the near future and with few other ways to make an income, these entrepreneurs need very focused advice on closing their companies, limiting their debt, preparing for a restart when the tourists come back etc.

Organisation of future training sessions

a. In depth analysis of the Turkish market

In addition to adapting the wording of the toolkit to Turkish context, it is crucial for trainers to have a better understanding of the current situation in Turkey. This could be achieved by receiving a detailed PESTLE analysis and chamber-SWOT analysis conducted by the local chambers.

b. Logistics

Once the impact of the COVID-19 pandemic is overcome, the training should be seen as a team building event. Thus, it would ideally be organised as a conference of 3 days or more, preferably in an all-inclusive hotel, away from a city centre to ensure presence, focus and cooperation.

c. Data collection

Given the current status of the Turkish economy and its negative outlook on SMEs which account for 73,9% of total employment and 53,9% of value added to the GDP⁷, dedication of time and resources by Turkish Chambers to this project would have a significant impact on SMEs and the country's economy. For this impact to be measurable and the Chambers work to be effectively communicated, data collection and calculation of KPIs on SMEs is required.

Recruitment of consultants

The success of the project, every step of the way relies on the selection of the appropriate consultants.

It is essential that the training is advertised within the Chamber as an opportunity to acquire a new professional skill with immediate application to a new service stream. The professionals selected to undergo the training should in turn view the project as a long-term commitment and investment towards a new career path.

In addition to the aforementioned recruitment criteria of Annex II, it is advised that Consultants are:

- Committed, helpful and display empathy for the people they support;
- Discreet and capable of building trusting relationships;
- Unbiased and unconflicted – focusing solely on the interest of the company and its owner(s);
- Self-motivated, competent and persistent;
- Required to demonstrate all the necessary skills and competencies required to provide the services advertised to entrepreneurs.

Recruitment of companies

The recruitment of consultees should be approached as a bottom-up process, to the extent this is possible by local chamber culture and organisational structure.

a. Communication plan

Each chamber should prepare a dedicated communication plan for this specific project; this could of course be part of its overall communication plan.

The ultimate goal of the communication plan is to attract companies who will want to join the process willingly and are truly committed and in need of support by:

- Raising awareness of this service and reaching out to SMEs;
- Having an “educational” / social purpose in terms of changing mentalities:
 - prevention is better than reaction: (timely identification of early warnings of distress, identification and development of strengths)
 - nobody knows everything; training is continuous even for experienced entrepreneurs
 - asking for help is not shameful (and also the project guarantees confidentiality)
 - most entrepreneurs and businesses worldwide have faced or are currently facing similar issues
- Promoting this project locally and its associated culture (as described above) on every possible occasion e.g. other events, workshops, interviews;
- Using other international best practice like testimonials, targeted events, social media presence;
- Considering the idea of having a specific entrepreneur as the project’s ambassador (a person who recovered from bankruptcy/distress or did not recover but has learnt some lessons and wants to share them) ;
- Producing radio or TV ads using these “personas” of entrepreneurs (if budget is available) as this method has worked well in the past.
- Adapting the wording to Turkish context. The message, wording and choice of channels must be a perfect match with local business culture; differences might exist even between Turkish regions, business sectors, urban / rural settings, age groups etc.

b. Selection criteria - Commitments to be made by the company and the entrepreneur

- The company must be formally registered and active;
- They may experience difficulties and distress or be close to bankruptcy;
- Only “honest” entrepreneurs, committed to seeking support and collaborating with the consultants;
- Entrepreneurs determined to allocate time and effort;
- They may show signs of financial and/or assets stress, lack of liquidity to face structural expenses, loss of assets or insufficient assets to cover the liabilities, loss of main clients or late payments, any other indication of poor management or performance;
- Structural changes such as loss of partners, key personnel or corporate or family conflicts that could jeopardise the viability of the company in the future;
- Illness, bereavement, inability to find a successor or successors and conflicting priorities affecting the viability of the business.

Mentoring scheme

The reluctance to use the service and the perceived lack of relevant experience of Chamber consultants could be addressed by introducing a business mentoring scheme. Considering that Turkish business culture places high importance to rank / seniority and formal/informal apprenticeship, a mentoring system is expected to be seen favourably, as the mentor will be promoted as a senior specialist/manager in a relevant industry or service (e.g., Law, debt restructuring, marketing). Among successful examples of mentoring schemes from around Europe, Poland, Slovenia, Greece and Italy could be highlighted. Of high importance to the success of these schemes is a deep and detailed understanding of local business cultures. In Poland, for instance, the mentoring organisation found a great added value in introducing networking and support functions for the mentors, including case-based knowledge exchange, personal debriefing sessions, psychological coaching and similar. In Slovenia, the first phase of mentoring was boosted by frequent meetings with international colleagues to help streamline the first company assistance cases by the new Slovenian mentors.

In the following pages we describe the application of one of the national Early Warning Mentoring schemes as an example.

“The Early Warning Mentoring Scheme”

Mentoring as a tool and process of guidance, inspiration, encouragement, counselling, knowledge transfer, empowerment and motivation is performed by professionals (Mentors) who are usually experienced managers or company owners themselves and feel the deeper need to pass on their expertise to the next generation.

Mentors are meant to be highly competent, trustworthy and honest professionals, who recognise and respect the rights and views of their mentees. The mentees might themselves be professionals in positions of responsibility or decision makers (Board members, Managing Directors, General Managers, etc.).

As an example of a Chamber running an Early Warning project in South-eastern Europe, one of the Early Warning Europe partners launched a pilot Mentorship Programme. The reasoning behind this initiative was the need for cumulative knowledge and a wide range of expertise required to actively support 500 companies in distress.

However, the Chamber feared this pilot Mentorship Programme would fail for a number of reasons:

- Low level of volunteerism in the country’s culture;
- An even lower level of volunteerism among business professionals;
- Lack of motivation among the mentors;
- Lack of trust on behalf of the mentees;
- Subjective obstacles (lack of time, lack of financial motives, fear of interfering with companies in distress, the wide-spread mentality among company owners that no one knows the company better than themselves and they do not need someone else to tell them how to deal with their business)

In this context, the Chamber designed a Mentorship Programme, that focused on a fair and unique proposition:

- a continuous training for the mentors, via hands – on seminars, presented by European professionals who had a great experience and expertise in both mentoring and assisting SME’s in distress
- participation and interaction within a powerful and inspiring network of peers and successful professionals
- a tailor- made training programme for “SMEs Early Warning Mentors”
- a certification according to the Regulation of the Certification Scheme “SMEs Early Warning Mentors”, by INTERCHAMBER CERTIFICATION BODY

In exchange the Chamber asked for:

- Responsibility, to ensure the provision of a high level of professional assistance and support by the Early Warning Mentor
- Confidentiality, that leads to a relationship of truth and trust between the mentor and the mentee (company) and the disclosure of all information that would not otherwise be disclosed
- Empathy that leads to a sincere understanding of the mentee and the provision of empowerment and strength to continue
- Volunteerism that leads to the spontaneous, conscious and selfless professional offer from the Early Warning Mentor to the company owner in distress

The final outcome exceeded all expectations. Over 250 mentors joined the Programme in 1.5 years, assisting companies in need and more than half of them succeeded in the exams and were certified as “SMEs Early Warning Mentors”; an achievement they proudly communicate on every occasion.

Early Warning mechanisms in other countries are currently copying this example of best practice, and the documentation allowing for a certification of new mentors is readily available. The Early Warning Europe Network is able to assist a Turkish organisation in implementing such a scheme on a not-for-profit basis if requested.

7 Potential for Development

Feedback provided both by trainers and trainees on the training and pilot company consultations identified that the project's outcome was influenced by several particularities of Turkish business culture and market which should be carefully considered in the design and development of any future endeavour.

The main cultural inhibitors identified were:

A. The pre-existing association of TOBB and in general, Chambers or other governmental organisations with direct financing opportunities; a fact which does not help entrepreneurs appreciate and make use of the 'intangible' offering of know-how and specialist consultation. In other words, if many entrepreneurs expect access to some kind of financing, this clouds their perception of the consultation.

B. The reluctance to accept advice on their own business from 'strangers' (and especially female consultants, as evidenced by the feedback in Training Module 5); this can be explained by the fact that:

- Some tools or their content were considered too direct;
- The image/ social expectation and thus social pressure, is that a good entrepreneur knows everything about their business and never fails;
- The vast majority of Turkish SMEs are small, family-owned, without formal organisational structures. Hence most entrepreneurs:
 - are used to working on their own and on every aspect of their business;
 - the success of the family business is the measure of success and personal value of the family member running the business.

The above factors significantly influenced business owners' willingness to embrace the programme and combined with an unclear company recruitment process and lack of understanding of the programme's overall purpose (by both consultants and consultees), limited the success of pilot consultations.

Therefore, follow-up action could take the shape of an action plan with the following list of key actions:

- Setting up a partnership of Turkish chambers that have the resources, motivation and management backing for turning solvency audit into a permanent service. By joining the partnership, the chambers will commit to dedicating time among its consultants for being trained and for working with the companies in difficulties, and among its management for monitoring and supporting the roll-out of the service.
- Full integration into the service portfolio of these chambers and TOBB. The chambers should commit to integrating the solvency audit as yet another service that they offer and manage. This means that colleagues working with different services should know about the solvency audit and be able to refer companies in difficulty to the consultants working with solvency audits.
- Setting up of small groups, indicatively 2-4 persons, in each of the participating chambers, who will be working part-time in the field of solvency audit. This approach ensures that the knowledge will stay in the chamber if a staff member leaves, and it will also allow the consultants in these local teams to exchange knowledge and use each other's networks for a greater coverage.
- Turning the trainee group into a train-the-trainers team. As described above, around half of the participants in the present project were sufficiently competent, knowledgeable, and actively engaged to take the role as trainers. With extra capacity building to this group, the trainees can train their colleagues in the participating chambers. This has a number of advantages: no language barrier, insider knowledge of the Turkish chambers and their services, insider knowledge of the local business environment and independence of temporary project teams.
- A common visibility campaign supported by the TOBB, which clearly explains what the solvency audit is about in terms and messages that are adapted to the Turkish business environment, using examples of international best practice. The campaign should contain a common core for all participating chambers (brand, logo, visual identity, hashtags, channels etc.) with enough room for local variations to adapt the local context in each chamber.

- The introduction of early warning mentoring by senior businesspeople. This could follow the example in section 6 above, but starting with a small core group of mentors and expanding the organisation based on the number of company cases and their complexity.
- The set-up of a formalised stakeholder forum. The success of an Early Warning initiative under the supervision of the TOBB will be boosted by organising a forum with the key Turkish stakeholders. In such a forum, the usefulness of the Early Warning mechanism can be explained to the stakeholders, and news and results can be shared with them. Ideally, the forum will also be used for securing their backing and ambassadorship for the initiative in the shape of mentions, recommendations and referrals in their newsletters/social media, joint press statements, co-hosted events etc. The forum could be organised as regular online or physical meetings every 3 or 6 months. This format is already in use

in Denmark, where it has proven useful by giving the stakeholders a hands-on understanding of the problems affecting SMEs, the way they are helped and the needs for information. The Danish forum comprises the Danish Business Authority, the national banking federation, the national chamber of industry, sector associations for agriculture and construction industry, the lawyers' and accountants' associations and leading universities.

- Linkage of the solvency audit actions to the implementation of the EU Insolvency Directive 2019/1023 into Turkish law. The provision of early warning services will be mandatory when the directive is implemented (see article 3 of the directive), and having such a service before the deadline will give the TOBB and the chambers a central role in empowering Turkish companies to detect and manage crisis signs, thus minimising avoidable bankruptcies and creating a more resilient private sector.

8 Conclusion

The experience of the Solvency Audit Activity reinforced the opinion that Turkish Chambers and SMEs could benefit greatly from the further development and expansion of the Programme, just as so many SME's and organisations across Europe have, through the Early Warning mechanism.

This first Activity allowed for the identification of several factors – mainly the particularities of local businesses and the local business environment - which significantly influenced business owners' willingness to embrace the programme. These factors, combined with an unclear company recruitment process and varying degrees of understanding of the programme's overall purpose (perceived by the expert team among both consultants and consultees, judging from the feedback received), affected the success of pilot consultations, which nevertheless managed to create significant value for some of the companies assisted. This includes:

- Diversification of business, as evidenced in one agrifood production company which was helped to also sell advisory services B2B based on the entrepreneur's knowledge of the production and

supply chains, and beverage company helped to selling to previously unexploited market segments.

- New partnership structures, as seen in one case where a company was advised to address the crisis caused by Covid-19 by joining forces with competitors to achieve economy of scale.
- Opening the eyes of entrepreneurs to the little-known opportunities in Turkish law, as seen in a case of facilitated debt restructuring negotiations, and a regulated selling-off of disposable assets in another case.
- Adjustment of staff costs by enhanced use of trainees from vocational schools, as documented in a case in the fashion sector.
- Adapting to the domino effect of distressed clients or suppliers by identifying new ones, as seen in one case from a company making wood products.
- Strengthening the handover in a succession (business transfer) case by training the 2nd generation owner with a focus on maintaining production capacity.

As evidenced by these examples, and there are naturally several more, many Turkish SMEs visibly have a need for advisory services in the field of crisis management, and the Early Warning approach addresses these needs. In some cases, simple and quick fixes were found to be efficient, such as taking in more trainees for certain functions, whereas other required a more sustained effort, such as multi-focus managerial training. Feedback from the Turkish trainees shows that once a trustful work relation was established, many of the companies were able to understand and appreciate not only the need for a solution but also the proposed solution itself. In one case, a company was referred to another specialised chamber service as part of the solution, which is an excellent example of good practice in combining the efforts of several chamber services in helping the entrepreneur to the best solution.

These experiences should be carefully considered in the design and development of any future endeavour, not least because these are existing competences of the Turkish chambers which have been put capably into use by the Turkish consultants. To that effect, the Expert Team has prepared a plan of recommended actions. These are (in brief):

- The formation of a partnership of Turkish chambers that can and will fully integrate Solvency Audit in their service portfolio;
- The preparation and launch of a common visibility campaign supported by the TOBB;
- The introduction of a ‘train-the-trainer’ approach that will increase training effectiveness and expertise capacity thus mitigating key-person risks and ensuring service continuity;
- The formation of a formalised stakeholder forum;
- The introduction of early warning mentoring by senior businesspeople, at first at a small scale; and;
- The linkage of the solvency audit actions to the implementation of the EU Insolvency Directive 2019/1023 into Turkish law.

If implemented, the above strategic actions can maximise the Programme’s acceptance by Turkish SMEs and unlock its full potential for expansion across the Republic of Turkey.



Annex I – Training Agendas

ANNEX I – TRAINING AGENDAS

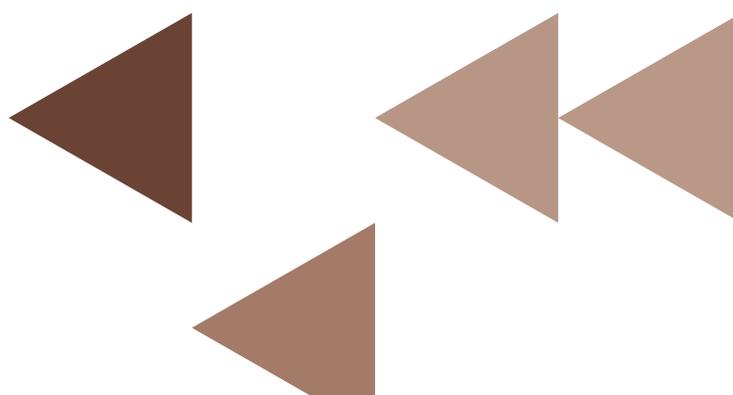
19.11.20 | TRAINING 1 – MODULE 1+2

TIME	EVENT	MAIN PRESENTER	OTHER
09.00	Welcome and presentation of the expert team (15 min.)	Morten Møller	
09.15	Step-by-step overview of the process and modules (timeline + step 1+2) (10 min.)	Katrina Zariņa	PPT
09.25	Tool: How to start a sincere and open conversation 1. Intro (15 min.) 2. Session Q1 (10 min.) 3. Session Q2 (10 min.) 4. Wrap-up (5 min.)	Aruna Soogrim	PPT + 5 break-out rooms
10.05	Tool: Assessment of managers level of happiness Short intro (10 min.)	Aruna Soogrim	PPT
10.15	Tool: Company financial profile – first assessment 1. Intro (15 min.) 2. Discussion about external factors in rooms (10 min.) 3. Facilitated wrap-up (10 min.)	Katrina Zariņa	PPT + Pestel template + 2 break-out rooms
10.45	Personal Swot 1. Intro (10 min.) 2. Film (6 min.) 3. Fill out own SWOT (10min.) 4. Facilitated discussion (10 min.)	Evangelia Daratsanou	PPT + Film + SWOT template
11.30 – 12.30	LUNCH	LUNCH	LUNCH
12.30	Step 3 intro (10 min.) Wrap-up step 1+2 + short intro step 3	Katrina Zariņa	
12.40	Tool: Basic understanding of the concept of assisting companies in distress 1. Intro (5-7 min.) 2. Split into groups (15 min.) 3. Share what they did (15 min.) 4. Facilitated discussion (15 min.)	Katrina Zariņa	PPT + 5 break-out rooms
13.30	Tool: Diagnostic tool 1. Intro (30 min.) 2. Q&A (15 min.)	Evangelia Daratsanou	PPT
14.15	Step 4 Wrap-up step 3 + Short introduction step 4 (10 min)	Katrina Zariņa	PPT
14.25	Tool: How to decide whether the company can survive or has to close up 1. Intro (15 min.) 2. Session Q1 (5 min.) 3. Session Q2 (5 min.) 4. Q&A (10 min)	Aruna Soogrim	PPT + 5 break-out rooms

ANNEX I – TRAINING AGENDAS

04.12.20 | TRAINING 2 – MODULE 3+4

TIME	EVENT	MAIN PRESENTER	OTHER
09.00	Welcome to second training	Morten Møller and Oya Ersöz	
09.15	Question for participants: "Is any participants already in process with local Companies" 10 min.	Morten Møller	PPT
09.25	Step 5 intro 5 min.	Katrina Zarina	PPT
09.30	Tool: Business Model Canvas 30 min + 5 min. Q&A	Evangelia Daratsanou	PPT
10.05	Step 6 intro 5 min.	Katrina Zarina	PPT
10.10	Tool: Creditor management 20 min. + 5 min. Q&A	Evangelia Daratsanou	PPT
10.35	Step 7 intro 5 min.	Katrina Zarina	PPT
10.40	Tool: Negotiation tips and strategies 15 min. + 5 min. Q&A	Katrina Zarina	PPT
11.00	Tool: Insolvency Roadmap 20 min. + 5 min. Q&A	Aruna Soogrim	PPT
11.25	Full timeline overview 5 min.	Katrina Zarina	PPT
11.30 – 12.30	LUNCH	LUNCH	LUNCH
12.30	Introduction to casestudies 1 + 2 10 min.	Evangelia Daratsanou	
12.40	Introduction to the objective for groupwork sessions. 5 min.	Katrina Zarina	PPT
12.45	Case Studies Analysis #1 40 min.	Evangelia Daratsanou, Katrina Zarina, Aruna Soogrim + Interpreter	4 break-out rooms – The experts will "visit" each group 10 min.
13.25	Discussion and presentation of findings 15 min.	Experts	PPT + 5 break-out rooms
13.40	Introduction to case studies 3 + 4 10 min	Evangelia Daratsanou	
13.50	Case Studies Analysis #2 40 min.	Evangelia Daratsanou, Katrina Zarina, Aruna Soogrim + Interpreter	4 break-out rooms – The experts will "visit" each group 10 min.
14.30	Discussion and presentation of findings 15 min.	Experts	PPT + 5 break-out rooms
14.45	Wrap-up and closing remarks 15 min.	Morten Møller and Oya Ersöz	



ANNEX I – TRAINING AGENDAS

12.01.21 | TRAINING 3 – MODULE 5

TIME	EVENT	MAIN PRESENTER	OTHER
09.00	Welcome to third training and introduction to the agenda of the day	Morten Møller and Oya Ersöz	<p>Today is going to be different from the other 2 trainings:</p> <ul style="list-style-type: none"> • A much shorter day. We only want to take as much time as we need. • No long presentations from experts. Its time for all your great work to come out • You start in groups discussing the work you have done since last trainings.
09.15	Introduction to the task at hand in the groups	Karina Svendsen	<p>PPT w. framework + Breakout rooms</p> <p>Discuss what you have done, the difficulties you encountered, what really worked great, which tools you used and which you didn't.</p> <p>Formulate 2-3 questions you want to ask the experts about in the next session.</p> <p>It can be something you need more elaboration on, examples from specific tools – anything you find that you need more information or are curious about.</p>
09.20	BREAKOUT ROOMS	Participants	<p>By letting the participants discuss their work between themselves, in their own language, we expect a broader participation.</p> <p>This peer-to-peer approach creates a safe space which allows for the participants to learn from each other more as equals rather than being informed.</p> <p>They can relate to each other's work and mirror their own work in the context.</p>
10.10	Facilitated discussion and dialog based on participants' questions.	Expert team	
11.30	Wrap-up of the day and good-bye	Morten Møller and Angela	

Annex II – TEDB Solvency Audit Call for Candidates

Solvency Audit - Call for Participants FINAL

The Turkey-EU Business Dialogue (TEBD) project

The **Turkey-EU Business Dialogue (TEBD)** is a project co-funded by the European Union under its IPA II programme with Turkey. TEBD is managed by EUROCHAMBRES, through a grant contract with CFCU, in close cooperation with TOBB, as the end beneficiary institution of the project. The TEBD activities are implemented through the European and Turkish Chambers of Commerce and Industry.

The overall objective of the project is to strengthen mutual knowledge and understanding between Turkish Chambers and their counterparts in the EU, thus promoting the integration of EU and Turkish business communities and ensuring a stronger awareness of the opportunities and challenges of a potential future Turkey's accession to the EU in both Turkey and the EU.

The TEBD project wants to promote a constructive private sector dialogue between the EU and Turkey that will lead to positive and lasting results for both sides.

The Solvency Audit

One of the components of the TEBD Project is called Capacity Building. This component aims to build capacities of Chamber executives by a variety of tools and activities that does include a dedicated Chamber Academy, Study Visits, and proven support tools for SMEs such as Acquis-, Energy Efficiency, Solvency Audits.

Following the first EU Acquis Audit activity that took place in 2019, a second "service" will be developed in the project, the Solvency Audit activity.

The objective of this activity is to develop capacity within Turkish Chambers to offer a first line service to companies who face difficulties. This service will be based on the existing Early Warning Mechanism developed for EU SMEs. The objective is to develop a diagnostic toolkit, which allow the chamber and the company to evaluate its risk for insolvency or bankruptcy.

An Online training will be organised for 25 Turkish chamber executives selected by TOBB and EUROCHAMBRES. Executives will be selected from across the country (regional spread) and following the competences profile criteria that will be explained in the following section of the Call for Participants. The training will be delivered by the network experts of EUROCHAMBRES and TOBB.

The Solvency Audit activity will be organised as a Mentoring and Training modules that will take place from October 2020 until January 2021.

The mentoring and training modus consist of 5 different Modules:

- **Module 1:** Introduction to the methodology of Early Warning, understanding the concept, overview of the stepwise assistance, understanding the reasons behind opting for survival or closure of a company.
- **Module 2:** Assisting companies in distress – the initial contact with the company owner, screening and diagnosis, using the interview guideline, good practice in establishing an overview of the company and its problems
- **Module 3:** Assisting companies in distress 2 – action plan and follow-up, using the specialised tools of the toolkit correctly
 - Tool for creditor management (how to engage in the company's negotiations with creditors to secure backing for the action plan)
 - Tool for navigating bankruptcy proceedings/ insolvency checklist
 - Guidance/good practice for strategic choices in the Action Planning
- **Module 4:** Case-based training. Presentation of real company assistance cases, highlights of value-adding elements, discussion and reasoning of strategic choices made by the consultant.
- **Module 5:** After the Turkish consultants have their first assistance cases): troubleshooting, best practice, dilemmas, replies to specific queries.

The Online training sessions will be organised in 3 different sessions:

- **Training 1:** Module 1 & Module 2 together as a whole-day seminar **(19th November 2020)**
- **Training 2:** Module 3 & Module 4 together as a whole-day seminar. **(4th December 2020)**
- **Training 3:** Module 5 as a whole-day seminar **(12th January 2021).**

Following this training, each Turkish Chamber will commit to carry out 10 solvency assistance cases (all online) among different Turkish companies who face difficulties, offering assistance using the toolkit. The total target is therefore 250 Turkish Companies supported. The TEBD Team, with the support of experts, will be in contact with each Turkish Chamber to complete the assistance cases.

Following the completion of these surveys, a general Solvency State Report will be drafted by each Chamber, providing a comprehensive overview of the potential for further developing these tools, and making recommendations for further action.

Participation requirements

You can participate in the Solvency Audit activity if you meet the following competences.

Compulsory competences

- Degree of Higher Education (preferably in Business Administration, Economics, Law or equivalent)
- They must be practitioners who work directly with companies, not management-level or administrative staff
- Overview of insolvency and the existence of useful/possible solutions of SMEs and entrepreneurs
- A minimum experience of 12 months in providing support to SME's (diagnosis of needs, financial ratio analysis, consulting services, business models or business plans implementation). Alternatively to possess a proven record of owning and/or managing a company,
- They must have basic knowledge of crisis management and/or turnaround management in SMEs

- They must have solid knowledge of the financing of SME operation: What is possible, what is not? How do banks evaluate a given situation?
- Ability/competence to quickly identify problems and opportunities in companies in crisis
- Be flexible and open-minded persons, not dependent on using same approach or tool in every case
- Full fluency in written and spoken English
- Good knowledge of MS office (particularly MsExcel, MSWord, MS PowerPoint) as a tool for financial analysis, report writing and the creation of presentation slides.

Preferable competences

- They must be able and willing to meet people in personal crisis, be enthusiastic about assisting SME's in distress and supporting the entrepreneurs themselves with empathy and a "can do" attitude
- Experienced in consultancy

Up to 25 Turkish Chamber executives can participate in the TEBD Solvency Audit activity.

Role as a participating Turkish Chamber expert

- Attend the 3 training sessions.
- Further to the training sessions, you will promote the Solvency Audit Assistance among Turkish companies in your Chamber.
- Further to this information campaign, you will select 10 companies in your region to contact them, and get the information needed for the analyses of the situation (all this process will be managed ONLINE).
- You will then contact the companies, go through the toolkit and verify, all the questions raised during the training. For each assistant you will have the constant support of the EU experts.
- On the basis of the results and supported by the EU experts, you will provide us with a document/report on the different cases you assisted.
- On the basis of the reports of all the Turkish experts, the EU Experts with the support of EUROCHAMBRES & TOBB will draft the Solvency Audit final report.

Financial & Technical information

Based on the format of the activity, that will take place online, no expenses (travel, accommodation, hotel, meals, personal expenses, etc) will be borne by the TEBD Project.

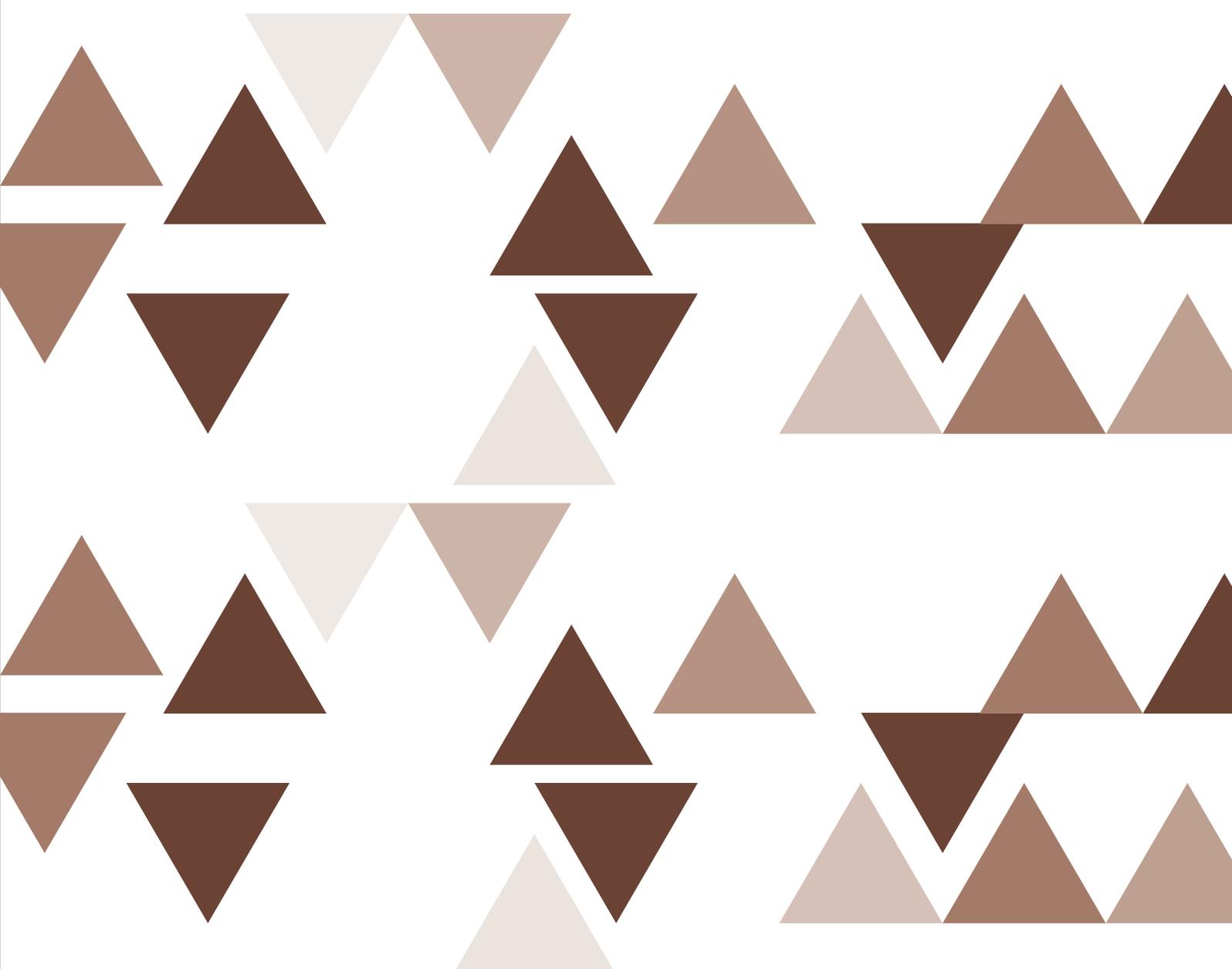
EUROCHAMBRES will provide the online platform which will be used during the entire activity, and basic remote technical assistant linked to the online platform will be also provided to the participants.

How to apply?

If you are interested in participating in the TEBD Solvency Audit Activity, please submit your application form by email to Ángela Ustároz (ustaroz@eurochambres.eu) by Wednesday 4th November 2020, 4.00pm Brussels time, at the latest.

Participants will be selected on the basis of the criteria mentioned above, and the questions included in the application form. Selected participants will be notified by 13th November 2020, and receive an official confirmation letter.

Participants will be required to mandatory attend the 3 sessions indicated before.



APPLICATION FORM

Turkey-EU Business Dialogue (TEBD) – Solvency Audit 2020-2021 Virtual Activity – October 2020 - January 2021

Please, fill in the document by typewriter
Deadline: Wednesday 4th November 2020 (4:00pm)

LAST NAME	
FIRST NAME	
POSITION	
YOUR CHAMBER	
ADDRESS	
EMAIL	
DIRECT OFFICE PHONE	
MOBILE PHONE	
CHAMBER TWITTER ACCOUNT	
CHAMBER FACEBOOK ACCOUNT	
ENGLISH KNOWLEDGE	YES / NO

Questions below will be used as a reference in the selection process.
The TEBD team may ask for additional information if required.

A. YOUR ORGANISATION

Please describe briefly the main features of your Chamber: (i) Profile of your Members (ii) Internal structure and (iii) Main activities (max 15 lines).

B. YOUR BACKGROUND

Please explain your personal background (short CV): studies, professional experience in the theme, role in the Chamber (max 10 lines).

C. YOUR MOTIVATION

Please explain in detail why you wish to participate in the Solvency Audit activity and which benefits of your participation will bring to your Chamber in the short and long run (max 15 lines).

D. CONSULTANCY KNOWLEDGE

Please indicate if you have a concrete knowledge or experience in supporting SMEs in the mentioned field.

Signed: _____

Date: _____

MORE INFORMATION

Please contact Ángela Ustároz ustarroz@eurochambres.eu
Tel +32 2 282 08 79

Annex III – Task Force Meeting Minutes

Solvency Audit Task Force Meeting
15 December 2021, 14:00 – 16:00 (TR)

DRAFT MINUTES

PARTICIPANTS:

TOBB

Mustafa Bayburtlu Head of European Union Department
Burcu Atilgan TEBD Project Coordinator
Cahit Ceren SME Research and Consultancy Center Manager

TEBD TEAM

Oya Ersöz TEBD Project Director
Ángela Ustároz Capacity Building Expert

EU EXPERTS

Morten Møller
Programme Manager of Early Warning Denmark and the Coordinator of the Early Warning Europe Network, Business Hub Central Denmark
Katrina Zarina
Member of the Management Board at Latvian Chamber of Commerce and Industry

LOCAL CHAMBERS

Taner Hacıođlu
Bandırma Chamber of Commerce, Industry, Foreign Relations and Project Coordinator
Gölnur Yıldırım
Antalya Chamber of Commerce and Industry, Project Expert
Arife Ünal
Antalya Chamber of Commerce and Industry, Project Expert
Pinar Alegoz
Tarsus Commodity Exchange, International Trade&Project Coordinator
Berat NAS
Körfez Chamber of Commerce, Secretary General
Egemen Akbulut
Eskişehir Commodity Exchange, Project Expert

The Solvency Audit activity was developed under the Capacity Building component of the TEBD Project, with the aim to provide Turkish Chamber Executives with the training and tools to offer Turkish SMEs a service of a proactive solvency check-up, based on the best practices of the Early Warning Mechanism developed for European SMEs. Executives of 29 Turkish Chambers (selected by TOBB and EUROCHAMBRES) were trained on the diagnostic toolkit in three day webinars that took place in December 2020 and January 2021 covering five different modules based on the Early Warning methodology. Following the training each Chamber carried out solvency assistance cases and evaluated 10 companies' risks of insolvency or bankruptcy.

In order to assess the impact of the pilot actions of this activity, and the potential to further expand the tools across the Turkey, TOBB with the support of EUROCHAMBRES aimed to create a Task Force, involving TOBB senior staff and local chambers. In this regard, Solvency Audit Task Force Zoom Meeting has been organised by TOBB and EUROCHAMBRES on 15 December 2021 with the participation of EU experts and 5 local chambers executives which have participated to the solvency audit trainings of the project and carried out solvency assistance to 10 companies in their regions.

The opening session of the meeting has been held by Mr. Mustafa Bayburtlu and Oya Ersöz. After the opening remarks, Morten Møller, Programme Manager of Early Warning Denmark and the Coordinator of the Early Warning Europe Network explained his observations regarding the solvency assistance cases of the Turkish chambers and their future solvency audit projects with the EU countries. Also he explained their new 3 years project on Early Warning Mechanism which will be implemented with EUROCHAMBRES starting from 2022. TOBB and the TEBD team declared their willingness to collaborate in the projects and benefit from the experiences of the EU countries on the Early Warning Mechanism to give input to Turkish chambers consultants.

The below Turkish chambers executives gave their feedbacks regarding the TEBD Project-Solvency Audit Activity and their solvency assistance cases as follows:

Antalya Chamber of Commerce and Industry

The companies (especially those in financial distress) are not willing to disclose their financial situation and they are also not willing to partake in such a project -unless there is any form of a financial aid/incentive and/or potential customer information in the process. They are also not motivated to spare their time -unless there is a tangible benefit, which would be delivered promptly.

The chambers are already providing free services to their members, like "Export Support Office", "Trade Intelligence" and "EEN – Enterprise Europe Network". With these services the companies are providing potential customer information as well as information regarding government incentives and/or support mechanisms. This new solvency audit mechanism also would be better to include to the chamber service system.

Eskişehir Commodity Exchange

As it happened in energy efficiency trainings, a document or certificate can be given to member companies that want to increase their solvency by transparently explaining their financial data. Under the leadership of TOBB, bilateral agreements can be made by negotiating with banks and credit institutions.

Companies with this document or certificate may be offered more attractive loan rates.

Second suggestion is that a certain amount of financial aid can be given to member companies that want to increase their debt solvency from the EUROCHAMBRES project budget.

A new information meeting can be held to announce this issue to wider masses. An information meeting with the participation of members will be beneficial in order to raise awareness.

In addition to the diagnostic tools given by the mentors, financial analysis trainings should be given to the chambers/commodity exchanges representatives. When we look at a company's balance sheet and income statements, our ability to analyse its financial structure will allow rapid intervention.

Tarsus Commodity Exchange

The solvency audit was so useful for understanding the specific problems in Turkish family companies (conflicts, succession, mediation, mix of private and corporate economy, tradition etc.)

- the best approach in case of both public and private debt in consideration of creditor rankings under Turkish law
- best practice in digitalisation as a way to professionalise companies
- best practice in accessing capital in the current economic situation

Member companies had advantage from the solvency audit, too much. They stated that it worked very well to try different negotiation methods with suppliers, customers and banks. They said that they did not anticipate that the solution could be that easy before. We really provided them awareness.

3 member companies were fresh fruit and vegetables wholesalers. They came together and began to export their products.

Another company at logistics and transport sector gave social media advertisements such as linkedin, instagram, facebook and more focused on e-commerce.

They all had information about government supports and incentives and they had advantage.

One of our family companies that they produce plastic crates, they also work in fresh fruit and vegetables sector. They have their own gardens. They had overdue payments, Reduced Turnover, Reducing profits, Increasing costs etc.

They had liquidity problem, and also they had problem with finding financial instruments. We helped company in its discussions with banking partners and they had the required credit. We built a Business Model Canvas, to have funding, collaboration and new customer segments.

Not only limited companies, but now we try to help to all our member companies about their financial problems. When they visit us or when we visit them we ask the solvency audit questions and we tell about the Business Model Canvas, new customer segments, negotiation methods etc. They all thank us for helping them and providing awareness.

TOBB:

- Cahit Ceren, TOBB SME Research and Consultancy Center Manager proposed to create a web platform for the solvency audit consultancy services to companies in financial distress.
- TOBB TEBD Project Coordinator Burcu Atilgan indicated the importance of the solvency audit best practice databases or booklets (if created) containing the EU companies solvency solutions in the framework of “Early Warning Europe Network Team” studies and requested from the EU experts to share this information with the Turkish chambers. Morten Møller informed us that they have created a best practice booklet and they would like to share with Turkish chambers.

CONCLUSIONS and SUSTAINABILITY STRATEGY OF TOBB:

- Creating a solvency audit web platform under the TEBD project web page (www.tebd.eu) for the consultancy services to companies in financial distress. According to this approach, an application form can be created for the companies in crisis and who can seek confidential expert assistance free of charges.
- It would be good to make a link between this project and TOBB Mediation and Dispute Resolution Center. TOBB Mediation and Dispute Resolution Center can support the companies if there are some disagreements/disputes between the companies each others.
- For the proceeding solvency audit activities in the framework of TEBD II project, financial management trainings will be useful for the chambers staff according to the level of their financial backgrounds. In this regard, these finance trainings should be part of the audit trainings.
- The trainees of the solvency audit trainings will participate to the events of Early Warning Europe Network Team with the financial support of TEBD II project if agreed with all parties and will organise the “train the trainings” events in their regions.



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