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## Management and decisions taking in a crisis and chaos production

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### Abstract

The author presents theoretical and practical considerations in which strategies of enterprise management in crisis situations will be presented. Therefore, two theses have been presented: 1. proper selection of the strategy in time of crisis is an element of enterprise success; 2. restructuring is part of the effective protection of the enterprise before the crisis. For this reason, a verification of views connected to the ways of managing in case of crisis seems reasonable. In addition, note that the board will decide whether a crisis in an enterprises is a threat to their functioning or it is an opportunity of management reconstruction process. These considerations will be presented in both, their theoretical and practical aspect.

## 1. Introduction

Currently, many companies experience crisis, which involves the need to carry on thorough organizational changes. Such necessity is a result of the application of a different approach to management. In conditions of economic crisis, an individual approach to the enterprise management should be applied, as there is no schematic approach. Enterprises, their surroundings and the way they are working, are too different to be able to create a universal plan to get out of a difficult situation.

In such situations, they should use the whole range of possible techniques and tools to develop several action plans and crisis response procedures appropriate to the situation. There is currently no effective management without continuous monitoring of the internal and external organizations' environment. It should be acknowledged that, while passing through a crisis, it is much easier to make changes, reduce costs, exchange personnel, or to introduce new solutions. An enterprise, which has passed the crisis and coped with it, has a greater awareness of the effectiveness of its action.

Choosing the appropriate strategy for the life cycle determines the shape of an enterprise's activities. The consistent implementation of the strategy becomes a key factor to multiply the value of such an enterprise. In assessing the strategies adopted by the company it must be remembered that the assessment's subject is not the same strategy but the efficiency

of its implementation at various levels of improvement and the growth of its value which is generated by it.

The author presents theoretical and practical considerations, in which strategies of enterprise management in crisis situations will be presented. Therefore, two theses have been presented:

1. proper selection of the strategy in time of crisis is an element of enterprise success.
2. restructuring is part of the effective protection of the enterprise before the crisis.

For this reason, a verification of views connected to the ways managing in the crisis seems reasonable. Also note that the board will decide whether the crisis in enterprises is a threat to their functioning or it is an opportunity of management reconstruction process. These considerations will be presented from both, theoretical and practical angle.

## 2. The concept and essence of the crisis

The crisis for the company is what a disease is for the human body. From its characteristics depend on how the body will behave; what direction it will follow and which goals, according to the situation, it may want to achieve. In the case of small risks to health and life, it is usually the action directed to return to the previous situation, but in case of life-threatening situation, there will be activities aimed at survival. An enterprise will behave in a similar manner; in a situation of crisis it will

„put out fires” wherever it is possible. Its main goal at the particular moment will be to overcome the crisis understood as preventing this situation. However, where the threat is very serious, the crisis will take sizes difficult to control, the main aim will be simply to survive.

Crisis (from the Greek crisis- solstice) is a crucial moment, a decisive, turning point. The crisis in the general sense is interpreted as a turning point in the course of events, followed by a change (NIZARD G. 1998). Most of the presence of this moment involves difficulties which are preventing the normal functioning of the company and causing danger for a company of being lost in a reality of crisis. Such a situation is dealt with in all possible aspects of human life. In social sciences, among others a political crisis, government, crisis of the state, values, economic and international can be specified (SMOLSKI R., STADTMULLER E.H. 2003). Crisis means choosing, deciding, struggling which action is taken under the pressure of time (KONIECZNY J. 2001). It can be seen as an increase in adverse events, a breakthrough between the phases of development, as well as the nature of decision-making problem (NOGALSKI B. 2004). Management specialists accept that a crisis is a situation that constitutes a major threat to the organization as a whole. It is a condition in which, due to the rapid accumulation of a variety of difficulties, danger is the implementation of the basic functions of the company while limiting the ability to overcome organizational situation.

Sometimes the phenomenon of a crisis can be regarded as a process, and so the sequence of consecutive events. As a rule, for such a situation consists of an event that is a shock to the organization. Then, one has to deal with a crisis situation, which is formed prior to the events and processes and which are the consequence of certain events (ŁUCZAK M. 2003). Note that the definition of crisis as a situation that distorts the course of events, and requires a reorganization of thought and action says nothing about the extent of the ability to cope with it. This, of some situation requires a radically change of the ways of thinking and acting, and of course it does not mean that we respond to it.

In the process of the enterprise management there are different types of economic difficulties, social and technological developments that make managers and employees of companies must comply with the growing risk of a crisis. They constitute an indispensable element in the situation of the enterprise management. An economic crisis is a greater accumulation of difficulties, which usually occurs for reasons beyond the entrepreneur. This is even more difficult, because it suddenly hits the company, regardless of the environment and changes in and outside the company. According to the definition in the Encyclopedia of PWN, an economic crisis it is a sharp drop in economic activity (production, employment, investment) in the economy and enterprises (SZTABA S. 2011). Due to the fact that between economy and business are the main objects of the economy, they have mutual feedback and they are not free from crises and fluctuations which occurred with varying frequency and regularity of deviations of economic activity from the trend of development. The economy is a subject of economic cycles, and the company as its key players, suffered the impact of cyclical changes and through

their reactions and decisions affect the course of the business cycle.

In the enterprise management an important role play not only knowledge and skills but also values, beliefs and attitudes, especially during a crisis. And it must added that in many enterprises there is a lack of adequate preparation executives to function in such situation. Very often it leads to chaos in management, making hasty decisions, which have nothing in common with the activities aimed at identifying the causes of the crisis and its liquidation. The reason of this state of affairs usually is the environment (boom-slump, the collapse of financial systems, etc.). The role of managers is to master the ability to cope with difficulties arising from the crisis.

The crisis in the enterprise is often not random and does not occur suddenly. This allows to identify the causes and sources of their creation, which has a direct impact on the process of an effective repair. But tolerating a crisis situation in an enterprise inevitably leads to its downfall. Inability to carry out basic functions and objectives usually translates to a relative increase in costs, reduction of new ventures and too much debt.

Before the enterprise that found itself in a crisis situation accedes to the development of scenarios for overcoming the crisis, it should analyze and define the source of the crisis. This means seeking to answer the question, whether the crisis was predictable, or it is the result of mistakes made in planning the company's activities or conflicts accumulated in the internal or external business environment. Consequently, the analysis of causes of the crisis should aim to assess whether the company dominates the symptoms of the crisis, or the opposite-side crisis dominate the enterprise and how each of these cases, can effectively manage a crisis. The choice of appropriate tools for emergency operations depends on a particular diagnosis.

The literature points out that every crisis usually precedes a subsequent change in the company. Such a change may be consciously anticipated by the internal environment of business, or be forced by the changes in the environment. However, as with case of the management by conflicts, the method of management by crises can be justified, as it is opposed to stagnation, and the company can contribute it to its development or the management team consciously striving to elicit a sense of crisis in the company's most important question that remains unknown is in what direction will follow subsequent changes. Changes may take three model lines: regressive changes, adaptive or innovative. The worst solution to the consequences of the crisis from the perspective of the board would be a regressive change, which in practice would mean a return to the pre-crisis state. Adaptive changes mean to adapt to changing environmental conditions without the possibility of anticipation. However, innovation changes are marked by in most qualitative elements of the transformation. However, the latter are usually the rarest in organizations, because they destroy conformist systems and relationships between members of the system, pose a threat to both management and the rest of the company. They destroy traditional norms, values, beliefs. The experience of such corporation as General Motors shows that crises do not disappear overnight. What is more,

a company needs many years mainly to reshape the organizational culture which blocks the introduction of a different vision and strategy.

To sum up the previous discussion about the nature of the crisis in terms of management, it can be stated that the crisis is the culmination phase of the growing danger, resulting from arising unexpected circumstances. Due to the complexity of the crisis period, the definitions used in literature are heterogeneous and, depending on the type of situation to which they relate, are defined differently. Therefore, a crisis can be understood as (SKALIK J. 2005):

- the situation in which there is a threat to basic values, interests and goals of institutions and social groups. It also applies to situations in which rights and the freedom of citizens, their property and life are threatened,
- turning point to change for the better or worse,
- moment when deciding whether a case or action will proceed or will be also modified or terminated,
- state of suffering with the accompanying feelings of threat and fear in connection with the above-listed.

Crises are inevitable in the operation of enterprises. Each company meets the conditions of ergodic hypothesis, which states that if a system operates for a sufficiently long time, it goes through all possible states, no matter how small the probability of a given state is. In this context, a company which is able to avoid the crises for a long time would be a strange phenomenon. Crises of the organization are a necessity. They are like alarm clocks, no matter how useful they are, no one likes them. Crises are a lens that focuses clearly on diverse problems at the same time. A crisis creates an opportunity to create varied systemic solution to problems. Therefore, a crisis cannot be missed as a chance for change.

## 1. Crisis strategies in a chaos situation

In Polish conditions, two circumstances arising from the volatility of the environment as conditions of the change in the enterprise can be observed: a crisis as a permanent phenomenon related to the lack of adapting to external conditions and the massive nature of the adjustment process, particularly expressed in the transitional period (KOWALSKA K. 2004). Therefore, if crises are so common, that is, ability to cope with the consequences of that should not be „secret knowledge” only for the few. As a rule, only a few basic rules of conduct can help before a crisis occurs (prevention) and in the course, once it affects a company, the aim is to avoid a total disaster.

From a practical point of view a crisis is a specific situation for the company. Building a system of actions aimed at removing the company from the crisis is just an attempt to solve the problem of organization in a crisis (VERA D., CROSSAN M. 2004). An entrepreneur, in order to overcome the crisis, has a choice of three scenarios of strategy: an exit strategy, a strategy for survival and a development strategy. It should be noted that not all of them can be used in any enterprise, due to the fact that the company may not have the tools necessary to apply a strategy of crisis.

The strategy of withdrawal, is as the name suggests, the company's withdrawal from the market at the time of the crisis

and its back again when the time is favorable. In this strategy, just like in any other, an essential element is a thorough cost analysis. This means that the enterprise must make a reliable estimate of the costs resulting from activities such as the exit and the entry to the market.

Depending on the type of company, its size, location, etc., these costs can be dramatically different. Hence, this strategy for some companies may be completely unprofitable, characterized by huge losses and other cost-effective, because ransomed by small losses, which can be covered by investment in capital, recovered in time of crisis. This strategy, of course, is in deep contradiction with the principle of responsibility in business activities to the environment (workplace, the impact on GDP, etc.). It should also be noted here that in many cases the „departure” has a positive effect than the „survival” at all costs. This second variant often brings more disadvantages than advantages. A Natural thing is that taking such a strategy should be preceded by a thorough examination of the situation, or that another strategy is not possible to apply in this case. In times of crisis, every company can find itself in a situation the most difficult choice which lies between the social and economic considerations.

Restructuring is the diagnosis and design, aimed at improving the management system and operating system of the enterprise, and the changes relate primarily to transform the organizational form of decision-making systems and human resource management (CZAPIEWSKI M., KREFT Z. 1994).

It is assumed that the restructuring would cover the following areas:

- changing organizational and legal forms,
- privatization,
- rationalization of employment,
- financial restructuring,
- organizational restructuring,
- rationalization of the activity scope,
- technological restructuring (NALEPKA A. 1999).

The essence of lean management is the „weight loss” („flattening”) companies by introducing significant changes in activities in the structure of company assets, the way of the organization and in the field of personnel management, as well as shaping behaviors and attitudes of employees. The concept focuses on the four interrelated objectives (GRUDZEWSKI W.M., HEJDUK I.K. 2004):

- a short production cycle, high integration of the production process,
- the timeliness of delivery, partnership with suppliers (just in time),
- minimize inventory,
- maximum capacity utilization.

The elaborated method of lean production („lean” production) is an approach to manufacturing, where the emphasis is put on optimizing the use of all resources including time. It is about resources used by the various activities in the enterprise. This involves the identification and elimination of unprofitable operations in the area of value-added design, production, supply chain management and customer relations. A sleek

production is based on the application of principles and practical guidelines to enable a reduction in costs by removing the absolute extravagance and by simplifying all processes of production and maintenance (PENC J. 1997).

The third strategy relates to development. As the name suggests, this strategy – expressed the restructuring and development – and it is the most optimal and most advantageous from the enterprise's standpoint. Unfortunately, practically speaking, not every company in time of crisis can afford to introduce such a strategy. Implementation of this strategy is characterized by investments, which increased spending rather than saving as it would appear from the logic – when is a difficult time we have to save. However, enterprises that have adequate resources (accumulated during the „good times”) to implement such a strategy, in other words, they can afford to carry out the restructuring combined with anticipatory development, may benefit in many ways.

The development restructure (dynamic, creative) is an essential part of development strategy of the enterprise, which leads to the improvement of its market position and creates better conditions for development. It includes its scale – qualitative and structural changes in the enterprise. Depending on what enterprise the process of restructuring concerns and the time of changes implementation, restructuring can be expressed by:

- starting new ventures,
- making new business contacts,
- gain new markets,
- technical and technological development,
- organizational changes,
- other development activities.

Restructuring and development are the most creative activities. They are undertaken independently of peer pressure. Their main purpose is to prepare future business conditions, anticipated by management (anticipation). This kind of changes meets the expectations of the environment and allows to achieve a competitive advantage through which an enterprise can significantly improve its financial condition. This approach to restructuring is to boost the company's development through the use of existing opportunities. Such chances might just be made by the coming time of crisis, where most companies fall into stagnation, and focuses on defending its „status quo” forgetting that the time for change is always good.

During the crisis, falling purchasing power with an increase in unemployment impoverishes society that focuses on meeting the immediate needs of life. The slowdown of the economy stops on the one hand the development of entrepreneurship, on the other, the influx of foreign companies that are stimulating the development of the market. With accurate diagnosis of such a scenario, are required swift and decisive actions. In order to maintain and, eventually, strengthen the market position and competitiveness it should be decided to upgrade the enterprise.

One of the exemplary embodiments may be restructuring (development, anticipatory) businesses through technology transfer. The introduction of new manufacturing technologies and installation the necessary for this process machinery and

equipment will extend the product range of modern materials, design and production. Restructuring measures taken (in this case) should focus on two areas:

- transfer of technology: the introduction of new manufacturing technologies through modern machinery,
- changes in management organization: greater efficiency with less resources and manpower, flattening of management, marketing mix development, growth, quality.

These examples of the proper diagnosis and proper anticipation of the market's expectations, can bring to the company not only guard against the effects of the crisis, but also seize the opportunity that this crisis brings.

## 2. Conclusions

As shown by experience of everyday life – some intend to overcome a crisis quickly and easily, others will take years, and it will require great effort from them. This shows that the speed to cope with a situation which disorganizes a current operation and the ability to continue its constructive function in its face would be a measure to cope with a crisis. Both the definition of a crisis and its colloquial understanding, however, indicate the connotation of the word crisis as an uncontrolled situation, inevitably connected with a great sense of helplessness, threats and a range of very difficult to eliminate negative emotions where survival is uncertain. The crisis situation is a difficult problem; it is simply an obstacle on the way to achieve objectives. It requires changes in the functioning of an enterprise. Clearly, important factors in the sense of the severity of this situation are a picture of the situation and the agent causing the crisis, and the idea of the anticipated effects.

The analysis of a sample situation which is, for example, a sudden job loss, shows that the first person affected by the incident tries to assess the degree of normality of the situation. The more unexpected the event is, the greater the sense of abnormality, the lack of preparation and disagreement on the occurred fact. The first criterion is, therefore, to declare which situation we consider as normal situations, we expect them and prepare to them. The most threatening shock and disorganization is caused by such a situation, which we did not expect and we are not prepared for it and which, in our opinion, completely prevents us to achieve important goals or satisfy some important needs.

In the case of enterprises a crisis situation may be associated with the systematic deterioration of the economic and financial results and a progressive decline in market share and decreasing the company's strategic potential. Deepening of the crisis situation ultimately leads to a crisis, and thus such a state organization in which there is a permanent disequilibrium in the general equilibrium. At risk there is the existence of organizations and a confirmation of it is its insolvency.

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## 管理和决策陷入危机和混乱生产

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### 关键词

危机  
决定采取  
混乱生产

### 抽象

作者提出了在危机情况下企业管理战略的理论和实践考虑。因此，提出了两个论点：1. 危机时期适当选择战略是企业成功的一个要素；2. 重组是危机前企业有效保护的一部分。因此，与危机情况下管理方式相关的观点的验证似乎是合理的。另外，请注意，董事会将决定企业的危机是否对其运作构成威胁，也就是管理重建过程的机会。这些考虑将在其理论和实践两个方面进行介绍。

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