

Analysis of Economic and Organizational Management Strategies Applied in Anti-Crisis

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Abstract: Industrial enterprise instability situation in crisis conditions emphasizes the need to process long-term forecasts on the development and decision-making activity to stabilize the situation. This leads to anti-crisis strategies and mechanisms that allow organizations to ensure balance in crisis. In carrying out anti-crisis program of industrial enterprises it is necessary to act according to a previously established plan, based on scientific research and theoretical studies of practical applications in management, marketing, personnel management and financial management. Based on existing performance, you need a plan for managing the enterprise in crisis which would allow the successful solving of internal problems dealing with unfavourable external factors effectively and with maximum efficiency, using the possibilities offered by macro environment enterprise.

Keywords: crisis strategy; technology management; balance organizational; risk management crisis management

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1. Introduction

Strategic attitude in crisis situations. Crisis requires a strategic approach. The organizational stress conditions, from top-management of industrial enterprise require ingenuity and flexibility in applying different strategies, which aim to overcome the crisis of the company. In this work it is important to determine the type of strategy to be applied in a concrete situation of enterprise. Usually a standard business highlights the following strategies: growth, stability, output.

A. Growth strategy:

- concentrated growth (increase sales of existing products)
- concentric growth (widening market segments),
- amending growth (new service consumers).

B. Stability Strategy:

- pause (intentional slowing sales growth),
- prudent promotion (promoting triggered programs in awaiting of success)
- no change (freezing the situation, stop investment prospects)
- low income (cease making investments in the product).

C. Exit strategy:

- minimizing costs (setting the minimum level of consumer spending),
- partial removal of operational independence (human resources, maintenance, finance)

- partial sale of assets (share in the company or physical activity),
- bankruptcy, liquidation.

For companies in crisis that hope to achieve success in the future, we recommend the strategy of growth. And failure to plan strategically directed towards the application of growth, necessitates the plan of an exit strategy. In terms of strategy stability, it can be applied only in short steps of operation of the enterprise in crisis conditions and is used to accumulate resources through concrete actions.

The art of being general manager of the company in crisis is to determine goals, resources, mechanisms and forecasting period to achieve these goals. Such a mechanism may be the strategic plan, which is not always prepared for the long term. A characteristic feature of the strategic plan is to achieve its goals in each subdivision. Plan functions are shown in different situations. In other words, each division must have a "native form of behavior" on which to act according to the changing environment (internal and external). As a result, general manager, as a strategist, should continue to develop "forms of behavior" in lower level management (heads of departments, sections), for the company to effectively it's achieve goals.

In this way the anti-crisis strategy is formed, which is a complex of special programs that contains, in addition to goals and resources, forms and rules of management in a dynamic environment. (Forms of behavior in different situations, management algorithms, programmed decisions, etc.)

This context and crisis strategy must include a set of formulas (approaches, mechanisms) of decisions taken by managers in different situations, enabling quick implementation of its functions. Such logic allows highlighting the firm's strategy in a short or long period of time. The main advantage of strategic management is the speed of delivery of management decisions at lower levels, avoiding the upper links (with the exception of long-term procedures). This property of the strategy is applied in crisis management, because in changing environmental conditions, decisions must arrive quickly at different hierarchical levels.

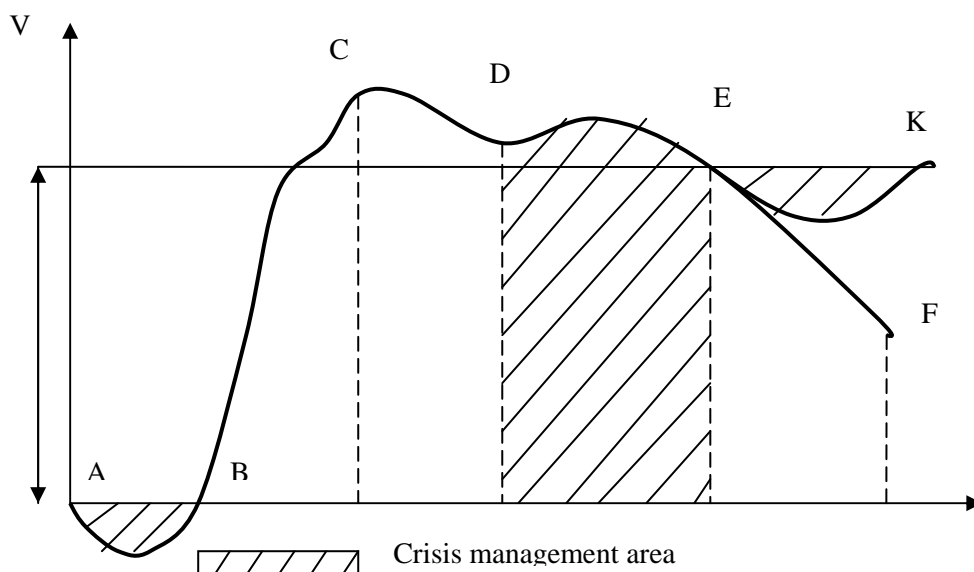
These moments allow the crisis management approach to have a greater influence in strategic management and not the operational management (which corresponds more to technologies for achieving strategic plans).

Crisis management decision-making requires strict actions that need to be verified in further analysis of the dynamic state of the company. This fact is conditioned by the changing system, which depends on gradients rather than change management efforts.

The company in crisis has a lot of surplus funds and staff free, which does not allow them to achieve the minimum level of basic production costs in short term, and become a leader in low cost.

Analyzing the crisis phenomena in the business, the organization chart life cycle stage is flexible in a state of crisis. As the Boston Consulting Group mentions (GCB), the part between C and D is characterized by a considerable reduction of production and sales volume (Figure 1). If no preventive actions are taken, then the logical continuation of the life cycle of the enterprise is the phase shift operation termination (EF). If the special measures are taken (investments in higher liquidity assimilation products, restructuring, reduction of surplus funds and personnel, etc.), then the chart life cycle of the enterprise may be extended from point E to point K. At this point, the organization would launch a second time, but with the production possibilities on a higher level already (with functional equipment, trained and organized, production technologies, etc.)

Figure 1. Life cycle of the organization chart



Source: Rumelt R.P., Shendel D.E., Teece D.J., *Fundamental issues in strategy*, New York: Ed.HBS Press, 1994;

One of the key tasks of crisis management in industrial enterprises is to maintain balance to satisfy the interests of investors (shareholders) and employees (staff). The decisive conditions of crisis situation are to find reasons and resources to strengthen joint action of these opponent subjects of the company.

As for choosing the main strategy crisis management to industrial enterprise, the most advantageous is "differentiation strategy". The company in crisis has a lot of surplus funds and staff free, which does not allow them to achieve the minimum level of basic production costs in short term, and become a leader in low cost. At the same time, the existence of a potential surplus, allows them to take quick action on changing the quality of service (consumer) products, according to the preferences of different groups of consumers, thus significantly expanding sales and increasing profit by default. Combining the above strategies (low cost leadership and differentiation) as part of crisis management will not only double the effect but can reduce growth. Therefore, it is preferable to choose a single strategy, in our case - "differentiation strategy".

2. Literature review regarding the implementation of the inflation targeting strategy

Essence and content of anti-crisis strategy. In essence, the strategy represents a multidimensional category which describes the functioning technology of organizations to achieve certain goals.

Usually, the following four groups of rules that outline the organization's strategy are:

Group 1: Evaluation of results of work (they determine the direction of orientation and form the plan)

Group 2: Rules regarding relations with the external environment (they shape the market strategy – what, to whom and how much it must be delivered);

Group 3: Rules and procedures regarding relations within the organization (organizational design);

Group 4: Rules of daily activity (operational procedures).

Organization's strategy concludes by setting common directions of operation.

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For the state organization to be balanced, the strategy can be developed over a long period (5-7 years) and must not contain strict reorganizing measures.

For organizations that are in crisis, the strategy is developed for a shorter period (1-3 years) with very decisive features. It contains a lot of organizational measures and technological innovations.

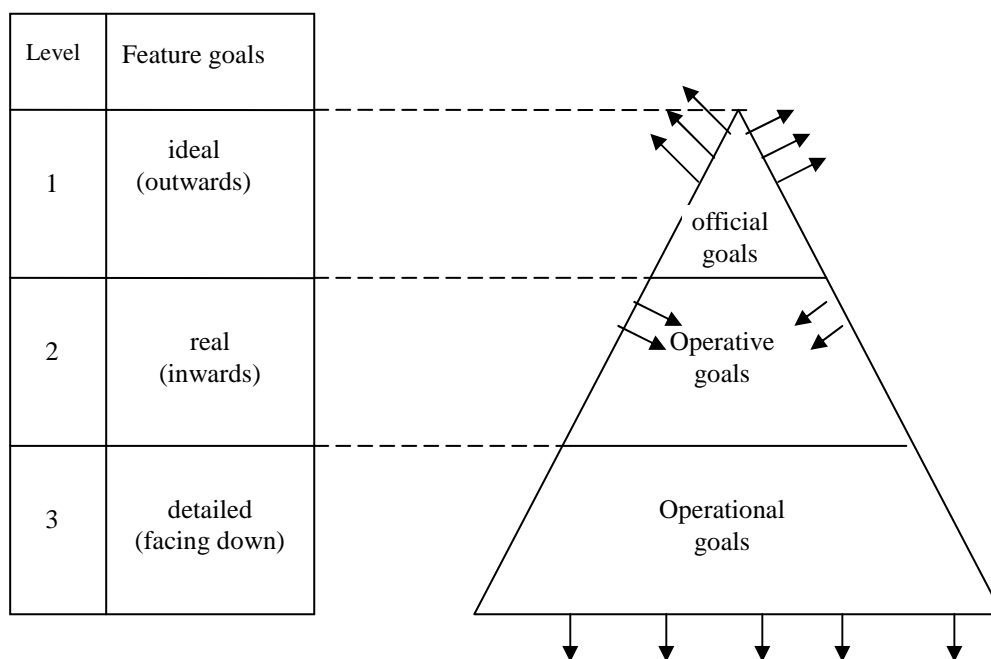
A feature of anti-crisis strategy is the narrowness of the period of application and content. Strategy is to be achieved with balanced functioning of the organization and working in steady state. Crisis strategy can also be seen as a means of achieving a specific purpose, namely - overcoming the crisis. Goals of the organization, is a set of desired outcomes functioning, which is reflected in the figures, graphs, or other means of reflection of its dynamic and static state.

Each organization has a set of goals, goals reflecting society (macro), the business environment, stakeholders (including investors) and those of staff.

As for the top management: though they are part of the employed staff, their goals are specific. They represent a balance, on the one hand the interest of the founders, and on the other hand the staff, because both groups can determine the fate of the General Director or top managers, whose position in the company during crisis is very uncertain.

Economic goals of the organization can be classified into three levels (Figure 2)

Figure 2. Economic goals of the organization



Source: O'Higgins A. Crisis Management: Be ready to Economic Strategy. 2002

In conditions of crisis, strategic management attention should be directed to the second group of goals - operational, since their potential achieving can take the organization out from the vulnerable situation.

In this context, the term "orientation point" is the most suitable parameter to highlight the burden of crisis resolution.

So, we can say that the anti-crisis strategy is a program document that contains the name of goals (final and intermediate), and methods of training resources (staff, funds) technology to solve the tasks of the enterprise and rise out of the crisis (organization structure, formulas behavior of staff, financial business rules and marketing).

Only by listing these organic elements of crisis strategy reveals the complexity of this economic category. In this regard, we can join the opinion of Professor V.V. Goncharova who claims that the strategy is “an abstract concept difficult to grasp. It’s development, usually, doesn’t give to the company a direct benefit. The effect can be noticed only after the capture” [3].

Crisis of industrial enterprise strategies differ essentially from the norm. This is explained by their relatively high growth, intense training and resources to achieve greater results both positive and negative. Some features and a comparison of the joint anti-crisis strategies are shown in Table 1.

Table1. Anti-crisis strategies in the industrial enterprise strategies.

Indices	Strategy	
	common	anti-crisis
Goals	Progressive balanced function	Quick exit from the state of instability
The main attention	Long-term programs	Sectors and stages of work for removing deficiencies
Resources	Mostly from external sources	From internal sources
Business	Increasing production, large segments of the market orientation	Diversification, creating more products for different small segments of the market
Production	Widening the mass production, low cost leader	Diversification, increasing the quality of traditional products, differentiated product marketing orientation.

One of the permanent features of anti-crisis strategy is to evaluate and predict the possibility of a company reaching a condition of crisis. If the company operates balanced, this task has an analytic character and in the crisis stage the character of strategy is short-lived.

Usually, the crisis occurs both because of internal and external factors. However, to detect the crisis in time, the environmental assessment should be performed primarily outside and analyzing is likely to stay in the short and long term. Metamorphoses in external environments significantly influence the dynamic breeding of industrial enterprises, because they are highly dependent on demand for their products and macro financial policy.

The general approach to forecast the influence of dynamic parameters of the external environment on business processes is shown schematically in Table 2.

The particularity of the macro competitive environment is that this crisis can initiate processes in all phases of the life cycle of industrial enterprise. It can happen both with the company as a whole and with some of its products.

Short periodic crisis states are a permanent phenomenon in business operation, especially in the unstable external environment. It's worse when these micro crises fit into the new state of microeconomics and gets a long-term character. If the external environment indicator of entrepreneurial activity becomes slow, deep crisis in the industrial enterprise sets in gradually.

This enables early forecasting crisis in the early stages and developing a set of measures on reducing the damage to remove the company from the state of crisis.

Table 2. The influence of external environmental changes on the state enterprise.

External environmental factors	The macro level processes	Research on micro level	Resources internal retention
Policies	-instability of government action, -inequality measures taken by government to various sectors and spheres; -interdiction; -sided orientation of local administrations	-withdrawal of investment; -reducing investor interest from raw material processing industries	-export, -simplification of production process, -staff reduction
Legislative	-contradictory legislation -the company inattention to stagnant processes in the branch -limitation of natural monopolies	- prices increase to monopolies products, -decrease in production efficiency, -market demand-reduction	-material resources and energy-saving, -sciento-intensive production-reduction
Technology	Budget decrease determines the budget reduction for science and technology	-reduced demand to sciento-intensive products, -increasing prices of modern equipment	-import-oriented products, -international use of the technologies
Social	-national traditions, -conservative perception to the emergence of innovations, -low-dynamic economic growth and technological culture.	-restructuring difficulty -slow acquisition of new technologies, -reduced motivation of work	-intensive training of staff, -quality management, -creating groups of implementation, -differentiation in labor remuneration
The business environment	-high-prices to monopoly products (energy, raw materials, transportation etc.) -breach of contracts by suppliers, -consumer-instability	-increasing product prices, -lower sales volume	-production decreasing -limitation of resources, -reducing transportation costs, -creating network of dealers, -participation in meetings (discussion) union.

Forecasting the occurrence of crisis is a multilateral process and some deviations can be addressed by the following scheme design:

1. determine all the causes that give rise to a state of crisis at the company;
2. determine the factors that prevent the crisis;

3. development of methods of neutralizing anti-crisis and stimulate anti-crisis processes.

The most expensive and most effective elements of the strategy applied in the industrial enterprise crisis are the mechanisms to overcome the crisis's instability under external environmental factors, which is a complex "form of behavior" of managers from different hierarchical levels of management in situations aimed at overcoming the crisis.

Being aware of potential crisis in the industrial enterprise strategy involves ensuring resources regularity, which is quite difficult to accomplish in unstable external environment conditions. With all of this, these situations can be addressed systematically.

Models of crisis strategies in industrial enterprise. In crisis management a special role is played by strategic components. Its essence is to develop systematic rules, decisions scheduled, and "forms of action" for personnel management in different situations in the changing environment. This is due to the fact that in industrial enterprises with complicated internal structure, senior managers are not able to control changes in the situation in all subdivisions of the enterprise or to develop appropriate operational solutions. This is even present during the crisis of the organization, when the response to changing circumstances must be simultaneous. Such working conditions require a set of "management formula" to be applied after receiving the decision in changing conditions.

In this context, the strategy is a whole complex of interrelated components:

1. forecast, or virtual images of the internal situation of the organization possible in a certain period;
2. initial model of the organization (in several variants, depending on the dialectics of business)
3. dynamic means taken to achieve the expected position of the organization (some versions of the event)

Required for the strategy is achieving some key parameters of development of organization, including the following: positive balance of payments, income and expenditure accounts, the increase in sales volume and the continuous increase of production.

Crisis strategy involves complex measures to be undertaken in conditions of risk - "risk-management". Risk-management is an administrative system of risks and economic relationships (primarily of finance) that arise in the management. It highlights the following risk-management functions:

- object management functions, referred to measures taken to reduce risk;
- risky capital investment;
- risk reduction;
- the insurance against risks;
- management functions subject in which it includes forecasting, organization, coordination, regulation, incentives and control.

Generally, solving problems that arise in crisis management involve the systematic use of analytical and forecasting methods with frequent application of economic instruments, mathematical calculation of electronic technology, active work of experts, analytics and systems developers.

One of the most effective forms of supply crisis management is crisis shaping strategies.

Since each organization has unique content, to develop an adequate crisis it is necessary to first determine the type of organization in terms of propensity to carry out one or more of the strategies. In this context it is appropriate to take after one of two basic models which are almost diametrically opposed – the American or Japanese. It should be noted however that in practice, intermediate models (hybrid) strategy is less effective crisis.

Applying this typology is important because the time required to develop an anti-crisis is limited.

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U.S. and Japanese strategies are presented in Table 3.

Table 3. Models of strategy

American model
<p>Structure:</p> <ul style="list-style-type: none"> ▪ Choosing the optimal plan. ▪ Crucial role of top managers after receiving the decision. ▪ Continuity of measures to achieve the plan.
<p>Result:</p> <p>Decisions are quickly received. Executors opposition in implementing the plan. Long period of the plan achievement. Increasing deadlines.</p>
Japanese model
<p>Structure:</p> <p>Plan elaboration, acceptable for execution. Ensuring the practical realization of the plan. Optimization of enforcement actions in implementing the plan. Parallel measures to achieve the plan.</p>
<p>Result:</p> <p>Long period of receiving the decision. Participation in preparing plans by executors. Short cycle to realize the plan. Active support of the executors in plan implementation.</p>

Source: White C., Strategic management. New York: Ed.Palgrave, 2004

American companies' strategies are based on:

- ✓ a differentiated approach to assess the characteristics of manufactured products, which must be differentiated from other companies analogues;
- ✓ concrete consumer satisfaction, which are part of a certain category of users;
- ✓ to ensure a low production cost in manufactured articles;-
- ✓ Japanese business strategies usually rely on:
- ✓ the achievement of at least two purposes - to obtain income and creating an association of employees of the enterprise;
- ✓ the development of national technical intelligence through innovative elements of concentration of production in Japan and exporting obsolete production lines.

As for the management of industrial enterprises in Romania, the most preferred strategy is the Japanese model of crisis, for the following reasons:

1. resources due to high deficit in Romania, it is impossible to draw up a plan for removing the company's optimal state of crisis (the strategic plan can be only one of compromise, supported by existing resources);
2. due to a diverse and complicated structure of industrial enterprise, it is difficult to perform centralized management because in the moment of crisis it is necessary to take efficient measures (in

these conditions, diversification decisions bring more results both in their speed of delivery and in quality control of achievement);

3. in conditions of crisis, industrial enterprises have very little time for developing and implementing anti-crisis strategy (the only possibility is to conduct network planning, which is based on the parallel implementation of the strategy-crisis measures).

In conditions of instability, industrial company management must first determine the production strategy to meet the previously assimilated production - as a way less expensive to improve economic indicators.

It is very important to analyze the usefulness of products, and their manufacturing and delivery costs. Depending on the structure of production and potential opportunities that the company was in crisis, for each product key can be chosen a type of strategic plan, as shown in Figure 3.

Figure 3. Types of strategies for assimilated products

Differentiation potential of the enterprise	intense	Specialization 1.1	differentiation 1.2	differentiation 1.3
	medium	specialization or investment target 2.1		differentiation or lowering costs 2.3
	reduced	investment target 3.1	lowering costs or investment target 3.2	lowering costs 3.3
		reduced	medium	intense
overcome barriers by positioning in segment				

Source: Fitz Roy P., Hulbert J., Strategic Management, Creating Value in Turbulent Times, 2004

If the potential for differentiation to the company in crisis is high and if the free market is a segment, it is necessary to increase the volume of manufactured products (item 1.1), and resources should focus on specialization in this area and stabilization of the company this process of reproduction. Conversely, if the potential for differentiation is low (i.e. low possibility of reorganization of production), and costs for expanding busy market segment are large (item 3.3), then attention must be directed towards reducing manufacturing costs, without modernizing production, respectively increasing production volume.

Based on the evaluation of prospects after this method, there can be developed a general anti-crisis strategy for each product key.

Along with similar products, industrial enterprises often have some ideas, sketches on related products, or new products. It is therefore necessary to assess their degree of usefulness and it becomes appropriate to elaborate upon an innovative strategy.

Several authors consider that stopping production lines, their reluctance to innovate, maintaining functional hierarchy structures that no longer fit in administrative economy, etc., is the most effective method of putting the brakes on the enterprise market conditions.

One of the particularities of a company that is in crisis is the strict limitation of resources. In such circumstances, it is convenient to be chosen for implementation, innovative strategy, using the following scheme (Figure 4):

Figure 4. Innovative strategies Scheme

competitive position	weak	technology leaders 1.1	Succeeded strategy after leader 1.2	acquisition of another company 1.3
	medium	Searching new areas of application of technologies 2.1	 2.2	rationalization 2.3
	strong	risky business organization 3.1	rationalization 3.2	business liquidation 3.3
		weak	medium	strong
technological position				

→

Source: Fitz Roy P., Hulbert J., Strategic Management, Creating Value in Turbulent Times, 2004

3. Conclusions

Removing the company from the state of crisis (crisis prevention), requires a strategic approach to crisis management. The document that the lead contractor must follow is the strategic plan - made aware to each subdivision.

The main feature of the strategic crisis document (programs, plans, etc.) is the existence of content-specific directives and specific schemes for managers of different levels - developed in several versions, depending on the characteristics of internal and external environment.

In the crisis management of large-scale industrial enterprises, the most preferred type of strategy - which is less expensive - is "differentiation strategy", which consists of changing the operating parameters required by traditional production (consumer preferences).

Crisis strategy of the company has an original character, because it is indicated for a system for the individual, different from other strategies.

One of the functions of strategic management is the ongoing and systematic evaluation of factors predicting the crisis, and developing mechanisms to neutralize them.

One of the most expensive and most effective methods of strategic management crisis is shaping the evolution and development crisis in the basis of their mechanisms to overcome.

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