



## COMPANY CRISIS AND ITS MITIGATION BY STRATEGIC APPROACHES

Miroslav ŠPAČEK<sup>1</sup>, Zdeněk KOPECKÝ<sup>2</sup>

### SUMMARY:

*The article accentuates modern concept of crisis management which places emphasis on strategic approaches to mitigation of company crisis. Crisis planning which is based on crisis scenarios should be considered corner stone of this approach. Crisis scenarios are thus trigger point for the elaboration of operable crisis plans. Composition of scenarios is based on identification and analysis of key risk factors which are properly assessed from the point of view of severity of impact and probability of occurrence. Any company should always define a couple of scenarios which, with highest possible probability, foresee the development of the environment. For each crisis scenario respective strategic plan shall be elaborated. Managers shall always keep in mind mutual influencing risk factors which may generate mighty synergic effect and multiply destructive impact on the company. In general strategic approaches, especially when based on scenario approach, may better evaluate possible development of business environment and enable managers to get prepared effectively to almost any upcoming crisis.*

**KEYWORDS:** Crisis management, contingency planning, warning scenario, risk mitigation.

### INTRODUCTION

Crisis situations which ambushed many European companies over past decade and mostly crippled their very existence, posed new questions which haven't been in the focus until present. Relevance and complexity of past crises enforced shift of paradigm in the perception of crisis situation. Crisis ceased to be time limited and incidental combination of several risk factors which endanger from time to time integrity of the company. Crisis and its individual factors stepwise transformed into systemically acting field of forces whose paralysing potential is continuously changing in space and time. At this situation strategic approach is becoming superior technique to the control of crises situations. Strategic approach enables in advance and with acceptable level of probability to identify the scope and severity of upcoming crisis. Moreover it is conducive to management of both ongoing crisis and aftermath of crisis. This article is focused on the nature and significance of company strategic crisis planning and demonstrates the application of strategic approach to management of crisis

situation on the business case taken from practice.

### 1. CRISIS MANAGEMENT

Crisis management is a systematic response to unexpected events which threat people, property and finally financial stability and operability of the company. In wider sense crisis management represents a management tool oriented to coping with crisis situation. It deals with recognition of crisis potential of the company and setting processes to prevent and forestall crisis, then with an effective and operable mastering ongoing crisis situation and finally removal of aftermaths of past crisis [13]. Crisis management thus becomes logic extension of precisely established risk management on corporate level. [1].

Among basic principles of crisis management can be counted little possibility of prediction, speed of action, critical negative impact on company's operation and its staff, psychological stress in the company as well as critical attention of partners, competitors and social environment [15].

<sup>1</sup> Ing. Miroslav Špaček, Ph.D., MBA – Vysoká škola ekonomická v Praze – Katedra managementu, Nám. W. Churchilla 4, 13067 Praha 3, Czech Republic, tel.: +420 224 098 720, e-mail: miroslav.spacek@vse.cz

<sup>2</sup> Ing. Zdeněk Kopecký, Ph.D. – Vysoká škola ekonomická v Praze – Institut krizového managementu, Ekonomická 957, 14801 Praha 4, Czech Republic, tel.: +420 224 094 223, e-mail: kopecky@vse.cz

## 1.1 COMPANY CRISIS, ITS CAUSES AND CHARACTERISTICS

One of definitions says that crisis is whatever what might possess a potential to significantly influence company performance [12]<sup>3</sup>. Crisis can be also understood as a situation, which endangers integrity, reputation and finally viability of the organization. According to Bernstein [3] it is possible to consider crisis as any situation, which threatens, might threaten or will threaten persons, property, and reputation and influence negatively share prices. Wilson [16] in his book *"Real People, Real Crisis"* holds the view, that crisis is omnipresent, non-discriminating, can impact whoever, whenever and wherever. It is beyond question to ask *"If"* but *"When."* Common token of all crises is nevertheless the speed of their action [10].

Company crisis needn't be the reflection of a fatally bad management of the company, but more frequently it is considered to be a change whose character and impact is more serious. Nonetheless causes of crises are not only publically attractive catastrophes or deceptions which come into light without any preceding signals like massive drop-outs in energy or key commodities supplies, state bans or technological catastrophes but also sneaky events as stepwise disappearance of markets, unfavourable decision of regulatory bodies and courts, problems with safety of company products and prosecution of company key employees, unfavourable development of exchange rates, weather impacts, industrial accidents or other events [4,17]. Individual companies operate in a different business environment, they are organized differently and therefore they are prone to different types of crises [17].

Response of the company to such a crisis situation has both short term and long term impacts. The effect with the highest dynamic is without any doubt the impact on shareholders' equity. The study carried out by the University of Oxford [5] estimated financial impacts of 15 severe crises which came to pass during 1980-1995. These crises, which differed each other by their nature and cause (commencing product withdrawal and ending industrial accidents and terrorists attacks), had surprising impact on the change of share

prices. Those companies which effectively mastered solution to crisis situations registered increase in share prices in average by 5% in the next year. On the other hand companies which failed to manage crisis situation effectively registered drop in share prices in average by 15%. On the top of that we cannot omit damage of well established brand.

## 1.2 GOALS OF CRISIS MANAGEMENT

Traditional view of crisis management is tied with the concept of management of crises situations in the extent to which these situations are manageable. On the other hand modern concept of crisis management is based on ongoing and active anticipation of crisis situations. Crisis management is also the set of provisions focused on minimization of potential losses which may occur as a consequence of crisis. Crisis management is effective upon both preventive elimination of upcoming crisis and coping with aftermath of crisis. Crisis management is based on two pillars which are crisis management plan and plan of crisis communication. Crisis management is by no means the set of mechanical rules, procedures and activities but the set of sophisticated processes and steps focused on anticipation of complex nature of crisis. This nature, depending on the standpoint, has its real and perceived meaning. Alongside with increasing emphasis on crisis management which was little by little enforced by social and political circumstances at the beginning of the third millennium, crisis management itself began to get internally structured. In course of time two concepts of crisis management differentiated as follows: ***institutional crisis management*** and ***process oriented crisis management*** [8]<sup>4</sup>. To reach maximum effectiveness, it is necessary for crisis management to be focused on restricted set of goals, which should be tied with the decrease of tension during crisis situation, demonstration of company obligation and professional competences, preciseness and topicality of information flow and effective using sources.

<sup>3</sup> Terrorist attack on WTC in New York on 11 September 2001 directly affected 400 companies. Some of them have never recovered from this shock because of getting no crisis plans prepared.

<sup>4</sup> Institutional crisis management has to some extent generic nature and it is preferred by state and municipal organizations. In Czech Republic it is effectively applied in the framework of Integrated Rescue System. It is oriented on crisis which have social dimensions as natural catastrophes, terrorists attacks etc. Process oriented crisis management is applied by industrial companies and enables companies to be oriented on preventive aversions of threats and effective control of crises of any sort.

According to Winterling, crisis management is based on four principles [17]:

1. **Identification of crisis potential.** It consists in focusing on revelation of potential sources of crisis. Analysis of the degree of threat severity, determination of probability of crisis situation occurrence. Identification of crisis potential is very demanding activity, where, in addition of empiric approaches (e.g. statistic processing data on past crisis situation occurrences), it is inevitable to use approaches based on logic and intuition since some crisis situations might be from any point of view unique<sup>5</sup>.
2. **Development of strategies focused on preventive aversion of crisis.** It deals with the formulation of warning and crisis scenarios, elaboration of crisis plans and preparation of implementation plans.
3. **Execution of strategic provisions to avert crisis.** It consists in implementation of provisions oriented on the prevention of crisis situation. Another part is description of procedures to be implemented as soon as crisis comes into existence.
4. **Disaster recovery period.** This part is usually defined as company capability to react to the interruption of operations by means of implementation of recovery plans with the aim to restore and revitalize critical company processes and activities. Disaster recovery includes not only plans to be elaborated for various types of catastrophes, which may paralyse functionality of company processes, but also activation of provisions which simultaneously ensure avoidance of such catastrophes.

### 1.3 CRISIS PLANNING

Modern concept of crisis management is based on continuous and active anticipation of crisis situation. Crisis planning (sometimes referred also as *contingency planning*) is a prerequisite for successful handling crisis situation. The nature of crisis planning is the elaboration of crisis plans which company applies in situations where some symptoms of any possible crisis scenario are signalled.

In course of time *reactive* approach to crisis management changed into *proactive* one,

---

<sup>5</sup> For the illustration of severity of impact and probability of occurrence it is advantageous to use threat matrix in which the most dangerous risks event can be easily identified. From threat matrix it can be also deduced which crisis situation require preparation of crisis plans oriented on threat prevention.

which is based on permanent evaluation of warning signals. Proper reflecting these signals induces elaboration and adjustments of crisis plans. Crisis plans which are updated on ongoing basis are becoming an inherent part of company risk management process<sup>6</sup>. Zuzák [18] sees effective protection against crises on strategic level in diversification of activities and especially in penetration different business segments, which implies non-selective impact of crisis on various parts of diversified product portfolio.

Similar point of view shares also Smejkal [11], who offers strategy, which reminds of *product hedging*, which means production of products with mutually exclusive use<sup>7</sup>. Products which compose such a diversified product portfolio have different risk profiles which are in the framework of portfolio mutually annihilated. Alternative to this solution might be strategic alliances and partnerships, which ensure transfer of risks to more subjects [18].

According to Antušák [2] the objectives of crisis planning are:

- To establish effective system of forestalling occurrence of crisis situation which is based on high quality management, professionally trained human resources and effectively allocated sources.
- To establish a system to be focused on mitigation of threat impacts.
- To establish effective and economically feasible system of handling crisis situations based on proactive approach of participating subjects.
- To harmonize and coordinate activities of all subjects which will participate in the solution of potential crisis.

### 1.4 WARNING AND CRISIS SCENARIOS

Scenario approach, especially methodology of elaboration of *warning* and *crisis* scenarios which describe possible future crisis situations, is continuously pushed through as a methodological principle for the elaboration of crisis plans [1].

**Warning scenarios** represent specific category of scenarios, which fulfil particular signalling function. Warning scenario should

---

<sup>6</sup> Holistic concept of corporate risk management which is currently in the spotlight is articulated as Enterprise Risk Management (ERM) which uses systemic view of risks and perceives risks in mutual interlinks.

<sup>7</sup> Such products might be for instance umbrellas and swimming dresses.

represent such a coincidence of circumstances, when key risk factors lag behind realistic expectation. Such being the case the room for the implementation of rectification measures is getting narrow. Warning scenario should be elaborated in such a way to give managers, upon effectively functioning signalling system, a chance to successfully recourse negatively developing process.

**Crisis scenarios** usually describe future crisis situation and specify the tools of crisis management which are necessary to successfully cope with crisis situation [18]. Precondition for successful coping with crisis situation is the ability of the subject to get prepared to these scenarios. Crisis scenario which is assigned significant probability of occurrence should be a part of company strategic plan. If company strategic plan is elaborated in strategic variants then these variants should be tested upon various scenarios including this crisis one. As long as respective strategic variant is not viable when testing upon crisis scenario, then this variant has to be abandoned<sup>8</sup>. Diagram 1 show the situation when the company switches over

from stabilizing scenario to crisis scenario. The impetus for this movement is the change of external environment and the company has to behave accordingly. In the extreme crisis scenario can get out of management control and turn into catastrophic scenario which is not manageable by routine management tools<sup>9</sup>. As exemplified by diagram 1 not every change which deviates the company from existing trajectory and negatively influences company business must be resolved by the transition to crisis scenario. Less severe disturbing event can be handled within existing strategy by means of execution of corrective measures, which are stepwise implemented. Therefore it is necessary to assess strategic variants from the point of view of their flexibility and in turbulent times to place emphasis to this aspect.

In the company the composing and description of crisis scenarios are dedicated to team of experts, who posses not only qualification and experience with conducting the business but also have deep notion about strategic planning. They are able not only to identify key risk factors but also to put them into strategic context and compose possible scenarios of

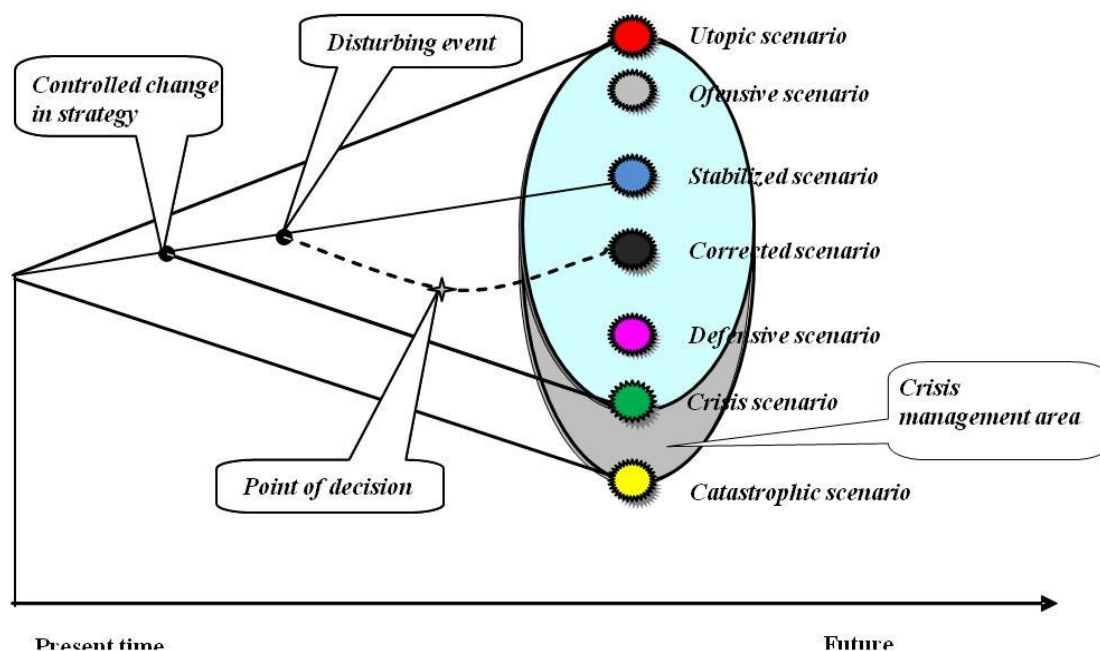


Diagram 1. Typology of scenarios Source: elaborated according to [14]

<sup>8</sup> This situation unfortunately came into being in Sazka Company in Czech Republic where questionable strategic variant of the investment into sport arena was chosen. This variant was selected to be implemented without reliable testing thereof at crisis scenario whose probability was meaningfully far from zero. Combination of this strategic variant and suddenly occurred unfavourable strategic scenario brought this company to bankruptcy.

<sup>9</sup> Catastrophic scenario is rather literature opus than managerial planning tool. Getting catastrophic situation under control is dependent rather on personal capabilities of individuals who are able to find their bearings in extreme situations, summon courage to make immediate decisions and have capability to use solutions which aren't traditional and preliminary tested.

future crisis development. At this situation it is necessary to get rid of anchoring in past crisis situations because the next crisis will be manifested by different symptoms than preceding one. Common disadvantage of scenario approaches is its restriction to a few risk factors. In crisis planning practice this finding results in conviction that it is impossible to elaborate and describe all possible scenarios. Notwithstanding risk factors are precisely identified, analysed and impacts are described by means of scenarios, in practice still exist situations when single risk factors exert their synergic effects and thus behave unpredictably. At this situation destructive effects of isolated risk factors<sup>10</sup> can be multiplied by synergic effects. Actual crisis scenarios always differ from those to be elaborated prior to advent of crisis situation. It is a task for managers to use acquired and available managerial techniques and cope with atypical and unexpected crisis situations.

## 2. CRISIS PLANS

Company crisis plans<sup>11</sup> come out of environment development scenarios [6] and represent descriptions of goals, operations, schedules and responsibilities, which lead to mitigation of impacts of crisis<sup>12</sup>. In this particular case we speak about *crisis* or *contingency planning*. Smejkal [11] considers crisis plan to be a set of procedures aimed at the solution to single expected events which were evaluated by means of risk analysis. The objective of crisis planning is therefore anticipation of incidental risks which are tied with particular risk situation and effectively

implement crisis-aversion measures to minimize supposed negative impacts. Elaboration of crisis plans should become an integral part of company system of planning under condition of risks and uncertainty. Modern approaches to crisis management show inevitability of the integration of strategic and risk management with the aim to benefit from synergic effects which these two managerial disciplines (some time ago separately treated) offer [9]. Even if it is very difficult or almost impossible to foresee the crisis, preventive elaboration of the crisis plan is a precondition for company survivability<sup>13</sup>. At this situation it is of optimum to come out of explicitly formulated list of crisis situations which might potentially threaten a company. As the case may be crisis plans should be continuously adapted to situation changed<sup>14</sup>.

### 2.1 COMPANY CRISIS PLANS

Company crisis plans belong to managerial documents which describe and characterise possible crisis situation in the company and specify provisions how to manage these situation effectively. Basically company crisis plan is properly structured document whose distribution and circulation round the company is controlled. Company experts and managers possessing various competences and qualifications are usually invited to contribute to the final wording of this document. The inception for the elaboration of the crisis plan is typically risk map which identifies and evaluates individual risks from the point of view of their origin (marketing, operational, personnel, regulatory, finance etc. risks), severity of their impact and probability of their occurrence. It is typical that the actions of these risks are not isolated but all the risks may imply synergic and domino effects.

Elaboration of crisis plans therefore requires systemic approach which takes into account necessity to solve secondary risks which take effect as a consequence of ongoing crisis situations<sup>15</sup>. As a matter of practice any company potentially faces various types of

<sup>10</sup> Industrial practice offers examples of multiplication effects triggered by risks factors. These factors due to the **combination of uniqueness of their occurrence found themselves outside of the set of considered scenarios**. Spolana Neratovice and Draslavka Kolín can be set as examples. In the former case formidable floods in 2002 were combined with insufficiently fixed chlorine containers. In the latter case extreme frost in 2006 was combined with insufficiently controlled and monitored container of toxic waste and human failure. In both cases leakage of toxic chemicals into water flows took effect and either company suffered from both economic losses and damage of its reputation.

<sup>11</sup> Crisis plans should be elaborated by both industrial subjects and other non business organizations like state or regional administration in consonance with legislation to be actually in force. Antušák [2] considers crisis plans in some general extent as comprehensive planning documents which is elaborated by respective Ministry and other state bodies and regional and municipal administration. Such a crisis plan contains the set of provisions and procedures aimed at handling and controlling crisis situations.

<sup>12</sup> Publicly posted information [18] declares that in year 1997 500 biggest companies in Great Britain have elaborated crisis plans.

<sup>13</sup> Crisis plan should be viewed as an insurance contract concluded. It is not important if it is executed in the future or not. The most important thing is, if need be, to have this contract at disposal.

<sup>14</sup> Experience show that companies which elaborated complex, integrated and flexible crisis plans not only survive crises but also make use of crisis to start the way to new profitability.

<sup>15</sup> As an example can be set ecological disaster which results not only in production shut down and loss of customers but also in corporate image damage as supplier or employer.

crises which require elaboration of different crisis scenarios. Under these circumstances it

the company but also on some important stakeholder<sup>17</sup>. Description of crisis plan elaboration procedure may differ as per author,

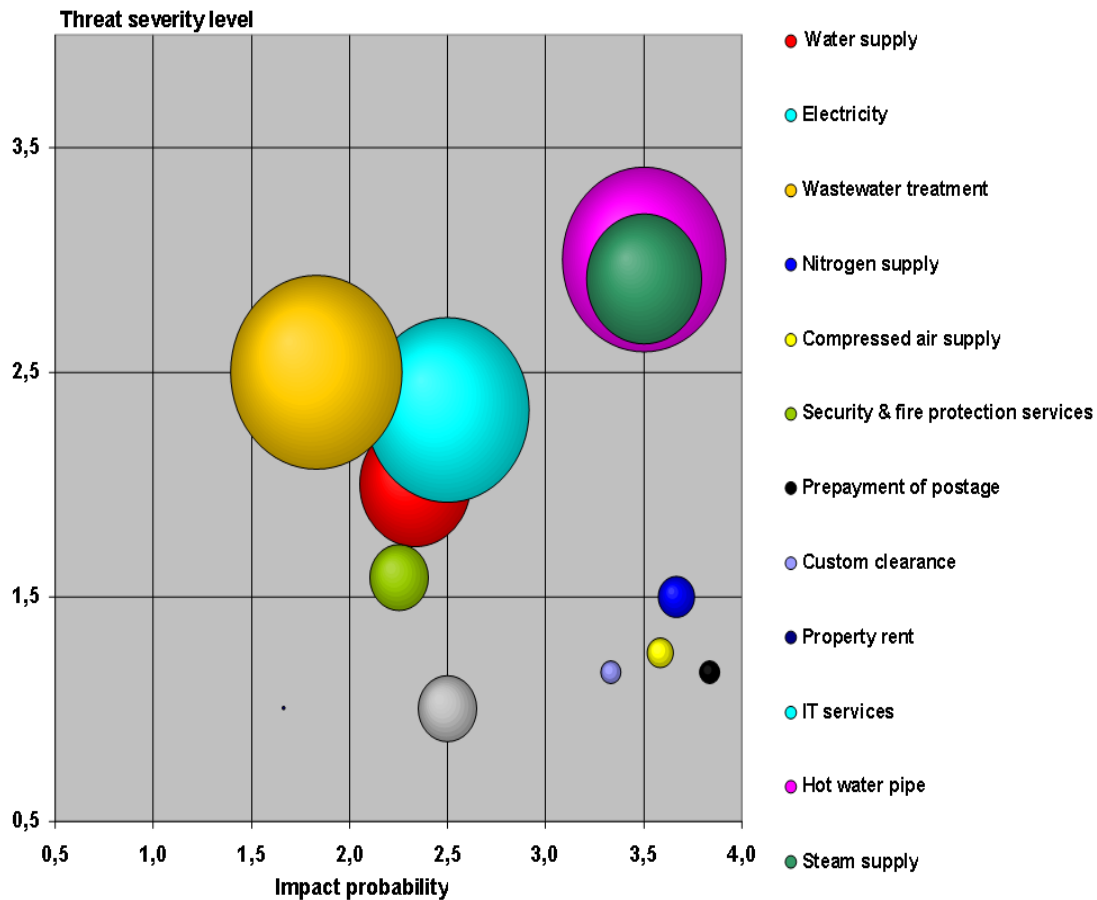


Diagram 2 Threat matrix

Source: internal analysis

Legend: Diameters of circles are proportionate to costs of services

is worth mentioning that the company should elaborate crisis plan for each crisis scenario<sup>16</sup>.

## 2.2 PROCEDURE OF CRISIS PLANS ELABORATION

Procedure of crisis plans elaboration comes out of crisis scenarios which map out potential crisis situation of the company. The impetus for the elaboration of the crisis plan is the implications of threat matrix. It stands to reason that the company should prepare crisis plans for crisis situations which are supposed to have massive destruction impact not only on

<sup>16</sup> For instance Cayman Pharma, mid size Czech pharmaceutical producer, had to take into account at least two crisis scenarios like flood threat (as a remainder of similar event in 2002) and shut down of utilities and services supplier.

nevertheless it usually observes following aspects [7]:

- recognition of the need for crisis planning, set-up of a planning team,
- identification of potential crisis situations (specification of possible crisis scenarios),
- risk assessment of any risk situation,
- choosing risk strategy with the aim to preventively avert or effectively control crisis,
- simulation testing of crisis provisions and their subsequent implementation.

Crisis plan should have clearly specified goals, which are through the implementation of risk aversion measures fulfilled. Consequently each goal should be assigned respective

<sup>17</sup> As a typical example it can be set threatening inhabitants upon leakage of chemicals in chemical plants.

strategic operations which are necessary to be put into practice. Entrusted company employee should bear responsibility for the completion of dedicated strategic operation. It is a common rule so that responsibility would be allocated to respective company post and not to a specific addressee. Thereby the continuity of responsibility is secured even in situation when new person is appointed to hold down respective post or incidentally when the post is held by stand-by person (e.g. in case of illness or holiday). As long as the company established special crisis post (e.g. Chief Risk Officer or Crisis Manager) or crisis team (e.g. Crisis Staff) whose authority is getting importance upon announcement of crisis situation then it is important to clearly describe how decision-making authority would be changed in situation when crisis is initiated.

Quality of crisis plans is derived from the quality of proposed crisis scenarios. Individual crisis plans elaborated as a response to a priori formulated scenarios are the more effective the more precisely was crisis scenario composed. In view of the fact that it is impossible to describe all possible crisis scenarios and elaborate respective crisis plans, it is essential for crisis plans to be in some extent sufficiently flexible. This flexibility enables the plans to be immediately adapted to actual crisis situation which wasn't anticipated by any of existing crisis plans.

### 2.3 THE EXAMPLE OF THE APPLICATION OF A CRISIS PLAN IN CAYMAN PHARMA COMPANY

Cayman Pharma s.r.o. (later on referred as

"the Company") conducts its business in industrial park which is owned and administered by chemical enterprise Spolana a.s. (later on referred as "the Owner"). The Company and its operations are exposed to many a risks which rest in technological dependence on the Owner which provides the Company with technologically important utilities and secures some services, availability of which is quite essential for the ensurance of steady procedure of operations. These threats, depending on scope and depth of financial problems, which faces the Owner, can be manifested by uncontrolled rise in prices, hardly predictable drops-out in services and utility supplies and ultimately by irreversible close down of the Owner's operations.

Regarding the fact that the Company's orientation on technological self-sufficiency is a long term objective, it was reasonable to solve this problematic in advance by means of a strategic crisis plan.

The goals of a strategic crises plan were defined as follows:

- to prepare the set o provisions oriented on risks mitigation upon long term or permanent drop-out of utility and services supply,
- to fix priorities and timing of these provisions.

The initial analytical tool was threat matrix (see diagram 1), which was elaborated by key company experts.

The output of this analysis is the identification of key threats, which, from the point of view of

Table 1

#### Phase out of the crisis plan of hot water pipeline shut down

	Activities	Costs (thous. CZK)
<b>1<sup>st</sup> phase</b>	Design of technological solution. Preparation of engineering solution and feasibility study. Preparation of project documentation.	<b>100</b>
<b>2<sup>nd</sup> phase</b>	Approval of project documentation. Granting construction permit. Execution of construction work. Technology implementation. Certification and final approval of the solution. Operation test of the unit.	<b>2000</b>
<b>3<sup>rd</sup> phase</b>	Standard operating facility. Optimization of performance. Regular maintenance and yearly inspection of facility.	<b>20</b> <b>20</b>
	<b>Total costs:</b>	<b>2140</b>

Source: Internal company crisis plan, 2009

parameters analysed (severity and probability of threat, relative financial costs of utility or service supplies), have major potential of company threatening. It can be deduced from threat matrix, that the most severe threat comes from shut down or interruption of steam and hot water supply which are used for both technology operation and premises heating. In order to put crisis plan on firm basis, experts came out of usual business practice that any shut down would be properly notified to customers and alliance partners at least six months before actual execution of this provision. This notification ensures that potential losses would be minimized and any possible litigation would be prevented. From this point of view it turned out to be of optimum to break down crisis plan into three phases, each of them reflecting up-to-date status of risk mitigation provisions, necessary time for implementation as well as the requirement for sources to secure implementation of these provisions.

**1<sup>st</sup> Phase** – starts concurrently with the announcement of the “Contingency Plan Preparation Project” in June 2009. Initiation of this phase is therefore urgent.

**2<sup>nd</sup> Phase** – will start with the announcement of the date of the production shutdown by the Owner. Implementation of contingency measures has thereby suspending effect.

**3<sup>rd</sup> Phase** – will start concurrently with actual shutdown or interruption of the Owner's operations

For each risk topic the Company elaborated separate crisis plan which covered the scope of activities to be put into practice in each phase of the crisis plan. For each phase of the crisis plan partial financial budget was properly allocated. Each of crisis plan phase was assigned a responsible person. As evidenced by threat matrix the most risky topic is close down of hot water pipeline. As an example there is a description of risk mitigation provisions which are necessary to implement in response to the most risky topic which is (as per threat matrix) hot water pipeline shut down.

### Hot water pipeline shut down

**Description of the problem:** Hot water and condensed steam are used both for premises heating and as a technological medium for chemical processes warming which are designed to proceed at higher temperature. In view of the fact that company premises are not

connected to main natural gas pipeline, it was necessary to coincidentally elaborate subproject of the connection of company premises to main natural gas pipeline and design internal distribution gas network.

**Goal:** In case of hot water pipeline drop-out to replace it by own boiler heated by natural gas.

**Responsible persons:** Technical Director, Technologist, Maintenance manager.

**Source of information:** own analyses and calculations, Bamei s.r.o. (designs of hot water facilities, see [www.bamei.cz](http://www.bamei.cz)).

Phase out and budget allocation as per individual phases shows table 1.

Project timing is subject to very tight schedule within which it is necessary to both implement the project and check its optimum operability.

### Saturation of the plan by sources

Financing the plan represents an important expenditure burden for the company. Depending on project phase following financing mix is supposed:

**1<sup>st</sup> phase** exclusively relies on company own financial sources regardless factual implementation of 2<sup>nd</sup> and 3<sup>rd</sup> phase. The scope of activities which are necessary to finance in the 1<sup>st</sup> phase includes preferably technological design and preliminary technical activities. Cost estimate for the 1<sup>st</sup> phase is **285 thousands CZK**.

**2<sup>nd</sup> phase** represents activities and accompanying costs which will be inevitable to expend upon the announcement of services and utilities drop out. Company was notified that actual drop out will be subject to at least several months notice. Structure of expected costs is composed of both investment and operation costs and prevalently concern purchase and implementation of technologies which ensure effective execution of risk-aversion measures. This phase is supposed to be financed by the mix of own and external financial sources. The latter will be provided either by the shareholders or domestic bank. In case of drawing loan the shareholders will collateralize this loan. Total expenditure of the 2<sup>nd</sup> phase are estimated at **9580 thousands CZK**.

**3<sup>rd</sup> phase** includes activities and accompanying costs which are tied with the implementation of risk-aversion measures. It specifically deals with technologies, which secure alternative supplies of utilities. Another



option is outsourcing services or utilities. Expenditure of this phase are estimated at **4750 thousands CZK** and will be covered by the combination of own and external financial sources.

## 2.4 CRITICAL SUCCESS FACTORS OF THE CRISIS PLAN

The set of provision to mitigate risks, which are bound to shut down or long term interruption of services and utility supplies by the Owner, will be viable upon fulfilment of following critical success factors:

1. Organizational aspect of the project and subprojects shall be subject to strict rules of project management including appointment of project champions and project team members. Matrix organizational structure is preferred option.
2. High quality standard of pre-emptive project and technical-engineering work including ensurance of participation of external subjects and experts, especially at the compilation of project documents, feasibility studies and implementation provision.
3. High quality and responsible performance of internal specialists and engineers at identification and searching for technically feasible solutions at restricted financial sources.
4. Meeting schedules and time frames of the project. Optimum coordination of mutually dependent partial crisis plans.
5. Securing financial, human, informational and technological sources both for project preparation and its implementation.
6. Cooperation of the owner of technological park as well as including receptive attitude of governmental and regional bodies.
7. Support from existing shareholders.

## CONCLUSION

Crisis management is the managerial tool whose using is not optional but it is enforced by circumstances. For this pretty good reason it is beyond question whether to apply it or not. In order to be beneficial, crisis management requires optimum timing and effective use of crisis managerial practices. Only then can crisis management bring benefits when the company shows the signs of viability. Basically some transformation of inputs into outputs or cash flows should be traceable in the company. In the same time the company should summon courage to cope with crisis situation. It's usual that quick recovery from the crisis reinforces company, contributes to the increase of company integrity and identification of employees with the company.

One of the most significant crisis management techniques is strategic or contingency planning. Its objective is to identify and analyze all relevant risk factors, the effects of which might endanger company integrity and in the extreme they can cause company collapse. Strategic crisis planning takes advantage of crisis or contingency plans which are elaborated as responses to crisis scenarios. These scenarios, which come out of consistent combination of risk factors, model and describe possible future development of the environment.

Setting up models of future environment development enables crisis managers to prepare the set of crisis aversion measures which effectively mitigate the impact of crisis on the company. The guideline for the determination of key risk factors is threat matrix which, from the point of view of impact severity and probability of occurrence, identifies the most relevant risks which the company preferably has to pay attention to. Composing crisis scenarios is very demanding expert activity whose success is contingent upon not only expert.

## LITERATURE

- [1] ACCENTURE: *Corporate Crisis Management. Preparing for a Rapid Response to Unexpected Events*. Available from: <http://www.accenture.com/> , [cit. 2012-03-04].
- [2] ANTUŠÁK, E.: *Krizový management. Hrozby-krize-příležitosti*. Wolters Kluwer. 1<sup>st</sup> edition, Praha, 2009. ISBN: 978-80-7357-488-828.
- [3] BERNSTEIN, J.: *Ten Steps of Crisis Communication*. <http://bernsteincrisismanagement.com> [cit. 2012-01-22].
- [4] BREMER, P.L.: *Corporate governance and crisis management*. Directors & Boards. <http://findarticles.com> [cit. 2012-01-22]
- [5] KNIGHT, R. - PRETTY, D.: *The Impact of Catastrophes on Shareholder Value*. Templeton College, University of Oxford 1996 - commissioned by the Sedgewick Group). Available from <http://www.asse.org/professionallaaffairs-new/bosc/docs/Catastrophesandshareholdervalue.pdf> [cit. 2012-08-02].
- [6] KOPECKÝ, Z.: *Rizika podnikání z hlediska podstatného podnikatelského okolí*. In: *Riešenie krízových situácií v špecifickom prostredí*. Žilina, Fakulta špeciálneho inžinierstva Žilinskej univerzity, 2005, s. 249–254. ISBN 80-8070-425-2.

- [7] LOCKWOOD, N.R.: *Crisis Management in Today's Business Environment*: HR's Strategic Role. 2005 SHRM® Research Quarterly,
- [8] MÖCKLI, D. (Ed.): *Strategic Crisis Management: Trends and Concepts*. CSS Analyses in Security Policy. ETH Zurich, Vol. 2, No. 23, 2007
- [9] PREBLE, J.F.: *Integrating the Crisis Management Perspective into the Strategic Management Process*. Journal of Management Studies. Vol. 34, Issue 5, str. 769-791, 1997, ISSN: 1467-6486
- [10] SIMON H.: *Jak na krizi. 33 okamžitých opatření pro vaši firmu*. Management Press, Praha 2009, ISBN: 978-80-7261-204-8
- [11] SMEJKAL, V. - RAIS, K.: *Řízení rizik ve firmách a jiných organizacích*. 3<sup>th</sup> edition. Grada, 2009. ISBN: 9788024730516
- [12] ŠPAČEK, M.: *Vybrané pohledy na řízení podniku v nové ekonomice*. Ekonomika a management. 3/2008, str. 101, ISSN 1802-8934
- [13] ŠPAČEK, M.: *Krizový management a jeho zvládání*. Moderní řízení 8/2008 str. 23, ISSN: 0026-8720
- [14] TESSUN F. - HERMANN A.: *Harnessing Potential Future*. Scenario & Strategy Planning, April/May Vol. 1, Issue 1, str. 8-12, 1999, ISSN 1466-4062
- [15] VODÁČEK, L. - VODÁČKOVÁ, O.: *Management, Teorie a praxe v informační společnosti*, 4<sup>th</sup> edition, Management Press, Praha, 2001, ISBN: 80-7261-041-4
- [16] WILSON, S.: *Real People, Real Crisis: An Inside Look at Corporate Crisis Communication*, Oakhill Press, Winchester, 2002, ISBN:1-886939-52-7
- [17] WINTERLING, K.: *Jak se provádí (preventivně) krizový management*. Nakladatelská spol. BABTEXT s.r.o., Praha, 2000, ISBN: 80-900178-5-1
- [18] ZUZÁK, R. - KÖNIGOVÁ, M.: *Krizové řízení podniku*. 2<sup>nd</sup> edition., Grada Publishing a.s. Praha. ISBN: 978-80-247-3156-8