THE ORGANIZATION’S MANAGEMENT IN A CRISIS CONTEXT

Vasile DEAC
The Bucharest Academy of Economic Studies, Romania

Alin Ionuţ DUMITRESCU-DRĂGAN
The Rotterdam School of Management, Erasmus University

ABSTRACT

After we woke from the “exhilaration” of December ’89, glad that we “got rid” of socialism, in the following years we have been looking around us, and we saw everywhere all kinds of problems: financial blockages, the lack of markets both for the “inputs” and for the “outputs”, massive restrictions of activity and, as a consequence, unemployment and powerful social conflicts, abnormal prices rises. When we thought we pulled ourselves together, reaching to the year of 2008, we didn’t have a lot of time to enjoy our success, noticing that USA, instead of giving us its economic performance, brought us a financial crisis, followed by an economic one. That’s the last straw! and now we’re waiting now for a sheet anchor to save us from the current economic-financial crisis…from the management…

The paper seeks to highlight the necessary changes in the management activity in the current crisis context, respectively the existence of a coherent strategy of the company to assure it the necessary performance for entering the competition, the changing of the dominant way of thinking, the impact of the clients’ attitude regarding the employees, the need of leadership and the awareness of the fact that any crisis means another opportunity.

KEYWORDS: the crisis’ management, economic crisis, destructive competition, menaces, opportunities, leadership

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Speaking about the financial crisis and the economic crisis, one question arises: can one also talk about a crisis of the management? In the last two years, the company’s management was confronted with brutal activity restrictions, massive reorganizations, the increase in the incertitude and the precariousness about the future of the company and, not lastly, the lack of motivation and the lack of trust of the employee and the existence of a state of confusion (how could the company’s management maintain a minimum of motivation in the circumstances in which the employees’ salaries were cut, they are discharged or sent in technical lay-off, etc. The cases in which a company’s management was put in the posture to reduce, reorganize, cut and adjust several production factors (including wage cuts), to adapt to the new context, to find new solutions, to concentrate exclusively on urgent problems, to find the necessary cash for paying the employees, and not only employees (the lack of cash representing the main cause of the majority of the bankruptcies) and protecting the relationships with clients, etc.

This crisis, more than any other disturbing factor, provoked a brutal breach of the management’s daily routine, involving major changes in the process of management, with implications in all the management’s functions. The management’s crisis can be explained appealing to the classic metaphor of “getting blood out of a stone”. On one side, in a crisis context, it’s needed a more and more efficient management, and, on the other side, there are less and less appetite, competences and will to exercise it.

I. A first aspect of the relationship crisis-management is the one regarding the necessity of the existence of a coherent company’s strategy to assure it the kind of performance necessary for the competition.

In the last period of time it has been spoken, especially when it came to our country, that the lack of companies’ economic performance lies in the lack of an effective management, capable to introduce the modern methods of increasing their operational efficiency, in the lack of flexibility in production of these companies, in the reduced performance of the industrial equipments.

Inside the competition, the companies sought and are still seeking to increase their operational efficiency (meaning to do the same thing as their competitors, but better). At an international level, the Japanese companies were these who used the best the operational efficiency in the competition with the rivals from Occident, in the ‘80s. This way, the Japanese had surpassed their competitors so much, that they could offer in the same time both reduced prices and superior quality. The operational efficiency lies, in essence, in using certain practices at an extended level, being necessary for increasing the performance, but it isn’t enough, because if a certain operational practice is efficient, then –at a certain moment – the competition will apply it, too. The operational efficiency leads to a form of
convergent competition, in which all the companies tend to look alike, the companies imitating one another (supposing that the rival know something more), an aspect which in a crisis context can only lead to a destructive competition. The biggest strategic mistake the managers do, M. Porter points out, is to compete with the competitors in the same trends [5]. This fact inevitably leads to the rivalry’s escalade, which, in its turn, leads to smaller prices and bigger costs, and, to be more competitive, a company should clarify and consolidate the unique positions it owns.

If the continuity is, in the same time, an essential criterion for a strategy to be successful (if a company doesn’t succeed in following a line at least three-four years, then it’s useless), in a crisis context, we can’t speak about continuity, this strategic positioning that should be thought with a perspective of at least a decade it’s useless [1]. Now things are frequently changed, the companies’ management must concentrate on the urgent matters with which the company confronts: fast reorganizations, finding a new idea in adapting to the new context, the assuring of the liquid assets (the cash) for the immediate payment of the salaries, maintaining the existent contracts, finding some new business opportunities for the company’s surviving on crisis time, concentrating it on immediately operational projects, finding some new business opportunities for the company’s surviving on crisis time, concentrating on immediately operational projects, making some savings and obtaining some fast gains, the maintaining of a positive climate for the wage earners, etc. All these presented aspects make us think that, in this moment, any strategic step, excepting the one of beating the crisis, is a waste of time.

II. Another aspect regarding the company’s management in a crisis context is changing the dominant model of thinking, which can be simply translated through the slogan: necessity becomes law!

When a problem is urgent and a menace is “knocking at the door” it’s no time for the detailed analysis of all the secondary aspects implied by the decision taken, a lot of determination being necessary: “we must proceed this way!”, an aspect that may involve a series of interdictions and restrictions[6]. But these interdictions and restrictions, and especially the aspects related to the cognitive discord, become useless in comparison with aspects regarding the maintaining of the activity, the developing of new projects or the surviving of the company. The menaces in a crisis context modify the individual’s behavior. What seemed impossible in a normal context, now it becomes possible, new types of behavior appear, new positive energies are developing, but in the same time some negative ones; the individual reactions can’t be oriented in a good direction, etc. In a crisis context, all the guiding marks disappear and it’s very difficult to distinguish the superficial from the profound, the essential details, the temporary from the permanency. The case isn’t a normal one, it isn’t an acceptable one. And if the case isn’t an acceptable one, somebody must be responsible for this juncture, and this somebody can’t be but...the management.
You must learn from the most known specialists in the domain that a good manager shouldn’t compromise, the compromise being a sign of the weakness in business, but in the actual crisis context, *willy-nilly, the managers must often turn to compromises* in order to find solutions to the different problems with which they confront. But, now, so much the more, it’s necessary that the negative effects for the company of the compromise that was made to be minimal.

**III. Another aspect of the relationship between crisis and management is the one that involves the clients’ attitude and their impact on the employee, with direct implications over the management.**

The traditional vision of the management is the one related to a manager’s image with his team, whose activity he plans, organize, coordinates, trains and controls in order to fulfill the fixed objectives. In the first time, there are many fields of activity in which the clients involve directly in the development of the activities of the company; for example, it’s the case of the fast food restaurants, where the clients’ participation in cleaning the table becomes an important element in the working process, or the case of the companies of air transport, in which all the procedures related to the reservation, recording or imprint of the travel ticket are undertaken by the client. These are the cases in which some tasks of the employees are undertaken by the clients, implying a modification of the relationship between the clients and employees. In the second place, there are some fields of activity in which the relationship employee-client, the client’s behavior hall-marks the employee’s work experience (for example, in a phone operator case, of a public servant, of a credit officer at a bank, etc) and, in many cases, the clients are submitted to some disrespectful behaviors and even some aggressive ones from their clients.

The current crisis degrades this situation even more. The fear and the feeling of panic affects not only a company’s employees, who are afraid that they are going to lose their jobs, but their clients, also, who can have a more and more violent behavior regarding other company’s employees, even if they can’t do too much for improving or changing the situation (what can possibly do the clerk if a certain contribution of a contributor was increased? What can a bank’s employee if some clients, with some unwise investments, lost some appreciable sums of money?) This aspect increases the existent tension and the company’s management must have this in mind. The individuals who are subordinated to a manager play multiple roles (from the social and familial point of view) and, in a crisis period, each of these roles is affected (an employee is asked to be efficient, but his income doesn’t allow him to pay his credit and eat!).

**IV. The need of a leadership**

The different options of a company’s management to surpass some extreme situations or for minimizing some negative effects of the current crisis isn’t something to be stated as a result of a bottom-up process in which one must
obtain a consensus. The companies that are going to overcome this crisis or even defeat it (why not?) are the ones with a powerful CEO, who aren’t afraid to lead, choose and take decisions, even if some of these decisions aren’t liked by the employees or other categories of actors. **The company’s management, in a crisis moment, is put to a test in every moment, and only a powerful and consequent leader is able to be self-consistent when different actors (employees, syndicates, clients, etc) come with all sorts of arguments or new ideas that could determine a change of options.** It’s necessary a leader, more then a manager, with a lot of trust, who acts with conviction and to possess communication skills. **It’s essential that anyone from the interior of the company to understand its actions for surpassing this critical situation and to act accordingly, an aspect that involves a better transparence.** This transparence is necessary in the exterior, too and it can help the managers in his fight with the competitors. It’s very good that all the competitors know the company’s strategy (the days in which a company’s strategy was considered to be a great secret, people fearing that some competitors might use that kind of information for their own advantage are gone [5]), because there is a chance for them to seek and to find some other things that the company found and this way the competitors from a certain sector will avoid to involve into a competition with a negative sum.

V. **The crisis, an opportunity and a challenge**

Any realist action of strategic analysis done by a company in a crisis context will highlight for sure that any crisis opens numerous new opportunities, what is essential being that they need to be valorized. The crisis, the downfall and even the bankruptcy of some companies in an activity field, even if it seems something cynical, are some people’s misfortune and some other’s joy. For a competitor, the crisis can offer that rare chance of rapidly gaining new clients, of winning a market share, that rare opportunity and challenge of buying some competitors which are in a financial difficulty, just taking over their debts.

The crisis can result in the decreasing or even the disappearance of some sectors, while others are developed or take advantage of this change. For example, the impact of the crisis over the population’s incomes determined a modification of the customers’ buying behavior regarding the main products, targeting the low priced products, an opportunity explored by the great retailers through an efficient marketing policy based on high discounts in order to attract large and diversified segments of consumers. Some companies from the car industry, one of the industries which were badly struck by the crisis, managed to minimize the negative effects of the crisis, targeting the fabrication of some low cost cars, with reduced consumption, maintenance costs and reduced pollution norms. In the same time, in a normal context, repairing a domestic appliance or an electronic product can be considered to be an exception, in a crisis context the activity of repairs can develop in the context in which the consumers give up their habit of replacing the defect products.
Even for employees, the current crisis represents a challenge for their professional training and for increasing their professional competencies for a better approach of the labor market.

References