

CAIM FOR COMPANIES: HOW TO SURVIVE THE CRISIS

The corona crisis is again gaining in momentum, and the crisis managers of the Czech Association of Interim Management are again ready to help!

Introduction

Companies have tried everything to withstand the difficulties caused by the coronavirus pandemic; however, a new era is at hand, in which they may not survive. The lives and health of people have maximum priority, but unfortunately the given measures cause, and shall continue to cause in the future, negative consequences for business. Companies are exhausted (physically, mentally, financially...) from the previous difficult months, and no one can say when it will all end. We can no longer rely on the fact that “things will get better”. We need to intervene and turn around the negative developments.

How? The team of experienced managers of the Czech Association of Interim Management (CAIM) has compiled another set of recommendations for companies (the first was published in March), which should help them survive the crisis, or at least allow them to realise the important contexts, and thus plan their next steps.

The crisis managers from CAIM have experience from many hundreds of various business crises that they have personally helped solve “singlehandedly”. The vast majority of these experiences are applicable also in the current situation, not only to companies, their owners, and their management, but also government bodies and emergencies committees at various levels can (and should!) draw on the methods of practical crisis management, or even various trade unions and professional associations can utilise them.

Tips based on the experiences of CAIM crisis managers

- > **It is absolutely necessary to admit that we are surrounded by a crisis situation in every sense**, that is, a situation for which we are not sufficiently and adequately prepared (mentally, knowledge-wise, organisationally, in terms of the necessary resources ...). This is **a situation in which the tools of “non-crisis” management applied up to now (usually) are no longer effective.**
- > Merely **waiting for a miracle** or for some massive aide from external sources **is not a method for rationally solving any type** of crisis. **We are primarily responsible ourselves for managing the situation, and any external means of help should only be welcomed support, whereby every such means of help is logically limited both in time and in capacity.**
- > **In crisis situations**, we are unable to protect/save and care for everything, **as it is in common, non-risky situations. Even though it may be painful, we must** determine clear priorities, and only then begin determining the available resources (**time, attention, materials - personnel - financial and other resources**). **There will never be enough resources in a crisis to possibly meet all needs and requests.**
- > Often, one is not sufficiently prepared for a specific crisis, because if we were to be prepared, then the situation would not have turned into an unexpected and difficult-to-handle crisis. Therefore, **the organisational or procedural methods from the pre-crisis period are generally not suitable for solving the specific crisis at hand** (in the sense of the Czech saying of preparing for the past war).

Note: It is especially necessary to take this into account when discussing the strict adherence to most

pre-crisis rules, regulations, procedures, plans, etc. Giving them preference formally when making decisions instead of taking the logically necessary steps and using common sense combined with professional experience may actually worsen the crisis. To overcome an unstructured and often unclear crisis, surely more suitable tools that can be applied are those of crisis teams consisting of managers and experts who have the ability of being flexible thinker.

- > There is no sense in crying over spilled milk. **It is necessary to dedicate all efforts to reverse the developments of the crisis going forward.** There will be enough time to discuss who caused what in the past in the subsequent analysis after the crisis has been overcome.
- > **Everyone can make mistakes, even when having good intentions. One must expect mistakes in crisis management, and it is necessary to adequately tolerate them.** This does not mean, however, that the mistakes should not be minimised, especially thanks to teamwork.
- > It is necessary to constantly **communicate, but using one, clear language and channel** both internally within the company and externally. A cacophony of opinions on crisis issues (especially those mediated and - albeit unwittingly - multiplied by the media and by various, sometimes narcissistic people on social media) shall only increase the level of chaos and demotivate people from adhering to the determined crisis instructions recommended by the responsible authorities.
- > **It is necessary to trust people** and to prepare procedures and rules in such a way so as that well-meant measures are not contingent on many obstacles presented by red-tape or supervision, which could dampen or complicate their effect for the majority of honest people.
- > **No crisis lasts forever.** If at the beginning we set the parameters, i.e. the target situation when we can declare the crisis to be over, we gain a “light at the end of the tunnel”, and we can better unify our efforts to achieve it. At the same time, one must be realistic in a crisis. There is no sense in believing that it will soon be over, and it is advisable to prepare oneself that the difficult period may be a long one.

CAIM Crisis Managers recommendations

- 1) **To effectively manage a crisis, it is necessary to have a properly organised crisis committee/team that elaborates several variants of crisis plans and procedures,** which would correspond to the management needs of the given crisis. Each variant of the prepared crisis plan will then be switched to another according to parameters that are clearly determined in advance.
- 2) **The crisis committee/team must be chaired by a resolute boss that has enough powers and the final say.** One must stop mixing crisis management with emotions, personal relationships, and politics. Crisis management is a full-time job - the crisis manager cannot sit on the fence or fully work in more than one position. The manager (usually the director or the owner) that chairs the crisis committee/team must be **experienced**, they must be a person with analytical and critical thought processes, have good orientation, have the ability to analyse the situation in a detached manner and in its contexts, they are able to analyse information, can manage changes, and are able to communicate their arguments clearly. Their ability to communicate is key, especially in terms of conflict management and for providing clear feedback.
- 3) One must stop dealing with yesterday's mistakes and **fully commit to solving tomorrow. Do not put off solving problems!** Postponing necessary activities and decisions is not the solution. Timely and qualified reactions can significantly affect the final result. **A range of things can also**

be foreseen and consequently one can strengthen weak spots or areas that are especially burdened by the crisis in advance. It is always necessary to look for the positive light at the end of the tunnel, to suppress negative thoughts and the useless dissection of failures and bleak outlooks.

- 4) **The crisis committee/team should communicate clearly, coherently, and directly.** It should communicate regularly, e.g. daily, in a structured manner and through one authorised person. If they communicate outwards, then again, directly and with the support of an expert in crisis communication. Communication must be timely, simple/understandable, direct, and trustworthy. One should avoid situations when everything changes the next day. The trustworthiness of announcements is given by the form and the person announcing the important matters (decisions, measures), as well as the quality of their argumentation and consecutive actions.
- 5) **Use agile approaches to management in times of crisis. This approach is distinguished by preparedness, the ability of rapid reactions and adaptability.** The agile methods of management allow one to determine so-called short sprints, which should be achieved in a period of several days or a week. In this period, one selects the priorities that people should deal with, and then connect the priorities with the staff capacity that is available in the given period. Thus, the results achieved on the previous day are assessed daily, and tasks are specified according to the priorities of the given day. Agile management can also be supported with on-line communication tools and data sharing.
- 6) **It is necessary to join efforts** - to make an appeal to the informal authorities within the company to support the measures issued by the crisis committee, to subject themselves to them and not doubt them; thus, they will strengthen the authority of the crisis committee and its decision-making and the ensuing acceptance. Rules and measures should be created in an **atmosphere of trust**, not under the control of bureaucracy and constant criticism. On the other hand, it is necessary to respect and adhere to the adopted rules.
- 7) **We do not approach the crisis as misfortune or a failure, it can easily be taken as an opportunity for further developments and growth.**
Let us try and find the gap on the market, new services, new products, and new connections. If necessary, let us re-orient ourselves to another activity, other clients, etc. Reassess our strategy to date.
- 8) **To solve crisis situations, it is advisable to take advantage of the expert help** of specialists that have experience in solving and managing crisis situations. Do not postpone solutions; time is of the essence, and if we hesitate now, it might be too late for salvation.

First Aid - What you can do yourselves

- Determine your priorities and concentrate on them
- Create crisis plans
- Focus on sales/commerce
- Taking into account the "new" situation, try considering a new product or service
- Take advantage of opportunities and seek out new ones
- If necessary, change your current strategy
- Lower costs everywhere possible (including staff costs)
- Monitor your cash-flow, negotiate possible payment or instalment deferrals

- Count on a possible technical insolvency
- Optimise production (do not produce stock just so production is not halted)
- Check your procedures and make them simpler, and if possible, make them automatic
- Determine the substitutability of each job position
- Say goodbye to employees who are not active or loyal
- Communicate with your employees and your surroundings
- Support team spirit
- Introduce a suitable form of “learning from the crisis developments” - for other, similar situations

How to recognise that a company is heading for a crisis and when it needs expert support

Companies are experiencing unexpected situations that they must cope with. In some cases, the changes on the market mean liquidation for companies, even if they were hitherto doing well. In other cases, this situation can only contribute to deepening previous or long-term problems that were ignored. Logically, the owner or management can pose the question whether they can manage on their own, or whether it would be better to ask for external help, and eventually at what point.

Elaborated procedures and methods are available for assessing the financial health of companies, which are applied, for example, by bankers, auditors, but also crisis managers. To quickly assess the situation, however, several questions will suffice, whereby the financial situation is not the most important criterion.

CAIM interim managers have put together a simple test for small and medium-sized enterprises, helping owners or managers themselves to quickly discern what condition they are in and whether they require external help.

A SIMPLE “FITNESS” TEST FOR COMPANIES

What is the current situation that the company finds itself in?

1. *In excellent condition*
 - *the company has been growing in the long-term,*
 - *its profitability is above the market average,*
 - *100% of human resources are used, and more are constantly sought out*
 - *100% of production capacity is used, expansion is necessary (if a production company)*
2. *Standard condition*
 - *the company has been stagnating in the long-term, or is experiencing slight growth (thus, it is worth discussing whether the strategy itself is capable of providing more sustainable growth in a given situation)*
 - *profitability is in positive numbers/acceptable*
 - *90-100% of human resources are used on average*
 - *90-100% of production capacity is used on average (if a production company)*

3. *Sub-par condition*
 - *the company has been stagnating in the long-term, or is experiencing slight decrease (sales are stagnating or are falling, which is then projected in the financial results)*
 - *profitability has been a “close to zero” in the long-term or even in negative numbers in the short-term*
 - *80-90% of human resources are used on average*
 - *80-90% of production capacity is used on average (if a production company)*
4. *Troubled condition*
 - *the company’s performance has been falling in the long-term, which is then markedly evident in the financial results, potentially also having a negative effect on cash-flow*
 - *profitability has been in negative numbers for more than nine (9) months*
 - *less than 80% of human resources are used*
 - *less than 80% of production capacity is used (if a production company)*
 - *more than half of liabilities are 30 days overdue*
 - *problems can also be manifest in the balance sheet (stock is increasing, so are overdue receivables and liabilities and eventually semi-finished/unfinished production of the company, thus getting into problems in terms of loans/indebtedness - e.g. does not meet the negotiated bank covenants)*
5. *Critical condition*
 - *decreasing performance is the long-term trend*
 - *profitability has been in negative numbers for more than twelve (12) months*
 - *less than 75% of human resources are used*
 - *less than 75% of production capacity is used (if a production company)*
 - *more than 75% of liabilities are 30 days overdue and it seems that this trend will continue; the company has a problem re-financing loans*
6. *“COVID” Critical condition*
 - *Company performance is decreasing (steeply thanks to the pandemic and the measures associated with it)*
 - *profitability has been in the negative numbers for the past six (6) months*
 - *less than 75% of human resources are used*
 - *less than 75% of production capacity is used (if a production company)*
 - *more than 75% of liabilities are 30 days overdue and it seems that this trend will continue despite of the fact that the company took advantage of government aid*

What is the position of the company in relation to the market?

- *Market position*
 1. *Leader in the segment (the company has its own product and service research and development, setting trends in the field and/or its market share is significant and growing)*
 2. *Average player (the company does not have its own research and development and/or their share on the market is stagnating or slightly decreasing)*
 3. *Troubled player (the decreasing share on the market is a long-term trend - more than three (3) years)*
 4. *The company is basically just a subcontractor of contractual manufacturing*
- *Character of the market*
 1. *Market is expanding*

2. *Market is stagnating*
3. *Market is falling*
4. *Market conditions have dramatically changed*

Success of company strategy

1. *The strategy is being successfully met and is leading to long-term growth*
2. *The strategy is being successfully met, yet the company is stagnating*
3. *The company is in loss, the strategy is not being met and/or is not bringing the expected results in the given situation*
4. *The basis on which the current strategy was made has significantly changed, making the current strategy obsolete and not suitable for the current situation*

Processes and Company functionality

1. *The company/enterprise is functioning without problems (processes are set more or less effectively)*
2. *Corporate processes sometimes get stuck, but can be solved in-house*
3. *Corporate processes have obvious problems, and these problems are manifest in the company's inability to supply its products, services to clients on time, in the necessary quality, and with the planned profits*

Test assessment

If your responses always have a **higher number - that is, for instance, three and up, the situation can be serious, and it is necessary to not hesitate and begin solving the situation adequately**. First, everyone should consider whether they can handle the situation themselves. Another possibility is to request help from an experienced consultant, mentor, or interim manager. Merger or selling the company are also options to consider. We remind you that in such situations, it might be necessary to carry out a so-called liquidity test, especially to identify and manage the risks of being overburdened with debt and/or insolvent as defined by the Insolvency Act.

Conclusion

Crises are not anything unknown or exceptional. However, the corona crisis is extraordinary primarily because it has affected and will continue to affect a large part of the economy. Which companies shall survive is not so much a question of how large or strong they are, but how flexibly they are able to adapt to the new conditions? Most Czech entrepreneurs and managers are striving to fight for the survival of their companies. The Czech Association of Interim Management feels that its mission is to help them in this struggle and provide the experience of its members - interim managers - to all interested parties through, among others, this document.

However, there are situations when it is better to entrust an expert with a specific problem. It is commonplace to entrust an experienced mechanic with the repair of your car or a quality dentist with the treatment of a painful tooth. In the case of a crisis, it is sometimes appropriate to employ the help of a professional crisis manager that has experienced a similar situation and has resolved

many more. Even during crisis, it is appropriate to use time-tested procedures, since the “trial and error” approach could have fatal results.

The Czech Association of Interim Management is prepared to help the entrepreneurial sector with solving the consequences of this crisis, no matter the field or focus. The members of the association are experts in various areas of corporate problem solutions.

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ABOUT CAIM

The Czech Association of Interim Management is an expert platform that brings together interim managers - professionals with experience in solving crisis situations in many fields. The CAIM interim managers have worked in many positions or have helped solve problems in hundreds of companies and organisations, the existence of which was often saved. The interim managers help companies by taking on tasks that the company does not have enough resources, experience, or expertise to tackle, and they do so in the form of a time-limited project/commission.

Interim Managers specialisations and fields of expertise

■ *The association brings together interim managers who specialise in finance and controlling, logistics, purchasing, sales, services, human resources, information technologies, managing corporate processes, production, but also in general corporate management. Interim managers work in small enterprises individually, and work on larger projects in teams that are tailor-made for each company*

■ *In terms of fields of expertise, interim managers work in engineering, manufacturing industry, automotive industry, electro-technologies, construction, transport, logistics and supply, ICT, chemical and food industry, pharmaceutical industry, tourism and accommodation, sales and services, or in other fields*

Interim managers help companies

- *Change the strategic objectives if necessary (this will be a pressing need for a range of companies thanks to the negative effects of the corona crisis on some sectors)*
- *Determining more appropriate business models*
- *Manage costs so that the company is not endangered by problem situations. Manage the necessary changes of internal processes.*
- *Change unsuitable structures of the balance sheet - stock, semi-finished production, receivables, liabilities; help in re-financing and re-structuring loans*
- *Manage cash flow, even in difficult situations or in technical insolvency*
- *Solve pre-bankruptcy situations, or eventually the crisis management of companies that are already in bankruptcy*
- *Manage support for the preparation of mergers, acquisitions, or successions*
- *Ensure company (or department) operations in case a regular employee drops out*

(substitution management)

- *Prevent liability damages caused especially by the statutory body*
- *All of this as a manager and as partners of the owner or the company's top management in various forms of contracts according to need*
- *The advantage is the rapid involvement in the necessary activities, flexibility, professionalism, independence, impartiality, credibility, responsibility, reference*

More at: www.caim.cz