

Crisis Management in SMEs
International Crisis Management
Crisis Management in Public
Administration



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Crisis Management in SMEs



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- Small and medium-sized enterprises have an important place in any economy. If they want to succeed in competition, they must build on their strengths. Only in this way can they survive, exist and withstand crises in which they may not be the originator. An important strength of SMEs is, above all, their flexibility in relation to the needs of their customers. Large enterprises strive for this ability, but the flexibility of small enterprises is difficult to achieve. SMEs are close to customers and know their needs. They are able to provide the customer with a product or service according to their requirements. The customer wants something different, has a demand for terms, quality, customisation, etc.

Crisis Management in SMEs



- Another capability of small businesses is networking. Entrepreneurs network together as needed to carry out individual projects, which benefits all participating entrepreneurs in winning contracts and reducing costs.
- A strength of SMEs is their capacity for innovation. SMEs are able to innovate in sales, range of complementary services, product design, etc.

Crisis Management in SMEs



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- MEs have a number of advantages and disadvantages compared to large enterprises. Typical shortcomings include the fact that they cannot take advantage of the so-called economies of quantity and scale, many activities also require significant transaction costs, the personnel dimension of a small or medium-sized enterprise also does not allow for the employment of specialists, and the financial strength of individual SMEs may not be attractive to banks or other investors. One of the disadvantages is that SMEs are highly crisis-prone and very often succumb to crisis. According to Zuzák and Konigová (2009), their position is specific, the nature of crises has characteristic and even lawful features.

Crisis Management in SMEs



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- SMEs are often family businesses where the owner is also the top manager and other family members are employed in the business. This places high demands on the owner, as running a small business requires broad and versatile knowledge and skills that the owner may not possess. At the same time, the financial strength of the SME is not so great that the owner can pay not only the accounting organization but also other consultants and experts.
- According to research carried out in neighboring countries, namely Germany and Austria, it has been found that the majority of established businesses cease their activities within five years of starting up. The first 4 to 7 years are considered the most critical period and if the entrepreneur overcomes it, the probability of staying in business increases and further business activities are essentially stable. The main causes of SME failure are lack of capital and experience.

Legitimate Crises in a Period of Growth in SMEs



Growth curve according to Gray and Burns

- An entrepreneur who is successful and profitable in his business from the beginning tends to expand his business and hire new employees. The growth of a business from a family-type or multi-employee enterprise to reaching fifty employees is gradually accompanied by four periods of crisis:
- **The first crisis** results from the necessity to employ additional employees in addition to family members as the business grows, who have neither an ownership nor an emotional relationship to the business, which is reflected in motivation, loyalty, handling of equipment, cost savings, etc. With more employees, the role of the entrepreneur changes and he or she increasingly becomes a manager, worrying about the future, goals, decision making, leadership, motivation and problem solving.

Legitimate Crises in a Period of Growth in SMEs



- **The second crisis** occurs when the customer base is no longer sufficient to absorb the volume of production and the owner of the company has to look for a new outlet, a new market. The expansion of production naturally brings with it this problem of sales, the problem of sales and marketability of products, the search for other groups of customers, the search for another market segment. It may happen that the entrepreneur does not have the necessary knowledge about the new market, about its behavior, does not recognise the differences.
- **The third crisis** brings organisational problems. When developing the business further, the entrepreneur is no longer able to physically manage the business himself and to make decisions and have everything under his personal control. Even for the workaholic, the final frontier of ability.

Legitimate Crises in a Period of Growth in SMEs



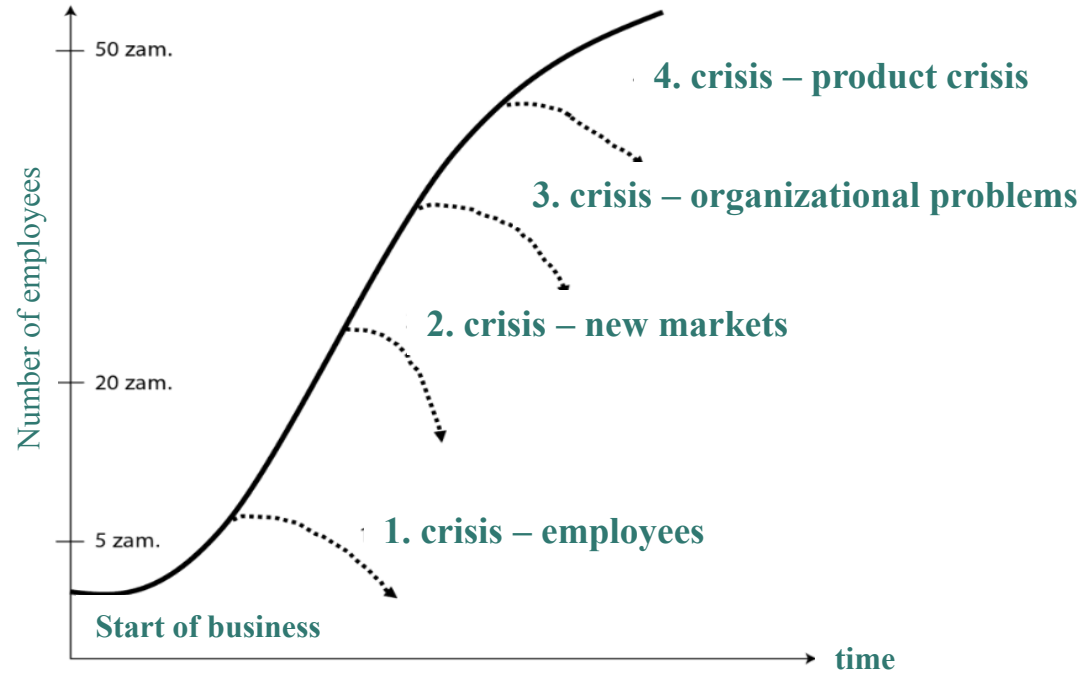
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- So the entrepreneur has to decide whether his business will grow to a size and stage that he is still able to manage himself or whether he has to delegate a number of responsibilities to other senior employees (managers) of the business. At this stage, a common solution is that the entrepreneur resigns from the management of the business and remains the owner, hiring expert managers to manage and run the business.
- **A fourth crisis**, the product crisis, may follow. The product is no longer so marketable and customers have greater demands on the product (functionality, appearance, price, service, etc.). There is therefore a need to innovate the product or to expand the product range.

Legitimate Crises in a Period of Growth in SMEs



Growth curve according to Gray and Burns



Legitimate Crises in a Period of Growth in SMEs



Greiner model

- Larry E. Greiner's 1972 model is based on the assumption that behind every crisis there is a problem that will move the company forward if it is resolved in time.
- Each period so defined begins with a **period of evolution** (development) characterized by growth and stability and is abruptly interrupted by a mismatch between the goals of the enterprise and the desires and expectations of the owner or business owner and is referred to as a **period of revolution** (reversal, crisis). The outcome of each revolutionary period determines whether or not the enterprise moves to the next stage of development.
- According to Greiner, the growth of an enterprise is influenced by five key dimensions, namely the age of the enterprise, the size of the enterprise, the stage of evolution, the stage of revolution and the rate of growth of the industry.

Legitimate Crises in a Period of Growth in SMEs

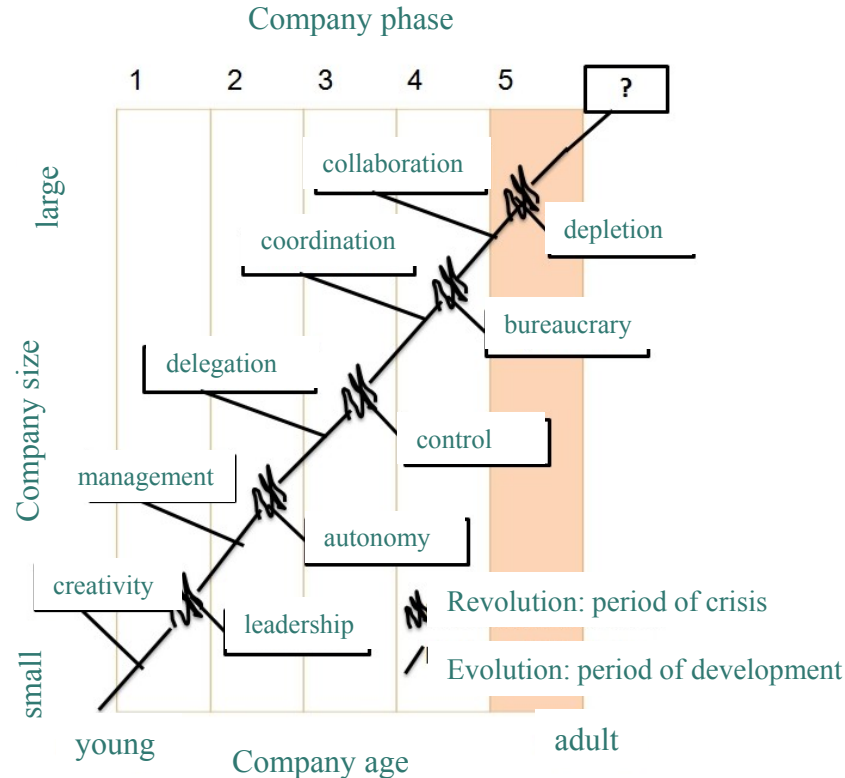


- Greiner's model is based on the observation of crises that occur in a company during the growth of the company.
- As a company grows, its structure and processes change. It needs new ways and avenues of communication and leadership. The extent of these changes is determined by the growth of the business.
- Each revolutionary period is characterized by the dominant management style used to achieve growth, as well as the dominant management problem that must be solved for growth to continue. If the old organizational structure does not fit, a crisis occurs. If the old organisational structure is replaced by a new one, there is further growth and, over time, another crisis.

Legitimate Crises in a Period of Growth in SMEs



Greiner model



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With regard to crisis situations and their gradation, five periods can be defined:

- **Creativity:** corresponds to the stage of starting a business, the growth of the business is ensured by the creativity and ingenuity of the entrepreneur himself. The crisis situation comes from the daily inconsistency of activities - non-specification of tasks, prevalence of informal relationships, overloading of the person of the entrepreneur, and thus a *crisis of leadership occurs*. Experience shows that about 30-40% of all newly established enterprises in a standard market environment disappear in this first phase, when they cannot cope with the crisis, when the standard advice is to delegate activities to other persons connected with the business

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- **Management:** if the company manages the first crisis, it creates a formal, simple organisational structure with clearly defined tasks and then proceeds with its activities. However, the enterprise reaches a point where management has to be decentralised and the owner has to decide when he too must learn to delegate some of his activities; thus a **crisis of autonomy occurs**. There may also be deep divisions which may result in the departure of highly qualified managers who may set up competing companies in protest.

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- **Delegation:** most entrepreneurs believe that competencies should be retained because it takes a lot of time to explain the correct procedure, any mistake by a subordinate is likely and can be very expensive, and no one under you has enough experience. Previously appointed managers must accept new responsibilities and participate in the allocation of new tasks. If they fail to do so, a turnover of managers is in order. New responsibilities again create management problems due to a sense of importance. The CEO decides on the timing and implementation of strategic plans, thereby reducing the influence of the executive on business success. This creates a **crisis of coordination and control**. "The 'wrong way' is to return to centralising management and fixating on the person of the entrepreneur and his omnipotence. This will not solve the crisis. It is necessary to strengthen coordination of activities, emphasising communication and feedback.

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- **Coordination:** the goal of this phase is to make efficient use of limited resources, so all activities in the enterprise begin to be coordinated and grouped to be effective, but these groups become self-directed units that widen the gap between the enterprise management and employees. The enterprise becomes inflexible in its management, and a **crisis in bureaucracy occurs**. The crisis can be resolved by dividing the enterprise into relatively separate organisational units with their own clear responsibilities. This method is advantageous only if this measure does not return the entrepreneur's self-managed units to the type of growth corresponding to the first phase, where they are offered only limited scope for creativity.

Legitimate Crises in a Period of Growth in SMEs



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- **Collaboration:** is proving to be the only way to overcome the bureaucratic crisis. The organisational structure should be flattened and the company reorganised. **A crisis of depletion of human capital** is expected. At this stage, therefore, there is a "question mark" for the further development of the enterprise, the individual key to success, i.e. the regeneration of the human capital on which the business is based.



Greiner model

- Several factors influence the ultimate success or failure of a business, specifically eight factors. Four factors are related to the business and four are related to the business owner.

The factors on the enterprise's side are:

- Financial resources (including cash and foreign capital);
- personnel resources (number and quality at management and staff level);
- system resources (information, planning, control);
- business resources (market share, supplier relationships, production and distribution processes, technology, reputation).

Legitimate Crises in a Period of Growth in SMEs



Factors on the owner's side are:

- Owner's personal and business objectives;
- the owner's ability to engage in operational activities (such as marketing, innovation, production, distribution management, etc.);
- the owner's management skills and willingness to delegate responsibility and management of activities;
- Alignment of business and personal goals (strategic ability to see beyond, balance strengths and weaknesses).

As a business moves from one stage to another, the importance of the factors changes

International Crisis Management



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- The process of managerial work began to be disrupted by a number of traditional and new threats and crisis phenomena that substantially determined the working environment of managers. The traditional security threat no longer comes from another community; the greatest threats are no longer military threats, but various modifications of globalisation, destabilisation and proliferation threats.
- Crisis management is integrated into all levels of government, so that it can be found at the international, national, regional, local and individual levels. The different levels are distinguished by the scope of powers, the possibilities of using forces and means, the content and scope of tasks and the relationship to different types of crisis phenomena.
- The international level of crisis management is prepared to deal with crisis phenomena that threaten the territory of several states or are a potential threat to neighbouring states, even if the negative consequences are still threatening the country on whose territory the crisis situation has occurred.
- The international level of crisis management can be said to be transnational in nature

International Crisis Management



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The international level of crisis management uses two basic tools, namely humanitarian aid and military assistance.

Humanitarian aid is of the following nature:

- material aid;
- technical and technological assistance;
- the provision of specialised teams.

Military assistance, in turn, is of the nature of:

- material assistance;
- peacekeeping forces; and monitoring the evolution of the crisis;
- armed intervention.

International Crisis Management



- International institutions and organisations that have been created for this purpose and whose aim is to eliminate the crisis situation are involved in dealing with crisis phenomena at the international level.

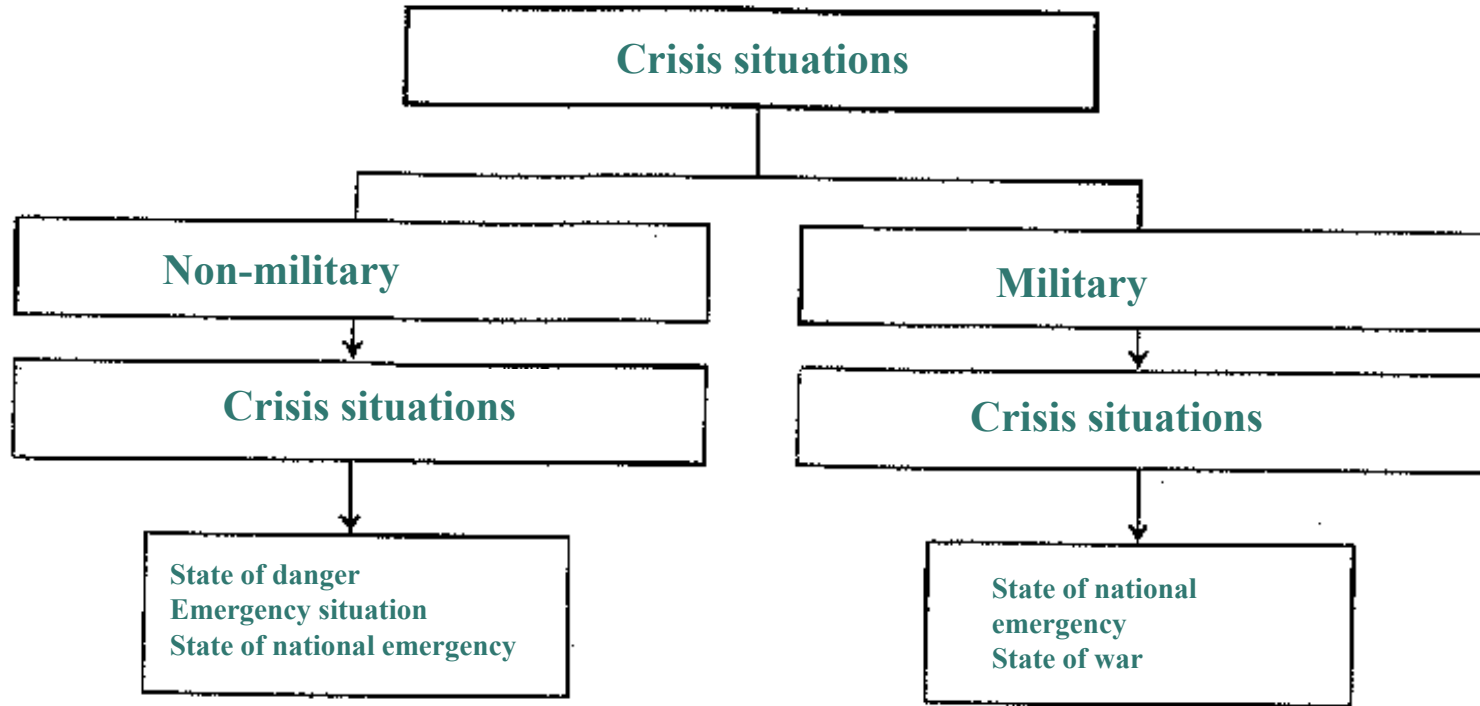
International organisations for dealing with international crisis phenomena are of the nature of

- **intergovernmental organisations** (UN, NATO, Organisation for Security and Cooperation in Europe, European Union);
- **non-governmental organisations** (International Red Cross, International Health Organisation).



- **Krizový management veřejné správy** je vnímán jako komplex opatření a úkolů, které plní veřejná správa (veřejné instituce) spolu s dalšími organizacemi při náhlých situacích ohrožení pro zajištění ochrany a bezpečnosti obyvatelstva, což lze v širších souvislostech vyjádřit aspekty typu:
 - Udržení funkčnosti veřejné správy
 - Udržení fyzického a duševního zdraví obyvatelstva
 - Zajištění dostupnosti životně důležitého zboží a služeb
 - Uchování soukromého a veřejného majetku
 - Podpora záchranným, bezpečnostním a vojenským složkám
 - Humanitární pomoc včetně mezinárodní

Crisis Mangement in Public Administration



Crisis Management in Public Administration



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- Crisis legislation defines an **emergency** as a harmful effect of forces and phenomena caused by human activity, natural influences and also as accidents (usually as a result of human activity) that threaten life, health, property or the environment and require rescue and liquidation work.
- The term **emergency** is understood as a situation arising as a result of an emergency. Thus, it can also be said that the occurrence of an emergency gives rise to an emergency situation that needs to be dealt with.
- A **crisis situation** is defined as an unforeseeable or hardly predictable course of events following a disturbance in the balance of states of natural, ecological, economic, technical, technological or social systems, resulting in a threat to life, health, the environment, internal or external security of the state. To deal with these situations, it is not enough to use the normal resources available or only normal competences

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- **A state of danger** may be declared as an urgent measure if, in the event of a natural disaster, ecological or industrial accident, accident or other danger, lives, health, property, the environment or internal security and public order are threatened, unless the intensity of the threat reaches a significant scale.

- **A emergency situation** is a legal condition that is declared by the government in the event of emergency situations that may arise as a result of natural disasters, industrial or environmental accidents, accidents or other events that threaten the lives of citizens, their property or the internal order of the state on a large scale. The period for which this state of emergency may last is thirty days.

Crisis Management in Public Administration



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- **A state of national emergency** is declared in the event of an imminent threat to state sovereignty, democratic principles or territorial integrity. It shall be declared by Parliament on the proposal of the Government.

- **A state of war**, which is declared on the territory of the entire State, may be declared by Parliament if the State is attacked or if there is a need to fulfil certain treaty obligations on common defence. In this case, any means at the State's disposal may be used.

Crisis Management in Public Administration



- **Crisis management** is conceived as a set of management activities, including the relevant authorities (the government, ministries and other central authorities, regional authorities, municipal authorities and other authorities with territorial competence) aimed at analysing security risks, assessing security risks, planning, organising, implementing and controlling activities carried out in connection with dealing with a crisis situation, i.e. an emergency situation.

- The purpose of **crisis plans** is to identify potential crisis situations, risk situations.

Crisis Management Authorities in the Czech Republic



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- Ministry of the Interior
- Civil National Planning Committee
- Central Crisis Staff
- Regional authorities
- Municipal authorities
- Crisis staffs of regions and municipalities

Executive elements

- Armed Forces of the Czech Republic
- Armed Security Forces (Police of the Czech Republic)
- Rescue Corps
- Rescue services
- Emergency services

Crisis Plans and Crisis Planning in Public Administration



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- **Crisis planning** is an essential tool in the crisis preparedness system. The development of a crisis plan applies to all entities that will be involved in dealing with a crisis situation.
- **Crisis plans** are the output of crisis planning and contain a summary of crisis measures and procedures for dealing with crisis situations.

Crisis plans can be divided into several units:

- Regional crisis plans
- Crisis plans of municipalities (this is an elaboration of crisis plans of regions)
- Crisis preparedness plans (crisis plans) of legal entities and natural persons
- Type plans (these are schedules for the preparation and elaboration of crisis plans)

Crisis Plans and Crisis Planning in Public Administration



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- A crisis plan is a comprehensive planning document that is required to be prepared by the statutory crisis management authorities and economic entities involved in the crisis management system.
- The crisis plan is prepared in a standardised form (usually in written and electronic form).
- The general structure of the crisis plan is laid down by Government Regulation No 462/2000 Coll., § 15, of 22 November 2000. It consists of a basic part and an annex.
- The Crisis Plan contains planning, reporting and other documents setting out the measures and procedures by which the tasks of the State and legal entities are fulfilled when a crisis situation threatens or arises.

Crisis Plan Areas in Public Administration



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- Managing the activities of the legislative, executive and judicial authorities and ensuring the basic functions of the state in dealing with crisis situations.
- Protecting the health and lives of persons, animals, property and the environment.
- Protection of internal security and public order.
- Selected support activities of the armed forces.
- Implementation of economic measures for crisis situations and fulfilment of other basic functions of the economic system of the State (protection of the economy).
- Performance of basic administrative and other functions of the State.

Crisis Staff



- The Crisis Staff of the Region is a working body of the Regional Governor. The Governor of the Region is the head of the Crisis Staff. In the absence of the Regional Governor, the Deputy Regional Governor shall act as the Head of the Regional Crisis Staff.

The Crisis Staff is established for the purpose of:

- Introducing crisis measures to deal with crisis situations and mitigate their consequences.
- Performing the tasks of the crisis management authorities in a state of national emergency declared in connection with the provision of the defence of the Czech Republic in a state of war.
- Coordination of rescue and liquidation work after the occurrence of an emergency and in cases provided for by law.
- Exercises organised to verify the activities of the previous three points.

Crisis Staff



- The task of the Head of the Crisis Staff is to ensure synergy, unity and consistency of activities of public administration bodies or components of the IRS and other available resources and means in the performance of their own tasks and in the performance of tasks to support the decision-making and measures of the Head of the Crisis Staff.
- The number of members of the Regional Crisis Staff is not binding. The Crisis Staff of the Region consists of the members of the Security Council of the Region and the permanent working group of the Crisis Staff. The Head of the Crisis Staff is entitled to invite other persons to the meeting, especially experts who are not members of the Crisis Staff.
- Liaison between the Security Council and the permanent working group is ensured by the secretary of the Security Council, who is also the secretary of the crisis staff.

Crisis Staff



- Instructions to convene the regional crisis staff and to put it into working condition (activation) are given by the regional governor in the event of an emergency or crisis situation.
- If the crisis staff of the region is activated, the permanent working group of the crisis staff works continuously. Its main task is to provide continuous information service to the Governor of the Region and the members of the Region's Crisis Staff. In addition, it performs other tasks set out in a special legal regulation.
- In the period without emergency and crisis situations, the activation of the regional crisis staff and its activities are to be improved by training at least once a year. The actual activation of the crisis staff may be considered as a substitute for drills.

General Procedures for Dealing with Crisis Situations



Before an emergency and crisis situation arises, it is necessary to:

- have plans and scenarios for dealing with crisis situations prepared according to the analysis of possible emergencies and crisis situations,
- continuously refine and update these plans,
- conduct drills for dealing with these events (crisis management and intervention units),
- maintain operational forces and means for dealing with them,
- in the event of the inevitability of an emergency, notifying the necessary officials and warning the population.

General Procedures for Dealing with Crisis Situations



In the event of an emergency, a crisis situation is necessary:

- Notification of officials responsible for its resolution and, based on their decision, notification of other persons (crisis staffs, crisis management),
- in the event of an imminent threat, warn the population and provide them with the necessary information,
- dispatching units to the site of the emergency to carry out reconnaissance, start rescue and liquidation work,
- preparing crisis staffs, crisis management,
- analysing the situation, assessing whether the situation can be handled by normal means or whether it is necessary to declare a state of emergency,
- if necessary, declare a state of emergency.

General Procedures for Dealing with Crisis Situations



When dealing with an emergency, a crisis situation requires:

- take measures to prevent further spread of the emergency,
- rescue and liquidation work by rescue units,
- if necessary, take measures to protect the population, including its all-round security,
- logistical support for rescue and liquidation work and the work to be carried out,
- establishing cooperation with the necessary organisations and neighbouring regions,
- activating other available resources needed to deal with the situation,
- monitoring, monitoring the situation, analysing it and implementing measures in the event of the anticipated spread of the event,
- receiving humanitarian aid, distributing it to those in need,
- addressing impacts on infrastructure.

General Procedures for Dealing with Crisis Situations



After the emergency has passed, the crisis situation is carried out:

- inventory of damages, their quantification,
- determination of the schedule for the implementation of remediation works,
- financial provision of compensation and remediation works,
- invoicing of compensation for the delivery of in-kind resources,
- commencement of remediation and restoration works,
- addressing the social impact of the situation (homeless people, destitute people, orphans),
- gradual return to normal life.