

Preventing insolvency through transparency and innovation

Nelson Soares Moreira examines the shift in emphasis from competition to mutual support in Portugal



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In Portugal's business environment, characterized by a preponderance of micro- and small-enterprises, the shift from a competitive culture to one of complementarity has been identified as a fundamental strategy to forestall financial crises, especially insolvency.

This transformation, rooted in transparency, innovation, and creativity, signifies the dawn of a new era in corporate governance founded on veracity, in stark contrast to obsolete practices of aggressive advertising, deceptive marketing, unsustainable consumption patterns or insular information systems.

A notable cultural and habitual pattern guiding organizational management has been observed. Many of Portugal's micro- and small-businesses are underpinned by familial ties, perpetuating certain behavioural norms over the years, as well as displaying a certain resistance to the adoption of new habits and organizational methodologies. Therefore, the adoption of a new mindset among Portuguese companies, centred on the transparency of methods and concepts, will cultivate an environment of cooperation and complementarity, in which organizations view each other not as competitors, but as partners in value creation. Indeed, the onset of the global COVID-19 pandemic and subsequent international conflicts have prompted a disruption in the daily lives of individuals and businesses, leading to a new approach to thinking and work methodologies.

New models and business approaches

Consequently, new models and approaches to business development, including transparency, are being explored. Corporate transparency, manifested in business procedures and decisions, is not merely a matter of complying with international recommendations, but fundamentally represents a new mode of business operation aiming for a closer relationship with all stakeholders. The adoption of new business operations will foster clearer, more objective, and pragmatic communication, reducing conflicts while promoting the company to levels of true and genuine productivity.

Therefore, implementing transparency policies that materialize into tangible aspects of corporate life, such as entirely open offices and departments, where information and knowledge sharing among staff flows more smoothly and effectively, becomes imperative. Decision-making within companies, as in all aspects of life, can significantly influence any organization's destiny. For this reason, establishing fluid, flexible internal mechanisms, where essential information is processed, so that data reaches decision-making bodies more objectively, is essential. Often, the essence of decision-making lies in timing, necessitating the introduction of internal, pragmatic circuits that enhance the fluidity of information and the speed of decision-making in a fully informed manner.

Innovation and employee involvement

Innovation represents another area of practical interest. Companies must innovate, necessitating a shift in mindset among entrepreneurs. Thus, assigning workers an active role in certain administrative decisions, involving them in the company's dynamics and culture, is crucial. It is often said, "companies are their people", a statement brimming with truth. In this context, workers cannot be seen merely as producers or "labour". As, without workers, companies naturally cease to function, therefore, they should play an increasingly active role in the company's destiny, feeling an integral part of it.

Moreover, it is vital for workers to participate in the company's dividends, in proportions appropriate to their specific situation. Often, pre-insolvency situations commence with disengagement by the workers, i.e., a lack of involvement with the company's culture and dynamic. A worker should not be viewed merely as an employee fulfilling a rigid schedule, but as a partner. In Portugal, "Happiness Departments" have begun to emerge, focusing on employee well-being, implementing various practices and initiatives to enhance work-life quality. For instance, there are companies where top administrators dine with a worker once a week, with discussions about work being prohibited.

Similarly, companies should adopt decision-making mechanisms allowing key



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stakeholders to be heard, for example, through the establishment of advisory councils within companies. This type of involvement from principal partners in the decision-making core significantly mitigates the risks of insolvency situations. Moreover, commitment among all involved parties is much greater, leading to increased responsibility. A clear example of participatory governance is the Mondragon Cooperative in Spain, promoting a shared commitment to the company's success, thereby minimizing financial and operational risks.

In this vein, the creation of an open innovation culture, where the company collaborates with start-ups, universities and research centres to develop new solutions, is imperative. For instance, Philips is renowned for its commitment to open innovation, collaborating with various external partners through its Philips Innovation Services programme. This strategy has enabled Philips to lead in various technological areas, maintaining financial health.

The role of AI

The pivotal role of artificial intelligence (AI) in the business world cannot be overlooked. In the authors' view, the cultural bases underpinning interpersonal relations have long been exhausted, necessitating the exploration of new forms and models of intelligence. Despite ongoing studies and research, AI could become an excellent complement and ally to natural (human) intelligence, reopening new perspectives and views on relationships and the world. It is increasingly important to understand the role that business organizations play in the life of society, inevitably leading to a remodelling of daily life, reconfiguring what truly constitutes human needs. For instance, AI can play a crucial role in risk analysis situations, such as through predictive analysis platforms, human resource management in identifying and



assessing the most suitable candidates, as well as detecting frauds, especially in IT, which can be challenging to detect and may drive an organization to imminent insolvency.

Summary

From our experience in intervening in corporate insolvency processes in Portugal, whether as consultants to Insolvency Administrators or as lawyers for declared insolvent companies, we find that insolvency's main causes are largely due to old business paradigms, namely overly restricted and closed internal circuits to the administration, not involving other stakeholders, coupled with a significant disengagement of workers from the company. In an era where information travels at supersonic speed, companies that do not adjust to these new operational models will undoubtedly enter situations of organizational and productive flow blockages.

In conclusion, it is crucial to reflect on the role that companies will play in people's lives in the

medium and long term. A company is an institution, as is a person, a family, a country. Signs of organizational decline are often perceptible well in advance. Timely detection is essential to avoid insolvency and its ensuing consequences. Designing business strategy in terms of business model and market positioning is fundamental. More importantly, however, is the training and education of people, directed towards complementarity and a common well-being based on new intelligence models, not competition, discrimination or old behavioural paradigms. The future is today, not tomorrow. ■



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