The Crises Management faced with new Challenges

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THE CRISES MANAGEMENT FACED WITH NEW CHALLENGES

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Abstract: We witness an economic crisis without precedent that affects every area of our existence, rich and poor, at a global scale. The noise of financial crisis makes us no longer perceive other crises, which no one seems ready to accept them, namely a crisis of values that proliferate in our society. The experience of the past crises shows that the recession affecting mainly local companies, multinational companies managed to make profits during hard times for the economy of the host country, and the management is put in front of new challenges.

Keywords: crisis management, managers' behavior, economic restructuring, performance management, efficiency

1. The turbulences of the world economy

Changing the attitude of foreign investors came, primarily as a result of international crisis. However, it should not be forgotten imbalances Romanian economy. The analysts of the largest Danish bank - “Dansk Bank” - were drawn a list of macro-prudential indicators. Almost at all categories, our country is in the “hot zone”. The inflation rate is well above the maximum limit of the National Bank target range the current account deficit is over 14% of gross domestic product, and interest rates began to increase.

Major risk to foreign firms business profitability targeted by the Romanian market is in a dramatic decrease in domestic demand, the effect of economic contractions. By the end of 2008, this risk is achieved, even if domestic demand is decreasing as a result of lending conditions imposed by the NBR. Only in the second half of next year, the issue of the decline of consumption could make something more serious, considering the forecast growth rate of decline of the economy, from over 8% in 2008 to 4% in 2009.

However, regardless of the economic situation, the experience of the Asian crisis economies from 1997-1998 shows that foreign investors are much better “equipped” with knowledge and managerial resources to face economic decline than those of host countries. Thus, for transnational firms from that part of the world, the shock was almost non-existent compared to that felt by companies in the affected countries, namely South Korea, Philippines, Indonesia, Malaysia and Thailand. These companies have had easy access to information, distribution channels and know-how, and to the international market as an alternative to fall demand on domestic market of the country in which operated.

The situation is different in other countries affected by the crisis, whose competitiveness has been strongly affected by the depreciation of national currencies and the restricted access to credit. For transnational companies, this handicap does not exist, having provided financing sources inaccessible to local firms, such as capital markets and profitable subsidiaries in countries affected by the recession.

2. The effects of the crisis in economy

Global economic crisis struck also Romania, as was expected, with all the optimistic statements made several months ago by the officials. Maybe it is not an effect as strong as in the United States, Iceland, Hungary and other countries brutal affected, but it is clear that the crisis signs disturb Romania, ... and this is just beginning. Dacia stopped its production for a few weeks, for several months ArcelorMittal Hunedoara, real estate transactions are stagnant, developers of residential and retail have little pulled over, the market credits is in free fall, sales of cars decreased dramatically, and many companies bigger or smaller have do started fires - temporary or permanent. The effects of the crisis will be felt still a pretty long period.

Private property is threatened every day the crisis of state interventionist who’s hands deep in the economy offering us the illusion that they saved the economy. Now, under the effects of the crisis, private property is not entirely private, and control over the future will be increasingly fail.

The Americans have announced that allocate 700 billion dollars for rescue from bankruptcy of irresponsible banks, in which billions of dollars, as public money, will throw into the black hole of the three big American auto manufacturers, which are not remember is how to make profit from years. The economically developed countries, where capitalism is felt most comfortable, serve us such samples of interventionism, which represent huge budget allocations.
In Romania, the pressure of the “terrorists union” is to increase wage in the public domain, while private units - Dacia, ArcelorMittal, ALRO etc. give up employees and reduce their investment plans.

Do managers from the private sector dropped for independent decision-making and are assuming the risk and they want the state to provide, for example, a reduction of 10 percentage points of the CAS, or a co-financing projects or a European aid to enlarge the state? To note that there are private investors from the banking and industrial approve with serenity the state intervention in economy, the “big budget reallocation”.

As a consolation, we are not the only ones in this unpleasant situation. Countries such as Ireland, Spain and others Central European EU members have fallen in recent years of “prosperity” of the modern world in the same trap: the explosion in property prices and huge consumption exacerbated by the apparent wealth, situations that have fragilised the emerging economies countries and they have done much more dependent by EU’s “power”.

However, other residents of the EU such as Hungary, the Czech Republic and Slovakia had the wisdom to take advantage of budgetary revenues and consistent availability of cheap foreign funds (during 2004-2007) to implement responsible policies to increase economic competitiveness at the European level, and even social policies with benefits for their citizens for long-term, here referring to a phrase used often in economic or political discourse and consistently ignored in practice: How would materialize in fact an approach to economic restructuring?

3. Theoretical fundamentals of managers’ behavior during economic crisis or restructuring

Most managers are no doubt aware that the prices of oil, food and other consumer goods push all prices up, but at the same time the credit crisis push demand down. Companies should know that there are some simple steps for managing risks. They can issue a volume of liquidity necessary in this period. Companies that manage their risks better may avoid the effects of financial crisis. The ability to improve liquidity, reducing costs and risk management must be managed in such a way as to cover the new risks to which firms are subject.

To put in the debates and researches the manager, in the leadership act, it have made efforts to discover characteristics or key-behaviors personality that is associated with organizational efficiency required in a risk-management situation.

Thus, the model of managerial leadership considers management as a function which argument is the person:

\[ M = f (P) \]

where:

\[ M = \text{management}, \]
\[ P = \text{person} \]

which drew attention to the fundamental role of the manager in the leadership, and on the other hand, just through exclusivity, a research-oriented in other directions more profitable.

But only the person is not fully explain the success of the manager. Something is outside the person, beyond it, that is influencing the success of the situation. A new paradigm, as simple as before, begins to impose increasingly:

\[ M = f (S). \]

where:

\[ M = \text{management}, \]
\[ S = \text{situation} \]

The situation in which the manager is, its particularities become prominent protagonists of the new-explanatory or interpretive vision of managerial success. Point of view situation, initiated and introduced initially in the social psychology of what has been called “social behaviorism” (E. Tolman), has been taken so “neofreudism” (E. Fromm, K. Horney), and the theory of “social action” (T. Parsons), which put emphasis on “social environment” in which people act on the manager “situation”

The management model as a function of the situation triggered a big effervescence on the direction characterization nature of leadership situations, to establish their typology, to reflect the effects of different types of management situations.

The specific situation in which the manager becomes the most mobile groups which differ from each other and even different times of evolutionary one and the same group. There are such situations in which management consists in its action, but others - and they are many - in which the leader does make others do. Situations are then organized and structured, directed by rules and laws well-established situations and less organized, even unstructured, directed by psychological elements that appeared spontaneously, which makes his leadership as head features depending on the
situations in formal, official and situations informal, unofficial. Some managers are working in conditions of certainty, and
others in conditions of uncertainty, so management depend on specific situation.

Thus, sometimes the situation may be the key created, in the formation of personal characteristics, and on the
contrary, even personal characteristics can present a number of situations. The mixed model of leadership:

\[ M = f(P, S) \]

where:

- \( M \) = management
- \( P \) = person
- \( S \) = situation

is conducting the interpretation to compel management for considering the two entities (person and situation) that are
located in an interaction with dialectic moments of unity, continuity, but also moments of relative discontinuity and
contradiction. Researchers' opinion in the mixed model, it is not enough to stop us from finding interaction between
manager, situation, the demands of the ruled, but it is absolutely mandatory to offer a basis on which it is held, to
discover its genesis, as inter-correlated factors that not have the same value. This mixed model of management is able
to explain clearly the management in a comprehensive way in complex issues of crisis conditions or economic
restructuring.

4. Relationship economic restructuring - performance management

Restructuring the economy can be achieved primarily through the recognition of the fact that Romania's
economy needs a balanced growth, with a stable balance between domestic consumption and export competitiveness
in the context of changes in the structure of GDP to mix existing in developed economies: 70% services, 20% industry
and approximately 5% construction and agriculture. This should be supported by government investment in long-term
programs on infrastructure, education and health, which can provide the only real prosperity of the population,
increasing living standards and labor productivity.

This is the growth strategy adopted by the Central European above-mentioned and the major reason for
Hungary, although the threshold inability to pay debts. It was helped to pass over difficulty by the international
community, and the country rating has been felt only marginally. The explanation of problems in Hungary consists of
pure greed and lack of proper management of the financial system, which led to a super-exposure of banks and its
financial institutions and consequently the vulnerability of Hungary against international turbulence. Do not forget, that
Hungary is at least as dependent on trade with the EU as Romania, conditions in which the population of this country is
about half of the Romania and its GDP is only 17.5% lower than in Romania. However, by allocating budget funds
daring of GDP to education, health and infrastructure, Hungary is much closer to EU standards than Romania.

Of course, we can blame a difference of mentality and starting position since 1989, but the lucidity and
pragmatism may be followed by Hungarian and Romanian managers. Any constraint on certain components of normal
economic development mixed will lead to structural problems. Romania has supported the massive emigration for
avoiding social tensions and the rounding of foreign exchange revenue, without providing a context in which immigrants
to be even encouraged - not just through words but through economic environment offer - to return to their country.

In Romania have been embraced investments in sectors of the economy with low added value, realized the
"speculative" direct investors, and was not stopped the real estate race - simply because it offered the vulnerability and
opportunities for easy enrichment and was accepted the consumption based on debt for a population that is not done
that will have to pay on long-term, in one form or another (higher taxes, inflation and depreciation of the currency,
unemployment, etc.) for a living and not allow it can in reality, but they got the "credit". Moreover, in the long-term
strategies did not materialize projects of infrastructure and health system and education were left at the edge of survival.

These mistakes place Romania in a position with low potential for sustainable growth, with a labor force that
has lost more abrupt professionalism, with many sick people which will be a mill stone for system of social insurance
and pensions, with profound implications for future generations. These are the facts leading to predictions such as those
from Fitch and Standard & Poor Ratings offers economic weakness national economy.

5. Conclusions

This economic crisis may become a new beginning and it is based on a crisis of values. But this crisis can be a
platform for a European and the world renaissance. It can be the foundation of a new society and a starting point for a
new period which could be one of glory.

When the company lives above means, when speculation governs our behavior and determine revenue when it
wants in more consistently, then we meet not only with the usual characteristics of a financial collapse, but a crisis of
values. The source of current global economic situation represents a certain unhealthy habits of society today that
wants a standard of living over the potential earn.

Interesting to note, also a paradox that characterize civilized world, namely that the increase living standards has
not led to a substantial increase birth rate. When the birth rate is decreasing related with an improvement in living
conditions, when the comfort it is preferred of other things, when fast earnings are preferred, it can be identified a moral
crisis.

Global crisis, which has reached huge proportions at moment, can not find the answer in “technical means” and
the current situation will bring major imbalances, will produce social, economic and political movements.

The main players in services say that times of crisis, as happened in 2000-2001, are ideal for launching new
projects. Managers must realize that the current economic situation is the opportunity century in the economy. The
problem facing the economy is the fact that most of the businesses are bad with money, and this will mean lack of
success for many services. On the other hand, the future can only be positive for services in general. However, the
difficulty of obtaining financing will have few people to venture in this period, and low value services will not see any
ban, which will lead to revival of economy based on high efficiency. Problems in the economy and the lack of start-ups
will attract the attention of the media on any new initiatives.

Companies that want to survive will be forced by their managers to adopt difficult decisions. They must act now
“surgical” to remove surpluses and find solutions for funding to keep the business in peak. Only companies that have an
internal mechanism will find the investment funds in the field, and without this money likely they will not survive.

The financial crisis which affected all businesses in more areas, not scare managers, should even represent a
challenge for them. The best time for an investor is a moment of crisis. But investors are careful in following the
initiatives, choosing to fund only those with potential.

In the international crisis in which we are, the impact on financial systems, it is obvious that the next step will be
related to the impact on the real economy. The rise of inflation and the rise of the financing cost, undoubtedly lead to a
more expensive and less accessible credit. This is a hard situation for companies, as well as for the population
anywhere in the world in terms of increasing the level at aversion for global risk. Obviously in the end will be a negative
effect on economic activity in general.

In this context, it appears fear, which has become in some cases already a reality, as in developed economies
which will enter into recession. This is the main reason for the price of oil fell to a level that does not hope that it will
come back again. This will subsequently be felt in other areas of economic activity where falling prices will be the order
word for all managers of firms that want to adapt to new economic and social conditions.

But there are major uncertainties related to how companies and households will react to restrict which will be in
terms of funding. Regarding companies, as we saw, the risk is reduced depending relatively low bank financing. In
terms of households, it is difficult to predict how consumers will react to the new sense of lending conditions, with a
cumulative expected to slow revenue growth. The risks are relatively reduced by a certain persistence and rigidity of
consumption in Romania. Probably we expect a slow growth of consumption from 13% -14% at present to around 5% -
6% in 2009, but should have a dramatic change in consumer behavior to attend a limit to its growth.

The uncertainty and pessimism temptation is high enough, but I do not think that based on information available we can
now predict a recession scenario in Romania as the most likely. But the economy slow down substantially and will remain in the
area of 4%-5% economic growth, which is no tragedy, on the contrary, it would be desirable and even healthy to happen that way.
The existence of European funding represent a huge opportunity for Romania, is a factor that decreases the risk of slowing the
strong economic growth, by continued growth through the opportunity of investments in infrastructure and agriculture.

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