

ROLE OF MANAGEMENT IN EFFECTIVE SOLVING OF CRISIS

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ABSTRACT

The paper presents authors' approach for solving the crisis in the company. Described systemic approach means that, in order to overcome crises and to obtain a global growth and development, management knows and puts into practice together: ethical, moral and social values. The challenges of real growth and development of business and manufacturing entrepreneurship, as social values, are incorporated into some major areas, such as a determination of the cause of crisis, organizational climate and business culture, management vision and team work. The paper analyses influences on a vital goal of any entrepreneurship: to come out stronger from the crisis, with lower operating costs, socially responsible, and to move towards faster implementation of necessary changes caused by the environment and the market. Special attention is paid on SMEs, their E-business and data protection.

Key words: Crisis management, entrepreneurship, E-business, SME, data protection

ABSTRAKT

U radu je izložen jedan od mogućih prilaza rešavanju problema u poslovanju preduzeća. Ovakav pristup podrazumeva uzimanje u obzir etičkih, moralnih i socijalnih vrednosti. Razmatrani su različiti uticaji na vitalni cilj svakog preduzeća: izaći jači iz krize, sa smanjenim troškovima poslovanja, socijalno odgovorno i pomeriti se u smeru bržeg prilagođavanja uslovima poslovanja i tržišta. Posebna pažnja je posvećena MSP, njihovom elektronskom poslovanju i zaštiti podataka.

Ključne reči: Krizni menadžment, preduzetništvo, E-poslovanje, MSP, zaštita podataka

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1 INTRODUCTORY REMARKS

The concept of modern business in today's world implies the willingness of the leaders for each business situation imposed by the environment. That is, the willingness to make decisions for all the changes, not only from internal but also from the external environment. The importance of these skills is particularly evident in crisis situations.

Particularly important is the role of leaders in SMEs. There is no doubt that small and medium sized enterprises and entrepreneurs (SMEs) have become an important lever of economic development. Now, the "small business" exercise for about two-thirds of total turnover and about 60 percent of gross added value.

Business conditions are particularly complicated in times of crisis, as it was recently in the case of the global economic crisis. The key role of leaders in such situations is to recognize risks caused by competitive companies that are focused to the same market. In fact, many firms compete in a same branch. This is not only due to fundamental economic reasons, but, also, because they were in the focus of public and customers. In short, they are stuck in their competition.

There are several issues that are associated with the leader:

- How a leader recognizes the potential pitfalls in which his company may fall?
- Which are the strategic pitfalls?

A successful recipe for solving problems is benchmarking, i.e. compare yourself with others to recognize and follow the solutions that allow overcoming of crisis and, if possible, obtain procedures for the successful further development.

In practice, each leader has different rules about leadership. For example, Bill Gates' and Microsoft's strategy is the strategy which is declared as a strategy of peaceful innovators. On the examples of the other leaders, it could be said that they could be equally successful, also, but in different forms and contents of their doing business. In essence, all methods of management need to work when the organization is in crisis, and when moments of happiness last, when there are good and bad business year of the economy.

Modern leaders are trying to accelerate the training process and the process of improving their own companies, with low labor costs in order to confirm and to continue the real competition in the market today. Also, modern leaders have to pay their attention to companies' data protection. The loss of the company's data can be a source of crisis that the company will not be able to overcome.

2 HOW TO DO BUSINESS WITH A COMPETITIVE STRATEGY IN CRISIS?

If the crisis is a bigger opportunities for rapid advancement of small and medium enterprises are larger. The facts speak, that the newly established companies, in the field of high technologies, can be leaders, and that they may "soon" rule the

world. This is the consequence of rapid growth and development of complex technological processes and approaches to production, and the main reason for great success of less capable companies or industries.

Worldwide research shows that successful small companies should dominate the world, but many of them are disappearing or go into oblivion, especially in crises, due to fact that they are small and did not create a recognizable brand. In contrast to small companies, there are now exist large companies that use new technology, and after the first shock due crisis, they transform themselves and become stronger than ever.

One of the recipes for SMEs is to follow procedures and to act as the big companies do. Good examples for such approach could be data protection and data availability. SMEs and, also, large corporations, in regulated economies, they are subjects to the same requirements in the terms of quality and data availability, and, also, data protection. In the United States, there are established sets of very specific rules about the availability, organization, and regulatory data protection laws, such as: HIPAA, DOD 5015, FDA Part 11, Sarbanes-Oxley, SEC Rule 17th ...[4], and very severe penalties are provided for violations.

The problem of SMEs is the lack of funds to undertake necessary measures. In addition, any disruption in cash flow is often fatal for SMEs. In his article "A Small Business Approach to Computer Downtime", Adian McDermot estimated that each incident can cost a small business between \$ 200 and \$ 800 per incident, and PC. [5]

Although the leadership of SMEs can find it difficult to refute the importance of preparing for operations in emergency situations, it is easy for them to postpone the planning and implementation of measures for crisis situations because of everyday problems and limited resources. US Small Business Administration (SBA) estimates that 25 to 40% of small companies disappear after a crisis or a prolonged suspension of operations [6]. In the light of recent experiences related to natural disasters and the situations that occurred after them, SBA emphasizes that only those firms that were well prepared for emergencies had returned to work.

In the analysis of business, small companies should always ask themselves the following [7]:

- Is the SME prepared to relocate temporarily?
- Does the SME have copies of, and access to, vital business records? (The SBA recommends backup data is stored at an offsite location at least 80 km away from the head office.)
- Does the SME have access to vital business applications? (emergency payroll, accounting, access to suppliers and resources)
- How much data would the SME lose in a disaster between backups?
- How quickly can the SME recover from a disaster?
- How long would the SME be without a connection to its customers?

Although the first thought of the SME leadership is the selection of the appropriate technology, the first step should always be the selection of the right people, policies and procedures. Procurement of equipment should be realized only when there are clearly defined the needs of the system.

The core of the problem focuses not only economic indicators, but, also, focuses newly needed indicators. They are of relevant impact on a given problem.

New changes the leaders basically reflect through the three parameters of competition: price, quality and service, which are raised to a higher level through:

Flexibility for changes

1. The first problem to be solved is how to present a matter of survival? These things people in the organization will see on their own ways.
2. The second, everyone in the organization should look for best practices.

Costs

1. The first, it should be determined how to perform each process in order to raise productivity.
2. The second, it should not be emphasized the issue of cutting costs by 5-10%.
3. The third, it must be found a way to cut costs by 30-40% in most cases, because in most cases it is needed that the company be competitive.

Quality

1. The first, the percentage of 95% correct products is not good enough.
2. The second, it is necessary to completely get rid of the rejects.

Service

It is not the only challenge to improve, but also to change the offered service in the way that customers are not only satisfied, but so surprised that talk to everyone how good the service is.

Market

1. The first, a company should take a new, strong position in the market.
2. The second, a company should search for the untapped opportunities, and find new opportunities.
3. The third, a company must not follow old way and use old methods.
4. The fourth, it might look that the market in which company provide services seem saturated, but there is a lot of different demands for exciting new products, services and technologies.

Business example:

Such approach was applied by Procter & Gamble in the year 2007. As of July 1, 2007, the company's operations are categorized into three "Global Business Units":

- Beauty & Grooming Beauty segment
- Household Care Baby Care and Family Care segment
- Health and Well-Being

Each Global Business Unit is divided into "Business Segments" according to the company's March 2009 earnings release. Leadership was focused on the innovations required to improve the price, quality and service. Previous data indicated that no company had established methods of strategic development of the company. Due to applied changes, in less than 5 years this company has instilled a whole new power into its efforts to innovate. Leaders were looking anywhere in the world for innovators who have had the most advanced ideas. They did not stop. The search for

new ideas led them to include into the business system some other companies, suppliers, universities, research laboratories and new newly established companies. The success was stimulated by taking some of the ideas found in included companies, their adaption and crystallization. Using them, company modified the existing products.

3 THE NEED FOR SKILLED CRISIS LEADERS

To successfully manage a company in crisis situations it is essential that the company has a highly trained and capable leadership. Most crises dramatically influence to the system and, normally, demand, and cause changes in it. Acute threats, either natural or human-caused, affect multiple systems. So, then appears the need to manage conflicting goals, values, and responsibilities. In such circumstances, they become visible differences between management and leadership.

Crisis leaders must be able to influence others in a positive way. They must perceive all resources, find high-quality associates, and not to rely on title or position alone. Crisis leader needs to have multiple and flexible plans. In the favorable scenario of crisis, the leader already has a well-defined plan for operating during emergencies. Such scenario should cover a crisis leadership cycle: before, during, and after an occurrence. Unfortunately, for the other scenarios it is not the case.

Essential leadership skill set consists of [8]:

- Collaborative leadership
- Systems thinking
- Creativity
- Emotional intelligence
- Risk communication
- Influence and negotiation
- Conflict management

These skills are listed here without taking into account the size of their impact on achieving of positive results in overcoming the crisis, and various managers, and subordinates, give them different priority levels.

CONCLUSIONS

A crisis can happen anytime, anywhere, to any organization or community. Some are predictable; others come unannounced. They are characterized by a high degree of instability and they carry potential for extremely negative results. In any case, a crisis brings about dramatic change. Leadership's role in a crisis, no matter what kind of crisis was appeared, is very important. Leadership sets the tone by his example and conduct. It must pay attention to the components of influence. Leadership can have a significant positive impact on the very human, emotionally charged climate. Leaders cannot rely only on authoritarian or fear tactics to get results during a crisis.

After detailed analysis of the business technology of the company, occurred crisis situations, possible concepts and organizational and technical solutions, before establishing new technology and procedures or procurement of equipment it is necessary to re-examine whether all the factors are considered and taken into account. Particular attention should be given to answering the question: Is it possible and how fast it is possible to recover system, and products and services making available to customers?

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