Managerial competencies in tackling an acute company crisis

Manažerské kompetence pro řešení akutní krize v podniku

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Abstract: The crisis manager's goal is not only to stop the crisis development in the company, but, as a further step, to achieve the fundamental turnover in its development leading to a successful solution. Crisis management requires completely different managerial competencies from those used in "standard" periods as time pressure is a negative factor aggravating the situation and in addition to that, resources are reduced calling for stimulation. A crisis manager should motivate both himself and the staff and it is he who is expected to be creative even under pressure.

Key words: company crisis, crisis management, turnover, managerial competencies

Abstrakt: Cílem krizového manažera je nejen zastavit krizový vývoj podniku, ale následně dosáhnout zásadní obrat v jeho vývoji a podnik vyvést z krize. Krizové řízení vyžaduje zcela odlišné manažerské kompetence, než „běžné" období, protože v krizi působí negativně časový tlak a zdroje jsou redukované a musí se mobilizovat. Krizový manažer musí motivovat nejen sebe, ale i ostatní pracovníky, zvládat stres a současně být přitom kreativním.

Klíčová slova: krize podniku, krizové řízení, turnover, manažerské kompetence

Crisis represents a very difficult period for a company. Krystek (1987) defines company crisis as an unwanted and unplanned process of a limited duration and susceptivity with an ambivalent way out, terminated by the non-achievement of its dominant goals. Simultaneously, it may lead to a company's collapse. According to Krystek, during this process the crisis goes through several developmental phases: potential, latent and acute crisis.

Crisis as a process is just one type of crisis. The second type of crisis, which is a result of a breakdown or disaster inside or outside the company, is usually quite swift in its course. Witte (1991) defines such crisis as a multivalent decision-making situation in which the existence of a company is in threat; simultaneously it is characterised by the limited time for decision-making. The aspects of the limited time and the moment of surprise are mentioned by a number of other authors, such as Hermann (1972), Fink (1985) and Seymour and Moore (2000).

Unlike in the case of company crises resulting from a breakdown or disaster which are usually identified shortly after their occurrence, in case of process crises the period between its origination and its identification by the company management is frequently rather long. In its potential phase, process crisis usually manifests as a common problem while in the latent phase it may lead to the increased employee turnover rate, decrease in product quality, communication problems and poor co-operation among employees, workplace disorder, etc. (Zuzák 2004). Quite often these phenomena and trends are ignored by the company management and their negative impact is underestimated. This results in the evolving of the crisis into its acute phase demonstrated by growing insolvency. The advanced stage of the acute phase may be identified through financial analyses.

Even if the crisis develops into the acute phase, the company management does not respond adequately to the situation. The survey carried out in 130 companies in Germany, Austria and Switzerland (Bickhoff et al. 2004) has revealed that 62.5% of these companies could identify crisis as early as in its latent phase and 28.4% five or even more years before it actually caused

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the decrease in company's success. The survey has also shown that after the first identification of crisis signals, it took the management of these companies an average of 1.2 years to take measures to eliminate the crisis. Similarly, in the mid-1980s Bibeault (1998) tested reactions of 81 American companies in the phase of latent crisis and found out that 79% of them had totally ignored them.

If crisis is identified in its acute phase of development, the company management should introduce crisis management measures aimed at "putting the company on its feet" and restoration of its former position. One of the measures applicable at the time when the company is still viable (not on the verge of bankruptcy) is the turnaround strategy, a radical American philosophy of crisis management which is built on three basic pillars (Zuzák 2004): fast procurement of cash, crucial change in the company strategy and nomination of a strong leader to lead the crisis management. Crisis management is perceived as an "extraordinary situation" that requires specific procedures, completely different from those that are applied under other circumstances.

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OBJECTIVES AND METHODOLOGY

The aim of the contribution is to identify the factors that affect companies in the period of crisis and those work differently that in the period of acute crisis. In relation to these differences, we will try to determine managerial competencies of a crisis manager who is to manage the company in a crisis period and whose task is to lead it out of the crisis and restore its competitiveness.

To identify the differences in company management during crisis and during standard periods and to determine the crisis manager competencies in the application of the turnaround strategy, the following methods have been used: half-structured interviews with managers and company advisors involved in tackling company crises, questionnaires and observation.

RESULTS AND DISCUSION

The aim of the crisis manager who takes over a company in the phase of acute crisis is not only to stop its further downfall, but also to lead the company out of the crisis and, through a radical and fundamental change, to gain a new position in relation to its competitors. The crisis manager thus becomes the "carrier" of this change. The term "acute crisis" relates to a situation different from the common norm which calls for quite different qualifications on the part of the crisis manager. Not all managers have competencies necessary for crisis management and skills to perform this role. That, however, does not mean that these people are poor managers. Although they can prove very successful under common circumstances, they fail in crisis situations. They are not able to cope with the increased level of stress and to adapt to and deal with the different style of management.

Based on the survey and analysis carried out, the main differences in management style have been identified which project in differences in competencies.

Time factor

Although not as crucial as in the case of crises resulting from breakdowns and disasters, time plays an important role in crisis management. The longer the crisis lasts, the faster the problems worsen. This requires, more than in the latent phase, speedy decision-making which, however, must be adequate to the given circumstances. All that creates stress to which individuals react differently. To launch crisis management, it is vitally important to promptly identify the cause or causes of the problem, to set priorities and measures for their elimination. Simultaneously, the time factor is essential in the process of searching for opportunities since only by exploiting an opportunity the company's position may change significantly. In combination with other factors, such as limited resources and resource mobilisation, the time factor sets a heightened requirement for the ability to distinguish between the important and unimportant, urgent and non-urgent, and efficient and inefficient.

Resource mobilisation

During crises, resources may be partly devastated and exhausted. It is greatly influenced by the period of duration of the hidden crisis and the time interval before the introduction of an efficient crisis management. One of the first steps a crisis manager has to take is to evaluate the situation in the company in terms of resources: what is the remaining potential of the company and which of its valuable assets may it use and exploit? In order to lead the company out of the crisis, the resources available have to be used very efficiently.

The minimum requirement is to keep those customers who remained loyal even during the crisis, to start searching for new customers, in particular those with growth potential and/or those who are able or willing to provide cash within a short period of time. This requires the segmentation of customers according to the following criteria. Establishing bonds with customers is also possible, in particular through alliances which are less binding and thus less risky than mergers associated with other dangers.

The availability of resources includes the engagement of qualified and loyal employees willing to join the crisis team. At this point, however, it is necessary to point out that a crisis team can only work efficiently and support its crisis manager if there is an ability to communicate, to engage in the synergic team work, to be creative and to adhere to the measures and procedures taken. The crisis manager has to be able to find completely new resources that will become the potential for a change. Such resources may include in particular the undiscovered, hidden, ignored or even rejected abilities and ideas of people.

Motivation

Crises represent, for both the crisis manager and the entire top management team, an opportunity for self-fulfilment, it is a challenge to demonstrate or test one's own skills in overcoming barriers. For some managers, it is an opportunity to "build a name" in managerial circles.

Only a self-motivated manager who is aware of his skills, in the positive sense of the word, can motivate others. Kopčaj (2000) wrote that "one can never achieve long-term external success unless successful inside". The manager has to be able to pass his energy, sober optimism and faith in success on others. His competencies include the competency to convince all other qualified and devoted employees willing to support him to join the crisis team and take part in the activities aimed at leading the company out of the crisis.

The manager's radiating internal self-confidence together with his abilities and informal authority are transmitted to others and the employees who are worried about their future gain more confidence, feel inspired and motivated to act. Trust is one of the typical traits of leaders and crisis management requires a crisis manager who is a leader.

Responsibility

Crisis managers take on an increased responsibility for the interest groups involved. It is by no means an easy task as their success or failure impacts the standard of living of the families of employees, but it may also affect suppliers and customers. Crises have a negative impact on owners who expect increase in the value of their deposits and sometimes also of their personal savings. Realising such responsibility is one of the key managerial values and literally an obligation, but at the same time, and this is particularly difficult, it should not be too binding and lead to the postponing of important decisions that the manager deems correct and necessary.

Change in attitudes and thinking, communication

Crisis managers are the leading architects of change, "carriers" of the predominant idea. They have to win the company employees for the change and their vision of the desired state of the company. They may not succeed in implementing a change with just a narrow circle of collaborators or on their own, without having the support of the majority of employees. They need to possess and employ their personal mastery that Senge (1994) characterised as the discipline of continually clarifying and deepening our personal vision, of focusing our energies, of developing patience, and of seeing reality objectively.

To execute the change, managers must choose a procedure corresponding to the given situation and follow the below specified steps, if possible.

1. Inform the employees openly and plainly about the situation without emotions and without searching for or identifying potential or real parties responsible. Moreover, it is necessary to mention the impacts of the situation on the company and its employees, briefly outline the measures to be taken, the procedure to be followed and the company's expectations from the employees.
2. Time permitting, involve a large number of employees into the process of developing of a new strategy and thus increase the probability of its acceptance.
3. Identify key employees, informal leaders and staff willing to accept the change and win them for the new strategy. Eliminate the influence of those who are against (any kind of) change.
4. Present the new strategy to the personnel and explain the process of change.

Management style

Acute crisis as an exceptional situation requires the concentration on the use of people and their skills. Bibeault (1998) states that crisis managers are rarely characterised as "nice guys"; on the contrary, one third uses the term "tough guys". Crisis management requires an operative combination of a participative and authoritative (or even dictatorial) style of management. The participative style of management is acceptable (in order to achieve an efficient result by gaining a greater support for the process) if there is no time pressure and if there is space for searching for a better solution to the crisis.

The new strategy has to be elaborated by the top management or the crisis team. The proposal of the strategy, or at least its key points, are then forwarded downwards, in particular to the key staff, informal leaders and people from whom a creative reaction may be expected. New ideas and comments are then directed upwards, to the centre. The accepted procedure of dealing with the crisis thus becomes a binding law for everyone and may be changed only after a new round of negotiations.

CONCLUSION

All crisis managers are architects of change; in periods that prove difficult and complicated for a company, they have to demonstrate business intuition, broad business experience and the skill to communicate with people. Although under stress, crisis managers have to be able to make realistic and creative decisions, set priorities and act. At the same time, they must be aware of the fact that they and their competencies not only determine the future of their company, but they also bear social responsibility for the company's employees.

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