

Entrepreneurial Organization: Problems of Management Crisis Diagnostics

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Abstract — The article studies the approaches to the study of organizational crises. On the basis of the system approach in the paper it is proved that all crises in an organization are reduced to one type of crisis, i.e. to the managerial one. Thus in its essence any management of an organization is a crisis management. In the paper the content of the crisis management is compared with the stages of the life cycle of an organization. On the basis of the results of analysis of the economic activity of 20 Russian enterprises the author developed a system of indices of the life cycle of an organization and type of managerial crisis including the financial, economic, technical, technological and managerial blocks. The question of the introduction of the tools of crisis management is important and crucial both for modern enterprises and for the improvement of scientific research in the mentioned sphere.

Keywords — managerial crisis, conceptual model of the interaction of the stage of life cycle of organization and type of crisis management, indices of the diagnostics of type of managerial crisis

I. INTRODUCTION

If today any of us will try to give a definition of the crisis, a researcher will face the problem of its identification and its classification in an economic or social sphere. The development of the society is constantly accompanied by new challenges. The scientific and technical progress has engendered a number of new opportunities for humanity but it also predetermined the appearance of new types of mortal weapons. The development of new territories on the surface of the Earth, bosoms of the sea and the space has brought to mankind new resources for life but at the same time it has created a threat to its ecological well being. The appearance of modern means of communication and powerful computers has considerably simplified the activity of people but it became the reason of the appearance of criminality which never existed before. Any break through, any revolutionary technology, innovation, invention entail new dangers and potential crisis reasons.

The crises which always accompanied the development of human civilization are displayed in all spheres of human life and finally "inevitably are faced by humans and society". The crisis is seen as an ambiguous problem for both social and economic development of the society, nation, citizen and also

market success of every specific enterprise. Doubtlessly the crisis problems are subject to an interdisciplinary discussion.

The market environment is undetermined, unpredictable and consequently, the functioning of an organization in a competitive environment is a crisis one. At the same time the character of development and the consequences of the crisis in every economic activity depend specifically on the decisions taken by the management of the organization. This situation defines a managerial crisis as an integrated and all pervading challenge which is constantly typical of the economic activity of an enterprise. Due to this fact the necessity of the development of the scientific understanding and development of the tools of the diagnostics and monitoring of the parameters of the crisis situation in an enterprise is growing.

II. MATERIALS AND METHODS (MODEL)

For the moment the problem of the development of modern ways and tools of the identification of the organizational development crises in general has emerged. This fact determines the necessity of the development of scientifically based indicators of the diagnostics of the crisis situation in an organization.

The working hypothesis of the research is based on the supposition that the stages of the life cycle of an organization and the crises which arise and take place in the course of its functioning are interrelated and moreover are mutually conditioned.

The goal of the given paper consists in the research of the managerial crisis as an integrated crisis of the organizational development and in the development of the tools of its diagnostics at various stages of the life cycle of the development of an organization.

For the achievement of the goal set it is necessary to solve the following complex of the interrelated analytical tasks:

- To develop a conceptual approach to the identification of the crises of the modern entrepreneurial organization on the basis of the study of the evolution of the theory of crises;
- To establish the relation between the crises in a firm and the stage of the life cycle of an organization;

- To develop a conceptual model and the system of indices of the diagnostics of the crisis in an organization coming through a definite stage of its life cycle.

The object of the research are the economic and managerial relations which arise in the course of functioning of modern entrepreneurial organizations under the conditions of the uncertainty and crisis situation in the economy. The subject of the research is presented by the methods, tools and analytical solutions directed on the development of a diagnostics model of the life cycle of an organization and type of managerial crisis.

Theoretical and methodological base of research is formed by the fundamental ideas of the theory of management, theory of crisis, scientific papers of domestic and foreign scientists devoted to the crises of the economy and also the problems of the organizational management.

When writing this paper the author used the following general scientific methods: abstraction, deduction and induction, comparison, systemic, historic and logical approaches. The theoretical level of the knowledge of the managerial system of modern organization was completed by a complex empirical analysis within which when moving from absolute to concrete the existing mechanisms of development, functioning and regular development of crisis management are consequently displayed.

III. RESULTS AND DISCUSSION

A. *Evolution of crisis theory*

When starting the study the analysis of the mentioned problems we unconsciously associate the crisis with misfortunes, failures, losses and intuitively determine a crisis as a complex of negative images, all draw backs and fatally inevitable events. In connection with that the complex of negative images exists in present moment "here and now" and also in the future and cannot be definitively identified. Herewith the consequences of the crises negatively influence both the results, organizational and business principles and bases of functioning in all the spheres of the organizational activity. However such an approach does not reflect all the shades of characteristics, development and the character of the consequences of a crisis. In reality the crises which accompany the social and economic development of an organization, economy and the society in general are its inseparable part. In many aspects they engender and stimulate the development processes via the crisis, overcoming it and moving to a qualitatively new stage of its development.

In this respect the crisis as an impulse of a further development gets positive traits and becomes a combination of negative and positive events, losses and opportunities, degradation and development. Under modern market conditions in the result of the multidimensionality, contradictional character, complicatedness it is very difficult to identify the nature, reasons and consequences of crisis manifestations and consequently to identify definitively the type of crisis. Frequently it is practically impossible to reduce the reason of the crisis to one factor. Moreover the

consequences of the crisis can be unclear and manifest during some period. When using the abbreviations it is necessary to provide a full term and the abbreviation in brackets. The generally accepted abbreviations are not expanded.

The goal of the study of the universal and deep research of crisis problems determines the necessity of the presentation of crisis evolution and also the engendering and development of crisis theory.

It is accepted to think that the founder of the scientific school of crisis study is Mikhail Ivanovich Tugan-Baranovsky (1865-1919) who initially put the goals of research of periodic industrial crises and the identification of their essence. The scientists studied in an integrated manner and in a fundamental way the crisis manifestations and stagnation in the English industry in XIX century, collected and analyzed all the available for that moment theoretical ideas of various schools on the nature and reasons of crises in the economic science. In the result his own original conception is founded on the theory of the circulation of social capital showing the impossibility of market to self regulation and provision of the proportionality of reproduction. The disproportions of public reproduction are displayed in an inevitable periodical overflow of channels of commodity circulation (general overproduction), sharp prices fluctuation, monetary circulation, credit and employment rate. The periodic character of the public reproduction allowed the scientist creating the first model of the economic cycle which is founded on the relation of the savings and investments. This is indisputably a breach in the economic science and a fundamental basis for the study of crises [1].

The contribution of Nikolay Dmitrievich Kondratiev (1892-1938) to the theory of crises is uncontestable. He studied the influence of wars on economic crises, found prerequisites and content of the prewar and after war crises and also he identified the interaction of crises phases of long term and short term cycles of competitive environment. Meanwhile he emphasized the inevitable character of crises as they are a permanent characteristic of the capitalist way of production, a specific negative side of medal (market), payment of the society for product supply. Moreover the scientist found also a progressive role of crises in the economic dynamics by means of defining them as a specific encouragement for the development of the market economy. [2]

A further development of the economic science was determined by the positions of monetary and non monetary theories of oversaving. The monetarism finds the expansion of credit as a reason and a factor of disproportions of the structure of the public production during the prosperity phase. The given conception is based only on economic and financial factors of crisis development which without doubt narrow the sphere of the economic analysis and the scientific and practical importance of its results. The non monetary conception is founded on the study of the factors which are not directly related with the economic sphere and in particular they are presented by the changes in mechanisms, technologies and innovations.

Such different theories like monetarism and nonmonetary theory come to the same conclusion and say that phases of a

crisis, consistency and what is most questionable the theories mentioned above pretend that the necessity is one of the main characteristics of any crisis. In the end the synthesis of two contradictory conceptions (monetary and non monetary ones) determined the consequent stages of the evolution of crises theory which have multiple variants and vary one from another but nevertheless they confirm the thesis of the presence of phases, continuity and necessity of a crisis for the economic development.

For the moment the crisis as a complicated event is one of the most discussed and important phenomena in the world scientific society. The crisis is studied by almost all economic, sociological, psychological sciences and by some others.

B. Life cycle of an organization and management crisis

Evolution and diversity of the opinions about the crisis of modern scientists allows pretending that the crisis is in a constant evolution and influences all the chains of the organizational structures. The functioning of organizations in the market environment is apriori uncertain, hardly predictable, i.e. crisis one. In every sphere of the organizational activity the situation of unpredictability is typical of this sphere specifically. The crisis is seen as a complicated, complex, versatile phenomenon and a process which does not depend on infinite aggregate of factors. This situation allows finding and identifying it within one sphere of the organizational activity. Besides the crisis as an encouragement, a stimulus for an efficient development of an organization is even „desirable“. The inevitability of a crisis engenders the necessity of constant management for the smoothening of consequences and also for the search and finding new opportunities, prospects, sources of development of an organization, creation, expansion and growth of its competitive advantages.

Meanwhile the decision about the implementation of the measures on crisis management in every specific sphere of the activity of an organization are developed, taken and realized by the management of a firm. All the decisions of the management of an organization functioning in the market sphere are always developed and implemented under the conditions of the uncertainty, i.e. crisis situation which is typical of external and internal environment of an organization. The content and the character of the activity of an organization under the conditions of the uncertainty in every specific sphere depend, first of all on the usefulness of the taken managerial solution and, consequently in the end on the professional competences of the management of an organization, level of professional knowledge, subjective attitude to risk, characteristics of organizational management and so on.

Every crisis contains in it both general and private traits. In this respect for every crisis every specific sphere of its manifestation and implementation is private and the activity of the organizational management on crisis management is general for all crises which an organization faces. The professional work of the organizational management influences the character and the consequences of the crisis in every specific sphere of the organizational activity. In its

essence every organizational management is a crisis one, i.e. which takes place under the conditions of a crisis and its consequences. This fact allows drawing the conclusion that all crisis situation which an organization faces are reduced to one type which is mostly close to real markets i.e. managerial crisis. In other words all the crises arising and taking place in various spheres and periods of life of an organization are managerial crises.

A perspective direction in modern managerial science is the interconsistency of managerial actions and the measures with the stages of the life cycle of an organization. This is determined by the fact that various types of crises threaten an organization in dependence on the stage of the life cycle where it is found. And therefore for the management which is focused on strategic and efficient management of crises it is indispensable to know and determine credibly the stages of the life cycle of an organization.

There exist a lot of models showing the interrelation of the stages of the life cycle of an organization with typical crises and the most widely spread from them is the model of L. Greyner. According to this model five consequent evolutionary stages of its development are identified in the process of functioning of an organization. The mentioned stages consequently change one another in the result of the revolutionary changes caused by the corresponding crises (Table 1).

According to L. Greyner the development of an organization is based on historically appeared prerequisites and the arising crises of management are the driving force of an organizational development. Meanwhile it is necessary to take into consideration the rates of the organizational «coming of age», i.e. the continuity of the generation of every stage. A strong impact is made by the acuteness of the market environment, normative and legal conditions of doing business. Despite that every stage of the life cycle of an organization has its unique structure the main system and style of management, leadership.

The theories of the life cycle of an organization determine the characteristics, indices of this or that stage of the cycle without taking into account the tools of the diagnostics of the organizational situation on the curve of life cycle and corresponding development problems.

C. Diagnostis of the stage of life cycle of an organization and type of managerial crisis

For the management of every organization the most important are the questions connected with the identification of sources, search of mechanisms and forms of future evolutionary changes in its activity. In the course of its development every organization lives through the stages of its life cycle. The strategic goal of top management is to identify the current and approaching stages of the life cycle of the whole organization. This allows finding the sources of the future crisis and developing efficient measures of crisis management. In the contrary the managerial decisions which are taken and implemented will not be adequate to the situation which takes place in the organization and may lead to the collapse. In the course of the research 20 Russian

enterprises working in the Volgograd region were studied. The following aspects were analyzed: a) financial sphere, b) economic activity, c) technical and technological equipment, d) managerial practice. On the basis of the results the author

developed a system of indices helping to diagnose the type of managerial crisis in accordance with the stage of the life cycle of an organization (Table 2).

TABLE I. CONTENT OF CRISIS MANAGEMENT IN COMPLIANCE WITH THE STAGES OF THE LIFE CYCLE OF AN ORGANIZATION ^a

Stages of organizational development (By L. Grejner)	Characteristics of a crisis situation	Desirable managerial efforts
Stage 1. Growth and creative work: -business founders "contaminate all with their ideas"; -complete devotion to a strict implementation of creative ideas; -neglect of managerial activity; -all attention is paid to current day problems	«Crisis of leadership» – circulation grows and the rate of return reduces; -growth of business scales completely rejects the intuitive (as earlier) making efficient strategic solutions; -absence of the system of authority delegation in decision making and motivation of employees; -impossibility of a further growth of the rate of return and development in the whole	Urgent and complete «reformatting» of management system: -creation and specification of the strategy of business development; -introduction of division of spheres of responsibility and delegation of authorities in the decision taking, -creation of a precisely founded system of motivation and material encouragement of the mid level managers
Stage 2. Directed growth (directed management): -a functional managerial structure is introduced; -biggest responsibility is attributed to key managers; -managers of lower levels of management are seen as functional specialists only without the opportunity of taking important decisions.	«Crisis of autonomy» – new types of business gradually «eat» the profit from old ones: -top management is incapable of working with growing volume of business information; -unacceptable system of motivation and material encouragement leads to the worsening of execution of the duties by the managers of lower level and by the specialists; -completeness of the business is violated and it starts destroying	Precisely detailed «reconstruction» of management system: -clear delegation of authorities initially to managers of business entities and then to managers of projects and managers of processes; -precise division of authorities at the decision making and implementation of control over their realization; -flexible strategic management
Stage 3. Growth through the delegation of authorities: -managers of geographical markets and separate business entities are attributed with significant responsibility; -profit centers and bonuses for the motivation growth are introduced; -top managers run the affiliates upon the problem	«Crisis of control» – efficient managers leave the company: -another reduction of the motivation of managers of business entities due to lack of coordination in strategic management takes place; -qualified specialists and managers leave the organization	Growth of concentration and synergy of managerial efforts: -all the decisions are to be directed on synergy from their conjoint works of business entities in a market: -emphasis on the activity of all business entities on target markets and target groups of consumers; -offer to markets of a complex of interrelated products and services
Stage 4. Growth through coordination: -product groups from decentralized departments are formed; -formalism and bureaucratism of planning and management are intensified	«Crisis of prohibitions and bureaucratic delays» – formalism and bureaucratism of management grows: -bureaucracy in an organization grows due to the increase of the apparatus of top managers and centralization of financial flows between business entities	Growth of informal management principles: -urgent weakening of formalization and bureaucratization of the procedures of business entity management: -reduction of the administrative staff number; -active encouragement of an initiative
Stage 5. Growth through cooperation: -quick activation of command work directed on quick and innovative solution of business tasks; -specialists of head quarters do not manage but consult business groups	«Confidence crisis» – psychological satisfaction arises: -situation of "psychological tiredness" due to a constant search of creative work and innovations appears in the work of project groups	The tools of the overcoming of the given crisis cannot be determined as the parameters of the possible following stage of the life cycle of an organization

^a Made by the author on the basis of [3]

The suggested methodology of the diagnostics of the life cycle of an organization and type of managerial crisis will allow identifying the stage of the life cycle which an organization lives through. It will allow finding the problems of the organizational development which are typical and untypical of the stage of the cycle. At the same time a constant monitoring of the mentioned parameters is needed for the timely use of managerial influence under the conditions of the corresponding crisis situation.

It is worth mentioning that the problem of the diagnostics of the stage of the life cycle and characteristics of managerial crisis is very important for small and medium sized firms in the region due to the limited character of managerial resources and emphasis of the management of current business problems in the injury of strategic forecasting and planning of managerial actions.

IV. CONCLUSION

Thus the crises are an inevitable attribute of social and economic development. The theory of crises has a significant evolution and explosive development which confirms the presence of such characteristics of a crisis as: numerous variants, phases, continuity and its encouraging role in the development of the nation, national economy and separate entity.

Professional competences of management are the common beginning of generation, development and fading (solution) of all crises that an organization faces. In this respect the crisis of management is an ultimate expression of all organizational crises. In this respect the managerial crisis becomes the object of research, monitoring and management of firm's leaders.

TABLE II. SYSTEM OF INDICES OF THE DIAGNOSTICS OF THE TYPE OF MANAGERIAL CRISIS IN ACCORDANCE WITH THE STAGE OF THE LIFE CYCLE OF AN ORGANIZATION

Indices of the activity of an organization (calculated per year)	Stage of the life cycle of an organization and type of crisis management				
	Stage 1. <i>Crisis of leadership</i>	Stage 2. <i>Crisis of autonomy</i>	Stage 3. <i>Crisis of control</i>	Stage 4. <i>Crisis of prohibitions and bureaucratic delays</i>	Stage 5. <i>Confidence crisis</i>
Group of financial indicators of the organizational activity					
Growth rate of sales revenues	considerable (more than 60-100%)		reduciton (40-60%)	insignificant (less than 40-60%)	
Net profit margin	reduciton (less than 8-10%)	growth (more than 10%)		Reduction	
Group of economic indicators of the organizational activity					
Share of the market	increases	becomes stable	increases	becomes stable/ may grow	
Level of the development of the affiliate net	none		significant / may grow		
Index of the competition acuteness	grows	significant / may grow			
Dynamics of the managerial staff number	constant	grows (30-40%)			reduces
Dynamics of labour productivity indices	beginning of the growth	becomes stable / may grow		reduction	
Presence and dynamics of the number of hired managers	none / appearance	significant growth	only hired employees / growth		reduction
Dynamics of indices of the managerial staff turnover	growth	significant staff turnover			
Group of indicators of technical and technological activity of an organization					
Level of the equipment load	grows (20-75%)		significant (more than 75%)		
Level of domination of technical and technological subsystem	significant domination		in equilibrium		
Level of the innovativity of the produced goods	absent / significantly high			may grow / significant growth	
Degree of the complexity of the demand satisfaction	disintegrated demand satisfaction			high level of satisfaction	
Group of indices of the managerial activity of organization					
Clearness of formulation / degree of the achievement of the targets of organizations	high / low		high / low		
Types of organizational structure	linear	functional	linear-functional		divisional
Type of management (leadership)	leader	administrative	planned / controlled		collegial
Degree of reglamentation of interfirm interaction	present / very low	high		insignificant	
Presence of feed back in the firm	present	absent		significant	
Key regulators of motivation of mid level managers	status	labour		labour, material	
Opportunities for initiative showing	present	absent		determining one	

^b. Made by the author

The temporary identification and efficient reaction to the managerial crisis becomes one of the key factors of the efficiency growth and sustainability of modern organization what can lead the risk of the bankruptcy to a minimum. The developed methodology of the stage of the life cycle of an organization and type of managerial crisis will allow the management identifying in time and react correspondingly to the appearing crisis situation in the organization.

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