

# Company crisis as opportunity

## *Krise podniku jako příležitost*

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**Abstract:** For many company managers, company crises are associated with the time when the very existence of the company is discussed. In literature, however, crisis is sometimes viewed as a potential opportunity for the company. This article presents the findings of the survey the purpose of which was to confirm or reject the hypothesis that crisis might become an opportunity for the company. The hypothesis being proven true, the survey further focused on the identification of factors that help companies overcome crisis situations and improve their competitive position with respect to that held before the crisis.

**Key words:** company crisis, early warning system, crisis scenarios, and corporate climate

**Abstrakt:** Krize podniku je manažery podniků často spojována s obdobím, kdy se rozhodovalo o samotné existenci podniku. V literatuře existují názory s opačným pohledem na krizi, které ji chápou jako současnou možnost příležitosti pro podnik. Příspěvek přináší výsledky výzkumu, jehož cílem bylo potvrzení nebo odmítnutí hypotézy, že krize je pro podnik příležitostí. Při potvrzení hypotézy si pak kladl za cíl identifikovat faktory působící na úspěšnost vyvedení podniku z krize a zaujmutí vyšší konkurenční pozice, než která byla před krizí.

**Klíčová slova:** krize podniku, systém včasného varování, krizové scénáře, podnikové klima

The company crisis could be defined as a loss of equilibrium in one or more of its subsystems which might affect achieving its goal or even threaten its existence. Crisis is a decisive moment for the future fate of the company when its existence is questioned. When the company succeeds in overcoming the crisis, instead of taking it as a source of valuable experience, the company management thinks it is a period that should be promptly forgotten and not recollected.

Nevertheless, in particular in literature, we can come across the opinion that company crisis may simultaneously be an opportunity for the company. Crisis is "...a seemingly hopeless situation. When bad times come, the company usually begins to panic. Only a small number of companies interpret a crisis situation as its chance. However, it really is a chance." (Crisis Management 1993). Analogously, the following words apply to this situation: "An unexpected failure can be a similarly important source of innovative opportunity" (Drucker 1998). Chevalier and Hirsch (1994) also confess that a company going

through a critical period may, with its risk budget, gain a competitive advantage by lowering its costs and achieving a lower cost level compared to those of its competitors. A. Kopčaj (1999) believes that the employees' identification with the corporate ideology has the greatest influence on turning the crisis into opportunity.

The general validity of the hypothesis that crisis also means opportunity is also manifested by the fact that in Chinese there is one sign for the words "crisis" and "opportunity" (Polednak 1995; Franke 1997). None of the above-mentioned authors, however, further develops the idea and none of them analyses the prerequisites under which the hypothesis is applicable.

### OBJECTIVES AND METHODOLOGY

On the basis of the above stated secondary information, the following working hypothesis has been

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defined: Crisis may be an opportunity for the company enabling it to improve its pre-crisis level. At the same time, hypothetical conditions which should or must be met to ensure the validity of the above hypothesis have been identified.

The hypothesis and the conditions have been verified in a two-phase empirical survey. In the first phase, 124 top managers, executive officers from consulting firms and some university teaching staff from economic faculties were provided with questionnaires in order to elicit the information about their experience with crisis management, their approaches and standpoints to crises and crisis management, the working hypothesis and the hypothetical conditions. The questionnaire comprised both closed- and open-ended questions. The return ratio of the questionnaires was 31 percent.

On the basis of the completed questionnaires, half-standardised interviews were carried out with 11 participants upon their prior approval. The aim of the interviews was to specify and elaborate the statements presented in the questionnaires and to determine the recurrent structures and regularities. The formulation of the interview structure and questioning in the course of the interviews were based on the method of constant comparison. Furthermore, for interview confrontation the Think Tank technique was applied exploiting further non-standardised interviews with managers and consultants, observation and secondary sources.

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## RESULTS AND DISCUSSION

The survey carried out has demonstrated that crisis may become an opportunity for the company since:

- the company, when dealing with crisis, concentrates on one single problem, mobilises its strengths,
- new visions, new goals and new strategies are formulated and new ways and opportunities are searched for,
- new executives may be recruited who introduce new approaches and ideas on which crisis management is to be based,
- weaknesses are eliminated and external threats reduced giving space to strengths,
- crisis is simultaneously a challenge for a good company management.

Nevertheless, the survey has also shown that for the crisis to become an opportunity, certain conditions

have to be met and some positive factors, identified during the survey, have to be involved. The majority of these factors are interconnected and interdependent. The most important conditions and factors are specified below.

### Early crisis identification and its adequate addressing

The majority of crises in the company, excluding breakdowns, fire and consequences of natural disasters, develop gradually and before reaching the point when they are impossible to handle, they go through the stages of potential, latent and acute crisis. Only in its acute stage the crisis affects the company's financial sector and leads to its insolvency. At this stage, the company management or owners usually become aware of it. In some cases, several months or even years can lapse between the original cause of the crisis and such a manifestation.

The more the crisis develops, the worse the position of the company may become and the more demanding it is to rescue the company and to exploit the crisis as opportunity. If the crisis reaches its acute stage, the company focuses on the sale of its property and lowering of its expenses, in particular in the field of research and development and employee education, and thus reduces its sources necessary to deal with the situation and to implement new solutions. In order to be able to identify the crisis symptoms as early as possible, i.e. in the latent stage, the company has to develop an efficient early warning system (see Zuzák 2001).

It does not, however, suffice to identify the crisis, it must be dealt with immediately and in an appropriate way. Time is a key factor and therefore a quick solution is a prerequisite for successful dealing with the given situation. This means primarily prompt determination of the main causes of the crisis, stopping of the crisis development and the gradual implementation of steps to reverse the situation. Any delays in the crisis addressing and relying on the idea that things will change without any radical intervention should be considered inadequate solutions of the situation which speedily worsen the crisis.

### Competent crisis manager

Regardless of the fact whether this role is performed by a company manager or an external specialist trained in crisis management, a crisis manager has to be a strong personality able to convince others

to engage in an uneasy task. He/she must have the skill to lead the employees towards the new goal and to mentally and physically withstand the process of change. Since the company crisis is an unusual situation, he/she must be able to sensitively apply an authoritative style of management. Time permitting, he/she may, in the process of searching for ways leading the company out of the crisis, apply a participative style of management as well as creative group methods to find a new strategy and solution to the crisis. The strategy approved and the plan of its implementation must be unconditionally met and accepted by everyone.

### **Formation of a crisis team**

One of the primary tasks of the crisis manager is to select collaborators able to help him/her to deal with the crisis situation. When assembling the crisis team, emphasis should be placed on the co-operation and communication abilities and the ability of mutual tolerance rather than excellent professional skills. The crisis team must be able to efficiently co-operate, to create a cohesive and harmonic unit with a common goal. It may by no means be an unorganised group of people or specialists with individual abilities and skills, but a team where each of the members has his/her role and brings in his/her specific values. Shortcomings in the professional skills of team members may be compensated by consultations with and involvement of experts.

The crisis manager has to rely in particular on those employees who are willing to accept a change in the company. These should be primarily line managers and key employees enjoying informal authority who are able to win others for the change and get things moving. The time pressure and the necessity to exploit and concentrate all disposable sources on dealing with the crisis makes it impossible for the company to tolerate obstinate opponents of the change and the only solution is to transfer them to secondary positions or even outside the company.

### **Keeping the employees informed**

The swiftness and successfulness of solving the crisis is also conditioned by the communication between the company management or the crisis manager and other employees. After determining that the company finds itself in a state of crisis, the employees must be openly informed about the current situation, its consequences for the employees and their expected

contribution in the process of its solving. The aim is to prevent rumours and uncertainties demoralising employees. Convinced that they are treated honestly and straightforwardly, employees are more willing to accept the unfavourable and unpopular measures and engage in the changes leading the company out of the crisis.

### **Readiness for crisis**

Being ready for crisis means that managers must cope with the fact that running a business implies the possibility of the crisis occurrence and must be prepared for such an eventuality. Managers are therefore required to develop their mental and physical readiness which helps to improve their stress resistance in particular by healthy lifestyle, strengthening of mental health, elimination of personal weaknesses triggering stress, participation in outdoor activities promoting resistance and team co-operation as well as training focusing on the potential crisis situations.

Crisis scenarios are one of the tools contributing to the preparedness for crisis emergence. In these scenarios, companies elaborate the potential crisis situations which might emerge in the future. First and foremost, they must comprise the precise characteristics of the state of crisis, the composition of the crisis team and their powers in specific situations, recommended procedures, other crucial information, principles of the crisis communication, report and other document forms as well as the methodology of training and seminars which are part of the preparation for the crisis occurrence.

Being well prepared for the crisis situations helps to shorten the time necessary to make decisions directed at the crisis overcoming, to increase the efficiency of measure implementation as well as to cut losses suffered by the company as a result of the crisis.

### **Corporate climate**

Corporate climate is a set of factors influencing people's behaviour during the crisis. The climate, purposefully created, in particular, by the organisational culture and managerial style of leadership, reflects in open communication and sharing of opinions. It is based on common values and has a positive impact on the employees' loyalty which in turn stimulates their engagement in the period of crisis, their willingness to make sacrifices for the company and their responsiveness to a change.

## Favourable environment

Another factor having impact on the company's ability to overcome the crisis is the macroeconomic environment. The growth of economy and the growing demand for goods are important and their positive synergy supports company activities. On the contrary, macroeconomic crises and problems create a negative synergy. Legislation is another key factor as the restrictive legislative measures or measures tightening the entrepreneurial environment at the time when the company finds itself in difficulties may dash all hopes for a change.

Positive synergy may be created by suppliers, customers, banks and other interest groups interested in preserving the company and its prosperity.

## CONCLUSION

The survey carried out has confirmed the hypothesis that crisis may become an opportunity for the company. Furthermore, we have specified the importance of the individual conditions and their impact on the company's ability to overcome the crisis and to exploit the opportunity. At the same time,

the research has identified the factors the synergy of which helps to deal with the crisis.

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