

Outlook for Small and Medium Enterprises in 2010

Discussion with Carlo Paris, President Paris & Partners

Mr Paris, how do you see the outlook for small and medium enterprises in Italy?

I think that we will see a sort of Darwinian selection process between now and the first quarter of 2010, when we will see the 2009 financial results. The weakest companies are at risk of dying out. If they are to avoid failure they need either to restructure or to get bigger, which could be achieved by acquiring other companies or by close alliances between a number of small firms to achieve the critical mass needed to survive. We will see a return to the situation in which some very small family run companies will focus on niche markets while others will seek to become large companies, run by professional managers and operating internationally.

Mr Paris, is it possible for small and medium enterprises to survive the global economic crisis? What actions do you propose they should take?

Yes, it is possible, we're certain of that at Paris & Partners. However, survival requires a clear view of the way in which markets will change and the will to make the necessary changes in strategy, company size, legal structures, organisation, financing and marketing: small and medium size enterprises need to innovate now so that they're ready to meet market needs in the post crisis scenario. We help companies by rediscovering their distinctive identity and excellence, redesigning their market positioning and creating the correct structure to survive during and after the recession. We get rid of everything which is no longer strategically necessary, cut costs and create alliances which bring new profit opportunities, often in new markets like India.

What services do you offer companies which need to restructure their debts?

At Paris & Partners, member of TMA, we deal with individual companies as well as with banks and commercial associations whose members need help. We help companies which are in trouble negotiate with the banks to restructure their debts and reach agreements without having to go to court. We work with industry associations to create the conditions in which their members can merge, designing new company structures and where necessary bringing in experienced managers to take operational responsibility while maintaining family ownership. We also facilitate the creation of alliances and help to bring in new partners, especially from India. In this way we can often resolve long standing managerial issues and problems associated with transfer of control between generations.

What kind of outside advisors do you bring in?

The secret is to identify the best human resources to manage companies through a crisis period and back to growth. We have a network of excellent legal and accounting professionals with expertise in turnaround situations in addition to our own internal competences, but we believe it's very important to work as a team with the professional advisors a company already has and bring in specific additional help only when strictly necessary. Turnaround needs to be achieved in the context of ongoing long term relationships with advisors who already know the strengths and weaknesses of their clients.

What are the services you offer to banks?

Through ARGY, member of AIFI, we help banks to mitigate losses by acquiring their holdings in distressed companies, allowing us to manage the situation more flexibly and efficiently. It's an efficient way to improve the balance sheet position: we acquire the shareholdings and restore their value, offering banks and other investors interesting opportunities to buy back into companies post turnaround.