

## **Making an opportunity out of crisis**

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Seeing the crisis as an opportunity – is this an empty platitude that you too have been hearing far too often recently? This sentence is only a platitude if it gets no further than the "what". The "how" is the key issue. How can we use the crisis as an opportunity? We would like to present five propositions here to any interested managers:

### 1. Learn from medium-sized businesses

We at CONTUR enjoy working with medium-sized businesses, something we do often. The exciting thing about this section of the economy is that experiences are very firsthand.

a) The company's survival is an immediate issue. No safety nets are stretched out for small and medium enterprises. The entrepreneur/owner's very economic livelihood is threatened during crisis. Owners of mid-sized companies do not think about job cuts in abstract categories; no, they have to look people directly in the eyes if they want to cancel a contract. So to repeat: in the small and medium-sized company sector, experiences are firsthand and unfiltered. This is why we can learn so much from these companies.

b) Owners of medium-sized businesses often know very well what has to be done when their company is in troubled waters. The first step is to prevent a reduction in room for manoeuvre or to delay this for as long as possible. There are round tables, where entrepreneurs, banks and consultants sit down together to come up with solutions. To all three parties, it is clear that this is not the time for concepts. The motto is: "First the solution, then the reason".

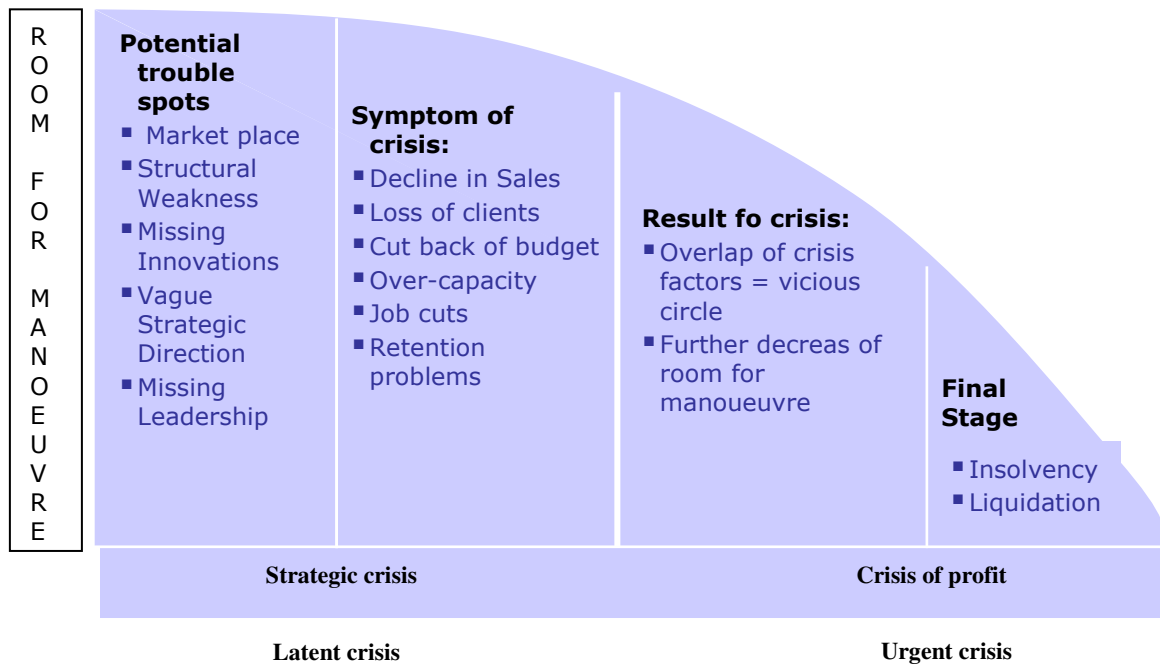
c) We can also learn from mid-sized companies that failure is not an option. A new start can even be a better alternative to carrying on as before. We are all familiar with images of clearance sales at carpet dealers that are guaranteed to close down soon. This type of radicalness when looking for solutions, where no idea is forbidden, is something worth emulating. Potential trouble spots and causes have to be radically exposed.

### 2. Businesses are made by people

The way people behave in personal crises is strikingly similar to the way businesses behave in crisis situations. The same solution strategies are found, similar errors are made and, obviously, comparable psychological patterns underlie both. At first, we do not want to believe there is a crisis, we don't want to see it and we look away. We stick our heads in the sand like the proverbial ostrich (see also: Erfolgsfaktor Krise, Belker P.; Heimbrock F.; in: ZRFG Risk, Fraud & Governance, no. 2, 2006). Once we see the crisis, we behave as stubbornly as a small child. Then comes depression and we are passive and incapable of action. When they reach this stage, entire companies are paralysed and nothing gets done.

Next, we roll up our sleeves and make a start. And here there is the risk of taking action simply for the sake of doing something. A company only has the opportunity to mature once there is a clear picture of what direction it has to change in. This maturity is the experience that people make retrospectively after coping with personal crises.

3. Secure room for manoeuvre thanks to proactive management



Crisis grow slowly and surreptitiously. Companies that are doing well rarely see the crisis approach. The crisis is latent, i.e. not yet apparent. Triggers can be external, such as turbulent financial markets or difficult sales markets. Internal mismanagement further adds to the critical mixture.

The crisis becomes acute once it is visible. By this time, the options for dealing with the crisis are already limited. It is therefore important to act as quickly as possible to ensure the strategic crisis does not become a crisis of profits. What applies for entire companies also applies to the subareas, such as departments and teams. Each unit must now react with courage.

#### 4. Crises are dealt with in three steps:

##### a) Ensuring survival in the short term.

As with first aid at the site of an accident, the first step is to secure and maintain the organisation's vital functions. This applies not only for companies, but must also be broken down for the individual components, such as departments and teams. On this issue, you have to decide very quickly what the main tasks are that keep the company alive. One instrument that is often used here is a crisis workshop, at the heart of which is an action list. If this list is merely a list cancellations and reductions, then it does not go far enough. It is already important at this stage to think beyond simply cutting costs. What intelligent solutions are there for increasing the marginal return, what short-term measures are there to increase sales? How can success be achieved in procurement or how can you focus on the core task in question? At this point, right at the start of crisis management, you have to get the employees behind you. This means that clear and transparent communication is essential.

b) The second step is only ostensibly about mid-term measures. The issue now is to analyse, to assess the situation and to rigorously uncover mismanagement. In a crisis, this is as clear as if it were under a magnifying glass. And it now also becomes clear why a crisis is also always an opportunity: for it is almost only possible in a crisis to uncover systemic errors and to overcome the inertia of the overall system. Employees and interface partners with whom a simmering conflict has been just under the surface for a long time are now forced to face up to each other honestly. Resources that have been wrongly distributed because, as so often is the case, organisations and structures have been built up around people suddenly have to be distributed as efficiency dictates. Complex and long-winded processes suddenly become lean and to the point. (e.g. forms are omitted, signatures are no longer necessary, people act). The means of assessing the situation that is most frequently used is a SWOT analysis.

c) The strategic orientation step is ideally suited to those who see the half-full glass of "opportunity in a crisis". Structures are forced open, many things that previously seemed unthinkable become possible. It is now possible to think up completely new product/market combinations, find entire new ways of reaching customers or fostering potential savings.

### 5. The crisis calls for trust

The current economic situation was triggered by the collapse of inter-bank commerce, i.e. banks no longer lend to each other or only at exorbitant interest rates. This may sound technical, but at heart it is a crisis of trust. According to Luhmann\*, trust is a "risky advance payment", and this is exactly what employees expect from their managers. The crisis of trust is also evident in the fact that no-one is buying cars anymore, for example. And then overcapacities in a sector suddenly become apparent. What people need now is trust and employees are also demanding this unconsciously from their management.

To build trust especially within the crisis, the key task of the leader is, to act as a clear role model regarding a faithful and optimistic atmosphere. That of course also means to show a certain measure of modesty. And last but not least, the employees need a clear vision and focused target-orientation.

\* Luhmann N.: Vertrauen. Ein Mechanismus der Reduktion sozialer Komplexität, Frankfurt a.M. 1993

### 6. A clear vision will overcome a crisis

For employees to trust again, they must be able to see a clear vision of their future. The management must not fall back on the idea that the future is uncertain. Management always means acting under uncertain auspices. Management is not like mathematics or physics – the best decisions are always based on gut feeling. A good vision brings together the rational logic of action and assessing scenarios with a strong intuitive coherence. A good vision also transports emotions. This is the only way that trust can be inspired. And we would therefore call on all managers to deliberately and knowingly find and convey a clear and coherent vision, especially in times of crisis.

Our advice to managers: don't let yourself get rattled and don't wait and see. Now is precisely the time to identify the coordinates of a target on the horizon and to steer consistently towards it.

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