

Lodz University of Technology



Anna Walecka

**MANAGERS' BEHAVIOUR
DETERMINANTS IN THE
ENTERPRISE CRISIS SITUATION**

A Series of Monographs
Lodz 2014



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Introduction

The concept of crisis is multidimensional and has many different definitions in literature. Despite the multitude of definitions and approaches, this phenomenon is seen as **a permanent feature of modern business**, and as such becomes the object of management.

The term “crisis” often refers to conflicts, disturbances and unforeseen threats (developments) that occur in the company which, when eliminated on a current basis, do not always threaten the enterprise or prevent it from the implementation of its adopted strategy. The people employed in the company are impacted by their effects with varied intensity. Related adverse processes which significantly affect the performance of personnel can be observed.

Thus, it can be said that one is dealing with phenomena that¹:

- may threaten the company’s existence and growth,
- hinder management, resulting in conflicts and problems in the area of capital, technical and human resources (e.g. departure of the best employees).

Analysing the nature of the enterprise crisis² from the perspective of management theory and practice, it can be assumed that **the crisis is**³:

- the situation in which the organisation’s activities are permanently disrupted;
- the situation in which the organisation actually or apparently has lost control over its operations;
- the state in which the internal balance of the organisation is disrupted;
- the state which may threaten the existence of the organisation or its part (function);
- the state which negatively affects the financial standing of the organisation, limiting its development potential;
- the situation threatening the company’s strategic objectives;

¹ Nogalski, B., Macinkiewicz, H., Zarządzanie antykryzysowe przedsiębiorstwem: pokonać kryzys i wygrać, Difin, Warsaw 2004, p. 13.

² The concepts of “enterprise/company” and “organisation” are used interchangeably in the thesis.

³ Zelek, A., Zarządzanie kryzysem w przedsiębiorstwie – perspektywa strategiczna, Institute of Organisation and Management in Industry “Orgmasz”, Warsaw 2003, p. 40.

- the situation characterised by ambivalence of development and recovery opportunities;
- the situation that can destroy the foundations of public confidence and internal faith in the organisation or damage its image.

According to the definition of Ch.F. Hermann, the crisis is a special situation in terms of decision-making which can be described by the following **dimensions**⁴:

- decision-making time – short (immediate);
- degree of predictability – surprise;
- concerns arising from uncertainty – fear.

The understanding of the concept of the internal organisational crisis as a decision-making situation characterised by short response time, a high degree of uncertainty and the element of surprise is confirmed by observations of the management's response during the crisis. As the experience of the companies in the crisis situation shows, the biggest problem is the identification of threats emerging within the enterprise and in its environment. Symptoms of the crisis can be usually seen in advance. The majority of people, however, see what they want to see. Most often it means seeing good balance sheets and financial results. People often do not ask such questions as: why does the enterprise show a profit despite decreased production? Why have so many companies been established that produce nothing and generate loss? Why does the number of managers increase while production decreases?

The initial denial of the existence of the crisis turns into a frantic search for solutions to overcome it. It turns out then that crisis management is much more difficult than management in the absence of risk of business failure, which prompts the questions: file for bankruptcy or save the company? If you fight, then how? Thus, **managers** play an extremely important role in the process of crisis. Although activities of any organisation are the result of the work of all its members, depending on

⁴ Hermann, Ch.F., Some Consequences of Crisis which Limit the Viability of Organizations, "Administrative Science Quarterly" 1963, no. 8 quoted from Slatter S., Lovett D., Restrukturyzacja firmy. Zarządzanie przedsiębiorstwem w sytuacjach kryzysowych, WIG-Press, Warsaw 2001, p. 45.

their commitment to meeting the objectives and extensive cooperation between individuals, it is the managers who play the main role in the company's operations.

An extremely important task falls onto the crisis management team, which should be headed by a person of high standing in the power structure. Apart from a member of the Board, this team should also include: the Director of Personnel, a lawyer, an expert, the company spokesman or the employee responsible for communication and public relations. How these difficult problems that the company is facing will be solved, what management methods will be employed in the crisis and whether the appropriate conclusions will be drawn after the anti-crisis measures have been implemented depend on the skills and knowledge of these people.

The aim of this thesis is to identify variants of managers' behaviour in the situation of enterprise crisis and to assess the impact of various factors on the nature of this behaviour.

The rationale for the choice of this objective is the **main thesis hypothesis** which states that: crises which occur in many companies operating in market economy require a completely different behaviour on the part of managers than the one which is needed when their company is in a favourable business situation (e.g. development or stable operations). The behaviour depends on the nature of the enterprise and its environment, the characteristics of managers and executive staff, as well as many other situational factors.

In order to achieve this objective, **qualitative research** on determinants of managers' behaviour during the enterprise crisis, in the form of case studies, was conducted.

Three enterprises in a crisis situation, operating in Central Poland, were purposefully selected for the study. In the course of the selection of these companies, attention was paid to different types of crisis they were characterised by, as well as to corrective actions taken by the management. The study was conducted in 2011.

The thesis consists of three chapters. It begins with general issues related to crisis. Then the analysis of factors that determine the behaviour of managers in a crisis situation is carried out and the results of empirical research are presented.

Chapter one is dedicated to a company in a crisis situation. This section defines the concept of crisis and crisis situation, shows the types and phases of enterprise crises. Causes and symptoms of a crisis situation, as well as the scope and methods of anticipatory measures, are also discussed.

Chapter two presents managers' behaviour in a crisis situation and its determinants. This section discusses managerial skills necessary in the situation of enterprise crisis and presents the attitude of management towards the crisis. Then, the determinants of managers' behaviour, both external and internal, are discussed. This section also concentrates on personality traits of managers.

Chapter three presents the methodology of empirical research and the analysis of case studies of companies in crisis situations. This section provides descriptions of the crises that occurred in three companies operating in Central Poland. Attention was paid to remedial actions taken by their management and the factors that determined these measures. The personalities of the managers of the studied companies were also evaluated.

The summary and conclusions can be found at the end.

Chapter 1. An enterprise in a crisis situation

1.1. The concept of enterprise crisis

Growing dynamics of changes in social, political and economic systems is an increasingly prominent feature of the present times on a global, as well as local scale. The processes of system transformation taking place in Poland for the last dozen or so years, along with the accompanying processes of international integration, globalisation and a subsequent scientific and technical revolution, etc., are perfect examples of these changes.

The complexity, variability and unpredictability of conditions in which public and business institutions function result in constant disharmony, environmental mismatch, tension and eventually a **crisis situation and crises** occurring in their operations⁵.

Enterprises, as economic entities functioning in the macroeconomic context, are also subject to such principles. Problems associated with economic fluctuations affect individual companies to the same extent as the entire economy. In addition, however, companies are subject to the occurrence of crisis situations as a result of negative internal phenomena or negative phenomena in their close competitive environment.

Literature in the field of management and economics presents **many attempts** to describe the concept of “crisis”. The simplest definitions are based on the etymological meaning of this word.

The term “crisis” (from Latin – crisis) is derived from the Greek word “krino” – which means *to distinguish, to resolve*⁶. It means in this language: elimination, choice, decision, collapse, fracture and split⁷. Its origins can also be discerned in the group of words belonging to the family of Indo-European languages beginning with a common prefix “krei” – to separate, “kri” – to distinguish, “ker” – to cut, or in the Latin word *cencere* meaning *to separate*⁸. The Chinese ideogram of the word “crisis” is, however, a combination of two

⁵ Zelek, A., Zarządzanie strategiczne. Diagnozy, decyzje, strategie, West Pomeranian Business School Press, Szczecin 2000, p. 129.

⁶ Słownik Wyrazów Obcych, Polish Scientific Publishers (PWN), Warsaw 1995, p. 617.

⁷ Lerbinger, O., The Crisis Manager, Fading Risk and Responsibility, Lawrence Erlbaum Associates, Publishers, Mahwah, New Jersey, 1997, p. 3.

⁸ Wawrzyniak, B., Odnawianie przedsiębiorstwa. Na spotkanie XXI wieku., Poltext, Warsaw 1999, p. 10.

terms: "danger" and "opportunity". In fact, the observation of the course of crises on the macro and microeconomic scale proves that for some companies the crisis is a threat to their existence, for others it is an opportunity for development.

The etymology of this term unambiguously indicates that the crisis in its literary meaning should be interpreted as **the moment in which something is resolved, separated or decided**. The crisis is thus interpreted as a kind of turning point in the course of events, a critical point, the key moment or a crucial twist followed by a change⁹, or – in a broader sense – as a decision-making situation which leads to a turning point in the company development¹⁰.

The common and generally accepted meaning of the crisis points to the second important way of interpreting this concept. The crisis is, therefore, defined as a **difficult situation** that exists at the given moment or which may occur and may be the result of different circumstances¹¹, a specific anomaly distorting the normal, daily course of affairs. The crisis is often associated with a **pejorative meaning**. It should be noted, however, that the crisis also marks the situation characterised by extreme **ambivalence of development opportunities**. Nothing here is a foregone conclusion, thus the crisis cannot be treated as a phenomenon leading to explicitly negative results. As noted by R. Koselleck, the essence of the crisis lies in the fact that its resolution could lead to the collapse of the company, although it is not a foregone conclusion¹². The crisis, which is unpredictable in its effects, may, therefore, become a kind of opportunity to achieve a higher level of development.

Further understanding of the crisis is marked by the definitions which describe it as **instability, an unstable situation, preceding a sudden, radical change**. The loss of balance in the crisis is manifested by the fact that the system cannot maintain its identity, basic forms of control fail, standards and objectives are transformed¹³. According to D. Czajka, there

⁹ Krummenacher, A., Krisenmanagement. Leitaden zum Verhindern und Bewaltigen von Unternehmungskrisen, Verlag Industrielle Organisation, Zurich 1981, p. 4.

¹⁰ Krystek, U., Unternehmungskrisen. Beschreibung und Bewaltigung Uberlebenskrisischer Prozesse in Unternehmungen, Gabler GmbH, Wiesbaden 1987, p. 3.

¹¹ Müller, E., Management In der Kriese, [in:] Globale Soziale Marktwirtschaft. Ziele – Wege – Akteure, H. Albach, Gabler GmbH, Wiesbaden 1994, p. 302.

¹² Krummenacher, A., Krisenmanagement. Leitaden zum Verhindern und Bewaltigen von Unternehmungskrisen, Verlag Industrielle Organisation, Zurich 1981, p. 4.

¹³ Nizard, G., Metamorfozy przedsiębiorstwa. Zarządzanie w zmiennym otoczeniu organizacji, Polish Scientific Publishers (PWN), Warsaw 1998, p. 17.

occurs an increase in disorder and uncertainty within the system, this disorder is caused by a blockade of mechanisms – regulators in particular – which, on the one hand, results in their rigidity and, on the other, brings a release of these mechanisms that were so far locked. They develop to an excessive degree – the differences turn into opposition and what used to complement each other changes into an antagonism¹⁴.

According to the process approach, a crisis can emerge from unexpected events of a more or less shocking character. Much more often, however, the crisis is growing gradually and slowly, as a consequence of previous choices and practices. In this context, the need arises to see the crisis in terms of cause and effect, i.e. to treat **the crisis as a process** – a sequence of consecutive events, phases and stages that usually encompass the event which is a shock to the system, as well as processes preceding and shaping crisis phenomena and processes that follow this phenomenon. The subsequent phases and stages of the crisis differ primarily in their acuteness and intensity of crisis phenomena, the ability of individuals to identify, recognise and counteract crises¹⁵. In each phase of the crisis, there is a specific decision-making situation which needs to be resolved by taking appropriate decisions. Thus, it can be concluded that the crisis is primarily a particular decision-making situation. Such reasoning leads to the last of the aforementioned interpretation contexts of the crisis phenomenon.

Crises in enterprises often arise from poor management. They are the result of the lack of appropriate systems of crisis management which enable the identification of relevant forces. No company, no matter how strong, with good reputation and financial results, is immune to a crisis. Organisations often ignore warning signs that in retrospect turn out to be self-evident¹⁶.

According to A. Murdoch, nowadays almost everything that deviates from the routine is called the crisis. The concept of crisis has become quite fashionable, though it has lost its relevance and importance in the public consciousness¹⁷.

¹⁴ Czajka, D., *Przedsiębiorstwo w kryzysie: upadłość lub układ*, Polish Lawyers Association Press, Warsaw 1999, p. 536.

¹⁵ Skalik, J., *Istota zjawisk kryzysowych w organizacji*, [in:] Skalik, J. (ed.), *Zachowania organizacji wobec zjawisk kryzysowych*, Cornetis, Wrocław 2003, p. 18.

¹⁶ Regester, M., Larkin, J., *Zarządzanie kryzysem*, Polish Economics Publishers (PWE), Warsaw 2005, pp. 127-128.

¹⁷ Murdochp A., *Komunikowanie w kryzysie. Jak ratować wizerunek firmy*, Poltext, Warsaw 2003, p. 11.

B. Wawrzyniak, in his pioneering work on crisis, states that the enterprise crisis is not a "normal" state but it is a kind of "disease" which at least impedes the functioning of the company and often leads to bankruptcy. For this reason, the crisis in the company causes abnormal behaviour of managers and employees. It also requires other management methods than those used on a daily basis¹⁸. According to the same author, the situation (the state of the enterprise) in which – due to the rapid accumulation of a variety of difficulties – the realisation of basic functions of the company is threatened can be called the crisis on the enterprise scale. At the same time, organisational capacity to deal with the existing situation is limited¹⁹.

According to J. Lichtarski, the crisis in the functioning (operations) of the company should be understood as a process of negative changes that are difficult to reverse. These changes in the course of business activity and its results encompass most or all the company's resources and functional areas and pose a threat to its existence²⁰.

R. Oldkorn says that the crisis is the result of unplanned events that distort or threaten the normal functioning of the company. In times of uncertainty, risk and incomplete information, the crisis becomes a feature of modern organisations and not an unusual state. It happens in even the best-managed organisations and is unavoidable²¹.

According to J.R. Caponigro, the crisis is any event that may have a potentially negative impact on the credibility and efficiency of business, and typically, is or will soon be beyond the control of the company²². However, R. Barton expresses the opinion that the crisis is a major, unpredictable event which has potentially negative effects, greatly restricting the activities of the organisation in the field of manufacturing, services, employment, financial standing and reputation²³.

¹⁸ Wawrzyniak, B. (ed.), *Zarządzanie w kryzysie. Koncepcje, badania, propozycje*, Polish Economics Publishers (PWE), Warsaw 1984, p. 44.

¹⁹ Wawrzyniak, B. (ed.), *Zarządzanie w kryzysie. Koncepcje, badania, propozycje*, Polish Economics Publishers (PWE), Warsaw 1984, p. 39.

²⁰ Lichtarski, J., *O istocie, przejawach i przewycięzaniu kryzysu w przedsiębiorstwie*, [in:] Lichtarski, J. (ed.), *Przedsiębiorstwo w warunkach zagrożenia kryzysem – nauka dla praktyki gospodarczej i samorządowej*, School of Social Entrepreneurship and Management in Lodz Press, Lodz 2005, p. 8.

²¹ Oldkorn, R., *Management*, MacMillan, London 1989, p. 237.

²² Caponigro, J.R., *The Crisis Counselor. A Step-By-Step Guide to Managing a Business Crisis*, NTX, Chicago 2000, p. 5.

²³ Barton, R.M., *Crisis Management*, Oxford Press Publishers, Oxford 1993, p. 12.

Ch.F. Hermann points out that the crisis is a state which threatens the survival of the company and the achievement of its objectives, limits the time available for taking remedial actions and surprises decision makers with its occurrence, thus creating conditions of strong pressure²⁴.

According to Ch.F. Hermann, the crisis is one of the classes of decision-making situations. It is described by the following features: short decision-making time, a very low degree of predictability and a high degree of uncertainty.

I.I. Mitroff states that the crisis is the result of unexpected disruptions in the organisation, including internal and external factors of a random nature. Thus understood organisation crisis is sudden, often explosive and unexpected, hence it is difficult to control without the use of special remedial measures²⁵.

According to M. Czerska, the crisis occurs in the company when the current organisational model no longer guarantees its continued effective functioning. In this sense, the crisis means revealing discrepancies between the existing organisational model (static by nature) and the changed external conditions (dynamic by nature) of its functioning²⁶.

G. Gierszewska draws attention to the fact that the enterprise crisis is a situation or state in which, due to the accumulation of difficulties, the achievement of basic business functions is threatened, at the same time limiting the organisation's ability to eliminate the present situations or state. Studies on crisis situations in enterprises lead to the conclusion that their causes lie in the inability to identify threats emerging in the environment and taking advantage of the opportunities present in this environment. This leads to a lack of response and failure of the company to adjust to changes²⁷.

This fact is even more emphasised by E. Urbanowska – Sojkin, who indicates that the crisis is a pathology in the company's development, often caused by the discrepancy between the objectives and the resources

²⁴ Hermann, Ch.F., *Some Consequences of Crisis which Limit the Viability of Organizations*, "Administrative Science Quarterly" 1963, no 8, [acc. to:] Slatter, S., Lovett, D., *Restrukturyzacja firmy. Zarządzanie przedsiębiorstwem w sytuacjach kryzysowych*, WIG-Press, Warsaw 2001, p. 45.

²⁵ Mitroff, I.I., *Managing Crises Before They Happen*, American Management Association, New York 2001, p. 5.

²⁶ Czerska, M., *Organizacja przedsiębiorstw. Metodologia zmian organizacyjnych*, Gdansk University Press, Gdansk 1996, p. 10.

²⁷ Gierszewska, A.G., *Strategie kryzysowe w warunkach globalizacji*, [in:] Kozyra, B., Zelek, A. (ed.), *Praktyka zarządzania kryzysem w przedsiębiorstwie*, West Pomeranian Business School Press, Szczecin 2002, p. 15.

necessary to achieve them. The crisis as a pathological situation threatens the economic viability of the company²⁸.

According to A. Zelek, the enterprise crisis should be understood as a consequence of strategic management errors made in response to internal and external disruptions in the company's development. In this sense, the crisis must be examined in the strategic dimension as a product of an internal situation and a state of the environment. According to this concept, the crisis in an organisation may be a long-term pathology resulting from the lack of adaptation of the company development strategy to current market conditions or unexpected changes in the development of the sector. In this sense, the crisis is not just a random phenomenon but a strategic dimension in the survival of the organisation²⁹. The crisis is understood, therefore, as a consequence of disruptions in the existence or the implementation of one or more of the factors determining the existence or the growth of the company – both external and internal ones which are dependent on the efficiency of management³⁰.

The above-presented definitions indicate that there are many different approaches to the crisis. For the purpose of this study, the definition of the crisis proposed by B. Nogalski and H. Macinkiewicz was adopted: **the crisis means conflicts, distortions and unpredictable threats (events). If removed on a current basis, they do not always threaten the company or prevent the implementation of the adopted strategy.** The crisis can be seen as a process of adverse events, a turning point between phases of development or as a decision-making problem. The crisis is a situation which, if tolerated, leads to the collapse of the company³¹.

1.2. Types and phases of enterprise crises

There are as many classifications of **types** of the crisis phenomenon, as there are attempts at its definition. Researchers of crisis phenomena are trying to classify them, often based on the duration and type of critical

²⁸ Urbanowska – Sojkin, E., Zarządzanie przedsiębiorstwem. Od kryzysu do sukcesu, Academy of Economics in Poznan Press, Poznan 1999, p. 20.

²⁹ Zelek, A., Zarządzanie kryzysem w przedsiębiorstwie – perspektywa strategiczna, Institute of Organisation and Management in Industry "Orgmasz", Warsaw 2003, p. 34.

³⁰ Zelek, A., Zarządzanie strategiczne. Diagnozy, decyzje, strategie, West Pomeranian Business School Press, Szczecin 2002, p. 129.

³¹ Nogalski, B., Macinkiewicz, H., Zarządzanie antykryzysowe przedsiębiorstwem. Pokonać kryzys i wygrać, Difin, Warsaw 2004, p. 12.

events that have led to the crisis. Studies indicate that the crisis most often does not emerge suddenly³². It occurs gradually, therefore, psychosocial processes that trigger the crisis can be observed.

The crisis is associated with a variety of issues. Limiting its interpretation only to the economic sphere and organisational management is certainly a major simplification, as the crisis can refer to physiological, social, psychological, environmental or political phenomena. T. Iwanek describes these phenomena extensively in his work³³. The crisis can be seen in different scales, from different perspectives, taking into account different circumstances that contribute to its emergence and consequences of its occurrence.

Due to the adopted objective, this thesis focuses only on the issue of **organisational crisis**.

As noted by E. Urbanowska – Sojkin, the crisis may affect some areas of business activity (usually the activity which is strategic for business objectives and the existence of the company) or the whole enterprise as a system operating in a particular environment. The destructive impact of various types of internal and external determinants may have manifold effects on the creation and development of a crisis situation.

Taking into account the **duration and intensity** of the organisational crisis, the following types of crisis can be distinguished³⁴:

- crises occurring in a **sudden**, rapid manner (usually more difficult to predict and counteract with anticipatory actions),
- **creeping** crises, growing gradually, almost systematically, on the enterprise scale, arising mainly as a result of the lack of or errors in the monitoring of internal and external events, and then the lack of anti-crisis measures.

The complacency on the part of managers and employees, who due to their narrowly pragmatic vision of the company and its previous performance, cannot see the organisation in a holistic manner, is often indicated as a cause of the creeping crisis. They have no sense of the “state of emergency”. Past

³² The following Polish researchers deal with this issue: E. Urbanowska – Sojkin, A. Zelek, B. Wawrzyniak, as well as B. Nogalski and H. Macinkiewicz.

³³ Iwanek, T., Kryzys i jego odmiany, College of Management “Edukacja” Press, Wrocław 2004, pp. 13-86.

³⁴ Urbanowska – Sojkin, E., Zarządzanie przedsiębiorstwem: od kryzysu do sukcesu, Academy of Economics in Poznań Press, Poznań 1999, p. 26.

successes usually result in the lack of sense of insecurity or the need to make additional efforts³⁵.

Another classification of crises, based on **the duration of the crisis and the degree of its intensity** is provided by the analysis carried out by U. Krystek. The author distinguishes the following crises³⁶:

- the rapidly developing, short-term crisis,
- the medium-term crisis,
- the creeping, long-term crisis.

The short-term crisis is characterised by its rapid development, short-term duration and crossing the line in terms of destructive impact at the level which prevents the achievement of important objectives of the organisation. The crisis which progresses in this manner may result in the liquidation of the company. A suitable intervention undertaken early, however, provides a chance to prevent such a high level of destruction and allows gradual deceleration of the crisis. Thus, the short-term crisis may have a **positive or negative** effect.

The medium-term crisis is marked by the medium-term duration, rapid spread and variable intensity of destructive effects. In the case of the positive course of the crisis, there is a possibility of containing the crisis when the changing level of intensity of the destructive impact falls below the danger threshold. If not contained in time, this crisis lasts longer than the short-term one, but at a certain point it will cross the line after which the collapse of the company occurs.

The long-term crisis, called the creeping one by B. Wawrzyniak³⁷, is characterised by long duration, as well as slowly but steadily increasing intensity of destruction. In this case, management has sufficient time to counteract the crisis at the earliest possible phase of its development. On the other hand, however, there is a risk that the emerging symptoms of the crisis will not be noticed in time and the mild course of the crisis will cause managers to relax their vigilance.

³⁵ Kotter, J.P., Kill Complacency, "Fortune" 1986, no. 15, p. 14.

³⁶ Based on: Krystek U., Organizational possibilities of crises – Management, "Zeitschrift für Organization" 1980, no. 2, p. 21.

³⁷ Wawrzyniak, B. (ed.), Zarządzanie w kryzysie. Koncepcje, badania, propozycje, Polish Economics Publishers (PWE), Warsaw 1984, pp. 43-44.

It is worth noting that the duration of the crisis is the **result of many factors**. The end result, as shown earlier, can also be very diverse. The company may go into liquidation, collapse or go bankrupt, yet the company may also recover and grow.

It is worth noting that the individual course of the crisis is its symptomatic feature, as well as the individual causes of its occurrence and the effectiveness of the anti-crisis measures. This identification is of particular importance as it shows that the crisis should be seen as a **process**. Cause and effect relationships between events are an important feature of this process. These relationships, due to their impact resulting from the occurrence of certain features or their disappearance, create destructive or constructive phases. The organisation passes through subsequent growth phases marked by **crises that are symbolic lines between these phases**.

L.K. Greiner's model³⁸ is the model of the company's transition through subsequent phases of business growth which is very often quoted in literature. According to this model, in the process of "aging", often accompanied by an increase in the size of the organisation over time, the enterprise goes through five development phases. This process comprises phases of evolutionary, as well as revolutionary changes (Fig. 1).

Figure 1 indicates the need for change that a typical organisation should undergo during the subsequent phases of a crisis. These changes relate, in particular, to the organisational structure, model of behaviour and strategy. Their aim is to overcome the subsequent difficulties, facilitate the transition to the next stages of development and the achievement of success.

³⁸ More on the subject of L.E. Greiner's model: Clarke, L., Zarządzanie zmianą, Gebethner & S-ka, Warsaw 1977, pp. 13-23; Kirsch, W., Esser, W.H., Gabele, E., Das Management des Geplanten Wandels von Organisationen, C.E. Poeschel Verlag, Stuttgart 1999, pp. 148-151.

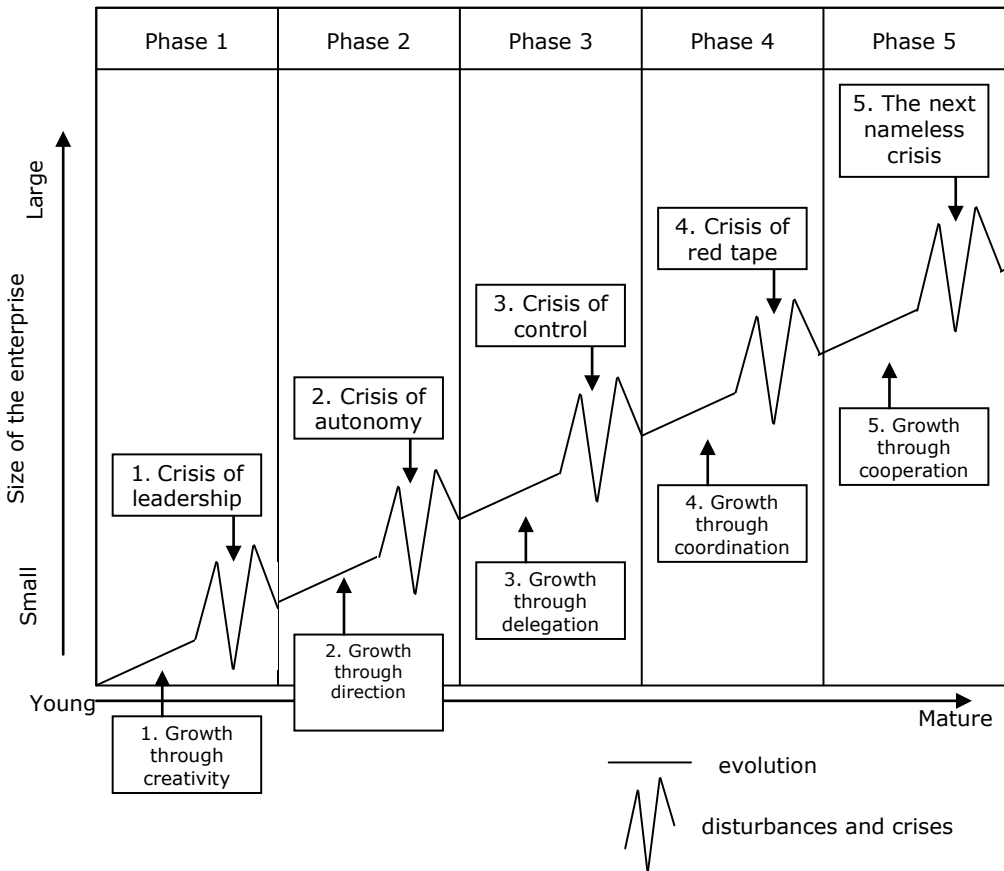


Figure 1. Crises as phases of organisational development

Source: L.E. Greiner, *Evolution and Revolution as Organizations Grow*, *Harvard Business Review* 1972, July/August, p. 41.

The **crisis of leadership** emerges at the first phase of organisational development. It frequently involves the growth of the venture to the size that goes beyond the control of its originator. At this stage, the loss of control over the growing volume of business in the organisation and its size often occurs.

The next phase, consisting generally in the developing of the company's organisational structure, is the growth through formalisation. Responsibilities and competencies of employees at all levels of the organisational structure become formalised (e.g. by job descriptions). As noted by A. Zelek, the **crisis of autonomy**, which means the emergence of certain chaos in the organisational structure of the company, is a quite natural culmination of

this phase³⁹. It involves the loss of control over the supervised segments of the company's business activities on particular levels of management. At this stage, processes of restructuring that lead to a new qualitative dimension of the organisation seem to be necessary. This restructuring should be based on delegating powers to lower levels of management, which may result in another crisis in the organisation – the crisis of decentralisation.

The crisis of decentralisation forces managers to take actions aimed at better coordination of decentralised areas. This may in fact mean the next phase of the organisational growth (growth through coordination). In practice, this growth usually results in the **crisis of red tape** connected with decreased effectiveness of functioning of large business organisations due to their natural propensity for expansion of bureaucracy, hence the increase in the level of fixed costs.

Therefore, the need for collaboration between all levels of management in the organisation becomes natural, which leads to further growth of the organisation – growth through cooperation. However, as the organisation is a mature organisation at this point, often with a fossilised organisational structure and fixed ways of conduct, the **crisis of maturity** occurs.

According to this approach, based on the concept of crisis as a phase of evolution in the organisation, it is assumed that even organisations that have operated in the market for a long time and have consolidated their long-term success are subject to natural fluctuations in their operational efficiency (crises). Companies, therefore, may cyclically undergo an organisational crisis, which – if managed skilfully – becomes the main driving force (factor) of growth in the future.

According to B. Nogalski and H. Macinkiewicz, three main phases may be distinguished in the process of crisis⁴⁰: the potential phase, the hidden phase and the overt phase.

The potential phase concerns virtually all enterprises and is difficult to recognise. The degree of threat can be determined with the use of early warning systems that, according to these authors, include: univariate models, multivariate statistical models, the linear probability model, the

³⁹ Zelek, A., Zarządzanie kryzysem w przedsiębiorstwie – perspektywa strategiczna, Institute of Organisation and Management in Industry "Orgmasz", Warsaw 2003, pp. 38-39.

⁴⁰ Nogalski, B., Macinkiewicz, H., Zarządzanie antykryzysowe przedsiębiorstwem. Pokonać kryzys i wygrać, Difin, Warsaw 2004, p. 14.

logit and probit analysis, the recursive division algorithm, the survival analysis, expert systems, models based on neural networks, distributed set models, multi-criteria methods and others⁴¹. If at this early stage, a radical action to address the source of anxiety is not taken, the potential crisis turns into the hidden crisis.

The hidden phase means problems with achieving business objectives and with resource management, often associated with “temporary difficulties” that each company goes through at some point. Contrary to its name, however – for people monitoring their organisation carefully – this phase is quite noticeable. The phase is not seen by those who do not wish to see it. The lack of measures taken in order to neutralise adverse effects of the hidden crisis leads to the development of the overt crisis.

The overt phase of the crisis occurs when difficulties in the company's operations threatening its existence arise. In this phase, disorganisation, as well as decision-making and competence chaos occur in the company.

This above-presented classification can be enhanced by the fourth phase – the **wait** for the results of the applied economic therapies or for end results when no anti-crisis measures are taken⁴².

The aforementioned classification of the crisis is illustrated by Figure 2.

It is particularly important to take into account all phenomena that influence the potential, hidden and then the real crisis, while structuring phases that constitute the process of crisis. Thus, U. Krystek recognises the need to distinguish, apart from the potential and hidden crisis, also the phase of the acute crisis, which can still be contained due to actions taken by managers, employees and other stakeholders of the crisis situation, as well as the phase of the acute crisis which is impossible to control and overcome⁴³.

⁴¹ Zabłocka – Kluczka, A., Wykrywanie i przewyżczanie zjawisk kryzysowych organizacji, Ph.D. thesis at Wrocław University of Technology, Report of the Institute of Organisation and Management of Wrocław University of Technology, PRE series no. 57, Wrocław 2002, pp. 107-138.

⁴² For more – see: Urbanowska – Sojkin, E., Zarządzanie przedsiębiorstwem: od kryzysu do sukcesu, Academy of Economics in Poznań Press, Poznań 1999, p. 29.

⁴³ Krystek, U., Organizational possibilities of the crisis – Managements, “Zeitschrift für Organization”, 1980, no. 2.

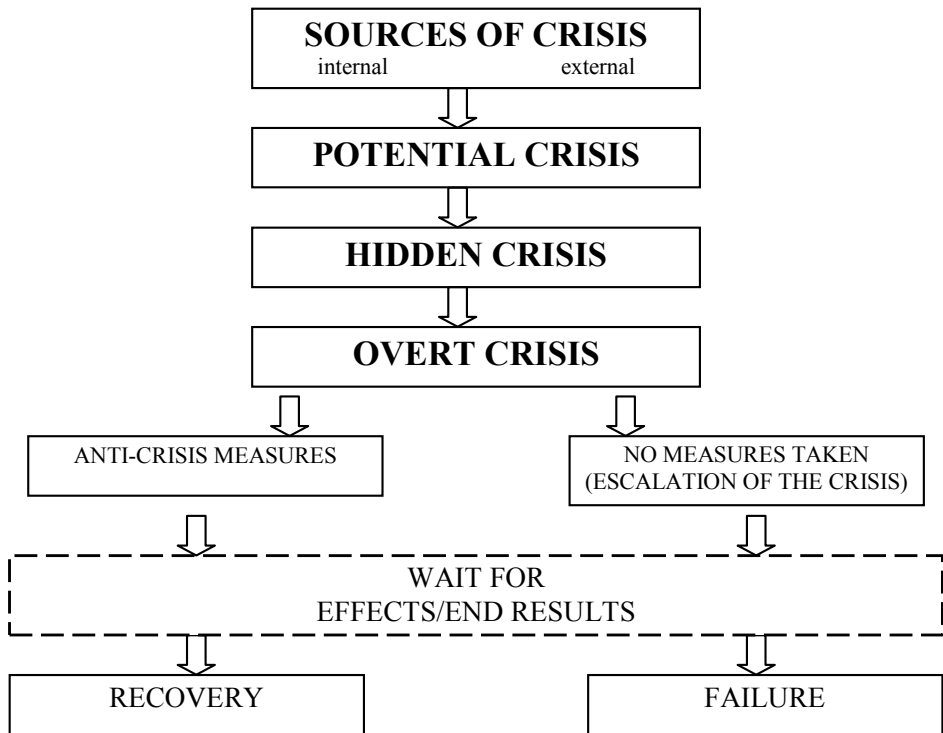


Figure 2. Phases of enterprise crisis

Source: The author's own compilation based on: Urbanowska – Sojkin, E., *Zarządzanie przedsiębiorstwem: od kryzysu do sukcesu*, Academy of Economics in Poznań Press, Poznań 1999, p. 30; Zelek, A., *Zarządzanie kryzysem w przedsiębiorstwie – perspektywa strategiczna*, Institute of Organisation and Management in Industry "Orgmasz", Warsaw 2003, p. 43.

According to this author, **the acute crisis which is possible to contain** begins with the recognition by the management of the effects of the ongoing crisis. The situation of these managers becomes difficult as, due to the passage of time, their possibilities for taking actions are limited. Additionally, the members of the organisation and its environment exert growing pressure on the managers to find effective solutions. The potential of the company is then aimed at overcoming the crisis.

This author perceives the situation which results in the liquidation of the company as the **acute crisis which is impossible to contain**. It occurs as a result of rapid development of crisis phenomena. At this stage, the only

salvation for the organisation is the aid that comes from its environment. The potential of the company is not sufficient to resolve the existing problems, especially since managers **no longer have the time to search for optimal solutions**. The intensity of internal destructive effects increases and managers start to lose control over the company's operations.

It can be easily seen that particular types of crisis and its phases differ in many aspects. The most characteristic features include⁴⁴:

- the types, scope and intensity of occurrence of both external and internal phenomena that determine the company's functioning,
- the ability of the company to identify potential and actual crisis generating factors through the information management system,
- the company's ability to resist external and external crisis-generating factors and internal factors of destructive nature, particularly those related to dysfunctional management,
- acuteness and intensity of crisis phenomena.

Thus, the enterprise crisis is often a long-term phenomenon characterised by many **phases** (stages).

Determining which phase of the crisis the company is undergoing at the moment facilitates the accuracy and precision of setting the most appropriate strategic objectives and directions of change. Therefore, the identification of the phase of crisis is a very important element determining a proper response on the part of companies struggling with the crisis.

Generally, the following two phases can be distinguished in the course of the crisis⁴⁵:

- the phase that threatens the existence of the company in which rapid changes should be made and funds should be acquired to implement these changes,
- the phase that destroys the company's existence (business failure, liquidation) in which it is no longer possible to restore the company to its previous state.

⁴⁴ Urbanowska – Sojkin, E., Zarządzanie przedsiębiorstwem. Od kryzysu do sukcesu, Academy of Economics in Poznan Press, Poznan 1999, p. 32.

⁴⁵ Harz, M., Hub, H.G., Schlarb, E., Sanierungs – Management. Unternehmen aus der Krise führen, Verlag Wirtschaft und Finanzen, Dusseldorf 1999, pp. 86-87.

A more precise breakdown of the phases of crisis is also possible. It can be illustrated by the example of five crisis phases, each of which requires different management. These include⁴⁶:

- the phase of signal detection,
- the phase of preparation and prevention of further destabilisation,
- the phase of preventing and limiting crisis-generated damage,
- the phase of normalisation,
- the phase of learning on the part of the organisation.

The phase of signal detection is the stage at which the above-presented symptoms of the crisis situation occur. They need to be noticed in order to recognise the threat of the crisis in time. Preparation and **preventing further destabilisation** means taking twofold actions. The organisation should, above all, try to avoid a crisis situation, make sure a crisis does not happen in the first place. It is possible in the case of enterprises that detected symptoms of the impending crisis early enough and were able to diagnose the type of threat they would have to face. If, however, the crisis cannot be avoided, actions should be taken to prepare the organisation to deal with this particularly difficult situation which the crisis is. These actions give a chance to minimise crisis-generated damage.

The phase of preventing and limiting crisis-generated damage is a situation where, as a result of not taking timely remedial action, the crisis develops and becomes the acute crisis. The company receives a severe blow after which it barely recovers. This situation also entails a huge amount of costs. These organisations that have been prepared for the impending crisis most often take comprehensive measures which should help to overcome the crisis in the organisation and minimise any potential damage in the shortest possible time.

Normalisation is the post-crisis situation in which the organisation overcomes the impasse and attempts to reach the state existing prior to the crisis. Organisations prepared for the possibility of the emergence of the crisis have a certain advantage since they often have already developed recovery plans which can now be put into practice.

⁴⁶ Mitroff, I.I., Pearson, Ch.M., Zarządzanie sytuacją kryzysową, Business Press, Warsaw 1998, p. 43.

The phase of learning on the part of the organisation is the stage which should bring many benefits to the company in the future. The organisation ought to draw conclusions from the resolved crisis situation and answer the basic questions, such as: why did the crisis happen in the first place? What can be done in the future so that this situation is not repeated? Unfortunately, quite often this phase is forgotten, which is caused by two reasons: managers are proud of the fact that they have managed to stave off the crisis in the organisation and they “rest on their laurels” or, acting in good faith, they do not take any actions due to the condition of the company still weakened by the events of the last days (weeks, months). It is worth noting that the company cannot afford to do so since only a **detailed analysis** of the causes of the crisis, its course and the anti-crisis measures taken will allow to learn from their mistakes and prevent the occurrence of a similar situation in the future.

In the presented approach, the **process of learning** is of key significance in ensuring the effectiveness of anti-crisis measures. The first four phases are based on sequential actions to detect the crisis, its reduction and normalisation. Managers take these measures mainly in order to overcome the crisis, and also (yet equally importantly) to prevent such situations from occurring in the future. It seems clear that the complete security of the organisation against various types of threats, however, is not possible. It is important, nevertheless, to identify common problems that occur in the environment (external and internal) of the company and to prepare the company optimally for the smooth functioning in the given conditions.

Effective anti-crisis management enables to strengthen the position of the company, increase its competitiveness and improve the quality of management. It is only possible, however, when the crisis has been effectively overcome. Overcoming the crisis means neutralisation of its negative impact. The most common **effects of the enterprise crisis** include⁴⁷:

- a significant decline in reputation – even if the company has successfully overcome the crisis, its reputation in the eyes of customers, suppliers and other stakeholders may be damaged, the

⁴⁷ Krzakiewicz, K., Zarządzanie antykryzysowe w organizacji, Academy of Economics in Poznan Press, Poznan 2008, pp. 26-27.

- reputation of those responsible for making important decisions in times of crisis usually also suffers;
- a decrease in the level of confidence in the company and the degree of its reliability in the eyes of customers;
 - the loss of loyalty of the employees – the lack of skills to cope with the crisis usually threatens a rapid loss of loyalty and support on the part of members of the organisation since the crisis shows the employees the level of managers' professionalism and reveals their management skills in complex situations;
 - a reduction in the level of sales – difficulties connected with the period of economic recovery after the crisis and a decline in the company's reputation are usually associated with a decrease in the volume of sales as customers often go to competition in this kind of situations;
 - a decrease in the financial results – when the crisis occurs in the company, profits fall, a reduction in revenues and an increase in costs is unavoidable due to the anti-crisis measures undertaken; if the crisis cannot be quickly overcome, this profit decline may complicate the situation even further and this potential threat requires appropriate anticipatory measures;
 - an increase in the expenditure required to minimise negative effects of the crisis which may include the costs of employment of specialists in the field of anti-crisis management, as well as expenses incurred on PR, advertising and conferences promoting the company;
 - a reduction in the productivity of human resources – in the period of the crisis and immediately afterwards the productivity of the organisation's members decreases, the crisis situation, however, can be used to mobilise employees to overcome the crisis provided the existence of the following elements: leadership skills of the top management, the ability to change the system of expectations and motivation of employees, the ability to counteract the emergence of rumours and to create an efficient system to inform the organisation's members;
 - concentration of the management's attention on searching for ways to overcome the crisis, which is necessary in the process of anti-crisis management but which may lead to neglecting other directions of activities needed for the smooth operations of the organisation in the long-term;

- rapid changes in the management of the organisation, which may lead to disorganisation and chaotic action on the part of managers, to protect themselves against risk and responsibility;
- changes in assortments of goods and services provided by the company – the crisis may force the company to make unplanned and costly changes in its products and services, which may lead to a total change in the strategy or an exit from the given segment of the market;
- a change of the company name – the crisis may force a change of name when its impact is particularly strong and it is necessary to create a new image, initially this may create a variety of complications in contacts with customers and suppliers.

The above-presented effects are mostly **negative results of crisis situations** in the enterprise. The fact is that in most cases the crisis has negative associations, related to chaos, uncertainty and the lack of clear prospects. If a way out of the crisis is not found, the company usually ceases its existence in its present form. It may be restructured, liquidated or change its owner. Other options are also possible. Many people have a tendency to dramatise and cannot cope, for example, with the pressure of time. Meanwhile, someone else wins in such situations, for instance, the company new owners, who have contributed to initiating the implementation of bankruptcy proceedings or to reducing the market value of the organisation. Successful survival of the crisis may bring **additional benefits** to the company, such as: greater recognition of the company and its products, the ability to demonstrate managerial competence of the management, which often contributes to the career development of the managers, the improvement of relations between employees and managers in the company who have been forced to unite forces to lead the company out of the crisis, or to the improvement of relations between the company and its environment.

As it is apparent from the above-presented analysis, the approach to the crisis should be highly individualised. If it is effectively controlled, it can be used for the benefit of the company. It may provide an impulse for significant changes in the functioning of the organisation. Changes that will not only allow to overcome the crisis but also contribute to the creation of an improved and better organisation.

1.3. Causes and symptoms of enterprise crisis

The definitions and types of crises presented in the first part of the thesis show how diverse the approach to the crisis (crisis situation) is on the part of various authors. Researchers of crisis phenomena in organisations also indicate the existence of many **causes** of crisis present in the business practice.

Based on the practice of crisis management, P.F. Drucker lists four traps of management, which are predictable and avoidable, leading the enterprise crisis. These include⁴⁸:

- **a failure trap** – according to P.F. Drucker, most of new products are not successful in the markets for which they have been developed. They are, however, successful somewhere else. These successes often come with a serious delay as their creators are very attached to their own vision and cannot reconcile with another scenario. For this reason, many companies have failed and their owners have lost large capital;
- **a cash flow trap** – most owners of start-ups believe that company's profit is the basic measure of the company's growth. According to P.F. Drucker, profit is of secondary importance. It is crucial to maintain an adequate cash flow margin. An emerging company is like an organism in the state of rapid growth – it requires regular nutrition at the appropriate level and this requires cash. Its deficit should be forecast, otherwise it may lead to loss of control over the business. Therefore, it should be noted that it is the cash flow which determines the company's survival;
- **a fourth year trap** – even if the company is able to ensure a harmonious flow of cash, it should be aware of the existence of the "fourth year" crisis. According to P.F. Drucker, approx. 80% of companies fall into this trap. The rapid development of the company exerts enormous pressure on the enterprise (rapidly rising turnover, profits and potential of the company), and that is when insufficiency of the management system emerges. A decline in the quality of products or services offered by the company, a decrease in efficiency and market share are more and more noticeable;

⁴⁸ Drucker, P.F., *Praktyka zarzadzania*, Cracow Academy of Economics Press, Cracow 1994, p. 106.

- **a fatigue trap** – is, according to P.F. Drucker, the most difficult trap to avoid. It arises when the business is already developed and stabilised. The syndrome of fatigue and dormancy appears. The managers of the company that have so far achieved success are particularly prone to the phenomenon of crisis management in the form of the fatigue trap and, according to P.F. Drucker, this one is no less dangerous than the cash flow trap.

Certainly, in the assessment of the company's vulnerability to the crisis, three groups of factors, which have a direct impact on the quality of decision-making processes and thus determine **crisis susceptibility**, are important. These include⁴⁹:

- competitive and environmental variables – the economic situation in the sector, the structure of the competition and attractiveness of the sector,
- management characteristics – the competencies and qualifications of managers, applied techniques and management styles,
- organisational attributes – the organisational structure and its effectiveness, strategy and strategical potential of the company.

Figure 3 illustrates the impact of the aforementioned factors on the company's crisis susceptibility.

As shown in Figure 3, two groups of factors play a vital role in the assessment of the company's vulnerability to a crisis: external and internal ones. Analysing **external** factors, it should be said that the company's susceptibility to the emergence of a crisis situation depends on the current economic situation in the sector, the structure of competition and features of the sector's attractiveness.

⁴⁹ Slatter, St., Lovett, D., *Restrukturyzacja firmy. Zarządzanie przedsiębiorstwem w sytuacjach kryzysowych*, WIG-Press, Warsaw 2001, p. 46.

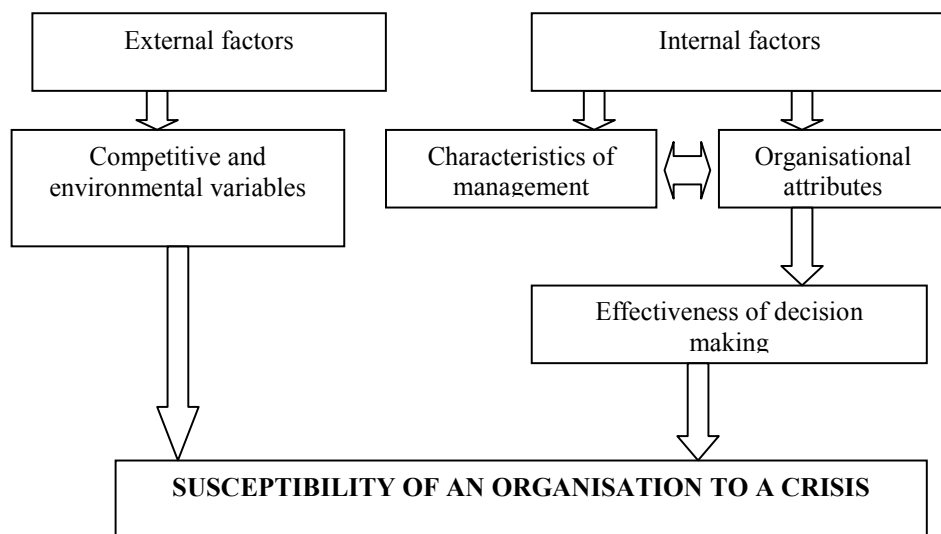


Figure 3. Factors determining susceptibility of an organisation to crisis phenomena

Source: The author's compilation based on Booth, S.A., *Crisis Management Strategy. Competition and Change in Modern Enterprises*, Routledge, London 1993, p. 93.

External causes of the organisational crisis include primarily changes in the conditions of the implementation of the company's business objectives. These include such phenomena and economic processes as⁵⁰:

- the economic growth rate,
- the country's economic policy,
- the fiscal policy,
- the level of public revenue,
- the society's propensity for consumption/saving,
- the size and structure of demand for the company's products and services,
- competition.

Among these external causes, **changes in the market demand and supply** seem to be of particular importance. Managers often make mistakes in forecasting demand, its structure and their ability to meet this demand.

⁵⁰ Compiled on the basis of: Grądzki, R., Zakrzewska-Bielawska, A., *Przyczyny i objawy kryzysu w polskich przedsiębiorstwach*, [in:] Bieliński, J., Płoska, R. (ed.), *Przedsiębiorstwo w warunkach kryzysu*, Papers and Reports of the Faculty of Management of Gdansk University 2009, no. 3/2, Sopot 2009, pp. 16-17.

This results in a reduction in the sales growth rate, an increase in company warehouse stocks (generating costs) and finally the reduction of the company's financial liquidity.

A special feature of external crisis determinants is **complexity of their impact on the organisation**. The company is never influenced by only one factor. The impact of various factors different in their origins and object of influence **overlap**, which definitely makes their identification difficult. The lack of awareness concerning the primary causes of the crisis and the relationship that exists between these causes makes it difficult to determine the source of problems. In this situation, managers often respond to the crisis in an intuitive way, based on their experience. Thus, they take into consideration only **probable** causes of the existing crisis situation.

In terms of **internal causes** of the organisational crisis, studies indicate⁵¹ that they most often arise from improper management.

The most common cause of internal crises in organisations, according to B. Nogalski and H. Macinkiewicz, is **incompetent management**⁵². In their opinion, the inability to notice changes in the business environment is an example of lack of competence and makes it impossible to create and revise the strategy of the organisation. These low managerial competencies result in sub-optimal (bad) principles of the organisation's functioning.

The most common cause of the crisis, according to E. Urbanowska – Sojkin, is the **lack of balance between business objectives and the company's resources**. The wrong perception of the environment and the position of the company in this environment leads, according to the author, to the dystrophy in terms of the formulation of objectives and external opportunities for their implementation, as well as the resources that are necessary for their achievement⁵³.

As noted also by A. Zelek, the most common sources of the organisational crisis are factors that remain under the **direct control of the company's**

⁵¹ The research conducted by: B.R. Alison, J. Argenti, D.R. Schendel, G.R. Patron, J. Riggs, M. Slatter, S.A. Booth, I.I. Mitroff, E. Urbanowska – Sojkin, A. Zelek and others.

⁵² Nogalski, B., Macinkiewicz, H., Zarządzanie antykryzysowe przedsiębiorstwem. Pokonać kryzys i wygrać, Difin, Warsaw 2004, p. 23.

⁵³ Urbanowska – Sojkin, E., Zarządzanie przedsiębiorstwem: od kryzysu do sukcesu, Academy of Economics in Poznan Press, Poznan 1999, p. 22.

management. Among the most important crisis-generating factors, the author sees⁵⁴:

- improper management,
- inadequate financial control,
- high operating costs,
- improper marketing activities,
- undertaking large (cost-intensive) ventures, which are often failed investments resulting from bad planning,
- wrong financial policy,
- mergers/acquisitions.

The aforementioned factors should also include⁵⁵:

- lack of vision and mission of the company,
- lack of clearly defined objectives and a proper marketing strategy,
- lack of knowledge of the organisation's objectives, both among its managers and employees,
- no or little activity of the company's employees in the pursuit of the organisation's objectives resulting from low identification of employees with the enterprise (loyalty towards the employer),
- the management style inadequate to the situation in the organisation,
- "complacency" of the management – the state of satisfaction from results achieved which minimises a sense of external threat.

The above-presented analyses of crisis-generating factors indicate quite clearly a distinction between internal and external causes of the organisational crisis. However, attention should be paid to **varying degrees of their impact** on the company. **Internal factors** are definitely much more important. What measures will be taken and whether the course of the crisis will have a positive or a negative outcome depends on the managers, their knowledge, skills and experience. It should be remembered, however, that crisis situations in most organisations are the result of **several causes at the same time**. The crisis intensifies as new problems arise or the existing ones are exacerbated. As noted by A. Zelek, the course of the crisis often has a "spiral"

⁵⁴ Based on Zelek, A., Zarządzanie kryzysem w przedsiębiorstwie – perspektywa strategiczna, Institute of Organisation and Management in Industry "Orgmasz", Warsaw 2003, p. 51.

⁵⁵ Compare: Urbanowska – Sojkin, E., Zarządzanie przedsiębiorstwem: od kryzysu do sukcesu, Academy of Economics in Poznan Press, Poznan 1999, pp. 23-24.

character”⁵⁶. The primary sources of the crisis trigger a chain reaction of successive causes and effects of the growing crisis. The deteriorating condition of the organisation is, therefore, a result of the **domino effect** – the weakening of one link, such as the quality of production, in a relatively short period of time leads to the weakening of another link – for example – to a decrease in sales. This, in turn, will be reflected in the deteriorating financial condition of the company. These symptoms are usually accompanied by general destabilisation of the company's operations.

The phenomenon of the domino effect and the chain reaction are crucial for the attempt to describe classical **symptoms** of the organisational crisis.

Signals informing about the negative phenomena occurring in an organisation are **external sings of irregularities** in its functioning. They are best seen in relationships between different parts of the organisation and its environment.

The most important feature of symptoms of the enterprise crisis is their **diversity**. In fact, the enumeration of symptoms of the organisational crisis is difficult due to the different object and subject references which the crisis may involve. Failures and shortcomings in the fields and functions of the company that reflect its general condition are most often seen as **symptoms of the organisational crisis**.

The most severely felt symptoms of the crisis are the following⁵⁷:

- difficulties in financing current and development (innovative) operations, which are identified by indicators diagnosing the condition of the company and its ability to invest,
- adverse changes in the size, growth rate and structure of sales (market presence) as a result of the impact of many various factors, for example, the aging of the product, the absence of new competitive products produced by the company, expansive actions taken by competitors, changes in demand and supply chain ailments,
- the imbalance between the rate of market growth and sales growth of the company's products reflected in a decrease in the relative market share,

⁵⁶ Zelek, A., Zarządzanie kryzysem w przedsiębiorstwie – perspektywa strategiczna, Institute of Organisation and Management in Industry “Orgmasz”, Warsaw 2003, p. 55.

⁵⁷ Urbanowska – Sojkin, E., Zarządzanie przedsiębiorstwem: od kryzysu do sukcesu, Academy of Economics in Poznan Press, Poznan 1999, p. 16.

- the deterioration of the image of the company among the entities in its environment (stakeholders) as a result of disillusionment stemming from the confrontation of expectations regarding the company's activities and the reality,
- a decrease in the value of the company reflected in its stock price,
- alienation of employees, particularism in activities undertaken and intra-organisational conflicts.

B. Wawrzyniak, referring to the Swedish authors dealing with crisis situations in an organisation, enumerates the following crisis symptoms⁵⁸:

- **the tense, turbulent situation**, creating room for a power struggle within the enterprise. The current structure of power and trust in the management is undermined, new leaders of the public emerge destroying the existing order, not always knowing how to formulate a positive agenda for change;
- **irrational human behaviour**, stemming mainly from emotions and declared intentions, expectations reflecting group interests and arguments, obligations representing social opinions, for which there is widespread acceptance, regardless of the possibility of meeting them;
- **disintegration of programmes and work teams**, which is a result of increasing difficulties. Conflicts and pressures emerge, while productivity of employees declines;
- **a common and increasingly felt need to “change everything”**, which is accompanied by anxiety and fear of a cascade of uncontrolled changes which would exacerbate the crisis;
- **formulating only general recommendations on how to improve the situation**, arising out of a sense of inability to do something about it and limited possibility of taking any action, as well as from the lack of freedom and resources;
- **wait for the difficulties to pass**, while they only deepen due to the lack of action.

As the above-presented examples illustrate, apart from measurable symptoms of the organisational crisis (economic or financial), organisations often respond through displaying **specific behaviours** of the personal and

⁵⁸ Wawrzyniak, B. (ed.), Zarządzanie w kryzysie. Koncepcje, badania, propozycje, Polish Economics Publishers (PWE), Warsaw 1984, p. 39.

interpersonal nature. These behaviours usually contribute to the deepening of the crisis and give the impression of the lack of ability to break the deadlock. They are equally dangerous for the development of a crisis situation in an organisation as the solely financial symptoms. These symptoms can paralyse a company from the inside with no less force than, for instance, the loss of liquidity. Then the phenomenon of the aforementioned **organisational chaos** arises. The existence of chaos after the emergence of the enterprise crisis is seen in a number of empirical studies. According to the research conducted by A.S. Booth, as many as 75% of the enterprises in a crisis situation have experienced this phenomenon⁵⁹.

As noted at the beginning of this section, symptoms of adverse phenomena in the organisation are external signs of certain irregularities in its functioning. Therefore, it is necessary to conduct an in-depth analysis. Managers must remember about **permanent observation** of the managed organisation, the use of early-warning systems to detect alarming signals and finally – they cannot “rest on their laurels”, even if they are very successful. The management must remember that the organisational crisis is a permanent feature of business and applies also to their company, regardless of whether they agree with this approach or not. Only good preparation to the emergence of the enterprise crisis will protect the company from its irreversible effects.

1.4. The scope and methods of anti-crisis measures

The crisis is no longer – as was mentioned earlier – a unique situation for enterprises. It is more of an inevitable event in the market economy affecting all organisations, even the very prosperous ones. It should be noted that each crisis situation is unique, specific and requires taking suitable anti-crisis measures. There is no one universal way to overcome the crisis⁶⁰. Both the theory and practice of business management in the times of crisis suggest that not every crisis can be effectively averted.

⁵⁹ Booth, S.A., *Crisis Management Strategy, Competition and Change in Modern Enterprises*, Routledge, London, New York 1993, pp. 158.

⁶⁰ Possible anti-crisis strategies and business models for crisis management are more widely discussed in: A. Walecka, A. Zakrzewska – Bielawska, *Strategie antykrzysowe i modele zarządzania przedsiębiorstwem w kryzysie*, [in:] J. Bieliński, R. Płoska (ed.), *Przedsiębiorstwo w warunkach kryzysu*, Papers and Reports of the Faculty of Management of Gdansk University, Sopot 2009, p.57-62.

The success of anti-crisis measures depends on many factors. The most important ones include⁶¹:

- correct identification of the real causes of the crisis,
- effective monitoring of crisis symptoms,
- the severity and duration of the crisis,
- the existing strategy of the company and its adaptation to the requirements of the environment,
- the phase of growth of the organisation,
- economic characteristics of the sector and the current economic situation in the given market,
- the structure of costs and prices in the sector,
- the structure and culture of the organisation,
- the previously taken anti-crisis measures.

According to the concept of S. Slatter, who generalises the impact of the aforementioned factors in terms of **chances of recovery from the crisis**, the company has little possibility of overcoming a crisis situation when the crisis is prolonged, strongly affects the organisation and is caused by many different factors. Conflicts in the organisation, particularly at the level of employee – employee and subordinate – superiors, as well as the unfavourable state of the sector or the structure of costs and prices which is adverse for the organisation also do not help overcoming the crisis. The situation is different when the crisis is caused by one particular factor which is easy to diagnose and when the course of the crisis is mild and its duration short. Such a situation may be considered as a relatively easy to contain and overcome.

The most important factor **determining the success of anti-crisis measures** is their adaptation to the causes of the crisis, its symptoms and degree of intensity. Other measures must be taken in the event of sudden crises often caused by acts of god and still other in the case of long, smouldering crises caused by mismanagement or a steadily deteriorating financial condition of the organisation.

B. Wawrzyniak, based on R. Muller, has carried out an interesting classification of types of crises and relevant anti-crisis measures. According to B. Wawrzyniak, there are **four types of anti-crisis management**⁶²:

⁶¹ Zelek, A., Zarządzanie kryzysem w przedsiębiorstwie – perspektywa strategiczna, Institute of Organisation and Management in Industry “Orgmasz”, Warsaw 2003, p. 139.

- strategic crisis management,
- operational crisis management,
- financial crisis management,
- crisis management under the conditions of insolvency.

In the synthetic form, these are presented in Figure 4, showing their dependence on the type of crisis situation.

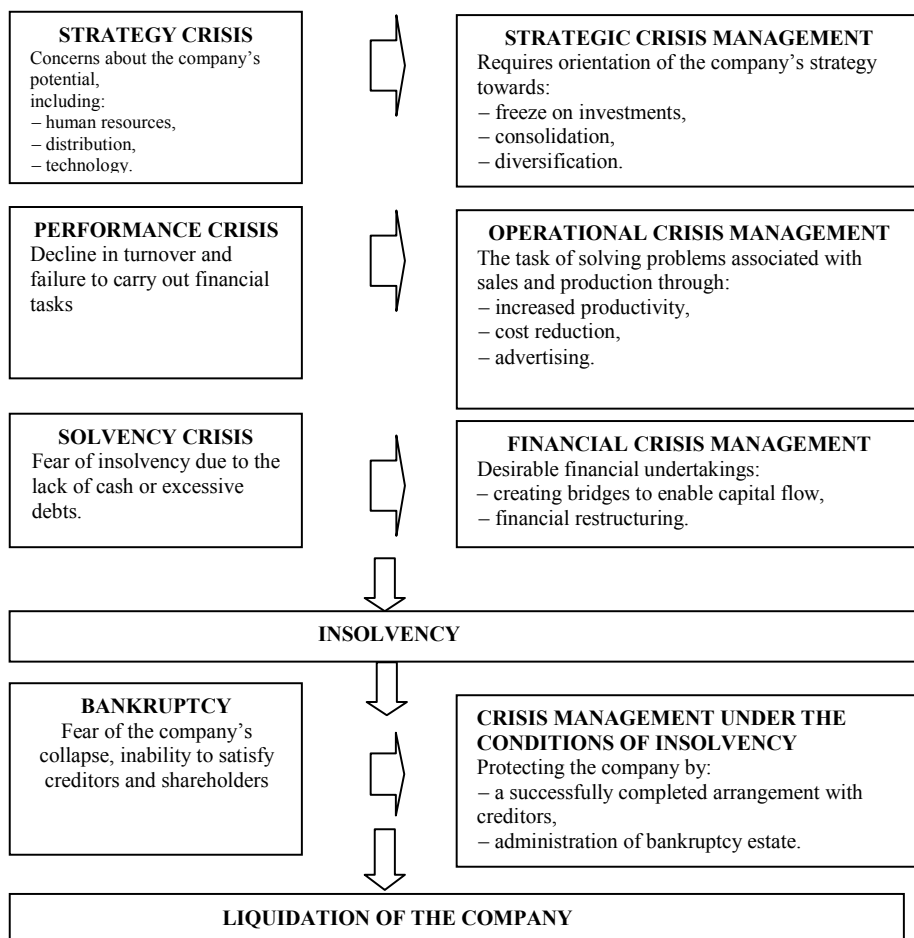


Figure 4. Types of crises and the resulting anti-crisis measures

Source: The author's own compilation based on Muller, R., *Corporate Crisis Management, Long Range Planning*, 1985 vol. 18, No 5. [acc. to:] Wawrzyniak, B., *Odnawianie przedsiębiorstwa. Na spotkanie XXI wieku*, Poltext, Warsaw 1999, p. 73.

⁶² B. Wawrzyniak, B., *Odnawianie przedsiębiorstwa. Na spotkanie XXI wieku*, Poltext, Warsaw 1999, p. 73.

B. Wawrzyniak also proposes another division of anti-crisis measures – into **reactive and proactive** ones. Reactive adaptation of the organisation to the environment, according to this author, is the elimination of the effects from the organisation's past. Proactive measures, in turn, are attempts to quickly adapt to face the future and create new strengths of the organisation.

It is also worth noting that B. Wawrzyniak in his concept proposes to divide causes of the crisis into the ones associated with the company and the ones that arise from the scope and type of the organisation's activities.

Taking into consideration **reactive measures** of the organisation, this author distinguishes two strategies:

- **streamlining** is a set of measures whose primarily task is to “remove the ballast”, for example, by employment reduction, cost reduction, changes in the organisational structure, changes in management, etc.,
- **withdrawal** is a set of undertakings directed at limiting the scope of the organisation's activities, for example, by: abandoning investments, limiting the range of products, withdrawing from certain areas of activity or certain markets, and finally selling the enterprise.

Proactive anti-crisis measures represent dynamic changes aimed at creating new companies or their subsidiaries, the implementation of new methods and techniques in various areas of business activity of the company. In the framework of these measures, two types of anti-crisis actions can be also distinguished:

- **investing** – a set of unconventional, aggressive strategies and measures such as investments in new products or market segments, investment in people, the introduction of new management concepts, mergers, strategic alliances, the acquisition of other enterprises, etc.,
- **consolidation** – a set of measures aimed at concentrating the activities and efforts of the company for the purpose of overcoming the crisis or creating the foundations for the future development of the organisation. Consolidation is based on the concentration on selected markets, redefining the company's business activity, the introduction of cost strategy, placing emphasis on human resources, highlighting issues associated with the quality of products, etc.

The types of anti-crisis measures are illustrated by Table 1.

Table 1. Types of anti-crisis measures according to causes of the crisis and adaptation of the organisation to its environment

Causes of the crisis	Anti-crisis measures	
	reactive	proactive
Related to management of the organisation	STREAMLINING	INVESTING
	– a change in management, – cost reduction, – employment reduction, – restructuring of finances (debts), – a change in the organisational structure, – sales of buildings and land, – reduction of central administration.	– investing in new products or market segments, – establishing strategic alliances that facilitate overcoming the crisis, – a merger with another company, – absorption of other enterprises, – investing in human capital, – introduction of new management concepts.
Related to the scope and type of activity	WITHDRAWAL	CONSOLIDATION
	– sale of plants, departments, – withdrawal from certain areas of activity, – reduction in the range of products, – withdrawal from certain markets, – no investment, – downsizing (reduction in the scope of business activity or termination of business activity).	– redefining activity, – concentration on a small number of markets, making these markets more attractive, – introduction of the cost strategy, – highlighting the issues of the quality of products and human resources through an active personnel policy, – introduction of diversification which ensures survival harmonised with the programme of consolidation.

Source: The author's own compilation based on: Wawrzyniak, B., *Odnawianie przedsiębiorstwa. Na spotkanie XXI wieku.*, Poltext, Warsaw 1999, p. 69.

As shown in Table 1, effective management of the enterprise in crisis requires taking measures in two areas: within the **enterprise**, as well as in **the environment of the organisation**, searching for new possibilities and radical solutions. As emphasised earlier, the success of undertaken anti-crisis measures depends on their adjustment to causes of the crisis, its symptoms and degree of intensity. This is the basic principle of anti-crisis management. It should be noted that a proper action strategy in the face of a crisis allows the company not only survive the crisis but also to stimulate, for example, innovativeness of its employees⁶³.

The above-presented concepts can be regarded as classical ones. They emphasise the need for the company's recovery. As noted by A. Zelek⁶⁴, from the point of view of business practice, organisational crises have "purifying power", i.e. they lead to natural selection of these organisations whose performance deviates negatively from norms of the particular sector.

Technically speaking, not every anti-crisis measure must be aimed at the recovery of the company. In the case of the deep and long-term crisis, as well as the crisis which has a destructive effect on the financial standing of the organisation, decreasing its market value, it seems advisable to take actions aimed at the liquidation of the company and an attempt can be only made to generate some liquidated capital.

Taking into account the objective of the thesis, it focuses mainly on the **nature** of anti-crisis measures undertaken by managers and the answer to the question whether these measures are proactive or reactive and whether they are risky or not.

Specific behaviours of managers in the situation of enterprise crisis will be discussed in the further section of the thesis. It is worth mentioning, however, that a number of rules applied in daily practice **are not successful** due to the specificity of management of the organisation in crisis. Therefore, it is critical for managers to watch closely the managed organisation and be vigilant against any signals that may indicate impending problems. As

⁶³ M. Kurowska, K. Szymańska, A. Walecka, Wewnętrzne determinanty rozwoju przedsiębiorczości technologicznej w firmach sektora MSP, [in:] S. Lachiewicz, M. Matejun, A. Walecka (ed.), *Przedsiębiorczość technologiczna w małych i średnich firmach. Czynniki rozwoju*, Scientific and Technical Publishing (WNT), Warsaw 2013, p. 37.

⁶⁴ Zelek, A., *Zarządzanie kryzysem w przedsiębiorstwie – perspektywa strategiczna*, Institute of Organisation and Management in Industry "Orgmasz", Warsaw 2003, p. 148.

practice of organisational management has proven, **inertia** is the worst enemy in the situation of overcoming problems in the times of crisis. The moment when symptoms of the crisis situation are noticed should, therefore, become the starting point for the identification of existing problems and the undertaking a number of anti-crisis measures which will depend on, among others, the industry, sector, type of enterprise and the occurring crisis. **Each company has its own “crisis” and needs to deal with it in its own manner.**

Chapter 2. Determinants of managers' behaviour during crisis

2.1. Roles, attitudes and forms of managers' behaviour in crisis situations

As noted earlier, the enterprise crisis is a turning point, a breakthrough. It may become the cause of the collapse of the company, as well as an opportunity for its further development. Yet, it is certainly a challenge for those in charge of the company. According to B. Wawrzyniak, the enterprise crisis triggers abnormal behaviour on the part of management and employees. It undoubtedly also requires the introduction of changes in the company and the employment of other management methods than previously used⁶⁵. Therefore, its managers, particularly senior ones, are faced with a number of **tasks and roles**⁶⁶:

- determining objectives and directions of change,
- building the organisational structure in which employees are open to changes,
- preparing a programme of anti-crisis measures,
- convincing employees about the need for change,
- involving employees in the phase of transformation preparations,
- motivating employees to make changes,
- overcoming resistance to change,
- creating an atmosphere conducive to change,
- coordinating the implementation of changes and controlling the results obtained.

Certainly, not every crisis situation requires so much commitment on the part of the top management, although in organisations in which there is a serious threat (overt crisis) most of these tasks should be completed.

⁶⁵ Wawrzyniak, B. (ed.), *Zarządzanie w kryzysie: koncepcje, badania, propozycje*, Polish Economics Publishers (PWE), Warsaw, 1984, p. 44.

⁶⁶ Walecka, A., Zakrzewska – Bielawska, A., *Przywództwo w obliczu kryzysu przedsiębiorstwa*, [in:] Bieliński, J., Płoska, R. (ed.), *Przedsiębiorstwo w warunkach kryzysu*, Papers and Reports of the Faculty of Management of Gdansk University, No. 3/2 2009, Sopot 2009, p. 388.

Restructuring measures are often a response to the enterprise crisis. S. Lachiewicz distinguishes specific roles of managers in the implementation of these measures based on numerous analyses and research⁶⁷. They are presented in Table 2.

Table 2. Specific roles of managers during the enterprise crisis

Managerial role	Characteristics
Project (venture) manager	This is usually one of the senior managers who is temporarily assigned to managing a particular anti-crisis measure in the company. The main tasks of the project manager include the coordination of work in temporal and functional terms (the phases of the crisis process), particularly the harmonisation of work during the period of transition from the phase of preparing the concept of change into the phase of its implementation, “detecting” weaknesses in the process of change and concentrating the implementation team’s efforts on their elimination.
Change initiator	This is a manager who is responsible for creating a favourable social atmosphere around creative people, searching for and disseminating streamlining ideas in the company, as well as recruiting managers, owners and other interest groups for the idea of overcoming the crisis.
Change representative	This is a manager who takes a number of measures that facilitate the process of overcoming the crisis, particularly in the period of accompanying various tensions and conflicts. This manager participates in setting the strategy and tactics for implementing changes, and is the “defender” of the undertaken anti-crisis measures, trying to convince the reluctant ones to their merits.

⁶⁷ Lachiewicz, S., Kadra kierownicza w procesie restrukturyzacji, [in:] Restrukturyzacja organizacji i zasobów kadrowych przedsiębiorstwa, Lachiewicz, S., Zakrzewska – Bielawska, A. (ed.), Economic Press, Cracow 2005, pp. 295-297.

General advisor	This is a manager-specialist who assists the organisation in learning the change, combining a professional approach to partial solutions with the requirements of the entire organisation, advising in the process of the company's adaptation to the transformations introduced.
Intervention advisor	This is a person who becomes involved in the anti-crisis measure implemented in order to help in particularly difficult situations. This is often a high-class professional with significant experience in implementing similar undertakings, who may propose specific preventive measures in sensitive situations.
Change promoter	These are usually members of the Board who participate in the process of overcoming the crisis due to the authority of their position in the hierarchy of the company and the scope of power.

Source: based on: Lachiewicz, S., *Kadra kierownicza w procesie restrukturyzacji [in:] Restrukturyzacja organizacji i zasobów kadrowych przedsiębiorstwa*, Lachiewicz, S., Zakrzewska – Bielawska, A. (ed.), Economic Press, Cracow 2005, pp. 295-297.

Despite the numerous roles that are assigned to managers in emergency situations, in order to overcome the crisis, the company must be managed by true leaders, that is, persons characterised by appropriate personality traits that can adapt the undertaken actions to the situation which is extremely difficult for the company.

Based on the classification of A. Zelek, distinguishing two types of managers: a traditional one and a crisis one⁶⁸, it can be assumed that the manager of the organisation during the crisis should be characterised by the following personal features:

- concentration on the survival and recovery of the organisation,
- focus on profitability and liquidity of the company,
- the ability to think in a holistic, multivariant manner,

⁶⁸ Zelek, A., *Zarządzanie kryzysem przedsiębiorstwie. Perspektywa strategiczna*, Institute of Organisation and Management in Industry "Orgmasz", Warsaw, 2003, p. 202.

- the ability to initiate changes in the organisation,
- the ability to be a visionary and a strategist, particularly during the economic downturn.

The crisis management mode requires the manager to stay calm in forced situations, avoid sudden actions that in the long-term perspective could be detrimental to the company, search for new information that would enable to find a solution, set up one decision centre (or consolidate a few already existing ones) and systematically analyse effects of the measures undertaken, which would allow to control the implementation of the crisis recovery plan⁶⁹.

The enterprise crisis often results in the loss of confidence in the management, both on the part of employees and other participants of the crisis situation (e.g.: shareholders). In this case, the **informative role** of managers becomes particularly important. Employees will be definitely accepting any anti-crisis measures in a calmer manner and will resist less if they know that these make sense in terms of the recovery of the organisation. Charisma of the company's managers will be definitely helpful in the situation of enterprise crisis. Although the opinions on the role of charisma in managers' activity are divided⁷⁰, it is very important in the crisis situation. Only the leader who will be able to "rouse the crowd" can make employees accept even unpopular decisions that are necessary from the point of view of anti-crisis measures.

The leader of the organisation in crisis is above all a person who takes effective actions. This person is expected to help the company recover and take anti-crisis measures that will be successful. All the steps taken by the leaders should be visible, the public (the company's employees and other stakeholders of the crisis situation) should be informed about these measures and the example should come from the top. The leader ought to lead by example of his or her own behaviour, performance and actions. Only then will all the anti-crisis measures make sense and only then will the manager be seen as a leader. Such a manager will then gain supporters for

⁶⁹ DuBrin, A.J., *Przywództwo dla żółtodziobów*, REBIS, Poznań, 2000, pp. 223-227.

⁷⁰ The following authors are not convinced about the necessity of having charisma, e.g.: Peter Drucker – Drucker, P., [in:] Hesselbein, F., Goldsmith, M., Beckhard, R. (ed.), *Lider przyszłości*, Business Press, Warsaw 1997, p. 14; and Sikorski, Cz., *Organizacje bez wodzów*, C.H. BECK, Warsaw 2006.

his or her ideas and concepts and will become a leader since "without followers, there are no leaders"⁷¹.

The **manager's intuition** is also very important in the crisis situation and an effective leader is the one who has this intuition. In the crisis situation, it is often necessary to make an immediate decision, without having all the analytical material. Thus, intuition is essential. Apart from intuition, an effective leader should also have imagination.

In order for leadership in the organisation during the crisis to be effective, the leader must also like influencing people and be willing and able to do so. This means primarily the ability to feel empathy, i.e. to understand motives, attitudes and emotions of others, as well as why they behave the way they do. As noted by J.E. Dutton, P.J. Frost, M.C. Worline, J.M. Lilius and J.M. Kanov, although empathy is important, from the point of view of the ability of leaders to heal the organisation, it does not raise any wider reaction. According to these authors, successful leaders help their subordinates find the meaning in crisis situations and thus allow them (and the entire company) to recover⁷².

It is extremely important that leaders should realise the sources of threat for the organisation arising from adverse developments before they indicate these sources to their subordinates. The ability to positively interpret the crisis situation and draw constructive conclusions from the most unpleasant experience marks only true leaders, according to W.E. Bennis and R.J. Thomas⁷³. These authors called this trait "adaptive capacity" and it consists of two basic positive features: the ability to grasp the context of events and hardiness. The combination of these two factors allows leaders to survive the crisis situation which is extremely difficult for the organisation and treat it as an important lesson, a source of new strength, as well as an inspiration for action with even greater commitment and dedication.

⁷¹ Hesselbein, F., Goldsmith, M., Beckhard, R. (ed.), *Lider przyszłości*, Business Press, Warsaw, 1997, p. 14.

⁷² Dutton, J.E., Frost, P.J., Worline, M.C., Lilius, J.M., Kanov, J.M., *Przywództwo w bolesnych chwilach*, [in:] *Zarządzanie w sytuacjach kryzysowych*, Helion, Gliwice, 2007, p. 32.

⁷³ Bennis, W.E., Thomas, R.J., *Liderzy rodzą się w tygłu trudnych doświadczeń*, [in:] *Zarządzanie w sytuacjach kryzysowych*, Helion, Gliwice, 2007, p. 50.

It can be, therefore, concluded that managing the company during the crisis situation requires **specific qualities and competencies**⁷⁴ **on the part of the management**, which are synthetically presented in Table 3.

Table 3. Particular traits, skills and competencies of the manager – the leader during the enterprise crisis

Personality traits (predispositions)	Skills and competencies
– focus on success, – decisive action and confidence, – intuition and imagination, – charisma, empathy, – resistance to stress, – satisfaction originating from management and strong pressure on achieving the set targets, – propensity for risk, i.e. taking on difficult tasks with a limited ability to predict their outcomes, – a sense of responsibility for their own actions and actions of their subordinates, – the ability to positively interpret crisis situations and to draw constructive conclusions.	– initiating change, – strategic and visionary skills, – openness to new ideas, – holistic and multi-pronged thinking, – the search for meaning in crisis situations, – mobilisation associated with making definite decisions in difficult situations, – professionalism in management.

Source: A. Walecka, A. Zakrzewska – Bielawska, *Przywództwo w obliczu kryzysu przedsiębiorstwa*, [in:] J. Bieliński, R. Płoska (ed.), *Przedsiębiorstwo w warunkach kryzysu*, Papers and Reports of the Faculty of Management of Gdansk University, Sopot 2009, p. 388.

Considering leadership during the enterprise crisis, **types of leadership** should also be discussed. One of the most interesting classifications was proposed by R. Mrówka⁷⁵. The author uses the approach to change

⁷⁴ **Competencies** are understood as a conglomerate of: acquired knowledge in the given field, skills and attitudes. Some authors also add to this set, as the fourth element of competencies, personal qualities of the person. These are not permanent qualities, they change along with experience, as well as professional and personal development of the person; S. Whiddett, S. Hollyforde, *Modele kompetencyjne w zarządzaniu zasobami ludzkimi*, Economic Press, Cracow 2003, p. 56.

⁷⁵ Mrówka, R., *Przywództwo w otoczeniu burzliwym*, www.e-mentor.edu.pl/artykul of 26.06.2009.

represented by managers as a criterion to distinguish types of leadership models. It is characterised by a certain continuum, from preference for adaptive evolutionary changes, through adaptive changes of a more revolutionary nature (which do not create a new vision of the functioning of the organisation, however, and seldom change deep principles of organisational culture), to anticipatory changes of evolutionary and revolutionary nature (creating an entirely new vision of the future of the organisation, often new organisational culture). According to R. Mrówka, the approach to changes is associated with the approach to risk – from its avoidance, through minimising risk to full awareness of its large scale. The accepted criteria allowed to distinguish four types of leadership models:

- **the administrator**, who administrates the organisation using its strengths and opportunities emerging in its environment. The administrator does not allow the environment to get ahead of the organisation, implements systematic, evolutionary adaptive changes and avoids excessive risk;
- **the visionary**, who creates the vision of the future of the organisation and its environment using strengths of the organisation and its culture, as well as opportunities that the environment presents the organisation with. The visionary carries out systematic evolutionary changes, only from time to time making more radical transformations or leaps. If possible, the visionary tries to minimise the risk;
- **the rescuer**, who improves the current situation of the organisation, introduces short-term recovery plans, makes revolutionary changes in the functioning of the organisation, which are of limited and adaptive nature, in response to changes in the environment. This manager avoids threats and excessive risk;
- **the de-constructor**, who significantly changes the organisational strategy, often destroying or radically transforming organisational culture or creates a completely new organisation along with new, flexible organisational culture. The de-constructor makes revolutionary changes, wants to make culture flexible to get ahead of the company's environment. This manager is aware of the need to take great risk.

In the situation of a crisis, especially the overt crisis, the organisation certainly needs a rescuer focused on the implementation of the recovery process. By making revolutionary changes in the functioning of the organisation, the rescuer has a chance to lead the company out of this difficult situation. Actions of the rescuer, however, are actions adaptive to the environment and this may not always be enough. Therefore, the de-constructor may be also effective in this phase of the crisis due to the propensity for radical measures and significant changes in the strategy of the organisation. The introduction of revolution may contribute to the recovery and growth of the organisation.

In the phase of the hidden crisis, the de-constructor seems to be an effective model of leadership. The transformation is also possible due to initial healing by the rescuer, then the emergence of the visionary or administrator. Their early appearance, however, may be dangerous, as it means inertia in dealing with problems that the organisation faces, which in consequence may lead to the escalation of the crisis and its transition into the phase of the overt crisis.

In the phase of the potential crisis, the visionary, possibly also the administrator, is an effective type of leader. The emergence of the rescuer or de-constructor in this situation would mean a revolutionary transformation which is not necessary at this stage of the crisis. It seems more appropriate to precisely identify the sources of threat and to take measures, of evolutionary nature, to weaken their impact and eliminate them.

It is worth noting that managers, depending on crisis-related needs, its sources and phases, should use different types of leadership in certain proportions.

Thus, the company's leaders play a significant role in healing the enterprise. They, due to appropriate personal qualities and specific skills, make decisions and choices regarding anti-crisis measures. These measures may have different strength, can be focused on radical changes or only slight modify what has been happening in the company to date. The measures can be aimed at coping with the effects of the past or look towards the future. Although every crisis is different, strong leadership skills, open communication, support for changes, commitment on the part of the managers, their knowledge and experience are a prerequisite for the organisation to be able to overcome the crisis, continue to operate and grow.

The first chapter has indicated that there are two types of managers' approach towards crisis management – the **proactive and reactive** one. The proactive approach means measures aimed at creating **conditions for the company's growth**. The reactive approach is understood as measures that are directed only at the **survival** of the organisation.

According to B. Nogalski and H. Macinkiewicz, examples of **proactive** solutions include⁷⁶:

- hiring new specialists,
- acquiring new sources of funding,
- introducing new management methods,
- personnel training.

The same authors enumerate the following measures as **reactive** ones:

- laying off employees,
- reducing administrative costs,
- renting out free office space, etc.

Literature also distinguishes respectively two approaches to anti-crisis management – the **active and reactive approach**.

The essence of active management is manifested in the measures that prevent the possibility of the occurrence of destructive effects of the crisis. These are the kind of measures that precede the emergence of problems that would be difficult to solve later due to the need to engage a large potential of the enterprise, rapidity of changes in the situation, an in-depth analysis and accuracy of decisions taken or high costs of anti-crisis measures. Therefore, this is mainly a struggle with symptoms of the crisis and their sources by taking **offensive** measures. Reactive management, in turn, has a **defensive** character and concentrates on combating the effects of the crisis, as well as on protecting the company against the potential liquidation. The main objective of this type of measure is preventing the growing crisis or mitigating its destructive effects.

It should be noted that the enterprise crisis, even if managers are in no way to blame for it, often undermines the confidence in the management. The deteriorating atmosphere within and outside the organisation forces managers to face an important challenge – the task of leading the company

⁷⁶ Nogalski, B., Macinkiewicz, H., Zarządzanie anty kryzysowe przedsiębiorstwem, Difin, Warsaw 2004, p. 102.

out of the crisis. Therefore, both in literature and in practice of business crisis management, the so called **crisis managers** are increasingly often mentioned. This type of manager is characterised by a defensive approach and is concentrated on the recovery and renewal of the enterprise in a relatively short period of time. The crisis manager is usually experienced in crisis management and is endowed with the previously mentioned leadership traits, highly desirable in crisis situations. An interesting comparison of qualities of the traditional and crisis manager has been presented by A. Zelek (Table 4).

Table 4. Qualities of the traditional manager and the crisis manager

Criterion	Traditional manager	Crisis manager
Objective of actions taken	Increase in the value of the company	Survival and recovery
Concentration on	Market share /growth rate	Profitability / liquidity
Style of thinking	Linear thinking – continuation of the current strategy	Multivariate thinking – defensive strategies
Management style	Decentralised	Centralised
Attitude towards change	Reluctant attitude towards change	Initiator of change
Skills	A good strategist during the period of stabilisation	A good strategist in an economic downturn

Source: Zelek, A., *Zarządzanie kryzysem w przedsiębiorstwie – perspektywa strategiczna*, Institute of Organisation and Management in Industry "Orgmasz", Warsaw 2003, p. 202.

As noted by B. Wawrzyniak, generally people characterised by a very strong personality, capable of projecting real authority, are managers appropriate for the time of crisis⁷⁷.

⁷⁷ Wawrzyniak, B., *Odnawianie przedsiębiorstwa: na spotkanie XXI wieku*, Poltext, Warsaw 2000, p. 81.

According to "Trend" magazine, the tasks of crisis managers come down to **rescuing the company** affected by the crisis. Therefore, crisis managers focus on the following actions⁷⁸:

- ensuring the company's current solvency,
- making appropriate adjustments to assets and liabilities of the company,
- making use of the existing hidden reserves (e.g. by selling real estate),
- dismissing members of the current management,
- negotiating a schedule to settle liabilities with creditors,
- reducing employment,
- selling unprofitable departments or plants,
- searching for gifted people in the organisation,
- making use of synergistic effects,
- developing a long-term strategy.

As it can be seen from the above-presented characteristics, an **outside manager** may be a successful crisis manager, the manager who "enters" the enterprise to carry out the process of recovery, i.e. the renewal of the organisation. This person should be characterised by complete independence to be able to force through solutions for which there is no internal acceptance or support. It is clear that taking such measures, making changes in the company during the crisis, is more difficult for the current manager since often this person is – at least partially – responsible for the existing situation. An additional advantage of the crisis manager is increased optimism and confidence on the part of members of the organisation in its recovery, while in the case of crises combated by traditional managers, there is often little faith in the success of the recovery programme.

One cannot, however, fully agree with such distinction. It is an undeniable fact that the outside manager may have more clout. Employees perceive this manager as "the one who has come to heal" the company. However, it is difficult to determine that the current manager will not be able to cope at all with this difficult situation. Such managers are particularly interested in improving the situation in the company in which they hold managerial positions – it is a matter of prestige and honour. Therefore, it would be a good solution to **join forces** by creating a crisis management team headed

⁷⁸ Uzdrowiciele przedsiębiorstw, "Zarządzanie na Świecie" 1996, no. 2, pp. 7-11.

by the crisis manager, which also includes other members, apart from the current manager: the human resources manager, a lawyer, an expert, a spokesperson or the employee responsible for communication and public relations. In practice, it is also possible to have two teams working simultaneously – the current board of the company and the crisis management team appointed to combat the crisis. This situation may generate many conflicts and requires from these two teams a precise definition of the rules of their cooperation. It seems that in the crisis situation, it is better to give power to “the one who has come to heal the organisation”, not forgetting about the advisory and supporting role of the other members of the crisis management team.

Considering the causes of decreased effectiveness of anti-crisis measures taken by the so called traditional managers, different managers' attitudes to the crisis situations should be also taken into account. These causes can be divided into eight typical crisis response mechanisms (Table 5).

Table 5. Response mechanisms to the organisational crisis

Mechanism type	Attitudes
Denial	The crisis happens to others, our company is immune to the crisis
Rejection	Crises happen but their impact on our organisation is minimal
Idealisation	Crises do not happen in good organisations
Megalomania	The size and power of our company protects it from the crisis
Projection	If the crisis should occur, it means that someone has harmed our company
Intellectualisation	There is no need to worry about the crisis as long as its probability is low
Fragmentation	The crisis cannot touch all parts of our organisation as long as they are independent and separate
Confirmation	The crisis happens even in the best managed organisations. If it happens, we need to cope with it and draw conclusions for the future

Source: Based on: I.I. Mitroff, *Managing Crises Before They Happen*, American Management Association, New York 2001, p. 47.

As shown in the table above, lesser effectiveness of anti-crisis measures of the current management results from the fact that quite often these managers **do not believe** in the existence of the crisis situation or they are not fully aware of its effects. These managers often hide behind the excuse of "external forces" harming the company, idealising their own organisation (and themselves as managers), rejecting the possibility of a crisis occurring.

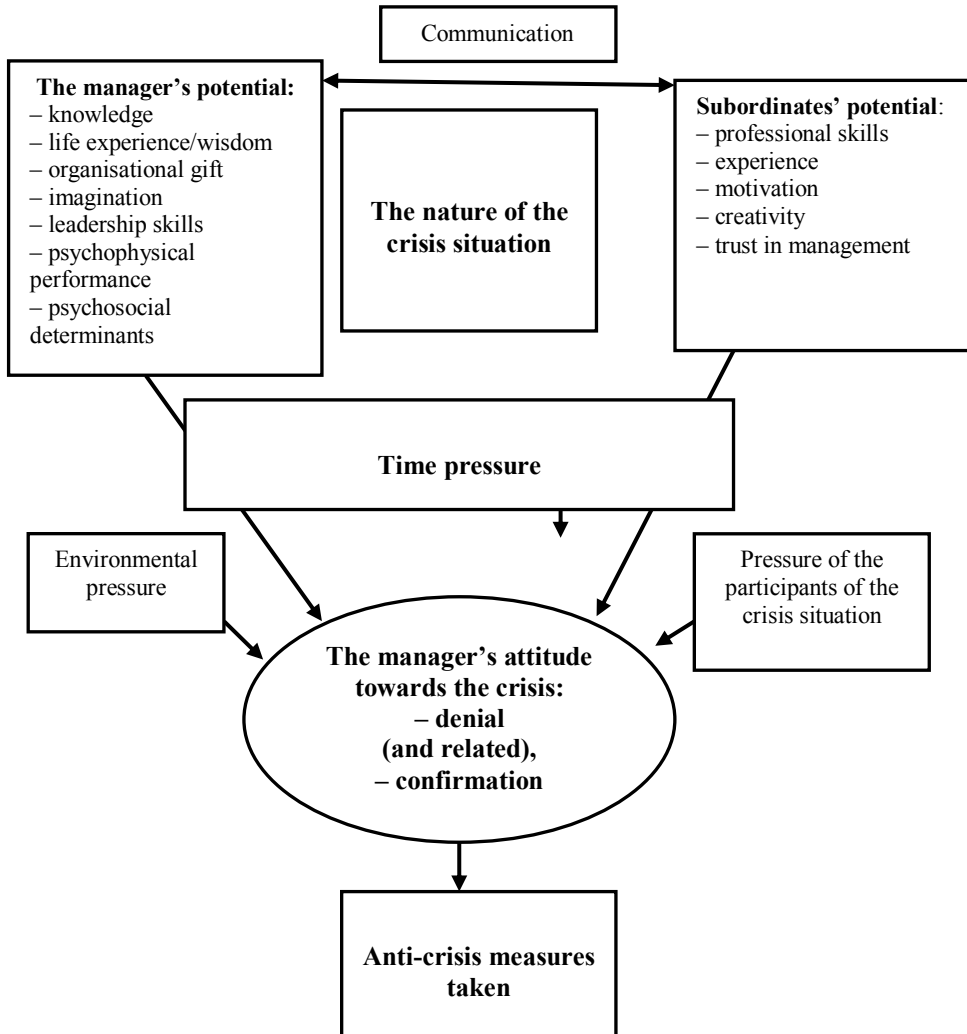


Figure 5. Determinants of managers' attitudes during crisis

Source: The author's own compilation.

Many **factors** may affect managers' attitudes towards the crisis. They are presented in Figure 5. Therefore, the manager's attitude in the situation of enterprise crisis is the result of the potential of the superior (personal qualities, knowledge, experience and psychosocial determinants) and of the subordinates, as well as the nature of the crisis situation. The more dangerous the crisis that the manager faces (which is often associated with the phase of the crisis), the more difficult the decisions (radical, unpopular) that should be taken. Therefore, everything should be done to prevent the emergence of the overt crisis in the organisation. Hence, permanent monitoring of the organisation's functioning is particularly important (as mentioned earlier). This observation is the simplest system of early **warning against the crisis**. The moment when some symptoms of a crisis situation are observed ought to be also the starting point for the identification of problems, as well as for designing and taking appropriate anti-crisis measures.

2.2. Extra-organisational determinants of managers' behaviour during crisis

Each business entity is "an open system" which interacts with the environment" – the company exists "in" and "thanks to" its environment"⁷⁹. The environment affects the conditions in which the company functions, determines the rules of the game, as well as development opportunities of the enterprise – creating chances, but also barriers and threats⁸⁰.

The company's environment is defined in literature in different ways. Generally, it can be described as all the conditions, as well as the impact of various organisations (institutions), affecting the conduct of particular companies. The environment imposes certain restrictions on the enterprise, creates opportunities and influences its development. Therefore, each company should thoroughly understand and analyse its components and determine the relationships existing between these elements in terms of their potential strength and type of influence.

⁷⁹ Urbanowska – Sojkin, E., Banaszyk, P., Witczak, H., Zarządzanie strategiczne przedsiębiorstwem, Polish Economics Publishers (PWE), Warsaw 2007, p. 17.

⁸⁰ Koźmiński, A.K., Piotrowski, W. (ed.), Zarządzanie – teoria i praktyka, Polish Scientific Publishers (PWN), Warsaw 2004, p. 35.

The enterprise's environment is comprised of circumstances, phenomena and processes occurring outside the company and institutions outside it. These are the elements that create the environment of the organisation, i.e. technical, economic, social, legal, political and ecological factors determining the framework conditions for the functioning of the company as an open system, i.e. the system tending towards a dynamic balance by the exchange of matter, energy and information with its environment⁸¹. These elements also include a variety of organisations that affect the company and one another, most of the time creating a very extensive network of dependencies.

In terms of the company's environment, one should pay attention to **characteristics** that describe and also affect actions taken by the organisation⁸². The most important features of the environment include⁸³:

- the potential of the environment,
- the complexity of the environment,
- the uncertainty/stability of the environment.

The potential of the environment is characterised by the pressure that the environment exerts on the enterprise, i.e. determines the ability of creating development opportunities for the company. In the environment of high potential, organisations have a lot of flexibility in adapting to the prevailing conditions, pressure and strength of impact of individual elements of the environment is small and the chances for regular strengthening of the company's position are quite plentiful.

The complexity of the environment is related to the number and variety of its components. In order to ensure the independence, the company operating in the complex environment ought to develop and implement various comprehensive methods of coordinating its activity.

The uncertainty and stability of the environment are the features resulting from the dynamics and frequency of changes occurring in the environment. These features tend to be inversely proportional – the greater the uncertainty of the environment, the smaller its stability. Operating in the environment characterised by high uncertainty is associated with the

⁸¹ Penc, J., *Strategie zarządzania*, cz. I, Agencja Wydawnicza Placet, Warsaw 1999, p. 21

⁸² For the purpose of this thesis, the term "organisation" and "company/enterprise" are used interchangeably.

⁸³ Gajdzik, B., Jama, B., *Analiza strategiczna w procesie zarządzania przedsiębiorstwem*, Silesian University of Technology Press, Gliwice 2006, p. 61.

necessity of creating flexible and less formalised structures, strategies and coordination mechanisms.

Configuration of different variants of the aforementioned features, particularly the uncertainty of the environment, allows to distinguish three characteristic types of environment⁸⁴:

- the stable environment, characterised by the following features: products and services hardly changing over the recent years, stable social and political conditions, a consistent government policy regarding legal regulations and taxes;
- the changing environment, characterised by moderate and gradual technical innovations or state regulations heading in a predictable direction (usually towards enhanced control);
- the turbulent environment, characterised by constant changes in products or services, a still changing set of competitors along with large companies entering the market or sudden social changes.

Today's environment is considered to be particularly violent. It is very changeable and complex, i.e. **turbulent**. According to K. Andruszkiewicz, due to high turbulence of determinants of this environment, crisis situations and business failures happen very often and happen even to the best ones⁸⁵.

According to P. Wachowiak and B. Majewski, turbulence and violence are nowadays characteristic features of the company's environment and reflect perfectly the nature of changes in the environment⁸⁶.

The turbulence of the environment is understood as the state characterised by the following features⁸⁷:

- changes of an increasingly new nature – significant developments affecting the company's functioning greatly diverge from the previous experience,

⁸⁴ Webber, R., *Zasady zarządzania organizacjami*, Polish Economics Publishers (PWE), Warsaw 1996, pp. 391-392

⁸⁵ Andruszkiewicz, K., *Strategiczne zarządzanie marketingowe w polskich przedsiębiorstwach w warunkach kryzysu*, Nicolaus Copernicus University Press, Torun 2007, p. 114.

⁸⁶ Wachowiak, P., Majewski, B., *Uwarunkowania ekonomiczne działalności przedsiębiorstwa*, [in:] Wachowiak, P. (ed.), *Funkcjonowanie przedsiębiorstwa w gospodarce rynkowej*, Publishing House of Accountants' Association in Poland, Warsaw 2006, p. 55.

⁸⁷ Sznajder, A., *Strategie marketingowe na rynku międzynarodowym*, Polish Scientific Publishers (PWN), Warsaw 1995, p. 14.

- an increase in the intensity of the environment which means that relations of the company with its partners become increasingly important for the management; the degree of the dependence of the company on the environment and its impact on various elements of the environment grows,
- an increased rate of changes in the environment associated with growing innovativeness of various business entities; the speed of introduction of product innovations or innovations in other activities of the enterprises increases,
- a rise in the number of components of the environment (complexity of the environment) which are more varied and their impact is increasingly difficult to predict; the boundaries of the environment are also more changeable.

This means that changes in the environment are much faster, multidirectional and resulting from a variety of factors, thus are more difficult to predict. As a result, the environment becomes increasingly⁸⁸:

- extensive (market globalisation, exchange of information, impact of local disasters and conflicts),
- diversified (new, specialised organisations, narrow and specific niches, groups of customers with special needs emerge),
- unstable (increasingly shorter product life-cycles, growing competition, technological revolutions, political breakthroughs, strong and variable state interference, etc.),
- complex (there is a growing interdependence of processes and phenomena).

In this situation, the modern enterprise, constantly threatened by a number of various determinants of the environment that may be potential and actual sources of the crisis, is forced to observe, analyse and assess numerous determinants. Therefore, a clear understanding of factors and entities making up the environment of the company's operations starts to play a major role. Their impact on the organisation should also be determined since the greater the impact of the environment on an enterprise, the greater the risk of a crisis situation in this organisation.

⁸⁸ Bolesta-Kukułka, K., Świat organizacji, [in:] Koźmiński, A.K., Piotrowski, W. (ed.), Zarządzanie. Teoria i praktyka, Polish Scientific Publishers (PWN), Warsaw 1993, p. 79.

For the purposes of a further analysis, the division which enables to distinguish **three main levels** of the environment, remaining in constant interaction with one another, was adopted. These include: the external environment – the general (far) environment and the task (near) environment, as well as the internal environment of the organisation (the company's resources). They are described in the further section of the thesis.

The general environment of the enterprise (macro-environment) is a set of conditions in which the company functions resulting from the fact that it operates in a specific country and region, in a given political, legal, systemic and social system, even in a specific climate zone⁸⁹.

This environment is created by the following factors⁹⁰:

- economic – the level and rate of economic growth, inflation, monetary, financial and tax policy, etc.,
- international – EU regulations, the level of industrial development in different countries, international competition, sanctions and restrictions in the international trade, etc.,
- legal (regulatory) – business law rules, civil and criminal law, justice system,
- demographic – population, its growth rate, structure by age, gender, education, etc.,
- socio-cultural – customs, ethical norms, worldviews, the level of culture,
- political – often seen as part of the legal environment, political stability,
- technical and technological – the level of technology, the degree of technology mastery, modernity and technology transfer.

Individual groups of macro-environment factors affect enterprises indirectly, often with different strength. The same changes in the general environment may have different effects depending on the industry, the

⁸⁹ Gierszewska, G., Zarządzanie strategiczne, Leon Kozminski Academy of Entrepreneurship and Management Press, Warsaw 2002, p. 41.

⁹⁰ The author's own compilation based on: Altkorn, J. (ed.), Podstawy marketingu, Institute of Marketing, Cracow 1996, p. 52; Romanowska, M., Planowanie strategiczne w przedsiębiorstwie, Polish Economics Publishers (PWE), Warsaw 2004, pp. 47-50; Bielski, M., Podstawy teorii organizacji i zarządzania, C.H. Beck, Warsaw 2002, p. 74; Moszkowicz, M. (ed.), Zarządzanie strategiczne. Systemowa koncepcja biznesu, Polish Economics Publishers (PWE), Warsaw 2005, p. 228.

company's potential and its ability to adapt to new conditions. In the situation when a company is able to quickly take advantage of opportunities arising from its environment, it will strengthen its market position, which will lead to an increase in its value. If a company does not manage to do so and other enterprises do, the wasted opportunity may become a risk factor.

It is also confirmed by research conducted by A. Zelek who, using the Delphi method with the participation of 10 domestic and international experts, collated macro-environment factors of the enterprise and showed their impact on the emergence of a crisis (Table 6).

Table 6. The impact of macro-environment factors on the emergence of the enterprise crisis

Macro-environment factors	Impact		
	strong	weak	no impact
Recession in the global economy	50%	50%	
Recession in the national economy	70%	20%	
Level of interest rate	20%	80%	
Foreign exchange rates	30%	70%	
Inflation rate		100%	
Employment rate		70%	30%
Labour costs	100%		
Indirect tax rates	40%	60%	
Direct tax rates (CIT, PIT)	50%	40%	10%
Customs duties on import	40%	50%	10%
Customs duties on export	20%	70%	10%
Others: non-market regulations, inefficiency of the legal system, excessive economic intervention, elements of the international environment, political instability, EU membership.			

Source: Zelek, A., *Zarządzanie kryzysem w przedsiębiorstwie. Perspektywa strategiczna*, Institute of Organisation and Management in Industry "Orgmasz", Warsaw 2003, p. 56.

As Table 6 shows, according to this author, very high costs of labour and the general recession in the national economy have the strongest impact on the emergence of enterprise crisis. It should be noted that the study was completed by A. Zelek in 2003. The current global economic crisis would certainly find its reflection in the research. It seems that it would be one of the factors with the strongest impact on the emergence of organisational crisis.

It is worth noting that all of the aforementioned factors create the fundamental plane to set objectives and principles of business activity. They define development possibilities and operations of the organisation, though generally the company cannot change these conditions. The company can only actively respond to environmental conditions, predicting in advance and classifying them as opportunities or threats to its activity.

The enterprise is not able to influence the macro-environment factors, hence it has to develop a system of **effective monitoring of any changes** taking place in this area. The management is, therefore, obliged to constantly check whether there are signals in the indirect environment of the company warning of changes that could influence the functioning of their organisation in the future. Such an analysis may be conducted with the use of PEST method (its name comes from the first letters of the four primary dimensions of the general environment), which is illustrated by Table 7.

Table 7. PEST analysis

Type of environment	Impact factors
Political – legal	– government stability – privatisation processes – the attitude of authorities towards entities of the given sector – stability of tax regulations – business legislation – others
Economic	– economic growth rate – basic trends (GDP, inflation rate, unemployment rate) – balance of trade and balance of payments – exchange rates – value of zloty – interest rate – budget deficit
Socio-cultural	– demographics of potential customers – lifestyle – work ethic – the level of education
Technological	– the level of technology in the given industry – progressive automation – patents – energy-saving technologies – technological development in related industries

Source: The author's own compilation based on: Filipiak, B., Panasiuk, A. (ed.), *Przedsiębiorstwo usługowe. Ekonomika*, Polish Scientific Publishers (PWN), Warsaw 2008, pp. 65-85 and Griffin, R. W., *Podstawy zarządzania organizacjami*, Polish Scientific Publishers (PWN), Warsaw 1998, pp. 103-108.

Information needed to analyse the indirect environment comes from various sources: rumours circulating in the sector, managers of other organisations, data on the organisation's performance, reports and government statistics, professional journals, general financial and economic publications, computer-data banks and many others. References, forecasts, statistics, gossip – all this may indicate that a certain trend should be investigated. Then, the manager can commission further research to explore potential developments. Owing to statistical forecasting methods and the strategic analysis of the enterprise (research trends, the strategic gap method, etc.), managers can anticipate changes in the value of social, economic, political and technical variables and prepare variants of plans for the future.⁹¹

The analysis of the general environment leads to determining assumptions or premises applied in further stages of business planning and strategy development. They indicate general possibilities yet, at the same time, also exclude other potential opportunities or relationships which in time may have a much greater impact on the forecast processes. Therefore, it is necessary to constantly control the validity of these assumptions.⁹²

The observation of changes occurring in the general environment enables the formulation of objectives and long-term plans of the company, reflected in its strategy. Only then will it be possible to take advantage of opportunities arising in the company's environment and to avoid threats, which is particularly important in the situation of the economic crisis.

The task environment of the organisation, also known as the near environment or micro-environment, is created by specific phenomena, processes and entities that affect the company in a direct way and, at the same time, are subject to its influence⁹³. A characteristic feature which allows to distinguish components of particular types of the organisation's environment is the degree to which the enterprise is able to influence them. Observations of economic practice indicate that interactions occurring in the

⁹¹ Stoner, J.A. Freeman, F., R.E., Gilbert, D.R., *Kierowanie*, Polish Economics Publishers (PWE), Warsaw 1997 p. 96.

⁹² Peszko, A., *Elementy organizacji i zarządzania przedsiębiorstwem*, Academy of Mining and Metallurgy Press, Cracow 2002, p. 29.

⁹³ Urbanowska – Sojkin, E. (ed.), *Praktyka zarządzania strategicznego: Studia polskich przypadków*, Polish Economics Publishers (PWE), Warsaw 2008, p. 49.

task environment, as opposed to those dictated by the general environment, are **easier to predicts and actively shape**⁹⁴.

Literature indicates the following components of the task environment of an organisation⁹⁵:

- competitors – organisations that compete for resources, customers and their finances, companies offering the same products or services in the same markets,
- customers – that purchase the products manufactured by the organisation,
- suppliers – other organisations that provide resources and information, profiting from this type of activity. They sell goods and services needed for the company to continue its functioning,
- regulators – organisations that are particularly capable of controlling and influencing the company, e.g.: organisations involved in environmental protection, consumer organisations, government organisations issuing certain permits, patents, etc.,
- workforce – workers' organisations influencing the company's employment policy and working conditions,
- owners – all people participating in the ownership of the organisation,
- strategic allies – organisations collaborating in a joint venture, the formation of alliances allows companies to benefit from the experience of their partners, as well as to distribute risk, gain easier access to knowledge, information and technology used by the partner, obtain investment co-financing and take advantage of the joint creation of market opportunities.

The task environment of the organisations, as well as the general one, may also generate crises. According to the research conducted by A. Zelek, the sectoral factors which exert the strongest influence on the emergence of the crisis in a company include: increasingly common payment gridlocks, the recession in the sector or an increase in the level of competition (Table 8).

⁹⁴ Griffin, R.W., *Podstawy zarządzania organizacjami*, Polish Scientific Publishers (PWN), Warsaw 2008, p. 81.

⁹⁵ Based on: Griffin, R.W., *Podstawy zarządzania organizacjami*, Polish Scientific Publishers (PWN), Warsaw 2008, pp. 81-87; Koźmiński, A.K., Piotrowski, W. (ed.), *Zarządzanie – teoria i praktyka*, Polish Scientific Publishers (PWN), Warsaw 2004, pp. 33-37; Moszkowicz, M. (ed.), *Zarządzanie strategiczne. Systemowa koncepcja biznesu*, Polish Economics Publishers (PWE), Warsaw 2005, p. 228.

Table 8. The impact of micro-environment factors on the emergence of the enterprise crisis

Sectoral factors	Impact		
	strong	weak	no impact
Recession in the sector	90%	10%	
Decline in demand	90%	10%	
Increase in the level of competition in the sector	80%	10%	
Inflow of foreign capital to the sector	40%	50%	10%
Technological innovations	50%	30%	10%
Common payment gridlocks	100%		
Others: strong price competition (price wars), strategies used by competition, declining attractiveness of the sector.			

Source: Zelek, A., *Zarządzanie kryzysem w przedsiębiorstwie. Perspektywa strategiczna*, Institute of Organisation and Management in Industry "Orgmasz", Warsaw 2003, p. 56.

It should be noted, however, that in contrast to the macro-environment, in which the company has no influence on external factors and can only observe them, in the task environment the organisation can affect the behaviour of other entities, thus shaping the factors of this environment.

Since the impact of various factors of the micro-environment creates different reasons for **changes in the company**, their characteristics from the point of view of sources of change can be found below⁹⁶.

Competition, which – among others – plays a mobilising role in terms of a social initiative, is a stimulus for changes in the market economy of every country. It not only forces the technical and technological progress but also the modernisation of manufactured products, as well as the creation of new forms of organisation, the introduction of new management techniques, the improvement in quality, the reduction of the company's operating costs, skilful management of incurred loans and vigilant monitoring of company finances. In the case of the enterprise crisis, the company's competitors often have a significant impact on corrective measures taken by the management. In times of crisis (but also in times of stable economic conditions), the company's competitors force the management to take measures that should help the company overcome this very difficult situation and consequently

⁹⁶ Based on: Mikołajczyk, Z., *Zarządzanie procesem zmian w organizacjach*, Publishing House of Wojciech Korfanty Upper Silesia Trade College (Górnośląska Wyższa Szkoła Handlowa im. W. Korfanteo), Katowice 2003, pp. 26-27.

grow. It is always worth monitoring activities of companies that offer the same products and services so as not to be surprised.

Customers may also be a source of inspiration for an enterprise. Organisations need to remember that their existence and growth depend on whether their actions will be accepted by customers of their products and services. Not only individual customers that purchase a particular product or service. Other organisations, such as warehouses, hospitals and others are also the object of a competitive struggle for a customer. Their proper identification, acquisition and retention becomes a very important issue for any enterprise. In the crisis situation, expectations and behaviour of customers are often a significant determinant of remedial actions taken by managers. They try not to lose customers due to the crisis, hence they frequently offer them new, improved products or services, which often enables the company to get out of this very difficult crisis situation.

Suppliers and their changing behaviour are another element of the environment that affects the functioning of the company. Given that work results depend on three factors: tools, raw materials and the person performing this work, all these factors are the "object of exchange" between organisations that produce and sell them and the enterprise purchasing them. Tools and materials encompass machines and equipment, as well as raw materials, production resources and financial resources (the capital necessary for the company to function, i.e. the company's own resources and resources possible to obtain in the form of a bank loan). It is also very important to have information that enables the adaptation of the management's decisions to the current situation of the company. Particularly since in the crisis situation, actions taken by the company's suppliers may strongly affect remedial steps taken by the management, focusing mostly on the diversification of suppliers or their replacement.

The **organisation's employees** are a specific object of change. On the one hand, they are forced to adapt to these changes and, on the other, they are a source of inspiration and implementers of changes. Due to the fact that employees are an element of the enterprise's internal environment, this issue will be further discussed later. It is worth noting, however, that before employees become "an element of the organisation's internal environment", they are an element of its external environment. They are graduates of various types of schools and job seekers. As employees, they are influenced by trade unions as the company is influenced by other groups, social organisations, etc.

Different types of **financial institutions** also play an extremely important role. The creation, development and survival of the company depend on the environment in which it operates. This environment also encompasses institutions that work for its stabilisation and development.

Among the financial environment of enterprises, **banks** have the most significant impact. They are the oldest financial intermediaries occupying the primary place in the financial sector. Enterprises can also make use of other institutions providing financial services. The company's relations with other institutions, whose character and activities depend of the national banking law, become increasingly important⁹⁷.

To a large extent, organisations make use of services provided by various financial institutions to acquire funds to carry out and develop its activities. Organisations, both start-ups and the already operating ones, can benefit from short-term loans to finance current operations and long-term loans for new constructions or purchase of equipment. Effective cooperation with financial institutions is of great importance. Typically, top management along with the financial chief executive of the company are responsible for initiating and maintaining this cooperation⁹⁸. In the crisis situation, the company often struggles with the problem of lack of funds resulting, among others, from a drop in orders from customers caused by the deteriorating image of the enterprise. In this situation, it is particularly important to be able to turn to one of the financial institutions for a loan, a credit through which the company has a chance to make **a number of changes** necessary to continue its business activities. Owing to financial support, the company can introduce certain innovations and meet the needs of its customers. The lack of this possibility often forces the company to face the crisis on its own, for example, by taking more radical anti-crisis measures. However, it is not always enough to lead the company out of the crisis.

All the above-described entities may be called **external stakeholders of the crisis**. They have a very significant impact on the course of the crisis in the organisation and measures taken by the management. The enterprise

⁹⁷ Filipiak, B., Panasiuk, A. (ed.), *Przedsiębiorstwo usługowe. Ekonomika*, Polish Scientific Publishers (PWN), Warsaw 2008, p. 92

⁹⁸ Stoner, J.A.F., Freeman, R.E., Gilbert, D.R., *Kierowanie*, Polish Economics Publishers (PWE), Warsaw 1997, p. 85.

undergoing the crisis must take into consideration external stakeholders of this crisis situation and their influence. It is important for the company in crisis to be prepared for certain attitudes and behaviour of its stakeholders (often negative and adverse to overcoming the crisis). While taking anti-crisis measures, it is very important to determine who the external participants directly associated with the crisis are, what their impact on managing the crisis situation is, as well as what attitudes and behaviours they may exhibit in subsequent phases of the crisis. Traditional roles fulfilled by shareholders may help to solve problems in the enterprise or may be neutral, however, they can also interfere with and impede the recovery from the crisis. Therefore, managers of the company in crisis should always try to take into account the interests of external participants of this situation during in the course of the crisis.

Although it is vital for the organisation to diagnose its own internal potential, its strengths and weaknesses, the starting point for any anti-crisis measures taken by the company is a **comprehensive**, holistic **look** at the situation, instead of limiting the observation to "the tip of its nose". It is important to look outside, beyond the organisation, towards the most significant interest groups associated with the company and determine the object of change and what its impact will be on our business. This involves identifying the major trends and issues that the organisation is particularly sensitive to. One of the most popular instruments of sectoral analysis, the model of the analysis of the sources of impact on the organisation developed by M. E. Porter, is a tool that supports managers in the analysis of the task environment. It is presented in Figure 6.

Porter's model divides the impact of various factors of the near environment of the organisation into four types of impact. These include:⁹⁹

1. The threat of entrants – no company operating in the market can be fully free from the threat of the emergence of new competitors, the company can avoid this by taking a series of measures to establish barriers to entry for competitors.
2. Growing rivalry between competitors – there is a certain balance of power between companies operating within the sector, e.g.: attempts to undermine the existing balance.

⁹⁹ Błaszczuk, W. (ed.), *Metody organizacji i zarządzania. Kształtowanie relacji organizacyjnych*, Polish Scientific Publishers (PWN), Warsaw 2008, p. 20.

3. Bargaining power of customers and suppliers – influences that both groups exert on the organisation are very similar and their character reflects their power. Similarly, as it was the case in the previously presented situations, these groups influence the organisation forcing it to take certain steps.
4. The threat of substitution – the presence on the market of substitution products greatly reduces the gains in the sector. Companies are willing to take a number of steps to ensure the satisfactory level of profits and counter the emergence of especially those substitutes which are fully capable of replacing the given product on the market.

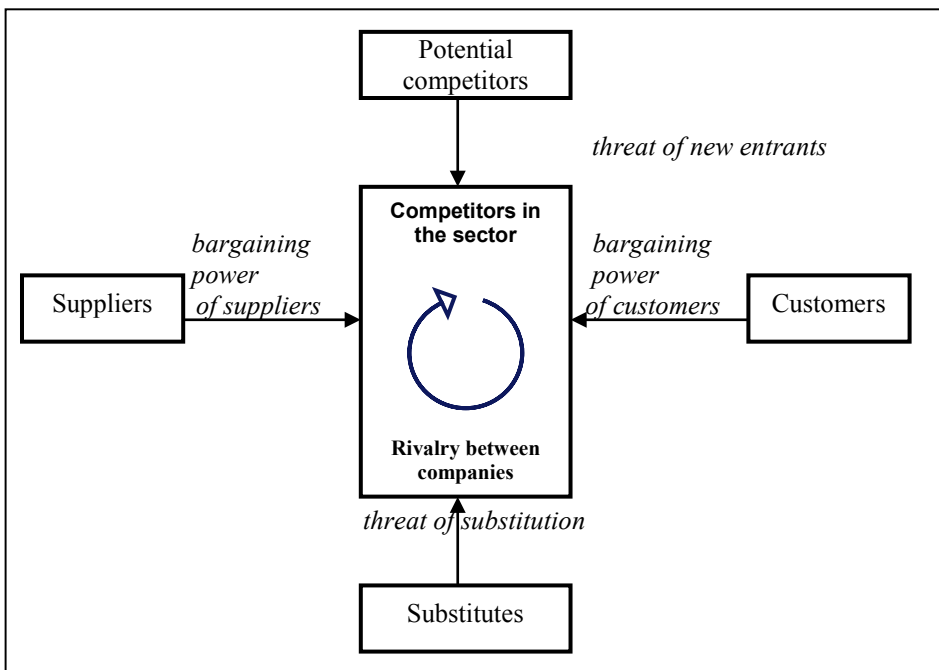


Figure 6. Factors determining the company's position in the market and attractiveness of the sector according to M.E. Porter

Source: The author's own compilation based on: Porter, M. E., *Strategia konkurencji*, Polish Economics Publishers (PWE), Warsaw 1992, p. 22.

It is worth noting that not only individual components of the external environment, such as market conditions, are subject to rapid changes. Also, the permeability of the "membrane" between the organisation and its environment increases, for example, due to the fact that enterprises outsource the implementation of specific services to external business partners. One

cannot also consider individual aspects of the external environment in isolation from others. Those who used to be customers, become competitors, suppliers become partners and competitors become partners in joint-venture companies.

2.3. Intra-organisational determinants of managers' behaviour during crisis

Apart from the external environment of the organisation, the **internal environment**, created by the company itself on the basis of resources and factors of production at its disposal, should be also taken into consideration. This environment is made up of internal conditions and strengths of the business entity which determine its technical, commercial and organisational potential, as well as its capacity for entrepreneurship and innovativeness, inextricably linked with internal legal and organisational rules created by the business entity¹⁰⁰.

The internal environment (ambient) of the company is comprised of resources at its disposal. The company is able to operate and gain an advantage over its competitors based on resources owned whose value changes over time depending on the special characteristics of the markets. The most valuable assets of the company are a source of sustainable competitive advantage and the foundation of an effective strategy. Although resources of the organisation are often divided in literature into¹⁰¹: material resources (human, financial, fixed assets) and non-material resources (organisational, intellectual, market), another classification has been adopted for the purpose of this thesis. This is associated with the assumption that managers' behaviour in the situation of enterprise crisis is affected by internal factors of the organisation such as:

- managers,
- employees (internal customers),
- organisational culture (atmosphere),
- image, organisational identity,
- the company's financial resources.

These will be discussed in detail in the further section of the thesis.

¹⁰⁰ Griffin, R.W., *Podstawy zarządzania organizacjami*, Polish Scientific Publishers, (PWN), Warsaw 2008, p. 103.

¹⁰¹ Krupski, R. (ed.), *Zarządzanie strategiczne. Koncepcje – metody*, Academy of Economics in Wrocław Press, Wrocław 2003, p. 136.

The company, having at its disposal and properly managing certain resources, creates its image in the environment, using possibilities and opportunities which it offers. A properly designed internal environment of the company provides protection against negative factors occurring in the external environment and can reduce the vulnerability of the organisation to the occurrence of a crisis.

The **human factor** of the organisation determines the development potential of the company, specific skills and the way the resources obtained from the external environment of the organisation are used¹⁰². It is the most important element of the company's activities. It should be taken into account that company management is associated with making constant decisions related to the purchase of assets and the selection of sources of business financing. The effectiveness of such decisions leads to the growth of the enterprise.

These decisions are taken by the Board of the company. Although business activities of every organisation are the result of the work of all its members and depend on their involvement in the implementation of objectives and extensive cooperation between individuals, it is managers who play the main role in the company's operations. The way the company operates and how it deals with a potential crisis in the organisation depends above all on skills and knowledge of these people. Will the company take the steps preventing the transition from the hidden crisis to the overt one?

Every manager must nowadays adapt to changing market conditions, undertake many tasks and operate in many areas. Such a manager needs to operate in different "capacities", assimilate consciously and even create these roles. The art of management is not only a market game but also a psychological game¹⁰³. It is worth noting, however, that many objective external factors, as well as psychological determinants and personal qualities of the given manager, affect the way this manager fulfils these roles (...). Modern managers, therefore, must know not only how to adapt their actions, skills and attitudes to the requirements of the role fulfilled, but also to modify the challenges so that they can be met¹⁰⁴.

¹⁰² Duraj, J. (ed.), *Podstawy ekonomiki przedsiębiorstwa*. Przewodnik, Polish Economics Publishers (PWE), Warsaw 2002, p. 28.

¹⁰³ Penc, J., *Decyzje menedżerskie – o sztuce zarządzania*, C.H. Beck, Warsaw 2001, p. 81.

¹⁰⁴ Lachiewicz, S., *Menedżerowie w strukturach władzy organizacji gospodarczych*, Polish Economics Publishers (PWE), Warsaw 2007, p. 83.

Measures taken by the management, linking the company's position with its environment and, at the same time, improving the external environment, are both investment and non-investment in their nature. Investment activities require from managers sound management of finances, whereas non-investment activities require a good operating strategy, skills, knowledge and entrepreneurship. They also contribute to a large extent to the creation of the company which will cope with changes, a organisational crisis, etc.

The management creates **business development strategies**. Only a well developed strategy, aimed at implementing the objectives and vision, directing the organisation's energy and resources towards their fulfilment guarantees the originality and effectiveness of the organisation's operations. The formulation of a strategy has become the prerequisite for the survival and growth in the turbulent environment, which often causes crises in enterprises. Managers need to search for new values and ways of conduct in order to operate in such changeable conditions. According to K.M. Eisenhardt and S.L. Brown, companies that rather than respond impulsively to current developments, impose a regular rhythm of activity in various areas and coordinate it efficiently are the most successful. This may include such activities as entering new markets and new business areas, undertaking development work on successive products, correcting the current course of action, undertaking new ones or entering into various alliances¹⁰⁵. They operate, therefore, based on predicting the necessary measures and their future consequences, using for this purpose the knowledge accumulated in the organisation.

The views and value system of managers are an important element of the process of development of the company's strategy. The management's decisions are rarely taken only on the basis of economic reasons. As noted by K.R. Andrews, managers values and beliefs permeate all phases of the process of business management¹⁰⁶. These values act as a filter, allowing managers to carry out proper evaluation and choose the right way of conduct. They are also closely related to the main objectives of the company¹⁰⁷. Enterprises increasingly often formulate their fundamental

¹⁰⁵ Eisenhardt, K.M., Brown, S.L., Własny rytm aktywności, Zarządzanie na Świecie 5/1998, pp. 28-32.

¹⁰⁶ Andrews, K.R., The Concept of Corporate Strategy, Rev. Ed., Homewood 1980, pp. 74-85.

¹⁰⁷ Schreyogg, G., Unternehmensstrategie. Grundfragen einer Theorie strategischen Unternehmensführung, Walter de Gruyter, Berlin – New York 1984, p. 86.

systems of values and beliefs in the form of standards, codes of conducts, statutes, etc.

The value system of the management of the company is very important during the crisis. The awareness of its existence enables the development of a common profile of values and beliefs for the entire enterprise. This makes it easier to create appropriate organisational culture which will suit both the managers and employees and which is successful in the situation of enterprise crisis, allowing the management to cope with this particularly difficult situation and heal the organisation.

Although managers create values of the company and its employees, they often make decisions that are not very good from the point of view of the organisation. As noted by B. Nogalski and H. Macinkiewicz, the most common reason for the emergence of organisational crisis is incompetence of the management¹⁰⁸. According to these authors, the inability to notice changes in the company's environment is an example of lack of competencies. It prevents the creation and corrections of the company's strategy.

The situation results in inappropriate principles of the company's operations. The lack of balance between the company's objectives and its resources may also cause a crisis situation.

According to E. Urbanowska-Sojkin, who also shares this view, the organisational crisis may be caused by ¹⁰⁹:

- the lack of or the inappropriately developed vision, mission and hierarchy of the company's objectives,
- the lack of understanding and acceptance of the mission, strategic and derivative objectives,
- the lack of adjustment of the strategy to the conditions of operation or internal incompatibility in the hierarchical system of the strategy,
- the low level of efficiency of actions taken by the company.

A. Zelek has drawn similar conclusions. The studies conducted by this author indicate that intra-organisational factors have a very strong impact on the emergence of a potential organisational crisis (Table 9).

¹⁰⁸ Nogalski, B., Macinkiewicz, H., Zarządzanie antykrzysowe przedsiębiorstwem. Pokonać kryzys i wygrać, Difin, Warsaw 2004, p. 23.

¹⁰⁹ Urbanowska-Sojkin, E., Antycypowanie kryzysów przedsiębiorstwa – aspekt informacyjny [in:] Kozyra, B., Zelek, A. (ed.), Praktyka zarządzania kryzysem w przedsiębiorstwie, West Pomeranian Business School Press, Szczecin 2002, p. 157.

Table 9. The impact of intra-organisational factors on the emergence of the enterprise crisis

Intra-organisational factors	Impact		
	strong	weak	no impact
Lack of operating strategy	100%		
Wrong strategy of operations	90%	10%	
Wrong price policy	50%	50%	
Improper management	90%	10%	
Lack of capital or other strategic resources	90%	10%	
Inappropriate capital structure	60%	40%	
Low management efficiency	100%		
Personal conflicts within the organisation	40%	50%	10%
Frequent changes in managerial positions	50%	50%	
Shortages, staffing issues	50%	50%	
Acts of god (accidents, disasters, malfunctions)	60%	40%	
Product ageing	60%	40%	
Others: strategic disintegration of business entities, particularism of interests, miscommunication.			

Source: Zelek, A., *Zarządzanie kryzysem w przedsiębiorstwie. Perspektywa strategiczna*, Institute of Organisation and Management in Industry "Orgmasz", Warsaw 2003, p. 56.

As presented in Table 9, according to A. Zelek, the lack of or the wrong strategy of operations, management errors or low efficiency of management are the strongest determinants of a crisis situation. These factors definitely are dependent on the company's managers who, often due to misguided perception of the environment and the position of their company in this environment, generate disproportions in terms of formulation of goals and external possibilities of their implementation, as well as the necessary resources.

Success of every organisation depends also to an increasing extent on knowledge, skills and creativity of **its employees**. The key factor of its creation is no longer financial or material capital but human capital. Individuals with their skills, abilities and knowledge become the most important wealth of the company, the source of its competitive advantage and value creation.

Human capital is one of the most important factors of the organisation in the global economy. In modern concepts of enterprise, the human factor takes the central position. The commitment of employees to the company's

activities is one of the most important challenges that every company faces, mostly due to the direct impact that it has on the performance of the entire organisation.

Employees hired by the organisation become an element of its internal environment. It is important, therefore, for employees to identify with its goals to the largest possible extent and participate in a creative way in developing organisational culture. Every organisation has certain invisible characteristics – its own style, character and a unique way in which it functions. This influences to a large degree what happens inside the company and in its relations with the environment¹¹⁰.

This part of the internal environment has a significant impact on decisions taken by managers. The situation may be seen as convenient when the management and employees share the same values and aspire to reach the same goals. When, however, managers and employees have different goals or when the organisation is shaken with conflicts and saturated with hostility, it results in serious damage to the company. Many problems, however, can be solved by improving interpersonal relations within the organisation. Although it is rather difficult in the case of enterprise crisis, particularly when this crisis is generated by factors arising from within the organisation. Employees, however, are very often directly involved in the process of the company's recovery, mostly due to the fact that they are the **group which is directly affected by the effects of the crisis**. They are often subject to a bonus freeze, a decrease in salaries or reduction in employment.

Unfortunately, the crisis situation is characterised by the loss of confidence of employees in their management. It is accompanied by growing anxiety about the fate of the company and their own future. Sometimes employees come to the conclusion that the company's managers are trying to hide from them or distort some important information. Therefore, it is so important that the management should carry out an **appropriate information policy**. Managers of the enterprise in crisis ought to be able to effectively manage relations among stakeholders of the crisis situation, based on the detailed analysis of their impact on the course of the crisis and the recovery process.

Properly informed employees will be more **inclined to take various types of anti-crisis measures**. The scale of these measures may vary. They

¹¹⁰ Koźmiński, A., Piotrowski, W. (ed.), Zarządzanie. Teoria i Praktyka, Polish Scientific Publishers (PWN), Warsaw 1999, p. 438.

may include going on unpaid leave, giving up some of the benefits or part of salary, transfer to a daughter company set up by the enterprise with a smaller salary and many other measures that support the anti-crisis policy pursued by the company's management¹¹¹.

Organisational culture of the company is another important element from the point of view of anti-crisis measures taken.

Culture is the totality of material and non-material products of human activity, values and recognised patterns of behaviour, objectivised and accepted by any collectivities and passed on to others. This concept refers to the works of man and means the cultivation of human values and mind, the development and improvement of human spirit. Thus, culture encompasses all that man ascribes any meaning to and gives meaning to by their activity. Culture is a set of permanent spiritual values, localised in time, space and social community¹¹².

According to the most well-known definition proposed by E. Schein, culture is a set of basic assumptions that a group has learnt as it solved its problems of external adaptation and internal integration. Culture formation is a process of acquiring group experiences and determining which of these are worth keeping and continuing. With respect to a specific group such as the company, culture is defined as the personality and spirit of the company which forms its identity and distinguishes it from other organisations.

Organisational culture can be also described as a group-generated pattern of thinking, feeling and responding which the group members abide by and which teaches them to distinguish positive attitudes and behaviours from negative ones. The culture of a particular group is its programme, its genetic code embedded in the social consciousness, causing repetition of individual and collective behaviour¹¹³.

¹¹¹ Studies on employees' attitudes in the enterprise crisis are presented, among others, [in:] Walecka, A., Matejun, M., *Postawy pracowników wobec sytuacji kryzysowej w organizacji* [in:] Lachiewicz, S., Zakrzewska, A. – Bielawska (ed.), *Zarządzanie organizacjami w warunkach konkurencyjnej gospodarki*, Lodz University of Technology Press, Lodz 2009, pp. 176-188.

¹¹² Łucewicz, J., *Socjologia. Zagadnienia podstawowe*, College of Management Press, Wrocław 2000, p.67.

¹¹³ Romanowska, M., Jarosiński, M., *Kultura organizacji*, [in:] Romanowska, M. (ed.), *Podstawy organizacji i zarządzania*, Difin, Warsaw 2005, pp. 120 - 121.

According to G. Hofstede, who shares this view, organisational culture is the collective programming of the mind that distinguishes one group of people from another¹¹⁴. It is reflected, among others, in: common customs, activities, symbols, ways of communicating, rituals, myths, architecture of buildings and interiors, rules of power and status criteria.

It is a separate and unique **type of company's personality** related to its efficiency and competitiveness, exerting influence on its strategy, performance style, specific character of functioning, structure and identity. Its efficiency is manifested by such relations between people that make them identify with the values and goals of the company¹¹⁵.

On this basis, one can specify desirable and undesirable **attitudes**, i.e. behaviours and the code of conduct of the company's employees.

Attitudes are the result of the world view adopted by this particular entity based on its subjective intellectual and emotional experiences, adopted organisational culture and standards, ethical norms and patterns of behaviour abided by in the company. As noted by M.J. Stankiewicz, attitudes are manifested through culture (personal culture, as well as work and quality culture), the presented attitude (towards work, co-workers, superiors, customers), willingness and propensity (towards an increased effort, risk, cooperation, responsibility), as well as through proclaimed and professed values, norms and manifested behaviour¹¹⁶.

According to aforementioned E. Schein, culture is a multi-level system, akin to an "iceberg". Some levels of this iceberg are visible "to the naked eye", while the others are submerged deeply "in the ocean", so it is difficult to see or even understand them. He distinguishes three levels of culture¹¹⁷: artefacts, norms and values, as well as basic cultural assumptions.

Artefacts are the most visible level of culture. This level encompasses the most visible and tangible behaviour of members of the organisation, the technological output of business activity, the company's unique way of

¹¹⁴ Hofstede, G., *Kultury i organizacje: Zaprogramowanie umysłu*, Polish Economics Publishers (PWE), Warsaw 2000, p. 267.

¹¹⁵ Rokita, J., *Zarządzanie strategiczne. Tworzenie i utrzymywanie przewagi konkurencyjnej*, Polish Economics Publishers (PWE), Warsaw 2005, p. 316.

¹¹⁶ Stankiewicz, M.J., *Konkurencyjność przedsiębiorstwa. Budowanie konkurencyjności przedsiębiorstwa w warunkach globalizacji*, Scientific Society for Organisation and Management Press, Torun 2005, p. 108.

¹¹⁷ Kostera, M., *Zarządzanie personelem*, Polish Economics Publishers (PWE), Warsaw 1997, p. 10.

communicating (e.g. language) or symbols present in the organisation. One of the key elements of culture at this level is the structure of the organisation.

Norms and values define what is worth doing or are the reason for what is done. Most values recognised in the given organisational culture may be attributed to the founders of this culture¹¹⁸. These are principles organising the functioning of the organisation, determining from its perspective what is right and what is wrong, what should be aspired to and what should be avoided.

Basic cultural assumptions are the deepest and, at the same time, the most enduring and difficult to identify level of organisational culture. They are the foundations on which the entire cultural "building" lies upon, encompassing outlooks that guide perception and actions relating to the human nature, interpersonal relations, the organisation itself, the nature of the environment and the relationship of the enterprise with its environment. These are beliefs that members of the organisation accept uncritically. Culture determines the appropriate code of conduct in the organisation, often by means of tacit assumptions.

Organisational culture, therefore, is a system of common beliefs recognised by members of the organisation which distinguishes it from others. According to S.P. Robbins, this system of common beliefs turns out to be a set of basic qualities that the enterprises deems as valuable. This author presents seven primary **characteristics of every organisation**¹¹⁹:

- innovation and risk taking – the extent to which employees are encouraged to introduce innovations and take risks,
- attention to detail – the extent to which employees are expected to be accurate and pay attention to nuances,
- outcome orientation – the extent to which the management concentrates on outcomes or effects rather than the means to achieve these outcomes,
- people orientation – the extent to which the management's decisions take into account the impact that their results will have on members of the enterprise,

¹¹⁸ Stoner, R., Freeman, E., Gilbert, D.R Jr., Kierowanie, Polish Economics Publishers (PWE), Warsaw 2001, p. 191.

¹¹⁹ Robbins, S.P., Zasady zachowania w organizacji, Polish Economics Publishers (PWE), Warsaw 2004, pp. 243-244.

- team orientation – the extent to which activities of the organisation encompass team work instead of individual actions,
- aggressiveness – the extent to which employees of the company show aggression and more often compete than cooperate with others,
- stability – the extent to which the organisation tries in its actions to maintain the status quo, abandoning the company development.

However, cultures of particular organisations often differ from one another. The basis for these differences is, among others, the subject of their activity, wealth of the organisation, management philosophy, professional structure, competencies of managers and employees, as well as a sense of identity. As noted by B.R. Kuc and J.M. Moczydłowska, there is certainly no single reference organisational culture which can be implemented on a mass scale¹²⁰.

The diversity of cultural patterns and differences in perception and behaviour of people representing different social groups results in different **types** of cultural systems. The most common are one-dimensional typologies in which one feature is considered to be the leading one and which is used as a base for distinguishing two alternative types of culture, e.g.: individualistic and collectivistic, male and female, or externally and internally-driven. R.R. Gesteland uses a set of pairs of alternative cultures to describe characteristics of interpersonal relationships that form the basis of a multi-dimensional model. The following cultures are distinguished¹²¹: pro-partner and pro-transactional, ceremonial and non-ceremonial, monochronic and polychronic or expressive and restrained.

The above-described typologies, despite their differences, have a certain element in common as they relate to primary areas of culture – according to E.H. Schein – “forms of integral integration of employees and ways of their adaptation to the environment of the organisational system.”

Culture is always an expression of the individuality of the given organisation and it is a factor which, on the one hand, arises from its unique features and, on the other, distinguishes the organisation from others. Culture may be a factor conducive to the efficiency and value of the company but it can also be the basis of its autodestruction. This fact is extremely important, particularly in the situation of enterprise crisis. Given that

¹²⁰ Kuc, B.R., Moczydłowska, J.M., *Zachowania organizacyjne*. Textbook, Difin, Warsaw 2009, p. 359.

¹²¹ Sikorski, Cz., *Kultura organizacyjna*, C.H.BECK, Warsaw 2006, p. 19.

modern companies operate in the turbulent environment, a significant impact of culture on the internal life of the organisation and its relations with the environment is seen increasingly often. In crisis situations, external compatibility that organisational culture provides helps to reduce the uncertainty arising from the operations of the company. **The intentional formation of organisational culture** undoubtedly facilitates the stabilisation of reality through the development and application of fixed patterns of behaviour and response to changes occurring in the environment. The reduction of stress and anxiety related to the need to adapt to a new situation results in the mobilisation for action, increased motivation and activity, faster adaptation to specific characteristics of the management system. In the crisis situation, organisational culture also helps employees to cope with internal uncertainty, ensures internal integration, cooperation and collaboration of all participants of the crisis situation (particularly managers and employees of the organisation). It enables the acceptance of such organisational solutions that allow the company to get out of this difficult situation and, in consequence, also to implement the adopted strategy. This is possible, in particular, due to a number of universal principles that organisational culture is composed of. These principles **allow the management to control**, maintain and develop the process of communication, both within the organisation and with the company's environment.

However, in order for organisational culture to be an ally to the management in the time of enterprise crisis, the company needs to introduce a number of changes that focus on the transition from the culture conducive to uncertainty avoidance (as is often the case) to the culture that facilitates uncertainty tolerance or even ensures the **development of the organisation through uncertainty**. In this situation, managers should focus on the need to introduce such practices that lead to the transformation of the existing organisational cultures and strengthen the behaviour required of employees in times of increasing uncertainty. This is possible due to the creation of flexible organisational culture which will be oriented towards constant changes within the organisation in response to constant changes in the environment.

Flexible organisational culture should be characterised in particular by¹²²:

- a great ability to cope with uncertain situations; employees should deal with uncertainty on their own based on their own knowledge, skills and experience,
- the creation of dynamic network of cooperative relationships within the enterprise, aiming at faster communication and decision-making, the transition from management thru control to management through involvement, an increase in the flexibility of the way the organisation functions,
- the creation of an appropriate, dynamic environment for groups of employees which is outcome, process and customer-oriented,
- the perception of information from the environment as opportunities rather than threats,
- the adaptation by the managers of the management style conducive to employees' independence, expanding their rights to take initiative and make decision independently,
- training employees to use information, triggering their creativity and need for change, as well as building competencies of group cooperation accompanied by the desire for achievements and a strong sense of one's own value.

In the face of the global economic crisis, often manifested in the form of a crisis emerging in an organisation, the characteristics presented by Cz. Sikorski should be also accompanied by the constant development of skills for detecting weak signals from the environment to **anticipate the future**. It is thought nowadays that the ability to recognise these signals provides an opportunity to prevent crises and capture opportunities arising from the environment.

Identity is another element of the internal environment of an organisation. It is closely associated with **the image of the enterprise**. The organisation's identity is created by the organisation, while the image is formed in its environment and it is an outside picture, often a collection of notions, both rational and emotional, present in the environment. This set of notions about the organisation is created as a result of programmed activities, as well as unconscious behaviour.

¹²² Sikorski, Cz., *Zachowania ludzi w organizacji*, Polish Scientific Publishers (PWN), Warsaw 1999, p. 260.

The organisation's identity should be viewed as the **key part** of cultural processes associated with attaching meaning. Associating the sense of identity with images present in the environment triggers mechanisms of search for the meaning in the organisation and its active pursuit. Attaching the meaning is not possible without the sense of identity as identity is the centre which generates all processes of interpretation of and search for the meaning and to which they refer to. Sacrificing the sense of continuity, for example, due to cost savings, leads over a short period of time to atrophy of knowledge in the organisation and reduces, or even eliminates completely, its ability to adapt.

Identity is what distinguishes the organisation from another operating, for instance, in the same programme area. Two environmental organisations can pursue similar or even the same goals, which happens quite often, but they differ in their mission, philosophy, organisational culture and everything else which comprises the identity of an organisation. The essence of the company's identity is its personality, hence uniform rules of conduct expressed through the system of values adopted by the organisation. Thus, not the objectives of the organisation but the values that it pursues to achieve these goals create its identity and distinguish it from other organisations in the same field of activity¹²³.

The image and identity are closely linked conceptual categories. The **image** of the organisation is important not only at the moment of making a decision by the customer of the given organisation. Specific activities creating the image depend on the identity of the organisation and the organisation can, in a more or less effective way, use public relations instruments to inform about their assets and create confidence in the company. Specialists in the field attribute growing importance to identity in the process of improving organisational performance, achieving better quality of services provided or goods manufactured, as well as of conscious participation of managers in the process of institutional management¹²⁴.

The image associated only with nice looks and a catchy name is no longer sufficient. The identity of the organisation needs to be created on the basis of an entire set of actions, in particular, human resources oriented

¹²³ Altkorn, J., *Kształtowanie rynkowego wizerunku firmy*, Academy of Economics Press, Cracow 2002, p. 9.

¹²⁴ Piasecki, J., *Wizerunek na miarę sukcesu*. Interview with Piotr Lingar, *Gazeta Prawna*, 09.05.2005, p. 20.

actions, since the image is not created only based on administrative activities – it is mainly formed by ordinary employees. Although marketing connections between the image and the volume of services provided or products sold has been proven, the key to success is not only creating the impression that we have a nice building and we excel at what we do. Customers are able to verify it and sooner or later they may cease to be clients of this particular organisation. This is particularly important in the situation of **enterprise crisis**. Regardless of sources of the crisis, its intensity and duration, the organisation affected by the crisis becomes an object of keen interest of its environment.

Thus, a **conscious information policy** in terms of relations and communication, internal as well as external, should be an integral part of anti-crisis management. Both types of communication determine the nature of the crisis and relations with its participants. Hence, they ultimately determine the duration and efficiency of the recovery process. In addition, as noted by Zelek, the shape of information policy during the crisis determines the public image of the company in the future. The consolidation of a negative image leads to serious consequences in terms of the market position and thus the economic standing of the company¹²⁵. Therefore, crisis public relations should respect the three general rules¹²⁶: the communication integrity principles, the truth principle, the principle of partnership and openness.

An effective information policy during the enterprise crisis should allow the company to retain credibility in the eyes of its employees, customers and other stakeholders of the crisis situation. At the same time, it ought to facilitate a rapid response of the company to the crisis, which is particularly important in the case of the occurrence of acts of god in an organisation. During the long-term, smouldering crisis in an organisation, an appropriate information campaign is also extremely important. These crises often have negative financial consequences for the company. Therefore, an effective information policy in the case of this type of crisis should be based on relations with direct stakeholders of the crisis situation. Making public the information on the state of finances and the strategy of the company at this time may not be necessary and sometimes it is even not advisable.

¹²⁵ Zelek, A., Zarządzanie kryzysem w przedsiębiorstwie. Perspektywa strategiczna, Institute of Organisation and Management in Industry "Orgmasz", Warsaw 2003, p. 216.

¹²⁶ Wójcik, K., Public relations w sytuacji kryzysu organizacyjnego, [in:] Tożsamość nieoceniona wartość przedsiębiorstwa, Conference Materials, Szczecin 1999, pp. 110-114.

It is worth noting that an enterprise involved in a crisis is in an extremely difficult situation and is often forced to refute allegations and counter attacks coming from the environment. Dealing with them through the rejection of the aforementioned ethical principles, in particular through manipulation and lying, is the least effective strategy. Exposed lies, even after a long period of time, may provoke further attacks and lead to further crisis escalation, though it seemed that the crisis has been overcome.

The enterprise undoubtedly will overcome the crisis with a greater ease if it has at its disposal appropriate **material resources**¹²⁷. Providing the company with the necessary resources is an important strategic issue. The resources at the company's disposal, their structure, the efficiency of their use or the ability of their acquisition determine the possibility of taking advantage of opportunities arising from the company's environment, which counteracts emerging crises. Practice indicates that material resources collected by the company have different significance and unequal value in solving problems related to crisis situations. Some resources may foster or be necessary in the process of dealing with the crisis (allowing to reduce or eliminate weaknesses of the enterprise or sources of the crisis), whereas the state of others (or their lack) may become the cause of the crisis. Therefore, the most desirable for the company are resources that enable rather than restrict taking quick advantage of opportunities arising from the environment, thereby protecting the company against a crisis.

In the crisis situation (especially in its different types and phases), the need often arises for a change in the **state and structure of resources** in the enterprise. At certain stages of crisis development, the need may occur to dispose of resources deemed as unnecessary (for instance, the sale of buildings, machines, equipment, often with a view of generating extra cash for the company). In other cases, it is necessary to supplement or replace resources with new ones (e.g.: when introducing a proactive strategy or

¹²⁷ All the assets, capabilities, skills, organisational processes, attributes, information, knowledge, etc. controlled by the enterprise that enable the conceptualisation and use of the strategy increasing efficiency and effectiveness are called the **company's resources** (Daft, R., *Organization Theory and Design*, West, New York 1983, p. 27). Another definition states that factors controlled by the company, used to develop and implement its strategies, are resources (Oliver, Ch., *Sustainable Competitive Advantage: Combining Institutional and Resource – based Views*, *Strategic Management Journal* 1997, vol. 18, p. 700). For the purpose of this thesis, the author deals only with material resources of the company, narrowed down to the **company's assets**.

changing a technology into a newer one, etc.). When doing so, it is necessary to remember that the **swiftness of response** of the management is often of crucial importance in the crisis situation. Anti-crisis decisions may be, however, subject to the phenomenon of inertia¹²⁸. This phenomenon may affect processes of optimising resources at the company's disposal, in consequence, its equipment may not undergo desirable changes due to a delay in decision making. Therefore, resources will be a major obstacle in the implementation of anti-crisis measures in the company. Thus, the degree of inertia will determine the extent to which the company will be able to adapt to changes in its environment, and ultimately may be a source of a crisis or will reduce the ability to take anticipatory measures.

As can be seen from these examples, the company's environment is a source of various types of phenomena and processes stimulating or destimulating its development. In particular, it is also a source of dynamic disruptions in the company's operations, hence, it becomes the cause of a variety of crises in the organisation.

The environment and individual characteristics of the enterprise affect the course and duration of individual phases of company development, and this development is carried out "from success to a crisis". Although the crisis of the organisation relates to its interior, its sources can be found within the company, as well as in its environment.

Virtually all areas of business activity may be crisis-generating, including the management system which plays the primary role in relation to executive sub-systems of the organisation.

Adaptability of the enterprise to changes in the environment to a large extent results from the recognition of changes occurring in the environment and within the company, as well as those that may yet occur. In the former case, changes, which often can be structured, should be observed over time. They should be defined by determining certain development trends and forecast with the use of statistical instruments. Based on the identified future conditions, it will be easier for managers to carry out anti-crisis measures taking advantage of favourable circumstances.

¹²⁸ **Inertia** means a delay in response time to internal signals and signals from the environment of the company.

In the case of recognition of changes that are yet to occur, the situation is slightly more complicated. Managers should anticipate changes that may occur. The management ought to be able to diagnose them on the basis of the existing weak signals or project the future by means of methods of searching for probable phenomena and trends or the context of structure of events, e.g. using creative thinking. As emphasised earlier, it is critical to use the Early Warning System for this purpose, as its primary task is the identification of weak signals of the impending enterprise crisis. These are symptoms of something which may occur in the future, something which can come suddenly and unexpectedly¹²⁹.

Taking into consideration the fact that development prospects of the enterprise are determined by the external and internal environment of the company, that is where forces fostering and impeding its development lie. It is, therefore, particularly important to consider all phenomena and processes that in the future will determine the company's development prospects and prevent crisis situations.

The ability to recognise phenomena and processes critical for the enterprise is correlated with the quality of information and – more broadly – information processes. Anticipation of crises that may occur in the organisation through information about potential threats may take very different forms. Based on the examples provided by E. Urbanowska-Sojkin, these may include¹³⁰:

- undertaking a new range of activity,
- company restructuring,
- undertaking innovative activities,
- a technological change of the company's functions,
- strengthening the economic potential of the enterprise by choosing the appropriate form out of various types of the external capital development,
- developing interpersonal relations outside and inside the organisation.

¹²⁹ More extensively on the subjects of Early Warning Systems in: Kamasa, D., *Systemy Wczesnego Rozpoznania w zarządzaniu organizacjami gospodarczymi*, Ph.D thesis, Poznan 1997, pp. 20-25; Zabłocka-Kluczka, A., *Wykrywanie i przewyżczanie zjawisk kryzysowych organizacji*, Ph.D thesis at Wrocław University of Technology, Report of the Institute of Organisation and Management of Wrocław University of Technology, PRE series no. 57, Wrocław 2002, pp. 107-138.

¹³⁰ Urbanowska-Sojkin E., *Antycypowanie kryzysów przedsiębiorstwa – aspekt informacyjny* [in:] Kozyra, B., Zelek, A. (ed.), *Praktyka zarządzania kryzysem w przedsiębiorstwie*, West Pomeranian Business School Press, Szczecin 2002, p. 165.

There is no doubt that the appropriate actions will require a very high degree of knowledge and determination on the part of managers. These activities must be supported by a thorough analysis of all internal and external factors of the company's activities. Managers need to take into account the characteristics of the organisation, the conditions of its functioning and development prospects. Whether the company's difficult problems will be solved, what kind of management methods will be used during the crisis and whether the **right conclusions will be formulated** after the completion of anti-crisis measures are dependent on it.

2.4. Personality traits of managers and susceptibility to crises

Each human behaviour in the organisation is determined by a combination of individual forces and forces coming from the environment. Therefore, different people behave differently in the same environment and different environments cause different behaviour in similar people.

Everything we do depends on individual, external factors and incidental (situational) factors. They shape the ultimate readiness for action which becomes the cause of certain human behaviours in various situations, including behaviours manifested in organisations.

In terms of individual determinants of human behaviour in the organisation, the individual's **personality** should be taken into account.

All human activities result from fixed patterns and attitudes towards the environment, they are also an expression of various aspirations which aim at either meeting the needs arising from the lack of goods needed to live (objects, states, etc.) or acquiring the assets by which the quality of your life can be improved.

All those factors belong to the realm of personality and motivation. These are our permanent attributes in the sense that in typical situations (when there are no special obstacles or conflicting – competitive – motives), they decide what we do.

In psychology, the concept of **personality** is one of the classical yet very ambiguous terms. It is most often defined as set of temperamental, emotional, intellectual and volitional properties that are complex and relatively stable

in terms of time and situation¹³¹. They are manifested in characteristic patterns of behaviour, i.e. the sum of responses to other people.

In modern psychology, the **Five Factor Personality Model** takes a special place. According to this model, every man's personality can be characterised by five general characteristics (factors)¹³²: extraversion, agreeableness, conscientiousness, neuroticism (emotional stability) and openness to experience.

Extraversion refers to social activity. It determines the quality and intensity of social interactions, the level of this activity, the need for stimulation and the ability to have fun. People with high intensity of this feature (extroverts) are characterised by activity, talkativeness and sociability, they are optimistic and open towards people. Low intensity of the feature (introverts) marks: coldness, restraint, keeping out of the way.

Agreeableness is related to the quality of attitudes towards people – from compassion and friendship to the antagonistic attitude¹³³. High intensity of this feature marks people who are characterised by a sunny disposition and are willing to help and forgive. Low intensity of this features describes people who are suspicious, malicious and cynical.

Conscientiousness refers to the task sphere of human life and is often expressed in "work". A person characterised by a high degree of conscientiousness is described as organised, responsible, ambitious and tenacious. Low conscientiousness marks a person who is quite irresponsible, lazy, weak-willed, characterised by the hedonistic attitude¹³⁴.

Emotional stability (neuroticism) refers to the sphere of emotional response and realism in thinking, as well as resistance to stress. People who are emotionally stable are composed, confident, resilient to stress and realistic in their thinking. They are the opposites of neurotic individuals who are unsure of themselves, hypochondriac and characterised by low self-control in emergencies.

¹³¹ Sillamy, N., Słownik psychologii, Książnica, Katowice 1994, p. 193.

¹³² Jarmuż, Sł., Zastosowanie modelu "Wielkiej Piątki" w doborze i ocenie personelu, [in:] Witkowski, T. (ed.), Nowoczesne metody doboru i oceny personelu, Professional Business School Press, Cracow 2000, pp. 159-160.

¹³³ The author understands the antagonistic attitude as mutual hostility and resentment caused by a conflict of interests, a difference of views or opposing actions of two elements or systems of an organism.

¹³⁴ The author sees the hedonistic attitude as the attitude which takes the pursuit of pleasure and avoidance of unpleasant things as its objective.

Openness to experience reflects the tendency to seek out new experiences, as well as tolerance of new developments and facts. People who are open to experience are referred to as intelligent, creative, broad-minded and cultured. Conventional, down to earth and not very intelligent people are the opposites.

The bipolar characteristics of factors comprising the “Big Five” is presented in Table 10.

Table 10. Bipolar characteristics of the “Big Five” factors

Traits of high scoring people	Factors	Traits of low scoring people
Sociable, active, talkative, people-oriented, optimistic, fond of fun and emotional.	Extraversion The quality and intensity of interpersonal interaction, the level of activity, the need for stimulation and the ability to have fun are assessed.	Reserved, cold, aloof, task-oriented, withdrawn and quiet.
Affectionate, friendly, trusting, helpful, forgiving, gullible and direct.	Agreeableness The nature of interpersonal relations of the individual is assessed in the range from compassion to hostility in thoughts and actions	Cynical, violent, suspicious, unwilling to cooperate, vengeful, merciless, prone to anger and scheming.
Organised, reliable, hardworking, disciplined, punctual, neat, ambitious and tenacious.	Conscientiousness The degree to which the individual is organised, persistence and motivation in the pursuit of a goal are assessed.	Not goal-oriented, unreliable, lazy, carefree, careless, casual, weak-willed and hedonistic.
Apprehensive, nervous, emotional, insecure, hypochondriac, disorganised.	Emotional stability The position of the individual in the dimension of good adaptation – emotional instability is assessed.	Calm, relaxed, stolid, strong and confident.

Traits of high scoring people	Factors	Traits of low scoring people
Curious, with broad interests, creative, original, imaginative and non-traditional.	Openness to experience Active search for new experiences for their own sake, tolerance of the unknown and its exploration are assessed.	Conventional, down to earth, with narrow interests and non-analytical.
The characteristics that were additionally evaluated within each of the five main factors: – extraversion: warmth, sociability, assertiveness, activity, excitement seeking, positive emotionality; – agreeableness: trust, straightforwardness, altruism, compliance, modesty, ability to be easily moved to pity; – conscientiousness: competence, order, dutifulness, achievement orientation, self-discipline and prudence; – emotional stability: anxiety, aggressive hostility, depression, shyness, impulsiveness, over-sensitivity; – openness to experience: imagination, aesthetics, feelings, actions, ideas, values.		

Source: based on: McCrae, R. R., Costa, P.T., Toward a new generation of personality theories: Theoretical contexts for the five-factor model [in:] Wiggins, J. S. (ed.), The five-factor model of personality: Theoretical perspectives, New York, Guilford, 1996, pp. 51-87.

As shown in Table 10, each of the characteristics of the “Big Five” is the name for many other co-occurring features which describe a particular part of human activity. When an individual is characterised, for example, as conscientious (in the sense of the “Big Five”), it is very likely that this is a responsible, ambitious and hard-working person. This concept, therefore, is not a simple combination of different personality descriptions but grouped sets of traits that usually co-occur.

Based on the analysis of literature and psychological consultations¹³⁵, it seems that in the situation of **enterprise crisis**, the manager should have the personality characterised by a high degree of extraversion, a medium degree of agreeableness, a high degree of conscientiousness, a low degree of emotional stability and a high degree of openness to experience. It is illustrated by Figure 7.

¹³⁵ The consultations were made with psychologist Dagmara Lewicka, Ph.D. from the Academy of Mining and Metallurgy in Cracow.

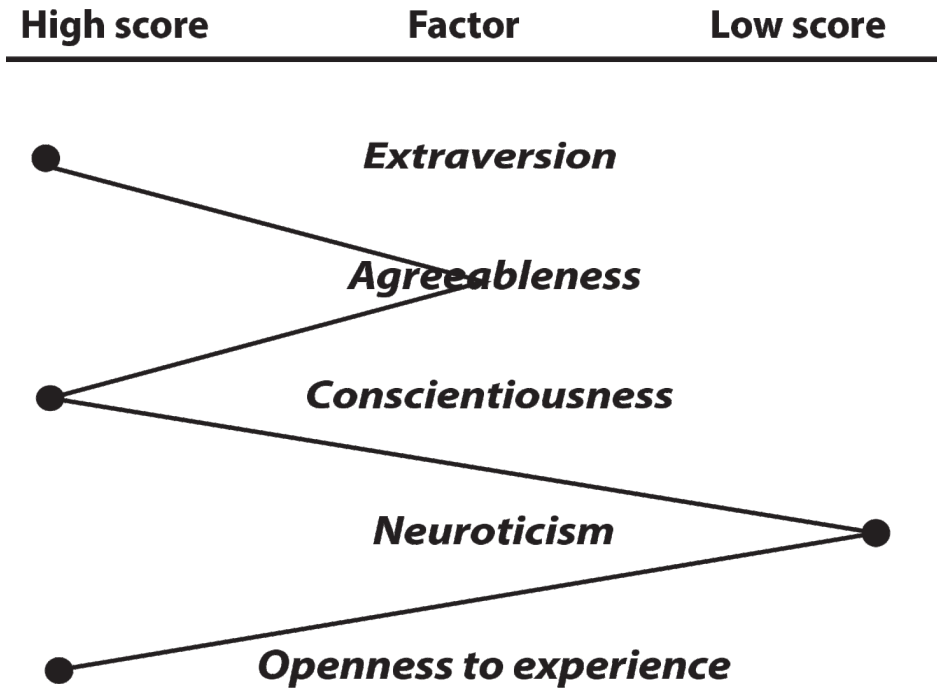


Figure 7. The type of manager's personality in the organisation in crisis

Source: The author's own compilation.

As shown in Figure 7, the manager taking anti-crisis measures should be optimistic about the actions taken. Although a crisis situation is extremely difficult in terms of decision making, there is no chance of success without a dose of optimism and faith in the fact that the actions taken will bring the desired effect. This optimism should be based on the manager's knowledge and skills, a positive attitude, however, is very important. If managers do not believe in the success of their actions, they simply do not take them.

The manager implementing anti-crisis measures should also be characterised by a medium degree of agreeableness. This manager cannot be too trusting towards people and the solutions proposed, at the same time, however, being overly suspicious and prone to anger is not likely to bring positive results.

Such a manager needs to be well-organised, credible and persistent in pursuit of the goal. It is particularly important in the crisis situation. The manager's credibility has already been discussed many times. Managers have to be consistent in what they do and should take such actions that

would allow the stakeholders to believe that they are doing everything in their power to heal the organisation.

To make it possible, this manager should be an emotionally strong and confident person. If managers do not have a high degree of confidence, they will not be credible and, therefore, they will not obtain the favour of the other stakeholders of the crisis situation, which is so important in leading the organisation out of the crisis. However, it worth bearing in mind that too much confidence may be tricky. Overconfident managers may not notice the mistakes made or may not admit that they could be wrong. Therefore, according to the author of this thesis, it is important for the manager to be also characterised by humility and awareness of the fact that every person has the right to make mistakes and that in a crisis situation it is worth taking into consideration also other people's opinions.

However, to successfully solve difficult problems that a company faces during a crisis, the manager healing this company should have rich imagination, be creative and original. This manager has to seek new, improved solutions since only this kind of attitude will make success possible. Following beaten, proven paths often does not work in a crisis situation. Hence, the role of the manager is to search ways that will lead the company to recovery.

The concept of **temperament** is inherently connected with personality. Temperament is understood as a set of innate personality traits, genetically determined and revealed even in the first year of human life, constituting the basis for the formation and development of personality¹³⁶.

According to this definition, there are no two people who are alike. Every man is born with innate temperament traits. This temperament determines our true "SELF". 2,400 years ago, Greek physician Hippocrates divided people into 4 temperament types:

- sanguine – optimistic, joyful,
- melancholic – thoughtful, loyal and tenacious,
- choleric – impulsive and irritable,
- phlegmatic – slow, reliable.

¹³⁶ Studies on temperament were conducted by – among others – Hippocrates, Iwan Pawlow, Jan Strelau, Hans Eysenck (PEN temperament theory), Arnold Buss, Robert Plomin, Ernst Kretschmer, William Sheldon. Their studies belong to the constitutional psychology trend.

The compilation of strengths and weaknesses of the aforementioned types is presented in Table 11.

Table 11. Temperament types according to Hippocrates

Temperament types	Strengths	Weaknesses
Sanguine	– initiates new forms of activity – makes a very good impression – creative and colourful – full of energy and enthusiasm – starts in a spectacular way – encourages others to cooperate – charms co-workers	– has difficulty completing tasks, particularly the ones requiring precision and with deadlines – cannot refuse, often takes on too many duties – often speaks before thinking the problem through – forgets about things – is unpunctual – is emotional
Melancholic	– follows rules – a discerning perfectionist – recognises the importance of details – ordered and organised – easily recognises a problem – finds creative solutions – consistent	– very sensitive, easily hurt – distrustful of people and situations – prone to apathy and depression – demanding of himself/herself and others, a perfectionist – often postpones important things
Choleric	– goal-oriented – sees the big picture – a good organiser – recognises practical solutions – quick in action – delegates – emphasis on performance – meets objectives – stimulates others – opposition stimulates this person into action	– has problems with acknowledging other people's opinions – dislikes relinquishing control, does not submit to authority – pronounces spontaneous judgements, opinions, often hurting others – is unwilling to provide emotional support for others

Temperament types	Strengths	Weaknesses
Phlegmatic	– competent and reliable – calm and agreeable – has administrative capabilities – a mediator in solving problems – avoids conflicts – withstands pressure – finds a simple solution	– has problems with making quick decisions – avoids risk – has difficulty defining objectives - procrastinates, postpones things - avoids responsibility (not interested in promotion)

Source: The author's own compilation based on: Podgórski, M., *Profile osobowości acc. to Florence Littauer*, www.traugutt.net as of 15.08.2012.

It is worth noting that no person represents fully one of the mentioned types of temperament but rather their combination. Mixed temperaments occur when an individual has a similar number of traits characteristic of particular types of temperament. These personalities are usually characterised by greater flexibility and adaptation to the surrounding reality¹³⁷.

When temperamental opposites clash in one person, it leads to internal **conflicts** and related emotional problems. Such an individual has two faces – one of them is a put-on mask. We learn how to mask in childhood when we are not able to meet expectations or change difficult situations and we employ the behaviour that helps us survive. For example, an outgoing sanguine person in order to earn the praise of demanding parents or teachers (and in adult life – superiors or a partner) will wear a mask of a serious, responsible melancholic person or vice versa: a melancholic person will pretend to be sanguine at all costs. These contrasting attitudes are also reflected in contradictory emotional tendencies and come to the fore, for instance, in the internal conflict “to work or not to work?” A calm phlegmatic person prefers rest, while an energetic choleric person feels guilty while not working. This problem usually solves itself through the division of life into two parts – intensity at work, rest at home. It should be noted that people who are not integrated temperamentally are perceived as false and unreadable. They are difficult to work with and even more difficult to respect.

¹³⁷ Psychology indicates the existence of natural temperament connections (sanguine/ choleric; melancholic/phlegmatic), complementary connections (phlegmatic/ sanguine; choleric/melancholic) and opposing connections (sanguine/melancholic; choleric/phlegmatic).

It seems that a choleric person is the best **in the situation of enterprise crisis**¹³⁸. Although a choleric person has many flaws, this individual can be invaluable in leading the organisation out of the crisis. This person is a born leader who feels a compelling need for change, works for the needs of others, performs well in unexpected situations – such as a crisis. As mentioned earlier, there are no people characterised by “clean” temperaments. Therefore, remedial actions taken by a choleric person together with a serious and determined melancholic person may prove to be a good combination in times of crisis. The latter has an analytical mind which is so important in taking a number of decisions that allow the company to recover.

Taking into account these different characteristics of temperament, mind and personality, an evaluation of the company's management can be carried out. From the psychological perspective, literature in this field states that the **type of mind** of an individual affects to a large extent human behaviour.

As noted by Cz.S. Nosal, the concept of the type of mind refers to the overall structure of cognitive preferences that characterise the given individual¹³⁹. The classification of mind types is based on the grounds of C.G. Jung's theory taking into consideration two pairs of opposite basic functions: sensation – intuition, thinking – feeling. According to Jung, “Sense-perception tells us a thing is. Thinking tells us what it is, while feeling tells us what this thing is to us. (...) Intuition is perception via the unconscious”¹⁴⁰.

Jung's theory, therefore, states that the prevalence of perception over intuition or intuition over perception in the receipt of information leads to significant differences in cognitive strategies and operational styles¹⁴¹. Similarly, taking into account the two methods of evaluating information – based on feelings or thinking – one can expect two different styles of operations, evaluation and decision making that people in the organisation represent.

¹³⁸ Based on the analysis of the subject and psychological consultations.

¹³⁹ Nosal, Cz.S., Różnice w typach umysłu jako kryteria doboru i oceny zachowania menedżerów, [in:] Witkowski, T. (ed.), Nowoczesne metody doboru i oceny personelu, Professional Business School Press, Cracow 2000, p. 138.

¹⁴⁰ Jung, C.G., Podstawy psychologii analitycznej, Wrota, Warsaw 1995, pp. 21-23.

¹⁴¹ Nosal, C.S., Psychologia myślenia i działania menedżera, Akade, Wrocław 2001, p. 273.

Accordingly, Cz.S. Nosal distinguishes four types of human mind¹⁴²:

- **the observer** – is characterised by a tendency to perceive the field of data in detail and objectively evaluate them, prefers real, observable facts, creates narrow conceptual categories, has low resistance to perceived information discrepancies and external locus of control,
- **the thinker** – is characterised by abstract recognition of the data field, perceives it as a whole, searches for models, theories, universal principles, creates wide conceptual categories (based on a combination of similarities), has high resistance to information discrepancies (the use of multi-valued logic), employs data evaluation based on logical consistency and accuracy,
- **the pragmatist** – is characterised by the perception of the field of data in details (similarly to the observer), the aspiration to create a model satisfying objective social needs and personal desires, evaluates data on the basis of their practicality,
- **the visionary** – is characterised by the overall perception of the information field and pays attention to its diversity, evaluates on the basis of personal logic, has internal locus of control and employs simultaneous organisation of information processing.

Each of the aforementioned types of mind is different from the others, in terms of the method of information acquisition, the speed of its absorption or the kind of problems to overcome. This fact is worth bearing in mind, especially in the turbulent environment. In organisations that adapt favourably to uncertainty and the dynamic environment, there emerge missions, challenges and tasks that influence the behaviour of managers in an organisation. It seems that in the situation of enterprise crisis, when it is necessary to take swift remedial actions, the **visionary gifted with intuition**, who will not only propose a new strategic vision for the organisation but will also be able to present it to the others and gain allies for its implementation, will be the most successful. It is worth noting the extraordinary advantages of cooperation in the following pairs: observer – thinker and pragmatist – visionary. If possible, it is worth combining forces

¹⁴² Based on: Nosal, Cz.S., Różnice w typach umysłu jako kryteria doboru i oceny zachowania menedżerów, [in:] Witkowski, T. (ed.), *Nowoczesne metody doboru i oceny personelu*, Professional Business School Press, Cracow 2000, pp. 148 - 152.

of managers characterised by different types of mind while taking anti-crisis measures in the company. These are complementary mentalities, with one common and one opposite function.

The result of beneficial cooperation of the observer – thinker pair of managers may be, for example, a strategic control plan. The manager-observer guarantees that this plan will be viable, well-grounded in facts and reality. The manager-thinker, on the other hand, ensures consistency and variability of the plan and that the attention is paid to what conditions and safeguards are necessary to implement this plan.

Beneficial cooperation of the pragmatist – visionary pair of managers results is the implementation of the strategy. Implementation is usually the weakest point in the case of visionaries. Visionaries, fascinated by their own work, often ignore facts, incurring heavy losses. At this stage, therefore, the pragmatist is necessary as this type of person is born for action and can act even in times of strong uncertainty, typical of enterprise crisis.

This situation requires from the management taking **immediate** remedial actions. This will be possible only when managers are able to work **under stress**.

Literature provides different definitions of the concept of stress while the *Dictionary of Psychology* distinguishes two types of stress¹⁴³:

- mental stress – induced by a strong external or internal stimulus (stressor), an increase in emotional tension leading to general mobilisation of the body's strength which long-term may result in the disruption of functioning of the body, exhaustion and psychosomatic diseases;
- physiological stress – the entirety of changes by which the body responds to various harmful factors such as an injury, cooling, overheating, etc.

A developed, three-concept theory of stress is presented by I. Heszen – Niejodek, defining stress as¹⁴⁴:

- an external stimulus, situation or event characterised by certain properties,

¹⁴³ Szewczuk, W. (ed.), *Słownik Psychologiczny* (Dictionary of Psychology), Wiedza Powszechna State Publishing House, Warsaw 1985, p. 297.

¹⁴⁴ Heszen-Niejodek, I., *Teoria stresu psychologicznego i radzenia sobie*, [in:] Strelau, J. (ed.), *Psychologia* vol.3, Gdansk Psychology Publisher (GWP) 1999, p. 467.

- internal human reactions, particularly emotional ones experienced internally in the form of a specific experience,
- a dynamic relationship between external factors and human characteristics.

Stress is not entirely a negative phenomenon as a certain, optimal level of stress is necessary for t

he effective functioning of the human being. A too low level of stress results in a decrease in motivation, apathy and boredom. In turn, a too high level of stress results in tension, difficulty in concentrating, anxiety and confusion, physical fatigue and slowed-down reflexes. Publications in this field often distinguish two types of stress¹⁴⁵:

- **good stress (eustress)** – which provides energy for action, increases human efficiency, makes you want to live. It is a short-term stress. Eustress is needed since through stimulation it strengthens our reactions, raises the threshold of our reactivity and enables effective functioning. Each of us needs a certain essential level of stimulation to be able to face challenges and respond appropriately to the situations we found ourselves in;
- **bad stress (distress)** – disorganises, does not allow to think and paralyses. This is a flow of negative stimuli which exceeds a certain limit of individual endurance.

Whether or not we feel stress as positive or negative does not depend on the type or intensity of the stressor but on an individual response of every person to a particular event or situation. A good example of this may be air travel: some passengers really enjoy it and experience positive stress while others show anxiety or are even hysteric, thus definitely experiencing negative stress. Certain stressors¹⁴⁶, such as burns, have a negative effect on everybody.

One of important aspects of life which is associated with stressful situations is **professional work**. Adults spend on average 25% of their life working and stress is one of the main and most common threats related to workplace. As a rule, it is present at all levels of the organisation. However,

¹⁴⁵ Selye, H., *Stres okiełznany*, State Publishing Institute (PIW), Warsaw 1979, p. 27.

¹⁴⁶ An element of the stimulus or situations which disrupts the relative balance between the subject and the environment and triggers adaptive mechanisms (mental control) of human behaviour (Terelak, J.F., *Psychologia stresu*, Brant Publishing House 2001, p. 113).

there are certain types of stressors that are characteristic of particular occupations (e.g.: psychological factors, such as great responsibility for actions taken, play an important role in the manager's work).

The phenomenon of stress is undoubtedly an integral part of the **enterprise crisis**. As said earlier, the following characteristics describe the crisis¹⁴⁷:

- short-time for decision making,
- a very low degree of predictability,
- a high degree of uncertainty.

The situation of enterprise crisis is characterised by fear of what is going to happen. It can be manifested in normal human fear, in shortened – often significantly – time for making important decisions and, finally, in a feeling of surprise which as a state of mind may sometimes paralyse any reaction.

Therefore, it is important for the manager in the organisation to be able to act under stress and for the stress to be positive one (eustress), stimulating into action rather than paralysing. When a company needs to take immediate, often radical and unpopular decisions, the ability to think logically under stress is extremely important. Decisions taken by managers will determine whether the management will lead the enterprise out of this very difficult situation and whether the company will recover.

This will be possible only if the managers of the company in crisis are not **burnt out professionally**. The professional burnout syndrome is one of the most serious consequences of occupational stress. Literature defines it as a syndrome of emotional exhaustion, depersonalisation and a reduced sense of personal achievement that can occur in people working with other people in a certain way. The professional burnout syndrome is undoubtedly a result of a **difficult situation**. It affects people regardless of their personal structure since external factors are much more important than personal qualities. One should be aware of this fact since very often the result of burnout is the sense of guilt. The burnout syndrome is usually interpreted a result of our activities, the lack of proper commitment and incompetence.

¹⁴⁷ Hermann, Ch. F., Some Consequences of Crisis which Limit the Viability of Organizations [in:] Administrative Science Quarterly, No. 8/1963.

However, as literature in this field indicates, the type of occupation has a more significant impact on the professional burnout than our personality.

This is extremely important, especially **in the situation of enterprise crisis**. If it turns out that the manager of the organisation in crisis has the problem of burnout, this person will not be able to undertake appropriate remedial actions. The decisions that will be taken can be strongly defensive in nature, arising from the attitude of passivity and apathy. On the other hand, if the manager has a reduced sense of personal achievement, the crisis situation will provide an opportunity for this person to demonstrate their ability, prove their worth in their own eyes and in the eyes of others. However, it is important that the fate of the entire organisation should not depend on one individual, able or not to act under stress, possibly having a problem with long-term work in this capacity and perhaps feeling the lack of development opportunities.

It is worth mentioning that in the situation of enterprise crisis the work of the whole **crisis management team** brings the best results. This team should have clearly defined and divided competencies. Additionally, the necessity to operate under the pressure of time and results is an important part of actions taken during the crisis, hence the crisis management team should guarantee making very high-quality decisions. The tendency of the decision making team to look critically at the organisation and their courage in the decision making process play a quite significant role.

Chapter 3. Case studies of managers' behaviour in crisis situations

3.1. Research methodology

The issue of managers' behaviour during a crisis is an important cognitive trend in management sciences. The research may be conducted with the use of various methods that enable the achievement of both quantitative and qualitative results – their diversity and selection is an important decision-making element in the research process. Methods of research are conscious and systematic methods used in the framework of the research procedure, characterised by purpose, clarity, unambiguity, efficiency, reliability and methodological correctness, allowing the coordination of work progress on the adopted scientific objective. Being more general in nature, these proceedings are characterised by the use of appropriate research techniques and tools enabling the investigator to obtain reliable empirical results. The classical, most general, division of research methods divides them into **quantitative and qualitative** ones.

As noted by J. Niemczyk, the issue of selection of tools for exploring, explaining and understanding depends in fact on the characteristics of the object of study¹⁴⁸.

Currently, the use of qualitative methods, allowing a more accurate capture of specific characteristics of phenomena and the impact of non-measurable or difficult to measure variables, e.g. organisational culture, work motivation, attitudes and preferences of the company's manager or owner, becomes a dominant trend in management sciences.

Based on many authorities in the field of management sciences, it has been assumed that a wide range of research methods, techniques and tools in empirical studies should be used and their specific selection ought to be planned taking into account:

- the subject, objective and scope of the work,
- the nature of the formulated hypotheses and object of study,
- the specific characteristics and the size of the research sample,
- the resources and funds allocated to the research.

¹⁴⁸ Niemczyk, J., *Metodologia nauk o zarządzaniu*, [in:] Czakon, W. (ed.), *Podstawy metodologii badań w naukach o zarządzaniu*, Wolters Kluwer Business, Cracow 2011, p. 25.

Therefore, in order to capture certain trends in the analysed enterprises, the decision has been made to use the method of **case study**¹⁴⁹ in the research.

Case studies are defined as detailed, holistic empirical work conducted on complex objects, in which a particular emphasis is placed on an in-depth individual analysis carried out without the use of manipulative control, in a specific situational context, in the framework of which a variety of data sources and research methods are applied¹⁵⁰.

Case studies can be viewed in terms of process, as well as an object or a result of research, taking into account such characteristics as: the limited nature of the subject, the fact that the consideration are set in a broad context of events and the analysed variables have multidimensional, interdisciplinary and polymethodic character¹⁵¹.

Methodology distinguishes different types of case studies: explanatory, exploratory, descriptive, multiple, internal, instrumental or collective¹⁵².

Case study **derives from the idiographic approach** used in social qualitative studies to provide a thorough and exhaustive description of a specific event in the cause and effect sequence¹⁵³.

¹⁴⁹ More extensive information on case studies can be found, e.g.: [in:] Matejun, M., Metoda badania przypadków w naukach o zarządzaniu, "Ekonomika i Organizacja Przedsiębiorstwa", no. 0/2011, pp. 93-102; M. Matejun, Metoda studium przypadku w pracach badawczych młodych naukowców z zakresu nauk o zarządzaniu, "Zeszyty Naukowe Uniwersytetu Szczecińskiego", no. 666 - "Problemy Zarządzania, Finansów i Marketingu", no. 19/2011, pp. 203-213; Matejun, M., Metoda studium przypadku – egzemplifikacja wykorzystania w naukach o zarządzaniu, [in:] Matejun, M. (ed.), Rozwój organizacji w teorii i w praktyce zarządzania, "Studia Ekonomiczne Regionu Łódzkiego", no. 7, Polish Economic Society (PTE) – Lodz Branch, Lodz 2012, pp. 349-366.

¹⁵⁰ Ridder, H., Hoon, Ch., McCandless, A., The Theoretical Contribution of Case Study Research to the Field of Strategy and Management, [in:] Bergh, D.D., Ketchen, D.J. (ed.), Research Methodology in Strategy and Management, Vol 5, Emerald Group Publishing, Bingley 2009, p. 138.

¹⁵¹ Ellinger, A.D., Watkins, K.E., Marsick, V.J., Case Study Research Methods, [in:] Swanson, R.A., Holton, E.F. (ed.), Research in Organizations: Foundations and Methods of Inquiry, Berrett-Koehler Publishers, San Francisco 2005, p. 328-329.

¹⁵² Baxter, P., Jack, S.: Qualitative Case Study Methodology: Study Design and Implementation for Novice Researchers, "The Qualitative Report", vol. 13, no. 4/2008, pp. 547-549.

¹⁵³ Ruane, J.M., Essentials of Research Methods: a Guide to Social Research, Blackwell Publishing, 2005, pp. 76-77.

This method is usually considered as a detailed description of the actual object, phenomenon or process carried out in order to explain the causes, effects and determinants of the occurrence of this particular process or the functioning of a given object in certain conditions¹⁵⁴.

J. Apanowicz distinguishes here the monographic method from the method of individual cases. The former encompasses a detailed examination of a particular statistical unit, such as an institution or infrastructure, in the sense of the "formalised structure", while the latter method focuses on the analysis of particular, specific events and individuals¹⁵⁵. Both variants, however, meet the methodological assumptions characteristic of the case study method.

The use of a case study is appropriate **for the idiographic approach** in scientific research which deals with the description and explanation of individual and unique facts and events. It is the opposite of the nomothetic concept in which the aim of research is the determination and formulation of general scientific laws and principles.

S. Sudoł is among those who draw attention to the particular usefulness of case studies in management sciences by stating that descriptions of individual cases showing examples of bad management and best practices or solutions provide organisations and managers with proposals how to solve management problems with practical applications. Moreover, based on a certain number of case descriptions, it is possible to draw generalising conclusions, which allows to expand the application of this method and to capture certain principles¹⁵⁶.

The object of case studies in management sciences can, for example, be:

- a particular company or organisation of a different type,
- the environment of a company or its smaller part,
- a function or a process, for instance, activities of a particular organisational unit or project team, as well as a process of implementation of a new product,

¹⁵⁴ Lachiewicz, S., Matejun, M., *Studia przypadków karier menedżerskich absolwentów Politechniki Łódzkiej*, [in:] Staniec, I. (ed.), *Kształcenie menedżerów na uczelni technicznej*, Lodz University of Technology Press, Lodz 2010, pp. 81-107.

¹⁵⁵ Apanowicz, J., *Metodologia nauk*, Dom Organizatora, Torun 2003, pp. 79-84.

¹⁵⁶ Sudoł, S., *Nauki o zarządzaniu. Węzłowe problemy i kontrowersje*, Dom Organizatora Publishing House, Torun 2007, pp. 70-71.

- a particular individual or a group of people studied from the perspective of certain behaviours, attitudes, skills or career development paths.

The case study as a scientific method has its advantages and disadvantages.

The primary **advantages of this method** include:

- the opportunity to present a more accurate and profound picture of the studied reality in the field of organisation management, particularly the state and dynamics of development of these processes. This method, therefore, provides high research reliability,
- the fact that it allows to explain sources, causes and determinants of the occurrence of certain phenomena in an organisation, e.g.: causes of loss in the company, reasons for a conflict in a group of employees. This method is particularly suited for seeking answers to the question: how and why? It is part of organisational diagnosis and takes into account non-measurable, social context of phenomena,
- the enrichment of the research process by showing exceptional situations, deviating from, sometimes superficial, generalisations. This method allows to show the complexity of various processes and phenomena, for example, through the confrontation with other research carried out based on quantitative methods,
- the possibility of a more precise wording of questions and research hypotheses due to well-established analyses, that can be further verified with the use of quantitative methods,
- the possibility of using a wide range of research tools (e.g.: the analysis of documents, archival data, interviews, direct and participant observation and others) in the framework of one research project,
- the reliance on a deeper relationship between the researcher and the studied object, which enables access to more detailed information and return to repeated measure studies, e.g. after some time to explain the differences in the results of quantitative studies. This allows to conduct longitudinal studies that enable to capture the dynamics of events.

On the other hand, **disadvantages of case study** indicated generally by opponents of this method include among others:

- intuitiveness and a significant impact of projections made by researchers, who can create their own explanations and interpretations,
- a highly time-consuming and costly method, with excess of useless and often peripheral data for the description of the studied problem,
- low representativeness of results and little possibility of their verification (e.g. by repeating the study under different conditions), a small range of measurable and “hard” data,
- simplicity of results obtained, often the same findings can be obtained with the use of simpler, less time-consuming and costly methods.

The idiographic approach with the use of the case study formula may also have wide applications in the study on determinants of managers' behaviour in the situation of enterprise crisis. In this case, the most useful research techniques include:

- interviews with representatives of management of the studied companies,
- psychological tests of the surveyed individuals,
- the analysis of the contents of documents such as corporate financial statements, descriptions of career paths of respondents, descriptions of their jobs and competencies, the scope of authorisations and responsibility,
- other methods and research techniques dependent on the purpose and scope of the study.

Taking into account the above-presented considerations, an **empirical study** was carried out in 2011 in the case study form.

Three enterprises in crisis operating in the Lodz region were purposefully selected for the study. In the selection process, attention was paid to different types of crisis in these companies and remedial actions taken by their management¹⁵⁷.

¹⁵⁷ The research encompassed the following enterprises: P.I.W. “Wifama-Prexer” Sp. z o.o., Redan S.A. and Pracownia Mebli Artystycznych.

3.2. The behaviour of the management during the crisis in innovative and implementative company “Wifama-Prexer” Sp. z o.o.

Innovative and implementative company WIFAMA-PREXER Sp. z o. o. is an enterprise with 100% Polish capital continuing the activity of the company founded in 1926.

Since 1997 the enterprise has been consistently pursuing the programme of transforming the company into an innovative and implementative centre which offers its customers comprehensive services related to development, implementation and initiation of projects based on technologies of die casting and machining. This direction has been adopted in response to the need observed by the company over many years of operating in the metal industry.

The need for the company to provide a comprehensive service – from the design to the delivery of a finished component to the recipient's warehouse – has been articulated by large national and international companies in the automotive, electric tool, construction, power pneumatics and hydraulics, electronics, household appliances, machinery, aerospace and defence industries.

The implementation of this approach towards customers in the activities of Wifama – Prexer Sp. z o. o. has resulted so far in an increase in production in the area of die casting. Therefore, the Board of the company, trying to maintain the momentum and meet the ever increasing expectations – also in the field of 3D design – has made investments in modern machinery and equipment that ensure world-class quality of technical and technological manufacturing. These investments are highly prospective and allow the continuous improvement and transformation of the company into an innovative and implementative centre which meets expectations of the most discerning customers.

At the very beginning of the implementation of this strategic plan, the company was able to start the production of parts and components for the automotive and aerospace industry, i.e. the group of customers characterised by the highest requirements in the field of high-tech.

The company is an innovative enterprise and its activities promote the development of the information environment with the use of modern technologies, as well as the improvement in achievement of national objectives of socioeconomic cohesion.

Innovative and implementative company "Wifama-Prexer" Sp. z o.o. provides comprehensive services in the field of technical preparation for and launching of production of parts and components. It manufactures products for the construction industry, as well as parts and components for the automotive, mechanical and electro-mechanical engineering industries. The company produces finished products from any materials according to the customer's specifications or their own designs developed in the collaboration with the customer. In addition to cooperating with large companies, the enterprise fulfils orders for individual customers on a daily basis.

The company exports its products to countries in Europe, Asia and North America. It currently employs more than 400 people, of whom approx. 20% are women¹⁵⁸.

Crises in "Wifama-Prexer" Sp. z o.o occur very rarely. As Director of Marketing Marcin Kłos, MSc. Eng. notes, crises emerge less frequently than once a year. First of all, it is thanks to the continuous **monitoring of the company's situation**. The managers are aware of the fact that the phase of potential crisis in the company is very difficult to detect. Its degree of intensity, however, can be determined by means of early warning systems. Therefore, the following elements in the company are primarily monitored: liquidity, methods of financing of current operations and development (innovative) activities, the volume, growth rate and structure of sales (market presence), the ratio of market growth rate to sales growth rate, expressed in the relative market share, as well as the image of the company among the entities in its environment¹⁵⁹.

At present, the company is in the situation of the transitional crisis in which small, current-basis problems occur. These problems usually arise from the area of sales, resulting from changes in preferences and needs of customers which the company tries to predict and respond to on a daily basis. The issue of currency risk, which is a result of changes in exchange rates, is also important for the company. Taking into account the fact that the company operates not only in the Polish market but also in the European, Asian and North American markets, unfavourable exchange rates cause a significant threat for the company. The enterprise, however, has developed its own ways of reducing the impact of this threat.

¹⁵⁸ <http://www.wifama.com.pl/>

¹⁵⁹ The interview with Marcin Kłos, MSc Eng.

First of all, the company is prepared for the occurrence of crisis situations. It has **procedures** related to the course of action taken in such cases which are mainly a result of the ISO system implemented in the company. These procedures are closely related to the ongoing monitoring of the company's liquidity and the value of sales.

The procedures to deal with the crisis have been developed by the company's managers with the aid of the medium-level management and the financial unit. The company holds regular meetings during which the analysis of the current situation of the enterprise is carried out and the relevant, essential changes are introduced. If the situation necessitates it, new procedures of dealing with the crisis are introduced.

The **attitude of the company employees** also plays an important role in preparations for counteracting crisis phenomena. The managers stress that trainings and course are constantly organised to prepare employees to cope with a crisis. Although, as noted by Marcin Kłos, MSc. Eng., these trainings are only a complementary measure. Their purpose is to sensitise employees to basic aspects of the company's activity during a crisis, as well as – which is the most important – to show what to do in order to counteract the crisis. However, whether employees manage to cope with this difficult situation depends mainly on their personal qualities, ability to work under pressure and many other factors.

The managers are aware that in the case of deterioration of the situation in the company and the possibility of the occurrence of a crisis, proper **communication** is extremely important. Therefore, employees are informed about every threat to the company by their direct superiors. Observations of the company's managers indicate that when the organisation is in crisis, actions taken require the ability to act under time pressure. It is essential that the public (including the employees of the organisation) should learn about the existing problems from their management before they receive this information from other sources.

Retaining the information initiative enables the company to influence the way the news is communicated, ensuring control over rumours that usually accompany the crisis, and to affect to a certain degree the formulation of opinions about the current situation. The managers are aware that during the crisis, the provision of information about the crisis and causes of this situation should not be delayed. If there are rational reasons – for example limited knowledge about a specific problem – employees and the public

should be kept informed, even if the information is not complete. Afterwards there will be time to provide more complete information about the crisis and, if necessary, verify the originally provided information. Although, it is certainly important to rely on verifiable facts only rather than to put forward hypotheses.

Although the company currently employs more than 400 people, its managers are characterised by ease of decision making. When the crisis situation occurs in which a decision must be made immediately, the managers use a directive style of management. The decision making is accompanied by quick (if possible) access to necessary information and – as mentioned earlier – passing it on.

The crisis situations that have occurred in “Wifama-Prexer” company have had a significant impact on the enterprise. As noted by the Director of Marketing, these situations have their disadvantages, as well as advantages.

From the point of view of advantages of enterprise crisis, one should mention the **stimulation of the management's creativity**, learning humility or economising. Due to the occurrence of situations difficult for the company, the managers have learnt to remain in a state of permanent readiness and extraordinary vigilance – monitoring the company's situation on a daily basis. As the Director of Marketing observes, the mobilisation of the entire team often occurs, strengthening the ties between the company's employees. This is the result of joint effort in overcoming company difficulties and it brings a sense of fulfilling a common mission.

Unfortunately, the crisis in the company produces also **negative effects**. The most important ones observed by the management include: destabilisation of the work organisation, frustration of the company's investment plans or generation of stress among both the employees and managers. Although the management can act under pressure, employees are not always able to behave appropriately in this kind of situation. Sometimes they show fatigue which poses another challenge for the company's managers.

In order to learn more about the determinants of behaviour of the management in the situation of enterprise crisis, the company has been asked to describe one particular crisis situation which occurred in Wifama – Prexer Sp. z o. o.

The crisis which **occurred at the turn of 2008 and 2009**, as a result of the global crisis, has been selected. This crisis was very severe for the automotive industry for which the company manufactures its products.

At that time, the main recipient of automotive products of Wifama – Prexer Sp. z o. o. was the Renault company (France) which commissioned the manufacturing of feet of roof racks for its flagship model of Laguna Estate (Grandtour 3rd edition – at the end of 2007) and Dacia Logan Kombi (1st edition – 2007), as well as Renault Scenic Conquest (Limited Edition – 2007). However, economic problems in 2008 and 2009 in global markets led to a reduction in the number of orders. The most noticeable drop in the number of orders for the company was the reduction in the aforementioned contract with the Renault company which decreased the demand for items ordered due to the cessation of production of cars.

There were also order restrictions on the part of other customers, which resulted in a 22% decrease in turnover compared to 2007 and by 27% in 2008 and 2009. Owing to measures that cut the company costs, the enterprise did not incur a loss, however, an adjustment in employment was necessary.

Analysing the above-presented situation, it can be said that there occurred a kind of **overt crisis, possible to contain through the company's own efforts**. From the point of view of the period between the first symptoms of the problem to the moment of the occurrence of the crisis, it was – according to the interviewed person – a sudden, rapidly developing crisis. This crisis was characterised by an unexpected occurrence, which makes taking anticipatory, remedial measures by the management difficult.

According to the respondent, from the perspective of macroeconomic, sectoral and intra-organisational factors, the **causes** of the crisis include:

- the recession in the global and domestic economy, unfavourable for the company, and changes in exchange rates;
- the downturn in the automotive sector for which the company manufactures its products and the related decrease in demand for products offered by the company, accompanied by common payment gridlocks. As a result of the economic crisis, the company had problems with collecting receivables from its clients,
- the lack of capital and other strategic company resources, which proved to be an important issue. It was mainly the result of the aforementioned problems with collecting receivables.

Currently, the company is in the phase of **stabilisation**. The measures taken by the management allowed to lead the company out of the crisis and the enterprise's situation is quite good at present.

The remedial actions taken were the result of observations of various symptoms of the impending crisis. The symptoms of the crisis noticed by the management and the strength of their impact are presented in Table 12.

Table 12. The symptoms of the crisis in Wifama – Prexer Sp. z o.o. according to the Director of Marketing

	Symptoms	No impact	Impact assessment			
			weak	low	high	very high
		0	1	2	3	4
1.	Difficulty in financing the current operations of the company				X	
2.	Freezing investment, development and innovative processes				X	
3.	Unfavourable, persistent trends of decline in sales					X
4.	Deteriorating sales structure					X
5.	Loss of and reduction in the relative market share				X	
6.	Deterioration of the company image	X				
7.	Decline in the market value of the company			X		
8.	Lack of employee integration and deterioration of atmosphere at work		X			
9.	Interpersonal and intergroup conflicts		X			

Source: The author's own compilation based on the information from Wifama – Prexer Sp. z o.o.

As is shown in Table 12, primary symptoms of the impending crisis in the company were unfavourable, persistent trends of decline in sales and the deteriorating sales structure. The result was a reduction in the market share and difficulty in financing the company's current operations. It was also necessary to stop investment processes, in the hope of resuming them when the company "got back on its feet".

Fortunately, there were no changes in the perception of the company's image in its environment. At all times, the company was synonymous with quality and reliability. No negative consequences of the crisis, such as conflicts within the organisation or the deterioration of the atmosphere at work, were observed. As mentioned before, the latter even improved. Employees, appreciating the efforts made by the management, did everything they could to overcome the crisis in the company by joining forces.

Perhaps this was due to the attitude of the managers who were not afraid to admit to themselves and their employees that "the crisis happens even in the best managed organisations". Thus, if it happened in Wifama-Prexer Sp. zo.o., everything must be done to overcome it and draw conclusions for the future.

For this purpose, the following decisive anti-crisis measures were taken:

- job cuts in the group of production workers and executive workers,
- stopping new investments,
- reduction in the company's operating costs.

Therefore, it was decided to take **anti-crisis measures** classified in the theoretical part of the thesis as **reactive** with the streamlining strategy. This strategy encompasses a package of measures aimed primarily at "removing the ballast" from the company in crisis. These measures concentrate, among others, on cost and employment reduction.

The employment in Wifama – Prexer Sp. z o. o. is presented in Table 13.

Table 13. The number of employees in Wifama – Prexer Sp. zo.o.

Employment	2008	2009	2010	Average changes in employment (the previous year = 100%)		
				2009/2008	2010/2009	2010/2008
Total	414	309	321	74.64%	103.88%	77.54%
including the administration of the company	86	76	68	88.37%	89.47%	79.07%

Source: The author's own compilation based on the information from Wifama – Prexer Sp. zo.o.

As shown in Table 13, the described crisis at the turn of 2008 and 2009 caused a decline in the number of employees by 25% in 2009. Despite the 12% reduction in the number of administrative workers in 2009, their share in the total number was 21% in 2008 and rose only slightly to 25% in 2009. When a year later, the situation of the company improved, the number of employees was raised by 12 people (4%), the company, however, reduced the number of administrative workers to 68 people.

This means that managers leading the company out of the crisis focus primarily on production workers essential to fulfil new orders, at the same time reducing all “supporting” positions. These workers are not the ones actually employed in the production process but employees engaged in innovative and implementative activities in the company. In the process of reducing costs in the company, duties of dismissed employees are transferred to other people. Since the crisis in the company stemmed from the global crisis and, in the opinion of the management, was particularly severe in the industry in which the company operates, the remaining workers understood the current situation and reacted appropriately to these cost-saving measures.

The measures taken by the management of the enterprise helped to improve the **financial situation of the company** which is seen as follows: 2008 – good, 2009 – moderate, 2010 – good.

In this case, the managers' behaviour was influenced by a variety of factors which are presented in Table 14. It shows that the main determinants of the anti-crisis measures taken by the management are: personality traits of the managers, the nature of the crisis, as well as resources at the company's disposal and its task environment. The selected elements of these determinants will be discussed below.

Table 14. The determinants of the anti-crisis measures taken in Wifama-Prexer Sp. z o.o.

Item	Factors	No impact	Impact assessment			
			weak	low	high	very high
		0	1	2	3	4
The general environment of the company						
1.	Economic			X		
2.	International			X		
3.	Legal			X		
4.	Demographic			X		
5.	Social and cultural			X		
6.	Political			X		
7.	Technical and technological				X	
The task environment of the company						
1.	Competitors of the company				X	
2.	Customers of the company				X	
3.	Suppliers of the company				X	
4.	Regulators			X		
5.	Labour organisations			X		
6.	Owners of the company				X	
7.	Strategic allies of the company			X		
Company resources						
1.	Knowledge and skills of the company managers				X	
2.	Knowledge and skills of the company employees				X	
3	Organisational culture of the company				X	
4.	Company image					X
5.	Material resources of the company (company assets)				X	

Personality traits of the manager						
1.	Manager's personality					X
2.	Manager's temperament type (sanguine, melancholic, choleric, phlegmatic)					X
3.	Manager's mind type (observer, thinker, pragmatist, visionary)					X
4.	Manager's response to stress (ability to work under pressure)					X
5.	Manager's professional burnout				X	
The nature of the crisis						
1.	Genesis of the crisis				X	
2.	Causes of the crisis					X
3.	Type of the crisis					X
4.	Phase of the crisis				X	

Source: The author's own compilation based on the interview with Marcin Klos, MSc Eng.

As noted earlier, **a number of radical anti-crisis measures** were taken in the process of the company's recovery. It was decided to adopt these solutions primarily due to firmness and consistency of the managers. These solutions were assumed to be necessary to overcome the crisis. Taking into consideration that the enterprise crisis is difficult for both the company manager and shareholders, the behaviour of the management is accompanied by the state of permanently elevated levels of stress. Only managers characterised by strong, integral personality are resistant to stress and able to operate under its influence. They are seen as consistent in their thoughts, words, actions and emotions, hence are easily readable by others and their behaviour is predictable and stable.

The nature of the crisis situation is also important. The corrective actions taken by the management were tailored to the causes of the existing crisis and its type. As presented earlier, the crisis that occurred in Wifama – Prexer Sp. z o. o., was sudden and to a large degree resulted from the global crisis. It was important that the primary causes of the crisis were found outside the company, which made it easier to take remedial actions.

From the point of view of anti-crisis measures taken, **the resources at the company's disposal** were very important. Wifama – Prexer Sp. z o.o. has a very good image, hence the management did everything they could for it to remain unchanged as a result of the crisis. As noted previously, the company focused primarily on reactive measures reducing its operating

costs. Thus, the company was able to settle all its accounts on a current basis. This created the image of the enterprise as a credible business partner, able to deal with its own problems, in the eyes of the company's clients. This was possible, among others, due to the resources which were at the company's disposal and had to suffice to meet its current commitments in those difficult times..

The knowledge and skills possessed by the managers, as well as their subordinates, also proved to be very important. Managers should set an example to employees with their behaviour, actions and deeds. Only then will anti-crisis measures make sense and will not cause resistance among subordinates, i.e. internal participants of the crisis situations. As mentioned earlier, employees are usually a group which is directly affected by the crisis. Therefore, the phenomenon of triggering negative attitudes among employees occurs during the crisis. These are manifested in internal resistance, for instance, against the changes planned in the company. The resistance stems primarily from the decreased sense of security among employees and growing uncertainty about their professional and personal situation. To prevent this, the managers adopted a comprehensive information policy and included the employees in the process of change.

Taking the anti-crisis measures, the management constantly monitored the market and its changes. Actions taken by companies offering the same products or services were particularly closely observed. As noted earlier, the economic crisis especially affected industries in which the studied company operates, thus actions taken by its competitors were mainly aimed at reducing their operating costs, i.e. attracting customers through cheaper offers. Another important factor was the attitude of the suppliers that were often in a difficult financial situation as well.

Processes occurring in the general environment of the company are the factor the least affecting the behaviour of the managers of Wifama – Prexer Sp. z o.o.¹⁶⁰. This fact seems to be puzzling as the company operates to a large extent in the international market and economic factors such as changes in currency exchange rates should be quite important. Especially since the unfavourable, from the point of view of the company, exchange rates were the cause of the crisis situation in the company.

¹⁶⁰ Elements of the general business environment were quite important factors that contributed to the **emergence of the crisis**. The strength of its impact on the remedial measures taken, however, is seen by the management as the smallest.

As the respondent observes, the measures taken by the management **had the desired effect**. The company reduced its operating costs, put new investments on hold and concentrated on the search for new customers. The management style used was appropriate to the situation. As Marcin Kłos, MSc. Eng. observes, it was a hybrid, a combination of the autocratic and democratic style. A crisis management team was set up to lead the enterprise out of the crisis and its decisions were consistently implemented. Decisions that had to be taken immediately were made without consultation with the employees. However, thanks to the proper information policy implemented by the managers, there was no opposition from the employees. The crisis was also associated with certain advantages. First of all, it had a positive impact on human relations in the company. Due to the situation that occurred in the company, its management had an opportunity to show the effectiveness of their behaviour. According to the Director of Marketing, owing to the crisis he was able to show his creativity. The measures taken by the director proved effective and helped to gain new customers, which led to an increase in sales of the company's products and services.

The crisis, therefore, had a positive influence on the professional career of the respondent. As a result of the difficult situation in the company and taking appropriate remedial measures, the respondent achieved a horizontal promotion, characterised by a change in the scope of duties and increased responsibility. Consequently, he was awarded a higher salary – in terms of the basic salary, as well as bonuses and allowances.

M. Kłos, MSc. Eng. treats it as a token of appreciation of his person by his superior. The respondent links his professional future with Wifama – Prexer Sp. z o.o. He would like to work in this company mainly due to the fact that he can see that his knowledge and skills are needed.

3.3. The attitudes and actions of the Redan Capital Group managers in crisis situations

Redan S.A. was established in 1995. Since the beginning, the company has concentrated on the clothing trade and at present Redan is one of the leading textile companies operating in Central and Eastern Europe. The company headquarters are located in Łódź. Redan specialises in design, production and distribution of clothes of popular clothing brands: Top

Secret and Troll, as well as the Textilmarket retail chain. The company operates within the Capital Group in which individual companies deal in the design and sale of clothes in a retail network comprising currently more than 500 shops. Redan S.A. contracts out production in the form of outsourcing to many factories in Poland and abroad, particularly in such countries as China, India, Bangladesh, Pakistan, Turkey, South Korea and Hong-Kong. The company also organises and manages supply chains of products for distributors. The Redan Capital Group employs more than one and a half thousand people. Since 2003 Redan S.A. has been listed on the Warsaw Stock Exchange.

The initiators of Redan company in 1995 were Dariusz Jarosiński, Leszek Kapusta and current majority shareholder Radosław Wiśniewski. Initially, the company engaged in clothing trade. The year 2003 marked the beginning of the transformation of the company triggered by changes and tendencies occurring in the Polish clothing market. In accordance with the strategy of concentration on retail distribution channels adopted in 2003, the process of intensive building of their own network of retail sales and gradual withdrawal from wholesale distribution, which in 2002 constituted as much as 80% of company sales, began. The gradual reduction in sales of brands designed for wholesalers resulted, among others, from increasing problems with receivables inflow, the lack of development prospects for this channel, as well as a systematic reduction in sales to hypermarket chains that the company withdrew from almost entirely. At present Redan conducts 98% of its sales in its own sales networks of such brands as: Top Secret, Top Secret&Friends and Textilmarket¹⁶¹.

In July 2009, Redan S.A. obtained a minority financial investor in the persons of Sylwester and Dorota Cacek, who acquired the company shares from the new issue at the amount of 15 million PLN. The proceeds from the new issue were allocated, among others, to launching new collections and the development of the distribution network.

In 2009, the company opened the chain of multi-brand shops called Top Secret&Friends and also launched the Fashion Nation programme of indirect sales. At the beginning of 2010, the Redan Capital Group presented a new, three-year development strategy with the objective of an increase in profits to 37.5 million PLN in 2012 and a very dynamic development of the sales

¹⁶¹ <http://www.redan.com.pl/>

network by increasing the number of shops by 251 new stores till the end of 2012. The business plan adopted by the Group also provides for the continuation of activities based on two pillars: fashion and discount ones, which enables flexible adaptation to market conditions. The strategy also includes investments in new distribution channels and expanding foreign activities in the fashion sector. Due to the adopted strategy and the related development of the fashion sector in the activities of the company in 2010, the Group started to work on launching a new brand of sportswear – Drywach, completed in February 2011¹⁶².

As noted by Radosław Wiśniewski, the Chairman of the Supervisory Board and the principal owner of Redan, major crises threatening the survival of the company have occurred so far every three years. However, situations that significantly threaten the functioning of the company happen once a year.

The most common problems in the enterprise are related to such areas of operation as: sales, maintaining liquidity, maintaining the commitment of the company employees and reducing the rotation of employees in the scattered sales network.

Currently, the company is in the situation of the transitional crisis, i.e. is suffering from small, everyday problems that emerge in the company.

Redan S.A. is a company which is fairly well prepared for the occurrence of a potential crisis since **it has anti-crisis procedures prepared**. According to R. Wiśniewski, the company has a variety of action plans prepared for “small, everyday” crises in specific areas of the company’s activities. Some are related to, for example, an accident in a warehouse, others to various types of fraud and theft or – as was the case in 2009 – to the necessity to lay off all the staff in a single retail outlet.

The company has no anti-crisis procedures prepared to deal with “large” crises, encompassing the strategic areas of the company. These are managed by experts, with increased participation of the company’s owners and managers. The managers are aware that in a crisis situation there needs to be a proper communication process, both internal and external, in the enterprise. Therefore, Redan S.A. has developed crisis communication procedures which have been successfully used.

¹⁶² Based on the materials of Redan S.A.

The existing anti-crisis procedures have been developed by the management of the company and its owners. Their participation was very important, in particular due to their significant role in the long-term growth of the enterprise.

After developing operating procedures, managers prepare employees to cope with the crisis through a number of trainings and courses. Employees know exactly what to do in the situation of the operational crisis which affects the company's current business activities. They have, however, no such knowledge when the company deals with the crisis of a strategic nature. Then, as mentioned earlier, all activities rest on the shoulders of the managers and owners of the company who respond to this difficult situation on a current basis, bearing in mind the need to inform employees.

This is possible mainly due to the fact that the enterprise has **systems of early warning against the crisis**. Redan S.A. has an extended department of analysis that prepares projections of, among others, sales revenues, as well as the controlling department, which monitors the implementation of the budget on an ongoing basis, or the internal audit department, which verifies all the actions the enterprise takes.

However, as noted by R. Wisniewski, the enterprise crisis brings not only negative effects. Redan SA in the course of its business activities has gone through tough times and put to the test the old saying: "What does not kill us makes us stronger." First of all, the crisis strengthens the process maturity of the enterprise, increases the management's experience, so that the managers can draw relevant conclusions from each crisis situation, and forces the company to focus on important values. The negative effects of the crisis include: the inhibition of the company's development, the depletion of its resources, undermining the morale of its staff, the deterioration of the image of the company and a decrease in the value of the enterprise¹⁶³.

In order to minimise the number of negative effects of the crisis, the company introduces constant **changes**. Managers assume that, as a result of crisis situations, new circumstances emerge every day that should be considered in the management process. Only then can the crisis become an opportunity for the development of the organisation.

To do this, managers employ, among others, the participatory management model. If the crisis encompasses only one area of economic activity, its

¹⁶³ The interview with Radosław Wiśniewski, M.A, the chairman of the board of Redan S.A.

solution is always left to the discretion of the manager of the given area and this person solves the problem on the basis of advice, suggestions and solutions of subordinates. However, if the crisis covers the entirety of the organisation's operations, then the solution to this situation is left to the discretion of the top management, often benefiting from the assistance of the Supervisory Board.

Initially, Redan developed as a solely distribution company, operating in the sphere of the wholesale market which was the main source of its revenue. The business model adopted by the company was based on the concentration on the design phase, distribution and marketing, as well as outsourcing production to companies in Asia. This model fulfilled its role perfectly. The resulting cost advantage enabled the enterprise to compete effectively with Polish companies that used the traditional business model. This fact and the experience gained allowed Redan to enter into the retail market with its own brands. During this period, the company grew very rapidly. In the years 1997-2002, revenues rose at the rate of several hundred percent.

At the end of the year 2004, the company's situation started to change. It was not a slow process, preceded by warning signs, but rather a series of unpleasant events creating a string of consequences. The company's economic problems resulted from the strategically incorrect simplifications related to a dynamic change in the distribution model and PR confusion arising from the entanglement of the company in the so called customs scandal (the company's reputation was finally cleared after the completion of audit procedures in 2006 – no financial malfeasance had been committed). The aforementioned string of consequences had its repercussions in the enterprise's financial environment. The company lost its borrowing capacity. Investors and shareholders were leaving the company, costs and losses mounted, hence naturally it ran out of funds. Redan faced a dilemma – liquidation or risk. The decision was made unanimously and the company decided to continue its operations and there was much work to be done. Redan liquidated one of its famous brands, abandoned plans to open many new shops and filed a court petition to initiate recovery proceedings – the petition was eventually withdrawn. At the same time, the company was swallowing the bitter pill in the form of negative media sensationalism around the company and customers' complaints about delays in deliveries. How can you maintain the commitment and motivation within the company

in this situation? Doubts are inevitable, yet they can be overcome. Redan decided again to announce its plans openly and to make joint decisions – and once again it was not disappointed. The adopted division of tasks and consistency made the hostile attitude towards Redan fade out.

All the types of crisis that occurred in the studied company were associated with a permanent change. First the changes in the Board, then the change of the business strategy of the company as a whole and its individual strategic units (Troll, Top Secret, Textilmarket, Morgan), along with the organisational changes, and finally the changes associated with the need to rationalise costs.

All this was described in a document prepared at the end of 2005 entitled “The Efficiency Recovery Programme of the Redan Capital Group”. The programme defined, on the one hand, the new organisational structure and described the necessary competencies that the employees at various levels of the organisation should possess. On the other hand, it initiated a cohesive and consistent policy. The change in the strategy caused the need to accelerate the work that took place throughout 2005 and was associated with the development of the new organisational structure that would be adapted to new tasks and vision of further growth of the company. On this basis, competence needs were described for individual positions at the middle and top level. An audit of competencies of currently employed people was carried out with the aid of external advisors and personality profiles of these people were prepared. This allowed to make internal transfers and match the requirements to the human resources at the company’s disposal, as well as identify competence gaps in each business areas.

In retrospect, the Board recognises **the importance of the “soft” factor** in this assessment since in several situations the audit of knowledge and competencies of the employees demonstrated great labour potential. However, cooperation capabilities or poor communication skills indicated the danger of the emergence of new conflicts in the newly created teams. Therefore, it was decided that both spheres, competence and personal ones, were equally important. Over time, this resulted in the need to part with people that did not provide a guarantee of full cooperation, despite their unquestionable knowledge or experience.

Another important measure accompanying the process of adapting competencies to the changes in the strategy and organisational structure was **launching many initiatives** that aimed at developing a consistent and

open policy in terms of internal communication, For example, the company organised team building trips for new and current employees, an induction programme for new employees and the internal Intranet, providing information about the company, its performance and actions taken in different segments of the market, were developed.

Furthermore, in accordance with the belief shared by the management, the most unpleasant developments, such as dissolving the team of Happy Kids or Adesso brands, were communicated to the entire team by the managers. It is worth noting that at such meetings the information about the plans of the Board was immediately announced. Decisions relating to particular persons were negotiated individually with each employee. It is difficult to find an example when a worker leaving Redan would do it in the atmosphere of a scandal. Today, the situation is slightly more optimistic as many people decide to continue their cooperation with the company.

It seems that what was the company's weakness and what to a certain extent contributed to the occurrence of a series of crises has been turned into the company's advantage – the new strategy, the new organisational structure, the adaptation of competencies to objectives and strategies, as well as the appropriate internal communication.

However, the economic crisis that began in 2007 took its toll on the company as well. Another difficult situation for Redan S.A. occurred in 2009 when in the first quarter the company reported 62 million PLN profit and 13.4 million PLN consolidated net loss. This was the result of massive changes in the entire clothing industry. Already in autumn 2008 symptoms of a "slowdown" in the industry could be observed. They were also accompanied by major changes in currency exchange rates, which resulted in a 50% increase in the prices of raw materials necessary for the production. Redan S.A., due to its price policy, could not compensate these losses with an increase in the price of goods. Thus, the financial resources at the company's disposal suddenly decreased by 30%. Taking into account a double-digit decline in demand for products offered by the company resulting from the economic crisis and an increase in costs for the lease of shops, **the company's situation became suddenly very unfavourable**¹⁶⁴.

As noted by Radosław Wiśniewski, the company was threatened with bankruptcy. To prevent it, the domestic expansion plans were cut down to a

¹⁶⁴ The interview with Radosław Wiśniewski.

dozen or so shops till the end of the year. In search of savings, Redan also decided to close down 30 of its own unprofitable shops of the Troll brand. This brand, however, will remain on the market since shops also operate under franchise¹⁶⁵. A number of changes, including liquidating Redan subsidiaries, occurred within the Redan Group.

These were not the only measures taken by Redan S.A. The company decided to carry out a limited issue of shares which were acquired by **a new investor**. An agreement of acquisition of shares from the new issue was signed with Sylwester and Dorota Cacek. According to R. Wiśniewski, the financial resources arising from this issue allowed the company to survive the period of escalating crisis with more ease. Since the beginning of the crisis, Redan has positively stood out among other companies in the industry. The Textilmarket chain, growing rapidly and independent of changes in currency exchange market, is an asset to Redan.

The above-presented description indicates that the company was struggling with the overt **crisis** which threatened the economic existence of the enterprise and was impossible to overcome by the company itself. The company had to use the assistance of the new investor that provided a significant fund injection. In terms of the time of the crisis, Redan S.A. underwent the sudden crisis of medium duration.

Analysing the factors that are the **ultimate cause** of this crisis, there is no doubt that the crisis was the result of the general crisis in the global economy.

The direct macroeconomic, sectoral and intra-organisational **causes** include:

- the recession in the economy (global and national) and changes in currency exchange rates unfavourable for the company. As indicated earlier, Redan S.A. contracts the manufacturing of their products out to Asian markets, therefore changes in currency exchange rates are a major concern for the company,
- the recession in the clothing industry in which the company operates and the consequent decline in demand for products offered by the company,

¹⁶⁵ Franchising – a system for the sale of goods, services or technologies based on close and continuing cooperation between legally and financially separate and independent enterprises – a franchisor and its individual franchisees. Franchising is based on the transfer of know-how from the franchisor to the franchisee for the entire duration of the franchise agreement. The essence of the relationship lies in granting (and accepting responsibilities) by the conclusion of the franchise agreement.

- the lack of capital and other strategic resources in the company also proved to be important. This was mainly the result of the previously indicated problems connected with changes in currency exchange rates, which led to a 50% increase in operating costs of the company without the possibility of changing the price of its products. The operations strategy – which in retrospect was seen as wrong by the management – was another important factor.

At present, the company is in the phase of **normalisation** of the situation. The actions taken by the managements helped to get the company out of the crisis and currently the company's situation is stable.

The corrective measures taken by the management were undoubtedly the result of observation of various symptoms of the impending crisis. The detected symptoms and their impact are presented in Table 15.

Table 15. The symptoms of the crisis in Redan S.A.

	Symptoms	Impact assessment				
		No impact	weak	low	high	very high
		0	1	2	3	4
1.	Difficulty in financing the current operations of the company					X
2.	Freezing investment, development and innovative processes				X	
3.	Unfavourable, persistent trends of decline in sales				X	
4.	Deteriorating sales structure				X	
5.	Loss of and reduction in the relative market share			X		
6.	Deterioration of the company image				X	
7.	Decline in the market value of the company				X	
8.	Lack of employee integration and deterioration of atmosphere at work				X	
9.	Interpersonal and intergroup conflicts			X		

Source: The author's own compilation based on the information received from Redan S.A.

As shown in Table 15, the most apparent symptom of the impending crisis in Redan S.A. were difficulties in financing current operations. The company began to have problems with liquidity, which also resulted in

putting company investments on hold. Unfavourable, persistent trends of decline in sales were characteristic of all clothing companies, and Redan was no exception. Hence, the company's sales structure deteriorated. The management also observed the deterioration of its media image due to the financial problems of the enterprise. The subsequent decline in the market value of the company had a negative impact on the atmosphere at work. Although no interpersonal conflicts within the company were observed, the policy of closing unprofitable shops carried out by the company was associated with a significant reduction in employment.

Initially, company managers thought that the crisis could not encompass all parts of the organisation, as long as they were independent and separate. Therefore, they presented the **attitude of fragmentation**, described in chapter two of the thesis. However, as the crisis escalated, the management admitted that the crisis happened even in the best-managed organisations. Thus, the existence of the problem in the company was confirmed and the following radical remedial actions were taken: changes in the organisational structure of the company, the sale of some of the buildings and land possessed by the company, the reduction in employment in the group of both administrative and production employees, the abandonment of some areas of business activity, a freeze on new investments and the reduction of the company's operating costs.

It was decided, from the point of view of the classification proposed in the theoretical part of this thesis, to take the **reactive anti-crisis measures**, with the combination of two strategies: the streamlining strategy and the withdrawal strategy. The actions taken by Redan SA focused primarily on "removing the ballast" of the company, by making job cuts, cost reductions, changes in the organisational structure, etc. The scope of the company's operations was also limited by stopping investments or withdrawing from some areas of business. As a result of the crisis, 250 people lost their jobs, including 100 in administration. The number of employees in Redan S.A. is presented in Table 16.

Table 16. The number of employees in Redan S.A.

Employment	2008	2009	2010	Average changes in employment (the previous year = 100%)		
				2009/2008	2010/2009	2010/2008
Total	1500	1250	1600	83.33%	128.00%	106.00%
including the administration of the company	300	200	240	66.67%	120.00%	80.00%

Source: The author's own compilation based on the data received from Redan S.A.

As shown in Table 16, the above-described crisis caused a decline in the number of employees by 250 people in 2009, which represented 17% of the total employment. The job cuts were to a large extent concentrated on the employees of closed down shops, though they also encompassed administration. Its share in the total number of employees in 2008 was 20%, while in 2009 it fell to 16%.

When a year later, due to the remedial actions, the situation of the company definitely improved, the number of employees was increased to 1,600 (an increase of 28% compared to 2009). Although the number of administrative employees increased by about 20% compared to the previous year, their share in the total employment declined. In 2010 it amounted to only 15%, which means that in difficult times for the company, the enterprise focused to a large extent on reducing its operating costs, including labour costs, thereby delegating some of the duties of the redundant workers to other persons.

The actions taken by the management of the company helped to improve the financial situation of the enterprise which the respondent describes as follows: in 2008 – moderate, in 2009 – bad, in 2010 – good.

One should be aware of the fact that such a significant improvement in the financial status of the company in 2010 was to a large extent caused by the major (15 million PLN) financial injection obtained by Redan SA from the new investor. Nevertheless, the mere fact of acquisition of the investor by the company required a number of steps and appropriate negotiation efforts on the part of the management.

A variety of factors, which are presented in Table 17, influenced the behaviour of the Redan managers at the time.

As shown in Table 17, the main determinants of the behaviour of the management in the crisis situation include: the nature of the crisis situation and factors related to the personality of managers.

The nature of the crisis, i.e. the genesis of the crisis, its causes, type and phase to a large extent have determined actions taken by the management of Redan S.A.

The crisis in Redan S.A. became overt in its nature, therefore, the management took decisive actions. The measures taken were aimed at eliminating the effects of the crisis. They could not deliver the desired effect, however, as the crisis become impossible to overcome by the company on its own. Thus, the managers became aware that they needed to find a new investor. Owing to renegotiations of the bank loans, the managers were able to allocate the financial assistance obtained to the company's development.

Table 17. The determinants of the anti-crisis measures taken in Redan S.A.

Item	Factors	No impact	Impact assessment			
			weak	low	high	very high
		0	1	2	3	4
The general environment of the company						
1.	Economic					X
2.	International			X		
3.	Legal			X		
4.	Demographic	X				
5.	Social and cultural				X	
6.	Political				X	
7.	Technical and technological	X				
The task environment of the company						
1.	Competitors of the company				X	
2.	Customers of the company					X
3.	Suppliers of the company				X	
4.	Regulators		X			

5.	Labour organisations	X				
6.	Owners of the company					X
7.	Strategic allies of the company	X				
Company resources						
1.	Knowledge and skills of the company managers				X	
2.	Knowledge and skills of the company employees			X		
3.	Organisational culture of the company				X	
4.	Company image				X	
5.	Material resources of the company (company assets)			X		
Personality traits of the manager						
1.	Manager's personality				X	
2.	Manager's temperament type			X		
3.	Manager's mind type				X	
4.	Manager's response to stress				X	
5.	Manager's professional burnout				X	
The nature of the crisis						
1.	Genesis of the crisis				X	
2.	Causes of the crisis				X	
3.	Type of the crisis				X	
4.	Phase of the crisis				X	

Source: The author's own compilation based on the interview with Radosław Wiśniewski.

Each measure taken was dependent on the causes and symptoms of the impending crisis seen by the managers. As indicated earlier, the management decided to take a number of reactive measures reducing the burden for the company. The personality traits of its managers were also important. Asking for help in the situation of a crisis in your company is not an easy decision. Only managers ready to admit to themselves that they cannot deal with destructive effects of the crisis can take appropriate actions. Such a decision will be undoubtedly accompanied by a sense of failure. In some cases,

however, one should “put their pride in their pocket” so that the organisation could be saved.

The resources at the disposal of the company undoubtedly play an important role in overcoming a crisis. According to Radosław Wiśniewski, the knowledge and skills of the management, the organisational culture of the company and its image proved to be of particular importance.

The knowledge possessed by the managers of Redan S.A. has played a very significant role. **The culture of the managed organisation** is also important. The uniqueness of organisational culture forms a kind of “personality of the organisation”. The more original the culture, the stronger the personality. Thus, taking certain steps towards the company’s recovery, the management had to make a number of changes in the organisational culture of the enterprise. The changes aimed at changing the culture from the one facilitating uncertainty avoidance into the culture that fosters its tolerance. According to R. Wiśniewski, in this case, proper communication, internal as well as external, was very important.

This aspect was also extremely important in the situation of change in the image of Redan S.A. As mentioned earlier, one of the symptoms of the impending crisis in the company was the deterioration of its image. Therefore, the management has been carrying out an extensive information campaign concerning every measure taken by Redan S.A. It is particularly important now that the company is listed on the stock exchange and should be transparent for its shareholders.

Radosław Wiśniewski states that Redan has always acted in an honest and open manner – presenting real information in financial statements, without manipulating the data. As a result, the performance of Redan differed from that of its competitors, which led to increased audits conducted in the company. A moral can be derived from this story: honest people are controlled more thoroughly and are seen as doubly suspicious. However, there was no bitterness in what Radosław Wiśniewski said. He focused on the reasons why it is worth being honest and on the analysis of the reasons which enabled the company to overcome the crisis. These include, above all, the people who made up this company. Their attitude – their faith in the validity of ethical conduct and openness in relations – enabled Redan to overcome the crisis once again.

The general environment and the task environment also played an important role from the perspective of the managers’ behaviour during that

crisis. Changes in currency exchange rates were indicated as the most important factor of the general environment. As described earlier, it is a very important factor from the point of view of costs of business activity carried out by Redan S.A. Thus, this activity needs to be monitored on a current basis, which determines measures taken by the management.

The important factors that determine actions taken by managers also include: the political system of the state, political stability and changes in consumers' behaviour, their tastes, preferences and lifestyle. The importance of these factors is related to the character of business activity carried out by Redan S.A. Analysing the changing lifestyle of Polish consumers and trying to meet their needs, Redan S.A. launched a new brand of sportswear – Drywash – into the market. In this context, the attitude of customers, owners (i.e. mainly Radosław Wiśniewski, the majority shareholder of Redan SA), competitors and suppliers is of great importance in terms of the measures taken by Redan S.A.

Interestingly, the factors that least affected the actions taken by the management included, among others, **material resources of the company**. It is particularly surprising since it was the assets owned by Redan S.A., obtained largely through the new investor, that helped to overcome the crisis and enabled the growth of the company.

The anti-crisis measures taken by the management undoubtedly had the desired effect. This was possible in part because it was decided to employ the task-oriented management style. As noted by Radosław Wiśniewski, time is of crucial importance in the situation of enterprise crisis as it has a strategic dimension. Therefore, while leading the organisation out of the crisis, one should make decisions appropriate to the existing situation as soon as possible and act. This means that during a crisis there arises the need for **a manager who will take on the responsibility**. According to the respondent, the autocratic management style is successful in this situation. This management style is also forced by the specific situation, often determined by the phase of the crisis. As stated earlier, Redan S.A. struggled with the overt crisis which was not possible to overcome by the company on its own. Therefore, drastic steps had to be taken along with the acceptance of the responsibility for their effectiveness.

As mentioned earlier, the crisis may be also associated with certain positive aspects for the organisation or for its managers. The crisis often allows managers to demonstrate their creativity, as well as knowledge and

skills possessed. It also affects managers' career development and enables them to achieve higher positions in the professional hierarchy, which may not have occurred in the situation of business upturn. This is not entirely the case as far as Radosław Wiśniewski is concerned, as he is the person pursuing the professional career of the "self – made – man¹⁶⁶" type. This means that he holds managerial positions in the companies he himself founded. The crises in the enterprise undoubtedly affected his career, which was often associated with a change in his position in the company, as well as his financial involvement in leading the enterprise out of the crisis situations.

Radosław Wiśniewski cannot imagine his professional life without Redan S.A. and believes that by working together, based on passion, defined mission, vision and values common for the whole organisation, the company will be able to survive many crises and develop dynamically in the future.

3.4. The determinants of the behaviour of the owner of Pracownia Mebli Artystycznych during the crisis

Pracownia Mebli Artystycznych was established in 1965 and is a **family-owned company**. Initially, the company was engaged in the provision of carpentry services. Over time, the company's offer started to cover a comprehensive range of wood interior decorations: decorative ceilings, stair railings, doors decorated with carvings and ornately carved tables, benches, chairs, etc. In his work, the company's owner tends to combine the function of each piece of furniture with its shape and material (mostly wood) into an integral and harmonious whole. Relations between the richness of wood texture and geometric pattern are the inspiration that leads to constant new discoveries.

The company generally carries out individual projects. These are always fully original works produced with their users and the nature of the interior in mind. Stone tops are used, among others, in the objects constructed by the company. Forms into which these materials are shaped coexist creating a harmonised beautiful whole

¹⁶⁶ It applies to managers who achieve their positions in the course of the growth of the company they founded. With the development of the company, its founder gains an increasingly higher position. It is also a contemporary type of career, realised in many organisations.

The staff of the company is composed of a professional team of artisans, carrying out orders encompassing a full range of customised carpentry services. Their work is characterised not only by professional precision and solidity of workmanship, but also a sense of artistic and individual approach to the client. Each order is specifically designed with the participation of the customer during a meeting at which expert advice on the right material and finish is offered.

High-quality tools are used while carrying out the projects, which combined with professional experience ensures customer satisfaction. Clients often, even after many years, return to the company and entrust it with the realisation of new projects. It is very rewarding for the owner and, at the same time, provides clear evidence that the quality of products and services gains recognition among the company's partners.

Unfortunately, very high quality of services provided by the company and their complexity often contributes to financial problems of the owner. The company extending its personal care to customers (usually owners of a complex, house or institution) fully devotes its time to meet their requirements. Therefore, it often spends even five years at the same place. Thus, the company does not diversify its work and a potential problem with collection of receivables causes lack of funds for the company's operations. For this reason, among others, a crisis situation occurs in Pracownia Mebli Artystycznych at least once a month. Most often this is due to the inability to meet its financial obligations, e.g. towards the Social Insurance Institution. Thus, this institution has currently imposed very high interest charges on the company.

Currently the company is **in the situation of deep crisis**, i.e. threatened by serious financial problems and the possibility of bankruptcy.

The owner of the company indicates finances as the main area of difficulty in the company's operations. The company carries out orders using high-quality materials for which it needs to make payments on a current basis. The company cannot fail to pay for the materials as this would result in stopping deliveries of these supplies, as it the case with the employees' salaries. At present the company employs only 4 craftsmen who are high-class professionals. They often earn even 5,000 PLN net per month. The owner believes that if you want to make a good quality product, you should put all your heart and soul into it. Without proper motivation on the part of his employees, he would not have been successful.

Unfortunately, this policy leads to the situation that everything that comes out of his company "must cost". Therefore, customers of Pracownia Mebli Artystycznych are very wealthy people running different types of businesses. Regrettably, these clients often happen to be insolvent (as their unsuccessful investments have resulted in huge financial losses, hence the recovery of payments for services rendered is not easy), or have a variety of problems, e.g. are in trouble with the law (for instance, they are guilty of some kinds of fraud and their bank accounts have been blocked). Therefore the company, which, for example, has worked exclusively for this one customer over the past year (other very small jobs have constituted only a fraction of the value of all its contracts), is facing very serious financial problems.

This company, as a micro-enterprise managed by a natural person, **has no systems of early warnings against a crisis**. A crisis is always "a bolt out of the blue" as the owner of the company believes that this time it will be different. Although the contracts with customers are always signed before the commencement of work and the owner tries to perform due diligence of the financial situation of the client, it is often insufficient.

In the situation when the customer turns out to be insolvent, all the elements produced by the company are usually taken away from the house (complex or institution) if they can be easily removed (e.g.: all the doors). These objects then wait in the company for their future reassembly. Financial liabilities for materials and towards administrative bodies and the company workers have reached the level of 65,000 PLN. In this situation, the owner, apart from issuing constant default notices, has started to search for new customers that could compensate for the losses incurred.

The owner of the company informs his employees about the difficult situation of the company on a current basis. Although they are not prepared for the eventuality of a crisis in their organisation, they are aware of the deteriorating financial situation of the company. The owner of the company has taken many steps to overcome financial difficulties. Unfortunately, the most popular nowadays sources of external funding such bank loans or the EU grants are not available to him as the lack of repayment of contributions to the Social Insurance Institution is a major obstacle.

The management system functioning in Pracownia Mebli Artystycznych does not allow to effectively handle crisis situations. As mentioned earlier, the company focuses mainly on one big client for which it carries out a comprehensive order. Until now, this system worked perfectly well. It broke

down in 2009, when due to the economic crisis, problems in the real estate industry were also observed. Due to financial problems, **the strategic customer of the company** failed to pay the debt owned to the company at the amount of 63,000 PLN. This started an avalanche of financial problems in the enterprise.

As a result of the crisis, the company has ceased to carry out any investments and has not been able to pay contributions to the Social Insurance Institution on a current basis. This situation has significantly affected the mental state and the physical health of the company's owner. Work in the conditions of permanent stress, often at night, to be able to make up for these losses as soon as possible, has caused serious health problems of the owner. The fact that the owner is an elderly person (in his seventies) who – due to his sense of honour and convictions – is unwilling to reduce the standards of the executions of his orders is also important. He continues to pay his subordinates while he himself works for free to help the company “stand on its feet again” as soon as possible.

The unfavourable financial situation of the company (in the years 2009 and 2010 – bad) has also affected its employees. In 2008 the company employed 6 craftsmen, in 2009 – 5, while a year later only 4. Every year one skilled artisan loses a job in the company. Those who remain with the company continue to receive a very high salary, though, as mentioned earlier, their social security contributions are not paid. The company does not employ anyone in an administrative position as this work is performed by the wife of the owner and bookkeeping is outsourced.

The owner of the company is a person aged over 70, with extensive life experience and vocational carpentry education. He is married and has no children. In order to learn more about the determinants of the behaviour of this manager in the crisis situation, he was asked by the author of this thesis to elaborate on **one specific crisis situation** which had occurred in Pracownia Mebli Artystycznych.

The respondent indicated the aforementioned crisis. It occurred in 2009, when the client for which the company was carrying out an order failed to pay the amount of 63,000 PLN. Since then, the company has not been able to recover. Using its adopted strategy, the company found another strategic customer for which it fulfilled an order. Unfortunately, it turned out that the economic crisis affected that client as well. Due to the deterioration of the financial situation, the customer had to cease any investments, among

others, the construction of the house. Currently, there are several components commissioned by the client waiting in the company's storage in the hope for economic upturn and the receipt of these items. Then, they will be paid for, which is particularly important from the point of view of the financial situation of Pracownia Mebli Artystycznych¹⁶⁷.

Undoubtedly, the crisis in the company is the **overt** crisis and – according to its owner – it is possible to overcome by the company on its own. All the time, the owner believes that the company will recover and he will start to pay the company's financial obligations towards the Social Insurance Institution on a current basis, if only he receives the money from his debtors or finds another strategic and solvent customer. This will be possible only after the change of the company's strategy. Given that the situation of default by the client was not the first of this kind, the company needs to diversify its activities. Perhaps this will involve a lower pay for the work of its employees, as it may be associated with smaller jobs. It should be accompanied, however, by a much smaller degree of risk to the company.

Considering the crisis that occurred in the company in terms of the time of its occurrence and duration, it was a sudden crisis, yet it was characterised by a long duration and gradually increasing intensity of destruction (the creeping crisis).

The **root cause** of the crisis was the fact that due to problems of the company's customers, there occurred difficulties in making payments to the company, which – in turn – resulted in financial difficulties of Pracownia Mebli Artystycznych.

Taking into account the **causes** of the crisis, from the point of view of macroeconomic, sectoral and intra-organisational factors, the respondent have pointed out: the recession in the economy (both global and national), common payment gridlocks – as a result of the economic crisis the company has had problems with collecting its receivables from its customers, the wrong strategy of operations and the improper pricing policy. Although the products offered by Pracownia Mebli Artystycznych are not affordable for the so called ordinary people, the company's owner stresses that he imposes very low margins. Given that the company makes products from expensive materials and pays its employees well, there is little left for the owner. A major problem for the company is also the lack of capital and other

¹⁶⁷ The interview with the owner of Pracownia Mebli Artystycznych.

strategic resources, which stems from the difficulty in recovering the money owed to the company.

Currently, **the company is at the phase of preparations to limit its further destabilisation.** This phase is based on sequential actions taken in order to limit the scale of destruction in the company. In this phase, managers take steps to combat the crisis in order to be able to avoid such situations in the future. However, this requires changes in the strategy of the company.

The measures taken to prevent further destruction of the company undoubtedly result from the observation of various symptoms of the impending crisis. The symptoms noticed by the respondent and their impact are presented in Table 18.

Table 18. The symptoms of the crisis in Pracownia Mebli Artystycznych according to the owner's assessment

	Symptoms	Impact assessment				
		No impact	weak	low	high	very high
		0	1	2	3	4
1.	Difficulty in financing the current operations of the company					X
2.	Freezing investment, development and innovative processes				X	
3.	Unfavourable, persistent trends of decline in sales			X		
4.	Deteriorating sales structure	X				
5.	Loss of and reduction in the relative market share	X				
6.	Deterioration of the company image	X				
7.	Decline in the market value of the company	X				
8.	Lack of employee integration and deterioration of atmosphere at work			X		
9.	Interpersonal and intergroup conflicts			X		

Source: The author's compilation based on the interview with the owner of the company.

As shown in Table 18, the **primary symptom of the crisis** in the company were difficulties in financing its current operations, which resulted in the cessation of investment, development and innovative processes. Pracownia Mebli Artystycznych had to abandon any investments, particularly since adverse trends of a decrease in sales were observed. Considering the above, the owner also was forced to content with the deteriorating work atmosphere and the emergence of interpersonal conflicts. They arose mostly from financial problems of the company's owner. Although, as indicated earlier, the craftsmen continue to receive high salaries for their work, as a result of these financial problems the company does not pay its obligatory contributions to the Social Security Institution, which does not meet with the approval of the employees. The disapproval, however, is not so severe that any of the employees should decide to quit their jobs (the previous changes in employment were the results of lay-offs carried out by the company owner). Especially since, until recently, the company had a family atmosphere and the craftsmen are treated almost like family members – they even receive meals prepared by the owner's wife.

This crisis occurred quite unexpectedly. The owner of the company never thought that his customers – such wealthy and influential people – could have problems with timely settlement of their liabilities. Therefore, **the mechanism of denial of the existence of the crisis** was his initial natural response. He believed that “the crisis happens to others and his company is immune to the crisis”. Such an attitude is not the best from the perspective of taking remedial actions. The manager needs to accept that something wrong is happening in order to be able to act. Over time, however, the owner started to display the attitude that: “the crisis happens even in the best managed organisations. If it happens, we need to cope with it and draw conclusions for the future”.

Upon the acceptance of the existence of the crisis, the owner of the company took certain steps in order to limit its destructive effects. The solutions, however, were not very radical. The owner is a person who applies rather the avoidance-based management style and often decides to “wait something out”. Thus, the only remedial action taken was associated with the reduction of employment in the group of production workers (one craftsman in 2009 and one in 2010).

Thus, it can be said that the owner of the company has taken very **conservative anti-crisis measures**, even minimal. In this situation, the chances of recovery of the company are rather slim.

This type of behaviour of the owner of Pracownia Mebli Artystycznych was influenced by various factors. These are shown in Table 19. The table indicates that the main determinants of the behaviour of the owner are the following: the nature of the crisis situation, the company's resources, the personality traits of the manager and the elements of the task environment of the company.

Table 19. The determinants of the anti-crisis measures taken by Pracownia Mebli Artystycznych

Item	Factors	No impact	Impact assessment			
			weak	low	high	very high
		0	1	2	3	4
The general environment of the company						
1.	Economic	X				
2.	International	X				
3.	Legal	X				
4.	Demographic	X				
5.	Social and cultural	X				
6.	Political	X				
7.	Technical and technological	X				
The task environment of the company						
1.	Competitors of the company	X				
2.	Customers of the company					X
3.	Suppliers of the company	X				
4.	Regulators	X				
5.	Labour organisations	X				
6.	Owners of the company					X
7.	Strategic allies of the company	X				

Item	Factors	No impact	Impact assessment			
			weak	low	high	very high
		0	1	2	3	4
Company resources						
1.	Knowledge and skills of the company managers				X	
2.	Knowledge and skills of the company employees				X	
3.	Organisational culture of the company		X			
4.	Company image	X				
5.	Material resources of the company (company assets)					X
Personality traits of the manager						
1.	Manager’s personality				X	
2.	Manager’s temperament type				X	
3.	Manager’s mind type			X		
4.	Manager’s response to stress			X		
5.	Manager’s professional burnout	X				
The nature of the crisis						
1.	Genesis of the crisis				X	
2.	Causes of the crisis				X	
3.	Type of the crisis				X	
4.	Phase of the crisis				X	

Source: The author's own compilation based on the interview with the owner of Pracownia Mebli Artystycznych

The most important factors determining the behaviour of the owner of the company are related to the **crisis situation** itself. The root cause, as well as direct causes of the crisis, its type and phase affect the measures take by the owner of Pracownia Mebli Artystycznych. As mentioned earlier, the company struggled with the overt crisis, possible – according to its owner – to overcome by the company on its own. Although the owner has not taken

too many remedial actions – only reduced the number of employed artisans – he is now displaying the proper attitude towards the crisis – as he accepted the fact of its existence, which is a start to take proper steps.

The **company resources** also influence greatly the behaviour of the company, particularly its material resources, i.e. its assets. As indicated earlier, Pracownia Mebli Artystycznych is definitely facing a financial crisis which originated in 2009 when one of its customers (strategic for the company) failed to settle the liabilities at the amount of 63,000 PLN. Since then, finances have been the primary area of problems in the company. At the moment, the business owner is doing everything to get out of this difficult situation. He has focused solely on compensating for the lost funds. He frequently works at night, taking new orders from customers. As noted earlier, the owner should also change his strategy of operations into the strategy which would bring smaller profits but would be less risky.

The nature of **knowledge and skills of the owner and his employees** plays an important role in the actions taken by the company owner. Although the owner is a person with a great talent for carpentry and sculpture, similarly to his highly paid employees, he has little knowledge about business management. The owner is a person with vocational education working all his professional life in this occupation. He lacks, however, practical knowledge in the area of, for example, strategic management or management of human resources. If his personality traits, which to a large extent determine the actions taken by the owner, are also taken into account, we have a manager that cannot cope with the crisis. On the one hand, he is a very calm person that avoids making decisions and is unable to work under pressure. On the other hand, he is also a choleric that explodes with a vengeance when his patience is tested beyond measure. The owner has certain shortcomings in terms of taking appropriate remedial actions. Perhaps if the owner had asked for help or had accepted it, the situation would be different. However, this would have been an admission of defeat, which is something the owner of Pracownia Mebli Artystycznych cannot really imagine.

The only assistance he is willing to accept is help from customers. The company's image has remained positive, offering its clients high-quality products designed according to individual orders. Each of these products has "a soul" and is certainly something special and unique. Were it not for

the fact that there are dishonest customers, defaulting their obligations, everything would be fine. However, since the economic crisis has affected many companies, institutions and individuals, these customers need to reduce expenses. They do so often by resigning from luxurious goods and that is how the products of Pracownia Mebli Artystycznych are perceived .

As shown by the example, the manager of Pracownia Mebli Artystycznych has taken minimal anti-crisis measures which have not produced the expected results. Although the operating costs have been reduced through job cuts, this range of measures is not sufficient. Perhaps the owner should take into consideration a change in the salaries of the remaining staff. As mentioned earlier, the employees, despite the very bad financial situation of the company, are still well paid. This happens mostly at the expense of the owner who since the occurrence of the crisis in the company has been working practically for free. Although the crisis has been destroying the company from the inside, as the owner himself has said, he will do everything in his power for the company to recover. However, this attitude focused on overcoming the crisis on his own may cost the owner dearly. Bearing in mind that the owner is an elderly person, left alone with the problem, not able to act effectively under pressure, this situation may result in serious health problems that have already manifested.

Perhaps this attitude stems from the lack of successors that the owner can leave the company to. He has stated that he will fight for his company till the end in order to perhaps later pass on what is left to one of his employees. The owner stresses once again the family atmosphere in Pracownia Mebli Artystycznych. And although the crisis that has occurred in the company has not resulted in greater bonding between the management and the staff, as it was the case in Wifama, this attitude on the part of the owner shows the unique features of management in this company.

Summary

The thesis compares the cases of crisis situations and the action taken by the management of three different companies. Many factors contributing to their current situation have a common denominator and the remedial actions taken are often similar. However, the crisis phase in which individual companies found themselves, as well as the behaviour and attitudes of their managers towards the crisis, definitely differ.

The thesis presents a comparative analysis of factors affecting the corrective actions taken by the management. This analysis indicates that in the case of two companies – Wifama Prexer Sp. z o.o. and Redan S.A. – the anti-crisis measures taken by the managers have had the desired effect. This was due to decisive, radical anti-crisis measures, aimed mainly at restructuring the company¹⁶⁸.

To make it possible, the managers of Wifama Prexer Sp. z o.o. and Redan S.A. have had to adopt the right attitude towards the crisis. They believe that nowadays, in these extremely difficult times, the crisis happens in every organisation, even the well-managed one. Therefore, if the crisis happens in this particular company, everything possible should be done to lead the company out of the crisis. Not all the managers were able to adopt the right attitude from the very beginning of the crisis, as was the case with Redan S.A. or Pracownia Mebli Artystycznych. As the conducted studies have indicated, the change in the attitude towards the crisis is not everything. In the case of the former company, the change in the attitude has brought specific anticipatory actions, whereas in the latter case, no decisive actions have been taken.

The behaviour of the managers of the surveyed companies have been affected by many factors. The most important ones include: the nature of the crisis, personality traits of the managers, elements of the internal environment of the organisation, especially material resources of the company, knowledge and skills of the managers, the corporate image and elements of the task environment of the company, particularly competitors, customers, suppliers and the company owners.

¹⁶⁸ This cannot be said about Pracownia Mebli Artystycznych. In the case of this company, only minimal steps were taken to aid the company's recovery that so far have not yielded the desired effect.

It seems, therefore, that the main thesis hypothesis which states that crises which occur in many companies operating in market economy require a completely different behaviour on the part of managers than the one which is needed when their company is in a favourable business situation (e.g. development or stable operations) has been confirmed. The behaviour depends on the nature of the enterprise and its environment, the characteristics of managers and executive staff, as well as many other situational factors.

The entire, over 100-year-old, theory of organisation and management, indicating roles and functions of managers, seems to refer to companies operating in favourable conditions. Therefore, the attempt was made to capture the specificity of enterprise crisis management in terms of all of those issues and see the issues in relation to the crisis. The literature analysed from the perspective of organisation and management was treated as a backdrop for considerations concerning characteristics of actions taken in the extremely difficult situation - the crisis situation. Thus, it seems that the main hypothesis of the thesis has been confirmed.

After analysing the aforementioned cases of crises, it can be concluded that each of the surveyed companies has faced a different type of crisis and that the managers have taken such corrective actions as they deemed best in the existing situation. These have not always been effective. The anticipatory measures taken have resulted to a large extent from the determinants associated with the personality of the managers. For although each company has its own crisis and has to deal with it on its own way, decisions are always taken by a human being, who is fallible and not devoid of feelings and emotions.

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