DESCRIPTIVE ESSAY SAMPLE

There is no universally accepted definition of a business crisis, but there is a general consensus that the crisis is a markedly negative event that can damage and destroy any organization. Each company develops under the conditions of crisis risk, where the company's environment creates permanent new threats to the business of the company. Rare examples are that companies over a longer period do not fall into the crisis, which, if not resolved, implies the possibility of a company being ruined. Companies in difficulty face a number of internal and external reasons for failure, and the symptoms of a corporate crisis can be different: this can be a threat to the preservation of payment ability at all times (insolvency and insolvency), failure to generate profit that makes it possible to create positive economic value added or loss-making business; loss of profitability and other performance indicators; reducing the volume of sales and market share; relative technological inferiority, which results in inferior performance of the company.

The general axiom of survival of companies is that "without fresh money and / or loans there is no business," and it turns out that the company's income is vanity, a gain of virtue, but money is the king. In the crisis, the most significant problems are manifested: the strained and limited financial resources (usually with the insolvency threats), the loss of operational control (over budget, costs, business success, cash flow), demoralized management, worried employees for their fate, dissatisfied suppliers and bankers (most often late with payment), but also scared owners of the company. In such circumstances, the main task of the management is to respond to the crisis - to recognize the symptoms of the crisis, to minimize threats and to ensure successful crisis management. It is a task of crisis management, most often a "new" management by which the owners of the corporation have replaced the "old" managers. Everyone, not only human, will react to their vulnerability, and so companies respond to the managerial response to the crisis.

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If the business crisis in which the company is located lasts longer, chances for successful recovery and survival are reduced - poor management of the crisis can ruin the reputation of the company and lead to the application of legal constraints, most often bankruptcy or early detection of the crisis and assuming that the company has good and successful management, progress is possible, and the recovery of the crisis is relatively certain and without serious consequences for the sustainability of the company. Good crisis management can not only limit the damage to the company's assets, its reputation, existing jobs and the interests of its owners, but can also contribute to business improvement, as a response to the management of the crisis incentive. From the perspective of management, the reactions of corporations to survival-borne crisis are necessarily radical - the managerial response to the crisis is reduced to a radical change. In addition, radical change is extremely intense - it draws a lot of energy from the organization, it is usually very stressful and is highly risky (with a high probability of failure).

The factors of the intensity and complexity of the changes are also related to the different modes of the crisis management process. Focus is a change throughout the organization, so the main drivers of strategic decisions are critical to crisis managers, who demand management processes imply the creation of a new vision (often survival and healing of the company) and optimism, all with a radical violation of resistance to change. Radical changes in the crisis are characterized by a high level of intensity and complexity; they require a direct engagement of management in the formulation and implementation of crisis strategies. The crisis management response is based on the choice of how to ensure the continuity of business activities that are endangered and how to prevent the worst - liquidation and bankruptcy of the company. In order to be sustainable in the business of a company, certain assumptions must be met: the existence of a market-based core business, the availability of resources and the readiness of the crisis management.

In a crisis, the company often loses the reason for its existence - the company's resources are ruined, in the performance of its activities the yields begin to decline and often lead to losses in business, the advantage over competition is lost. When added to insolvency and insolvency, which are always followed by businesses in business difficulties, the most common crisis symptoms of sick companies are the result of the inability to pay their due payments in due time. This symptom manifests itself as a lack of cash on the company's account or, in turn, is a much more difficult option, as a blocking of its account. In a crisis, the company is approaching its business end and its existence is endangered.

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The possibility of survival is questionable and the risk of bankruptcy is threatened if drastic action aimed at recovery is not taken. The crisis situation demands management's thoughtful and extremely quick response with the use of offensive and defensive crisis strategies, where the "pain and drastically" of management actions grows as a higher degree of problems that the corporation has to solve. Depending on the company's assessment of the state of the enterprise and the desired outcome, strategies applied in crisis conditions for an enterprise can obtain two diametrically opposed effects - survival (as a result of a successful reversal) and abandoning the activity - (either by selling a part or the whole of an enterprise, its liquidation or the failure of a company after the termination of the bankruptcy proceedings). In addition, there are several types of strategies available to the management of companies in crisis.

Observed according to the goal that they want to achieve by their implementation, two groups are fundamental: the offensive crisis strategy, which aims to reverse (asset reduction strategy, cost cutting strategy, income enhancement strategy, combined strategy and pre-emptive settlement strategies) and defensive crisis strategies goal of abandoning activities (harvesting strategy, deforestation strategies, liquidation strategies and bankruptcy strategies). The choice of crisis strategies is based on the need to identify healthy business activities that need to be preserved, business activities to be disposed of and business activities to be developed. To this end, the management of a company in crisis must develop a crisis action plan that includes scenarios for the application of offensive crisis strategies or scenarios for defensive crisis strategies, or their combination should be applied which would allow a part of the activity to be retained and part of the activity discarded and abandoned. All, of course, with the main goal - to minimize threats and damage and, if possible, to prevent the worst - bankruptcy of the company.