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Eliminating the Effects of the Companies Insolvency Risk A Model Approach

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ABSTRACT

Introduction: Managers around the world identify risk of liquidity problems as the primary barrier of their decisions. In the global economy, in the turbulent environment, the effects of companies insolvency risk lead to many operational and strategic problems also because of contagion effect. Therefore, it is important to study the phenomenon of insolvency, determinants that shape it as well as seek opportunities to reduce the risk of this problem. **Research Question:** how to eliminating the negative effects of companies insolvency risk using a model approach? **Research methodology:** The aim of the study was to identify the determinants that affect the risk of insolvency of companies in Poland as well as propose a model the effects of companies insolvency. We propose models based on the profiles of risk factors and the actions and instruments to successfully manage the risks of default. We used Principal Components Analysis. **Practitioner/Policy Implications:** For a sustainable performance, in private companies should be instituted by the board of directors. This research is a part of project financed by the National Science Centre granted on the basis of the decision DEC- 2011/03/B/HS4/05503

KEYWORDS Insolvency; Risk; Company

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