

ECONOMIC CRISIS IN BUSINESS MANAGEMENT

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ABSTRACT

The scientific paper shows results formulated in research studies MSM 6215648904 (Brno, 2009, 2010) and EP focused on analysis of managerial, financial and economic risks and methods of their solving in strategic decision making of business TOP management in a new entrepreneurial environment with influences caused by integration processes, development of information technology and factors of globalization. The situation in Bioveta, Ltd. Ivanovice na Hané was analyzed in detail. The paper develops the results of the author's research studies published in scientific journals and in conferences, especially IAES (Paris, 2002, Prague, 2010), FŠI ŽU Žilina (2003 – 2004), PEF CAU Prague (2002, 2003), FESRD SPU Nitra (2005), Agriculture economics IV/2001 and V/2003 and others.

Key words: Crisis Management, Entrepreneurial Environment, Information Technology.

ABSTRAKT

Vědecký článek ukazuje výsledky formulované ve výzkumných studiích MSM 6215648904 (Brno, 2009, 2010) a EP zaměřených na analýzu manažerských, finančních a ekonomických rizik a způsobů jejich řešení při strategickém rozhodování TOP managementu podniku v novém podnikatelském prostředí s vlivy způsobenými rozvojem informačních technologií, integračním procesem a globalizací. Situace v Bioveta s.r.o., Ivanovice na Hané byli podrobně analyzovány. Článek rozvíjí výsledky výzkumných studií publikovaných v odborných časopisech a na konferencích, a to zejména IAES (Paříž, 2002, Praha, 2010), FSI ŽU Žilina (2003-2004), PEF CAU Praha (2002, 2003), FEŠRR SPU Nitra (2005), zemědělská ekonomika IV / 2001 a V / 2003 a další.

Klíčová slova: Krizový management, podnikatelské prostředí, informační technologie.

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1 INTRODUCTION

The author of this contribution found in his research MSM 6215648924 (Brno, 2009) that the new entrepreneurial environment of economic subjects in the Czech Republic is essentially affected by the Czech Republic joining the European Union, in particular by external environmental factors. The competitive advantage in increased competition is usually won by the entrepreneurial subjects which have already had or in the past had business contacts with the EU countries and other countries. These subjects have already had good preconditions for extension of existing activities. The required status of the internal business management environment shall be perceived as a dynamic balance of relationships and partial relations between the elements of company systems with one another as well as with the business as a whole. Increasingly keen competition and increasing customer requirements result in increasingly difficult and also more costly placement of products of individual companies on the market. The above-stated development makes high demands on the company management if it should succeed in tough competition.

It is clear from the above-stated facts that the quality of managerial decision-making of the company management depends on a range of complex factors which undergo dynamic changes and the task of good managers is to influence these changes successfully towards well defined targets.

An important role in strategic decision-making lies with crisis management, the conceptions and methods of which provide for a timely solution of situations which are undesirable for the company and which in their consequences result in a significant limitation of business functions up to potential cessation of the company.

All entrepreneurial subjects worldwide are significantly affected by the existing global economic situation, which is characterized by the crisis development and which occurred in developed world economics in 2007. Švejnar at the International Economic Forum (Prague 2008) stated that the first mover in the above-stated crisis was the United States of America in particular by relaxation of monetary policy in 2000, further it was the boom on the real estate market, complicated financial instruments, panic and some other problems, bank and insurance company bankruptcies, oil and food prices, etc.

2 OBJECTIVES AND METHODOLOGY

The objective of this scientific contribution is to publish the results of the research MSM 6215648904 (Brno, 2009), which analyses the field of managerial decision-making of the company management using the crisis management methods in selected companies. The published results are of a methodical nature and introduce the formulation of the algorithm of studying the causes of the crisis with the options of the company management to solve them. The analysis is realized on the approach basis (Svoboda, 2000) with emphasis on the crisis management, usage of which relates to virtually all phases of the company lifecycle. The application of the above-stated approach enables prevention of the occurrence of crisis situations.

It concerns primarily the methods of active reducing of the occurrence of company crisis situations. The result of such decision-making is a gradual creation of

such conditions in the managerial environment that can lead to winning the competitive advantage in the continuously increasing competition. The subject of the detailed analysis is the field of decision-making of the company management with the focus on acquiring new business opportunities through a well functioning information system and other technical management tools and through using modern methods of strategic decision-making of the company management with solving crisis situations. The results of the research are gradually implemented and tested in the practice of entrepreneurial subjects, in particular in Bioveta, a.s. Ivanovice na Hané, which currently trades its products in sixty four countries worldwide, in particular in Europe, Asia, Latin America, etc.

In order to achieve the defined objective the methodology which enabled realizing it gradually was selected. The strategic decision-making methods, controlled discussion methods, PEST, SWOT, EFE analyses and IFE matrixes, BCG and SPACE analyses and crisis management methods, in particular the application of the crisis matrix which defines conditions of probability of crisis in a certain area with its consequences, were used. The analysed companies represent medium-sized entrepreneurial subjects with a wider line of business which are equipped with modern technical management tools which are necessary for realization of individual types of financial, economic and accounting analyses in connection with management and marketing analyses. Concrete data were gained particularly from Bioveta, a.s. Ivanovice na Hané. The mentioned approaches enable the realization in practice of the principles of knowledge management.

The methodical approach is based on partial steps which can be characterized by the following algorithm:

- analysis of the current status of decision-making of the company management in literature and practice of researched companies;
- gradual implementation and testing of research results in company practice;
- practical recommendations for improving decision-making of the company management.

The analysed companies represent medium-sized companies with a wider line of business which are equipped with modern technical management and communication tools.

3 RESULTS AND DISCUSSION

The author of this contribution found in his research that the entrepreneurial subject can win the competitive advantage through a range of managerial measures which are directed at creating the conditions in logically consecutive steps of managerial decision-making of the company management in specific areas of business, namely for creating important preconditions in the entrepreneurial environment. All these measures can take a share in a synthetic effect, which is the achieved company profit. It can be said that the basis of a company's prosperity is its market orientation to a customer and resulting well formulated pronounced business strategies of the company, together with so-called functional strategies which are composed of the marketing and sales strategy, financial and investment strategy, production strategy, quality control strategy and change management strategy.

Well defined business and partial strategies place new requirements on the modern company information system and information technologies which enable fulfilment of all managerial functions and roles.

On the basis of the above-stated facts it can be said that there are two ways to winning the competitive advantage:

- using the strategy of minimal costs, i.e. primordiality in costs together with product differentiation;
- focus on factors which lead to the increase of revenues i.e. in particular product quality, wide range of products, good marketing measures,
- limitation of opportunities for impacts of crisis factors.

Now we will present the results of selected performed analyses in Bioveta. The analyses are:

- EFE (External Factor Evaluation Matrix),
- IFE (Internal Factor Evaluation Matrix).

Table 1: Evaluation of the external environment using the EFE matrix
Source: Svoboda, 2014

| Factor | Weights | Reaction | Score |
|-----------------------------|----------------|-----------------|--------------|
| Customer requirements | 0.3 | 5 | 1.5 |
| New contracts | 0.2 | 3 | 0.6 |
| State economic recession | 0.1 | 2 | 0.2 |
| Foreign markets development | 0.25 | 3 | 0.75 |
| Tough competition | 0.15 | 4 | 0.60 |
| Overall score | 1.00 | X | 3.65 |

It arises from the analysis of the crucial external environment factors which are stated in table No. 1 that the company Bioveta is significantly dependent on the external environment with good sensitivity of the company management to opportunities and threads with the overall score of 3.65, while it is clear from the presented table that the values of the overall score can range from 1 to 4.

Table 2: Evaluation of the internal environment using the IFE matrix
Source: Svoboda 2014

| Factor | Weights | Reaction | Score |
|--------------------------------|----------------|-----------------|--------------|
| Company ownership | 0.15 | 4 | 0.6 |
| Exceptionality of technologies | 0.2 | 4 | 0.8 |
| Own product development | 0.1 | 4 | 0.4 |
| Quality of human resources | 0.15 | 4 | 0.6 |
| Change management | 0.15 | 3 | 0.45 |
| Technological discipline | 0.1 | 4 | 0.4 |
| Innovations | 0.05 | 4 | 0.2 |
| Information system quality | 0.1 | 4 | 0.4 |
| Overall score | 1.00 | X | 3.65 |

Table 2 shows the crucial internal environment factors with their weights and reactions. The overall calculated score of 3.65 underlines the need for the company

management to respect the basic internal environment factors. The above-stated EFE and IFE matrices supplement as auxiliary tools the detailed analysis of the managerial environment which was conducted using the SWOT method. In connection with the conclusions from the BCG and SPACE analyses we evaluate the realized company products according to their economic contribution for the company from the most profitable to the least profitable, in relation to the fulfilment of actual customer requirements ranked from the products which fulfil the customer requirements the best to the products which fulfil the customer requirements the least. Therefore we will obtain four variants of combinations of the two views. Through the analysis of these combinations the company management can come to the basic directions of the causes for successes and failures when trading the individual products.

The following four quadrants arise from the above-stated configuration:

- I. showing profitable products which fully accept current customer requirements;
- II. showing profitable products which however do not wholly fulfil current customer requirements;
- III. showing products with lower profitability but good reaction of the company management to customer requirements;
- IV. showing products with low profitability which insufficiently accept current customer requirements.

According to the above-stated analysis of marketable Bioveta products in 2009 57.7% are placed in the first quadrant and 19.2% in the second quadrant. Products in quadrants I and II. were produced with cost profitability above 10.1%, i.e. with a good economic contribution.

The third and fourth quadrants are characterized by products with cost profitability below 10.0%. 21.0% of products are placed in the third quadrant and 2.1% are placed in the fourth quadrant.

It is clear from the performed analysis that the products in the first quadrant accept the market requirements both from the perspective of economic contribution for the company and from the perspective of contribution for customers. In the second quadrant there are marketable profitable products which are however keenly endangered by potential competition. The solution for this situation may be a better reaction of the company to the customer requirements or diversification of products into another market or gradual cutting out of these products. The products in the third quadrant accept customer requirements but have a lower economic contribution for the company. This shows the evidence of high company costs for the products in question or placing the products in question on an unsuitable market. The products in the fourth quarter require a detailed evaluation with an evaluation of opportunities for their improvement or recalling from the market.

The strategic management deals with the behaviour of the company in the external environment as well as its internal functioning in the process of its decision-making and management.

The conclusions of this work correspond to Porter (1994) who says that winning the competitive advantage is the core of each company's productivity. He takes the competitive advantage in particular to be the advantage of low costs, differentiation of the product from the competition, technological perfection of the product and technology perfection. According to Porter the market attraction, potential

growth on the market and opportunity to win the competitive advantage depend on the existing competitive structure of the market and ability of the company to cope with five competitive forces which determine the intensity of the sector competition and sector profit potential. As the framework, the state influence on all competitive forces can be included. The company should occupy such position within the sector and choose such approach to the competition which would limit the influence of competitive forces and potentially enable the company to use the competitive force in the sector for its benefit and occupy a strong position on the given market. Further the results correspond to works of other authors. For example Gozora(2000), Hron(2001), Hron – Tichá - Dohnal (1995), Šimo(2000), Švejnar, Veber(2004) and Whitelaw(1994). The quoted authors put significant emphasis on the effective managerial work, development of entrepreneurial activities and effective application of marketing in the company management. These standpoints are also supported by the work of Kotler (1998) who says that, for their work, managers need information in the processing of which the company information system, divided into the reporting system and the marketing research system, participates.

4 CONCLUSION

From the research results the conclusion clearly arises that modernly managed companies need to have available a well-defined strategic management system and, within this system, a well-elaborated change management, which contributes to creation of a balanced state of internal managerial environment and external environment, i.e. to their homeostasis. The presented approach requires perfect provision of information and modern technical management tools, in particular a good information system. Quick changes, especially in the external environment, require the company management to come up with new approaches and decision-making methods, and a well-conceived algorithm, which allows a flexible reaction to customer needs. Practical implementation of the above-stated conception limits the possibility of occurrence of company economic crises.

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