

Typical Crises in Selected SMEs in the Czech Republic

Ladislav Rolínek, Jaroslav Vrchota, Monika Maříková

Abstract: *This article deals with identification of typical crises in selected SMEs in the Czech Republic. Individual crises were recorded by our research team based on guided interviews with owners or managers of 183 SMEs. The most frequently occurring crises are related to customers (15.1%), and employees (14.5%). This article also brings a description of the typology of crises in SMEs suggested by the research team.*

Key words: Crises · Crisis typology · Emergency management · SME · management

JEL Classification: M15 · M11 · M12

1 Introduction

According to Zuzák and Königová (2009), a crisis represents a breaking period when, within a subject affected, it is being decided whether further development will lead to the subject's disappearance or recovery to the level before the outbreak of the crisis. The effects of every crisis have negative impacts not only on the subject affected by the crisis, but also on its surroundings. This leads to the crisis-affected subjects trying hard to eliminate its consequences and bringing the affected subject to the level where it was operating before the rise of the crisis. It is mostly the effort to stop the negative development and to channel the downward development curves; at first to a stable position and then to the upward direction“.

According to Crandall, Parnell and Spillan (2009) a crisis is usually an event which is characterized by ambiguity of causes and a significant impact on the overall health of the organization.

Crises in enterprises, respectively their causes, can be found inside or outside a company. Among typical crises that may arise inside an enterprise belong material and raw material crises, financial crises, human resources crises etc. In the outer environment of a company can be seen e.g. sales crises in the surroundings of the company, quick and significant changes in price policies of suppliers, legislation, etc. (Smejkal & Rais, 2013).

The ICM (Institute of Crisis Management) suggests that there can be defined the following types of crises: unexpected events (e.g. earthquakes, storms), mechanical-based problems (material fatigue), human mistakes, managerial decisions (or no decisions at all). According to ICM the latter ones occur most frequently. The reason is frequent lack of managerial reaction to information signalling a potential outbreak of a crisis (Königová, 2007). Another typology (Hammerich & Lewis, 2013) lists the following crises: natural disaster, technological crises, confrontation, malevolence, organizational misdeeds, workplace violence, rumours, terrorist attacks/man-made disasters.

Crises may arise either suddenly, unexpectedly, or as a consequence of a long-term problematic operating. Crisis occurrence, and especially its course, represents a process which is possible to divide into individual stages. They mostly differ in character as well as in time span (Zuzák & Königová, 2009). Bělohávek, Košťan a Šuleř (2006) list among these:

1. Potential stage: Crisis has not taken shape yet. Nevertheless, causes of its future occurrence start to cumulate.
2. Latent stage: At this point we can already recognize the symptoms of individual critical phenomena that begin to act, it is as well possible to take some action to prevent the outbreak of the crisis.
3. Immediate stage: The crisis is spreading further. However, it is a short-term deployment of critical phenomena that threaten the operation of the company.
4. Chronical stage: At this stage critical features still persist, or we can see their downturn and then their continuous deployment. Their course depends in particular on the management's reaction.
5. The final stage reflects the effectivity of critical management. The crisis can be either overcome, or the organization may be considerably weakened. The worst scenario is the company would perish.

doc. Ing. Ladislav Rolínek, Ph.D., University of South Bohemia, Faculty of Economics, Department of Management, Studentská 13, České Budějovice, e-mail: vrchota@ef.jcu.cz

Ing. Jaroslav Vrchota, Ph.D., University of South Bohemia, Faculty of Economics, Department of Management, Studentská 13, České Budějovice, e-mail: rolinek@ef.jcu.cz

Ing. Monika Maříková, University of South Bohemia, Faculty of Economics, Department of Management, Studentská 13, České Budějovice, e-mail: moni.marikova@gmail.com

2 Methods

The article describes a process of research while identifying typical crises, their outbreak, course, impact, intensity, including possible solutions focused on selected SMEs. Evaluation of frequency of typical crises was conducted in the text with regards to the area of coverage of SMEs in compliance with the OECD typology.

Crises identification was conducted through a series of guided interviews on 183 SMEs selected all around the Czech Republic. These guided interviews were based on an interview structure designed by the research team including the designed crises typology. The material was consequently consulted with representatives of the SMEs.

The guided interviews consisted of two parts – the basic description of the company (strategy, level of processes, size of the company, etc.), as well as description of crises that had been solved by the management in the past (e.g. intensity, impact, ways of solving, duration). The interviewees were managers or SMEs’ owners. Our research was conducted from 2014 to 2015. Altogether there were identified 753 crises in 19 areas.

3 Research results

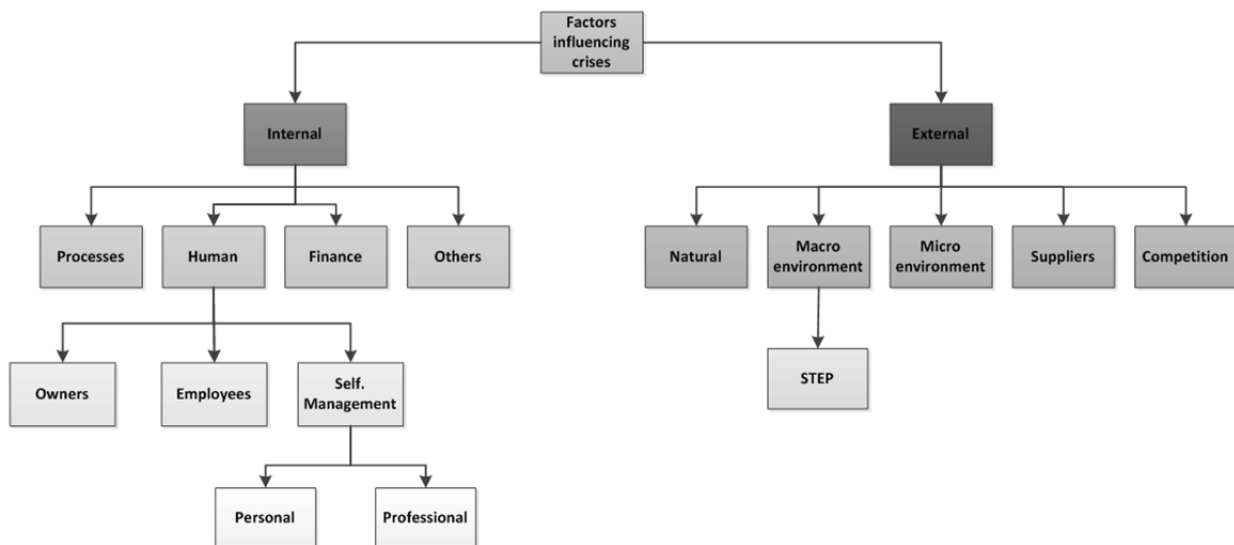
Research focused on revealing typical crises in SMEs followed the steps below:

1. Draft of crises typology
2. Preparation of supporting material for guided interviews
3. Data collection and result processing
4. Selection of critical areas and their frequency

Ad 1) Draft of crises typology

At this stage of our research based on professional literature we selected the main categories of presumed crises that were enlarged by the research team using techniques of generating ideas (mind maps) and then specified during consultations with SMEs representatives. Closer specification of crises in comparison with crises listed in foreign professional literature (Hammerich & Lewis, 2013) was necessary especially due to a different external environment typical for the Czech Republic. Survey of the suggested types of crises can be seen in figure 1.

Figure 1 Factors influencing crises



Source: Own processing

Ad2) Preparation of supporting material for guided interviews

Each guided interview was recorded in the pre-prepared supporting material which consisted of two parts. During the introduction phase of the interview we focused on the entrepreneur’s or manager’s satisfaction with the current state of doing business which then changed into the company’s characteristics (e.g. number of employees, area of business, policy, result indicators, processes, legal form of business). The second part of the interview focused on occurrence

of critical situations from the company's "survival" point of view. Crises were enumerated and described. The respondents also gave the time line of crisis occurrence; signals that led to crisis recognition, way of solution and its possible alternatives, impact and intensity.

Ad3) Data collecting and result processing

Data were recorded into pre-prepared forms that were consequently digitalized by means of google documents, after that they were exported to SPSS where basic statistical analyses were conducted (categorization of data and basic relations). Afterwards the summarized figures were discussed by a professional team and divided into individual categories.

Ad4) Selection of critical areas and their frequency

The selection of critical areas was mostly based on pre-prepared methodology which was only slightly adjusted – the individual categories were more varied to comply with the perception of the respondents. In total 753 crises were divided into 19 categories out of which the most numerous are crises related to suppliers, employees, bureaucracy, inputs, competition, maturity and prices. Other areas like e.g. capacity, personal crises, capital, thefts, form of company, obsolescence of the product, natural influence and others – these represent occurrence lower than 5% as can be seen in table 1.

Table 1 Categories of crises

Type of crisis	Number	%
Capacity	28	3,7%
Collecting bills	49	6,5%
Competition	49	6,5%
Customers, demands	114	15,1%
Employees	110	14,6%
Entrepreneur - personal crisis	17	2,3%
Financial capital	36	4,8%
Inputs, Supplies	55	7,3%
Legal form of business	8	1,1%
Natural disasters	31	4,1%
Outdated product	3	0,4%
Owners	37	4,9%
Placement of business	19	2,5%
Processes	22	2,9%
Quality of production	18	2,4%
Regulations, bureaucracy	74	9,8%
Selling prices	39	5,2%
Technical breakdowns	28	3,7%
Thefts	16	2,1%

Source: Own processing

4 Conclusions

The research team in cooperation with SMEs representatives have suggested a typology of crises which complies with professional literature (Smejkal and Rais, 2013). Furthermore, there had been prepared material for guided interviews that were consequently conducted with managers and owners of SMEs. The suggested typology of crises was especially important for guidance of these interviews. Based on the gathered data, the individual categories were specified and extended.

Crises connected with customers and their demands occur most often in SMEs (15.1%), next come crises of employees (14.6%), and followed by bureaucracy impact (9.8%) and problems with suppliers (7.3%).

The recorded data are going to be further analysed in detail and consequently made available for SMEs representatives.

Acknowledgement

The paper is based on data from research grant project GAJU 079/2013/S Management Models in small and medium enterprises financing.

References

- Bělohávek, F., Košťan, P., & Šuleř, O. (2006). *Management*. Computer Press.
- Crandall, W., & Spillan, J. E. (2009). *Crisis Management in the New Strategy Landscape*. SAGE.
- Hammerich, K., & Lewis, R. D. (2013). *Eight Types of Corporate Crisis and the Role of National Culture* (online). The European Business Review. Empowering communications globally. Available at: <http://www.europeanbusinessreview.com/?p=708>
- Königová, M. (2007). *Krise podniku a krizové scénáře* (dizertační práce). Česká zemědělská univerzita v Praze.
- Smejkal, V., & Rais, K. (2013). *Řízení rizik ve firmách a jiných organizacích*. Grada Publishing a.s.
- Zuzák, R., & Königová, M. (2009). *Krizové řízení podniku. 2.*, aktualizované a rozšířené vydání. Grada Publishing a.s.