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## ARE YOU PREPARED FOR A CRISIS? SURVEY AT CZECH SMALL ENTERPRISES

*A vulnerable position of small enterprises, their effort to understand the threats resulting from potential crises acted as an impulse for research aimed at mapping the current level of their preparedness for a crisis situation sorting out or the adaptation to changed conditions at the market. The paper interprets the results of the questionnaire survey at small enterprises in Czech Republic in 2009. The overall result of the questionnaire survey was finding that managers of small and medium enterprises knew threats relatively well, and they were aware of them but they did not prepare themselves in advance for their negative consequences, the preparation for crisis situations in those small enterprises was not considered a "normal" part of managers' work.*

*Keywords:* small and medium enterprises; crisis management; survey.

*JEL:* M10, M21.

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## ДОСЛІДЖЕННЯ ЧЕСЬКИХ МАЛИХ ПІДПРИЄМСТВ ЩОДО ЇХНЬОЇ ГОТОВНОСТІ ДО КРИЗИ

*У статті доведено, що вразливе становище малих підприємств, їхні зусилля у розумінні загроз, обумовлених потенційними кризами, виступили як імпульс для досліджень, спрямованих на відображення поточного рівня їхньої готовності до вирішення кризової ситуації або адаптації до ринкових умов, що змінилися. Прокоментовано результати анкетування на малих підприємствах у Чеській Республіці в 2009 році. Загальним результатом опитування був висновок, що керівники малих і середніх підприємств були знайомі із загрозами відносно добре, вони були обізнані про них, але не готувалися заздалегідь до їхніх негативних наслідків, підготовка до кризових ситуацій на цих малих підприємствах не вважалася "нормальною" частиною роботи менеджера.*

*Ключові слова:* малі та середні підприємства; кризи; антикризове управління; огляд.

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## ИССЛЕДОВАНИЕ ЧЕШСКИХ МАЛЫХ ПРЕДПРИЯТИЙ ОТНОСИТЕЛЬНО ИХ ГОТОВНОСТИ К КРИЗИСУ

*В статье показано, что уязвимое положение малых предприятий, их усилия в понимании угроз, обусловленных потенциальными кризисами, выступили в качестве импульса для исследований, направленных на отображение текущего уровня их готовности к решению кризисной ситуации или адаптации к изменившимся условиям на рынке. Прокомментированы результаты анкетирования на малых предприятиях в Чешской Республике в 2009 году. Общим результатом опроса был вывод, что руководители малых и средних предприятий были знакомы с угрозами относительно хорошо, они были осведомлены о них, но не готовились заранее к их негативным последствиям, подготовка к кризисным ситуациям на этих малых предприятиях не считалась "нормальной" частью работы менеджера.*

*Ключевые слова:* малые и средние предприятия; кризисы; антикризисное управление; обзор.

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**1. Introduction.** In practice, the goal of economic crisis management is to defend and shield organizations from different fateful adverse events. Threats for the very existence of organizations come from many sources. They come primarily from the concerns about economical decline, competition struggle, disputes between employers and employees, technological risks or direct threat to health or lives (Keclikova, Bris, 2011). These sources also indicate exposed areas, where preparation and training of future managers should be focused on. A crisis will mostly surprise an organization, because management of organizations is very rarely prepared for it. An organization reacts to the crisis event as to an unexpected situation, which solution in such tense periods and very often under great time pressure is thus even more complicated. To be able to react quickly a great flexibility of processes is required (Miklosik, 2010). In the attitude to crisis management in most cases it is necessary to ensure a change from reactive to preventive approach. The effort to actively forecast the occurrence of crises is essential. Monitoring of strategic problems, which could in future lead to a crisis, elaboration of crisis plans, training of crisis teams, implementation of early warning systems, preparation of all employees for extraordinary situations — all this should be a part of normal activities of an organization (Wagnerova, 2010).

Constantly changing business environment with still faster and harsher consequences especially for small and medium enterprises (SMEs) imposes higher demands on their survival (Borbás, 2009). In discussions with owners or executives and managers of small enterprises in their surrounding, the authors are mostly confronted with views that only big organizations can manage crisis management as they have specialists in particular fields of activity. According to the authors' opinion, owners and managers of small organizations have a very distorted idea, if any, of crises and their management, possibilities of their development, cyclicity etc. They are skeptical as for their possibilities to be ready for a crisis situation and manage the crisis. According to their opinion, the only way of solution is to dismiss employees and wait. The aim of the questionnaire survey is to obtain the initial vision of the relation of those organizations to crises and their management. It is a challenge for respondents, activation of their efforts to be prepared for potential crises. The pilot research was conducted in 2009. The authors intend to acquire additional data to perform comparative studies.

## **2. Questionnaire survey.**

*2.1 Input data for empirical research.* The respondents were managers of entrepreneurial subjects with less than 10 employees and at the same time with yearly turnover to 10 mln. CZK (400 000). The sample was chosen randomly by simple selection. The considered number of addressed respondents was approximately 4000.

The questions were aimed at objective and subjective information. Functionally they had a character of being meritorious, censorial, filtrating and controlling. Mostly the form of closed-dichotomic questions were used, however, for the most part alternative and enumeration were used. The nominal scale had a verbal form (Likert's scale). The respondents had the possibility to fill in his/her opinions (open questions). The addressing of respondents and filling in the questionnaire were done online. The anonymous questionnaire is simple with the least possible number of questions to ensure its sufficient return.

Statistically processed data by means of induction enables the formulation of general conclusions in the area of small organizations readiness to a crisis.

The subsequent finding that a majority of the respondents are at the same time owners or co-owners of organizations did not come as a surprise.

By the first questions the authors want to find out whether organizations have already faced existential problems and whether those problems have made them take precautionary measures for the future or whether they are active in preventing the crisis no matter if they were threatened by a crisis in the past. Furthermore, the authors would like to know the reasons for which the organizations do not consider preparation for a crisis (prevention) important and what obstacles and complications most often prevent them from preparing for it. The authors are aware of the fact that the chosen "reasons" in both questions may be a refusal to take personal responsibility and looking for excuses but it depends on the respondents only to realize this fact.

The questionnaire is not meant only for crisis managers in case they have been appointed in the organizations but for executives or managers. These representatives of organizations should have at least an idea of what crisis management is, what are its phases, what may be the result and what complications may arise during the crisis and of other problems connected with it. That is why the authors were interested in what way the respondents will evaluate their knowledge of crisis management and whether they have information at their disposal (other than from the Commercial Code or the Insolvency Law), materials and sources, and whether they are useful for them. Those questions are aimed at the self-assessment of the addressed. Even a manager's self-confident contention that he has got a clear idea of his knowledge of a crisis and its managing may appear to be illusory in practice.

In the final part of the questionnaire (about conditions and preparation for managing a crisis) the authors did not expect many positive answers. They rather considered that part as a reminder to managers of some problematic areas they should treat within the framework of prevention. Surprisingly, their expectations have not been confirmed.

### **3. Evaluation of the obtained data.**

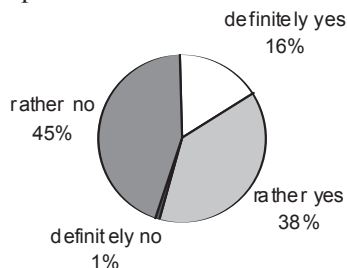
*3.1. Profile of the respondents.* Organizations thought small for the purposes of this searching have been determined by two features: the annual return (up to 10 mln. of CZK) and the number of employees (up to 10). The total number of the respondents is 510. From the results of the questionnaire it follows that most often it concerns the following organizations:

- from 5 to 10 employees (65% of the respondents);
- in the last 5 months they have dismissed more than half of their employees (57% of the respondents);
- with the annual return less than 5 mln. of CZK (72% of the respondents);
- predominantly working in services (64% of the respondents);
- they are at the market for a short period — less than 5 years (73% of the respondents);
- the owner holds a high executive position (82% of the respondents).

*3.2. Has the crisis you have undergone motivated you to prevention from the next one?* The majority of the addressed (86%) admit they have already faced serious prob-

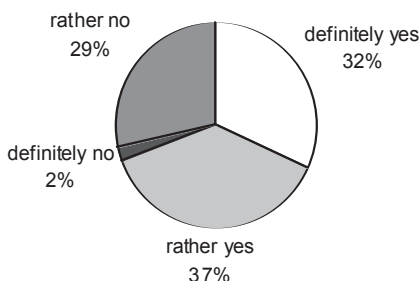
lems earlier that considerably jeopardized operations or even the existence of their organizations.

Only half of the organizations (56%) that have already solved a crisis situation are forced by previous problems to make preparations for managing potential subsequent crises (Graph 1). The fact that none of the addressed organizations with the exception of those that have experienced a crisis situation make preparations for crisis management has not surprised the authors.



**Graph 1. Has the crisis situation you went through made you be ready to manage potential future crises?**

In view of the fact that 69% of all the addressed think that preparation for managing potential threats is important (Graph 2), the approach of managers to potential serious threats for the organizations presented in answers to the question "Has the crisis situation you went through made you be ready to manage potential future crises?" is striking.



**Graph 2. Is it important to prepare for a crisis?**

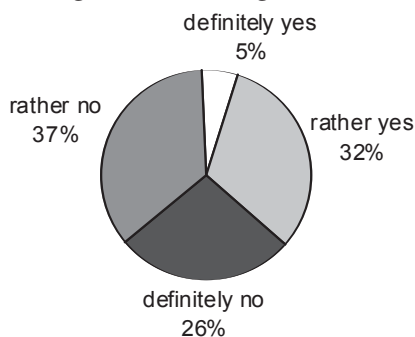
*3.3. Why is it unnecessary to make preparations for a crisis?* Those who did not consider preparations for the crisis important (31% of all the respondents, Graph 2) mostly do not hide behind the statement that they have a strong position (a strategic partner, product etc.) and that is why they are not afraid of a crisis. Only 13% of them say that. A conclusion can be made that they are aware of possible threats. A significant role for shaping their view is taking into consideration high costs connected with the prevention (in 100%) in combination with the pointlessness of prevention since it will not prevent the crisis anyway (87%) and the view that a crisis will develop differently than it was suggested in precautionary plans (64%).

Although the addressed respondents admit a possibility of threats, they have built defensive mechanisms especially: unpredictability (crises are unpredictable, it is not possible to be ready for them) and costs (crisis management is too costly). Their attitudes include to fatalism and this will be obviously devastating in the future.

3.4. *What complicates the preparation for coping with a crisis?* All the respondents who wanted to make preparations for a crisis (69%) cope with lack of appropriate experts in their own ranks (100%) associated with the lack of finance for their training or in hiring external workers (81%). Those drawbacks 75% of the respondents gave in the context of a considerable workload, the consequence of which is the lack of time for preparation for crisis prevention.

The results were expected in the view of mostly lower scope of financial and human resources of small organizations. Big workload and resulting from that lack of time the author find questionable also in the connection with the fact that 82% of the addressed managers are the owners of the organizations. In such situation there is a rule, especially in small organizations, that the owners — managers themselves try to have everything under control and refuse (or do not perform) delegation of competences and responsibility. This fact can be one of the causes of the crisis.

3.5. *What is crisis management?* Only 1/3 of all the respondents has a clear idea of what crisis management is, how crises may develop and what instruments can be employed (37%) (Graph 3). In the context with answers to the question No 2 where 56% of the respondents say their organizations are preparing for crisis, sorting out this result suggests to think about the quality of their preparation for a crisis. Moreover, not all of those who think they have a clear idea of crisis management also say they are preparing for a crisis. Only 53% of the managers said they had clear issues of crisis management and at the same time that their organization was preparing for a crisis. The remaining number of the respondents preparing for a crisis (47%) admits the insufficient level of crisis management knowledge.



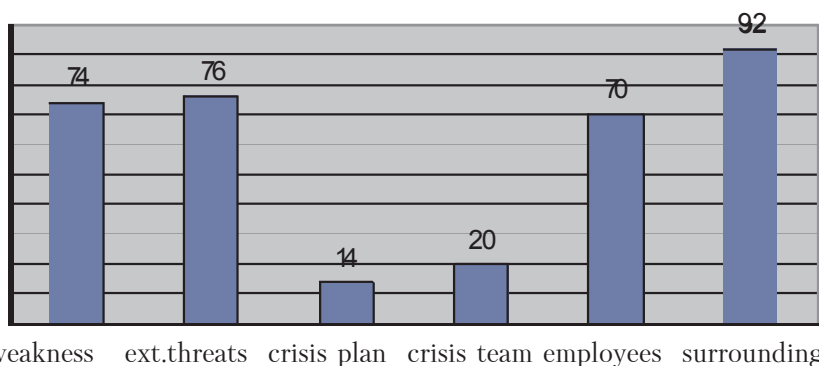
Graph 3. Do you know what crisis management is?

Prevention and preparation for coping with potential threats is associated with a sufficient amount of information. Only 1/3 of the addressed (32%) think that they have a sufficient number of sources for crisis management. All the respondents would be pleased to have materials about crisis management to get them acquainted clearly and understandably with anatomy of crisis applicable to their work. Saturated book market or on the contrary missing practical publications dealing with that field, the offer from consultancies or managers' willingness to learn can be discussed. Ability and willingness to receive new information and learn something new is connected with a number of factors that are not a subject of this research.

The last part of the questionnaire was self-assessment of the respondents (Graph 4). Managers think highly of their organization as concerning the field of employment and the relation to surroundings. They are sure they are trustworthy for their employees by their behaviour (70%) as well as for their surrounding (92%). It is apparent that the surrounding (especially their business partners and state institutions) plays for them a more important role than the employees.

Also the knowledge of areas of potential threats is at the high level. 3/4 (74%) of the respondents are aware of their own weak points (an obsolete product, lack of finance). A similar number (76%) mention their awareness of outside threats (competition, changes at the market). According to Janovska (2012), it is also the requirement to reduce the consumption of all types of energy in production processes and continued increase in prices for raw materials.

Then it is rather precarious why more organizations do not make preparations for coping with dangers coming from those areas. A generally formulated question No 2 about the preparation for potential threats and crises prevention include only working out crisis plans and shaping crisis teams. Working out crisis plans declare 14% of the respondents only, 24% of them admit that the plans are not regularly updated. Crisis teams exist in 20% of the addressed organizations.



**Graph 4. To what extent has your organization created the following conditions for coping with crises?**

4. How do we characterize a small organization preparing itself for crises? 286 organizations (56% from the total number of the addressed) implement precautionary measures:

- These are only those organizations that have earlier experienced serious threats to their existence. Any of the organizations that did not have to solve serious problems earlier does not make any steps in preparation for a crisis.
- They mostly work in industries (57%).
- All organizations have from 5 to 10 employees.
- From the beginning of 2009 they have mostly dismissed from 10% to 50% of their employees (79%, yet they remain in the category with a number of employees from 5 to 10).
- Their annual turnover is mostly between 5 and 10 mln. CZK (53%).

- They are mostly at the market for more than 5 years.
- In all the organizations the owner holds the post of a manager.

The authors have come to the conclusion that organizations try to identify conditions for their survival but they do not put the crisis into relation with strategic management, prevention is not considered a feature of competitiveness. It is rather disturbing but, on the whole, generally expected that they approach the prevention of a crisis only when they themselves have gone through (and survived) the period threatening the existence of their firms. In connection with the fact that majority of the organizations is aware of their internal weaknesses (74% of the total number) and majority of the organizations know external threats (76%) the authors think their approach to the future sufficiently responsible. Organizations are aware of their weak points and threats and if they do not try to be ready for them they most probably will fail in a potential crisis. Effort of more than a half of the addressed small organizations to implement precautionary measures, no matter what their extent will be gratifying. On the other hand, the quality and efficiency of those measures need not be sufficiently efficient (with regard to the idea of crisis management and sufficient background sources that the authors see as optimistic). The fact that in all the organizations the owners are at the same time managing bodies can be the reflection of their interest in own property. With hired managers, this has to be replaced by some other way.

189 managers (37%) say they have a clear idea of crisis management in their organization:

- The reported result in the view of the reported complications in preparation (lack of own experts, lack of finance) the authors see as optimistic assessment of managers even though 87% of the respondents, answered 'Rather yes' but not 'Definitely yes'.

- A relatively high number may result from the fact that the majority of managers (67%) work in the organizations with the annual turnover less than 5 mln. CZK. On condition that the activity in question is simple and performed under usual market conditions, managers can (must) know operations and surrounding of the organizations perfectly, which will help in procedures of crises prevention.

- According to the authors' opinion, this precondition holds true also for small organizations in which there is a lack of experts not only in the field of crisis management but also in other professional fields.

- Further searching has revealed that not all the managers who say they have a clear idea of crisis management were engaged in prevention. Only 53% of them said at the same time that their organizations were preparing for potential crises (question No 2). In a more exact question they stated at the same time that they had crisis plans drawn including a crisis team or a crisis team appointed.

- Further preparation for crises may include drawing of reserve plans, ensuring reserve sources etc., it means mostly partial actions only that can help in prevention against potential threats but they should be coordinated into a complete plan.

As regards small organizations' owners and managers' ideas of crises and their management, the results of the questionnaire survey have not denied authors' presumption that their ideas of crisis course, its development and their knowledge of crisis management are distorted. Only 1/3 of the addressed state they have a clear idea



of that field. However, 87% of the given number tends not to the firm statement but to the variant “rather yes”, which decreases the “clarity” of the idea.

Also the authors' idea of effort to make preparations for crisis situations has not been rejected. Small organizations' managers showed that they regarded prevention as an important part of organization management (69% of the respondents). Despite the fact that preparation of precautionary measures is complicated, especially with the lack of human and financial resources, they deal with the prevention even though only on the basis of the threats they have already experienced. Surprisingly, it was necessary to reject the presumption about the creation of conditions for crisis management. From the questionnaire it follows that the organizations know about threatening effects, and quite well, probably intuitively (for example, their behavior towards their employees and surrounding) they have created conditions for coping with crises.

1/3 of the addressed is persuaded that they have a sufficient number of information to ensure crisis management in their organizations but all of them would welcome receiving materials to provide them with the basic information on the crisis and its particular course, on coping with it, and that would serve as instructions for application in conditions.

**5. Conclusions.** From the carried out research it follows that, according to the authors, the managers — mostly owners of the organizations — are familiar with their organizations and its surroundings but their preparation for crisis situations sorting out has not been included into the normal management of the firms.

A number of theoretical workers as well practitioners are persuaded that prevention from crises is the aim of the crisis management process. The ability of management to predict and prevent crises is their important quality in ensuring the operations of the organizations (e.g. Horvathova, 2009; Mikusova, 2008; Voznakova, Janovska, Lampa, 2010). However, as it follows from the particular cases, elements leading to the origin of a crisis and its development still remain hardly suggestible factors for management. There is a number of reasons for it: the majority of managers believe they do good work and their actions cannot cause failure. Furthermore, it is difficult to assume the consequences of events for which managers cannot find casual linkages (Copikova, Bartuskova, 2012). Due to the scope of factors interconnected in the global environment and their quick interaction the possibilities for decision-making are becoming reduced, which creates another crisis potential and becomes a more insistent threat just for small organizations. Today's businesses must be flexible in identifying and implementing knowledge and also have to find their resources not only in the economic sphere but also in ethical management based on new insights into business. The future is waiting only for those companies that react quickly to new challenges and sufficiently know how to create and exploit opportunities (Bielikova, Paliderova, 2011).

*This article was written in the framework of SGS project no. SGS SP2011/51 in Technical University of Ostrava.*

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Стаття надійшла до редакції 14.03.2012