

# THE CHARACTERISTICS OF PREFERRED STRATEGIC POSTURES BY BULGARIAN INDUSTRIAL COMPANIES IN THE WORLD FINANCIAL AND ECONOMIC CRISIS

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## **Abstract**

*This article presents the results of a survey of Bulgarian industrial organizations with respect to their clashes with the world financial and economic crisis's effects on local economy. The crisis manifestations under business environment specificity factors and important cultural aspects of dominating managerial behavior in these companies are described and analyzed. The concrete research encompasses two groups of industrial companies, representing two opposite views to crisis – as a threat or as an opportunity. Attitudes to crisis, undertaken anti-crisis measures in key functional areas, preferred strategic moves of these companies are surveyed, analyzed and summarized, i.e. unravelling dominating attitudes among the majority of managers to perform serious cuts in expenditures in important functional spheres as human resources, investments, innovations, marketing, etc., and also noticing the minority of organizational leaders that accept the challenges of re-inventing current business models and/or re-formulating company vision and mission statements.*

**Keywords:** industrial organizations, crisis management, Bulgarian companies, firm management, business strategy.

**JEL classification:** L1, L2, L6, D2, J3, J5

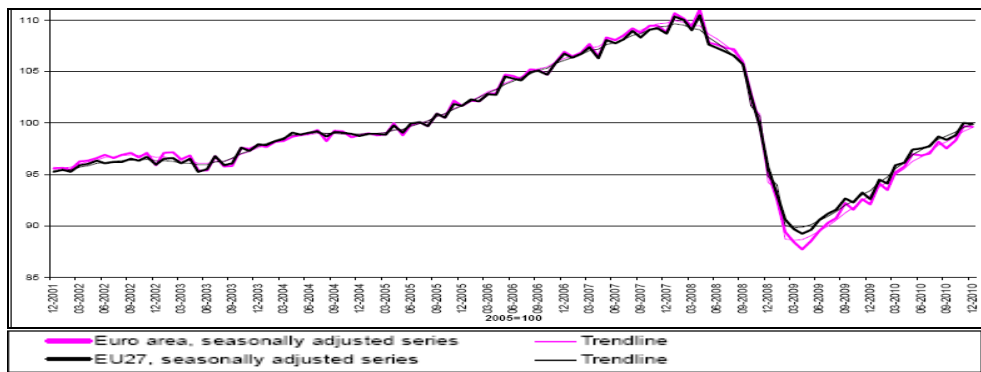
## **1. INTRODUCTION (SURVEY ACTUALITY)**

The initial noise of the world financial and economic crisis to Bulgarian economy came as distant drums from the internet news and world media. There was almost no immediate reaction by the current government and the business. “*Wait and see*” was the cultural programming that prevented from initiating any proactive measures by decision-makers till it became a bit late to escape or at least minimize pending troubles. The “*tranquility*” inertia at the end of a government’s mandate and current preoccupation with forthcoming elections predetermined a policy of postponing the necessary public spending cuts. The comfortable and delusive feeling that the period of stability (1998-2003) and high growth for the national economy (2004 – 2008) would continue forever prevented the executives of local industrial companies from undertaking of proactive or timely turnaround strategies or appropriate organizational changes in their business activities (processes, models, etc.). Opinion leaders,

politicians and businessmen declared Bulgaria “*an island of stability*”, relying too much on the positive effects of the enacted currency board in 1998. At the same time the world has been shaken by failure of leading businesses, declines in consumer wealth, substantial financial commitments incurred by governments, and a major decline in economic activity. Most of the crisis causes that have been identified by prominent experts from developed economies, resounded strangely in the heads of local managers, because of Bulgaria’s economy specificity [Wiki, 2011; Nikolov, et.al., 2009], as follows:

- *Growth of the housing bubble* – second mortgage option does not exist in Bulgarian financial legislation and is not practised by banks;
- *Easy credit conditions and sub-prime lending* – the initial transition period of Bulgaria is associated with the bankruptcy of 14 banks in 1996, that ended in higher levels of distrust by the clients. The successive, especially the recent, period of stability and growth (2004-2008) has restored gradually and partially the trust in crediting institutions by local business and households;
- *Predatory lending and increased debt burden or over-leveraging* – country’s financial legislation imposed on bank managers to grant predominantly “*safe*” or “*sound*” secured loans for “*appropriate*” purposes. On the other hand the majority of local people are not accustomed to living on credit;
- *Excessive deregulation, uncontrolled financial innovation and complexity, incorrect pricing of risk, commodity bubble, and boom and collapse of the shadow banking system* – the Bulgarian national bank holds strict control over the activities of local presented lending entities, not only in the criminal sphere of money-laundering. Fast reactions by the Financial Supervision Committee have been witnessed recently, related with penetration in the local market of high-risk foreign financial players, supplying “*new services*” to inexperienced and uneducated clients. On the other hand the local stock market is underdeveloped and weak, because most of the contemporary financial (trading) instruments do not exist by law. Minority of local industrial organizations actively participate in local stock exchange trade.
- *Systemic crisis* – it is mentally rejected by businessmen and opinion leaders, because it means a fast collapse of “*their comparatively new capitalistic dream*”, associated with freedom, open economy and democracy;
- *Role of economic forecasting* – it is not the strength of the majority of Bulgarian executives who as a rule are short-term oriented and are accustomed to being unpleasantly surprised.

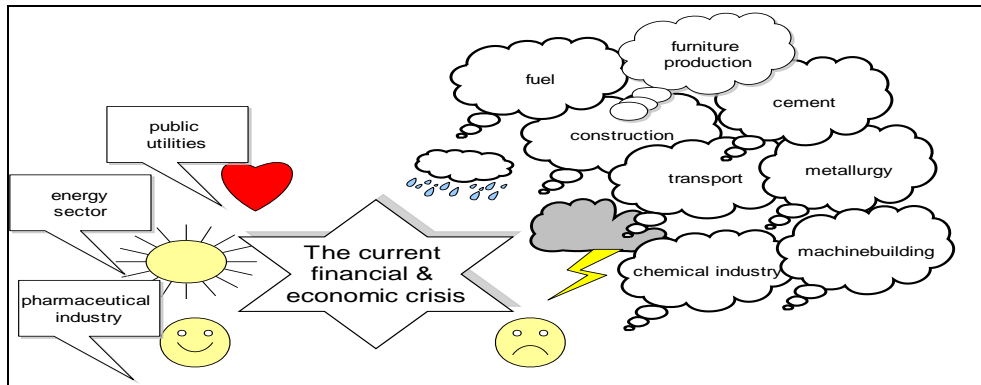
In fact, this proved to be a consumption crisis for local industrial companies, because their “*western*” partners (predominantly from EU) decreased the volumes of their orders and/or used different insignificant reasons to cease contracts (for example the local gas crisis from 2009) (see figure 1). On the other hand the government collected less taxes and retarded its payments to business organizations, associated with the fulfilment of public tender contracts with almost an year. The state came as one of the largest clients for a few of these companies which worsened their financial results, shook stability and in some cases threatened their existence. Additionally, the majority of crediting institutions, operating on the local market, are subsidiaries of foreign institutions and predominantly Greek. Because of the storming crisis in their mother-countries, these institutions transferred groundless their fear of clients’ bankruptcy and limited or completely ceased financing of certain industries and/or local business entities as a whole.



Source: [Eurostat, 2011]

Figure no. 1 Euro area and EU27 production, total industry excluding construction.

All these factors contributed to shaping of motley market landscape for local companies, functioning in different industries, some of which were deeply affected by the crisis, while others were spared by it and continued their boom (see figure 2).



Source: [Capital, 2010]

Figure no. 2 The impact of world financial and economic crisis on different industries.

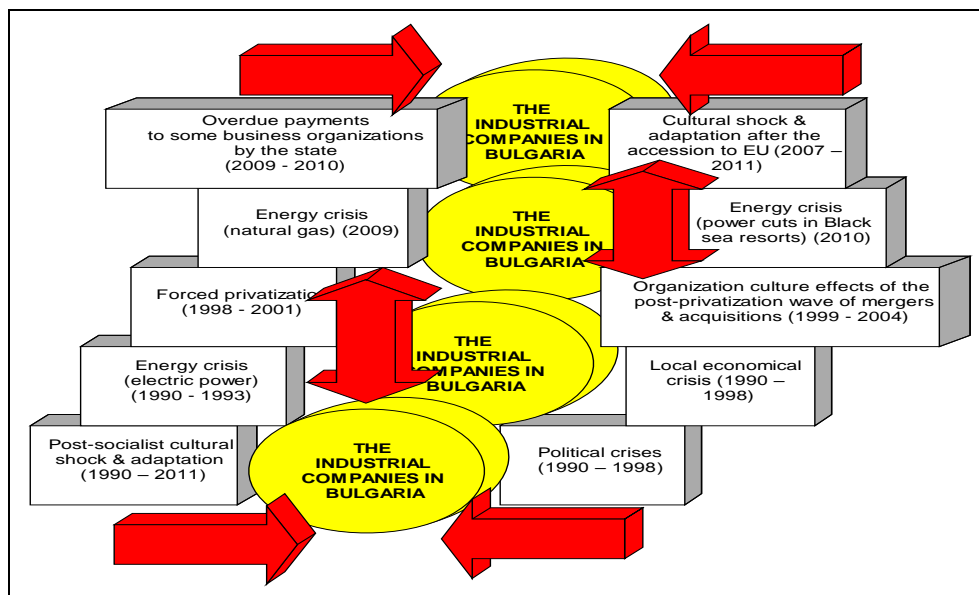
Since decision-making on macroeconomical level looks a little farfetched for “*turmoiled and experienced*” business executives, entrepreneurs and their employees who accept its effect only as necessary and possible environmental fine-tuning for the smooth running of their businesses, it is logical that quality of management in organizations comes in the foreground as the real leading gear of welfare in people’s lives. This is the reason why executives’ behavioral reactions to the world financial and economic crisis appear to be a curious subject of research.

## 2. CRISIS MANIFESTATIONS AND BUSINESS ENVIRONMENT SPECIFICITY

The world financial and economic crisis is the first contemporary “*capitalist*” crisis that hits Bulgarian economy after the Great depression from 1930s. Since that time the country has passed twice through deep economic changes, i.e. nationalization of private

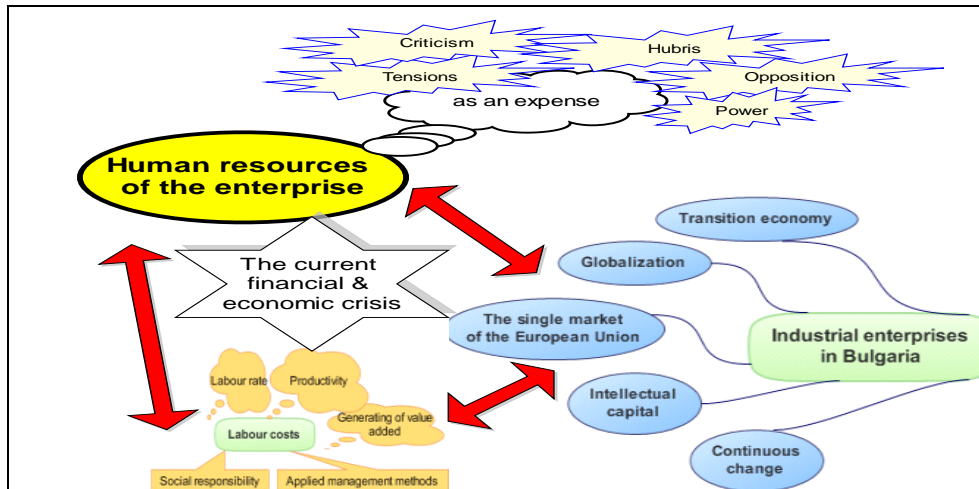
property (1949), followed by a long socialist period; and restitution, accompanied by privatization of public assets (1992-2001) – the so called transition period. Because of these turning changes in the essence of economic relations, lessons from successful coping with the problems of Great depression blurred as a distant memory and have not been transformed into pattern of basic assumptions that has worked well enough and respectively frequently to be considered valid and, therefore, to be taught to new generations of managers as the correct way to perceive, think, and feel in relation to management of economic crises [Schein, 2004]. Different executives' subjective "*lessons*" in coping with recent local crises (see figure 3) prove to embody those beliefs and values that can be empirically tested and that continue to work reliably in solving organization's problems with great chance of being transformed into assumptions, as the current actions of many executives reveal (see figure no. 4).

The burden of the recent past, especially the privatization period, brought to foreground again downsizing, decrease of employee remuneration packages (but not of managers' ones), ceasing market expansion and in some cases discontinuing of business activities, accumulating losses to the industrial companies, usually accompanied by tense "*manager-employee*" relationship, dominated by criticism, tensions, hubris, opposition and "*power*" or "*turf*" manoeuvres [Dimitrov, 2008]. First, the export-oriented organizations from the crisis affected industries suffered as a whole, but at the end of 2010 the export increased again, due to these companies, satisfying clients' basic necessities. On the other hand, traditionally Bulgarian export is not characterized by higher value added and only expert estimates may roughly define the portion of it that may be attributed to VAT fraud within EU. The rates of increase in the profits of succeeding companies are lower in comparison to those before the crisis and in some industries changes in the group of leading market players can be detected.



Source: [Dimitrov, 2011]

Figure no. 3 The bounces of industrial companies in Bulgaria in the continuum of local crises.



Source: [Dimitrov, 2008, 2009]

**Figure no. 4 Special effects of world financial and economic crisis on industrial organizations in Bulgaria.**

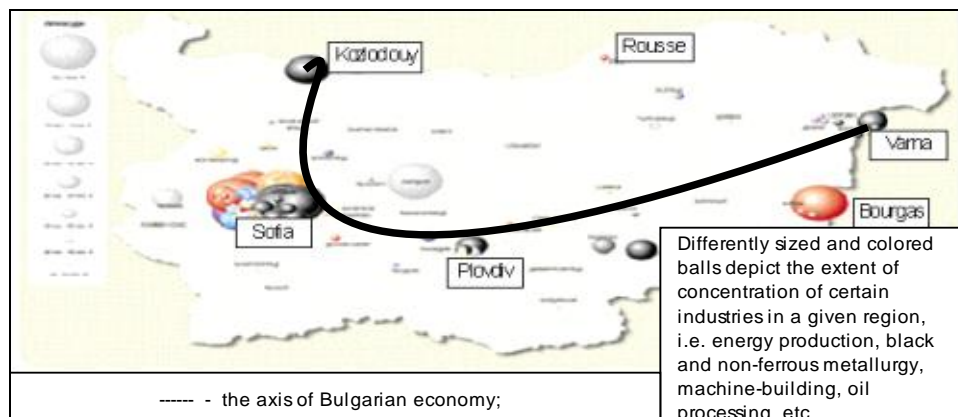
The special environmental features in which local industrial organizations operate worsen the situation even more, considering [Dimitrov, 2009]:

- Usual attributes of a *transition economy* - high levels of corruption, nepotism, conflicts of interest, frequently changing laws and cumbersome judicial system.
- Urgent needs to achieve profitability by minimizing cost as well as by increasing growth, moderate (efficient) use or leadership in developing of new technology, because of ongoing process of adaptation to *the high competitive single market of the EU*;
- The ongoing process of brain drain as a result of the crises in the national economy in the 1990s (see figure 3) which put the industrial organizations in disadvantageous position, concerning *intellectual capital* as it is the most important resource of high value added creating businesses.
- The limited investment opportunities of a large number of owners of industrial enterprises and the necessary overcoming the contradictions in multicultural interaction among owners – the reasons of an *inevitable continuous change*.
- *Globalization*, especially the origin of foreign investors and their cultural influence (other transition economies, the offshore zones, etc.). As a rule the leading organizations from developed countries to refrain from developing a manufacturing activity in Bulgaria, or the established organization usually has very limited scale, because of low income per capita, the unsatisfactory level of development of clusters, subcontractors' chains and business networks in the national economy, diminishing number of population due to emigration and the aging economically active group of people.

The majority of executives did not use the past crises as key marker events at least to identify and change, if (when) needed, their basic business-related assumptions, which hamper steady and fast firm growth, as follows:

- Getting rich with ordinary (traditional) businesses justifies the efforts, rather than design of innovative products, services or invention of new or renewal of operating business models which is considered a risky and uncertain initiative.
- Predominant development of ordinary (traditional) businesses predetermines Bulgaria's disadvantageous position in the international division of labor – a low cost outsourcing destination, rather than a country with a bunch of world-renowned trade marks.
- The hired laborers are responsible for overall business productivity, rather than the managers (or owners) of the entity with their decision-making, regarding strategic issues as the choice of an appropriate business, the preferred technological level, and staffing policy.
- Strong preference to economic management methods, rather than application of a balanced approach of economic, administrative and social-psychological ones.
- Preoccupation with compensation expenses which are in fact easier to manipulate, rather than dealing with tough tasks as organizational restructuring, new product development, internationalization of business activities, etc.
- Defining the corporate social responsibility activities of the industrial organizations as peripheral that do not worth the executives' efforts and attention, rather than implementing a balanced approach to identifying and satisfying the interests of all substantial constituencies to the entity.
- Exaggerating the positive effects of privatization on customer rights and management quality.

On the other hand the consequences of decision-makers' disorientation to (re-)(dis-)solve the issues of external adaptation and internal integration brought to lack of well-designed and implemented regional policy during the transition period which shaped the backbone of Bulgarian economy before the current crisis along the axis of: "Sofia, Plovdiv, Bourgas, Varna, and Rouse". Now, as far as the size of the functioning businesses and foreign direct investment are concerned, it may be defined as a metropolis of Sofia (see figure 5).



Source: [Newspaper Capital, 2010]

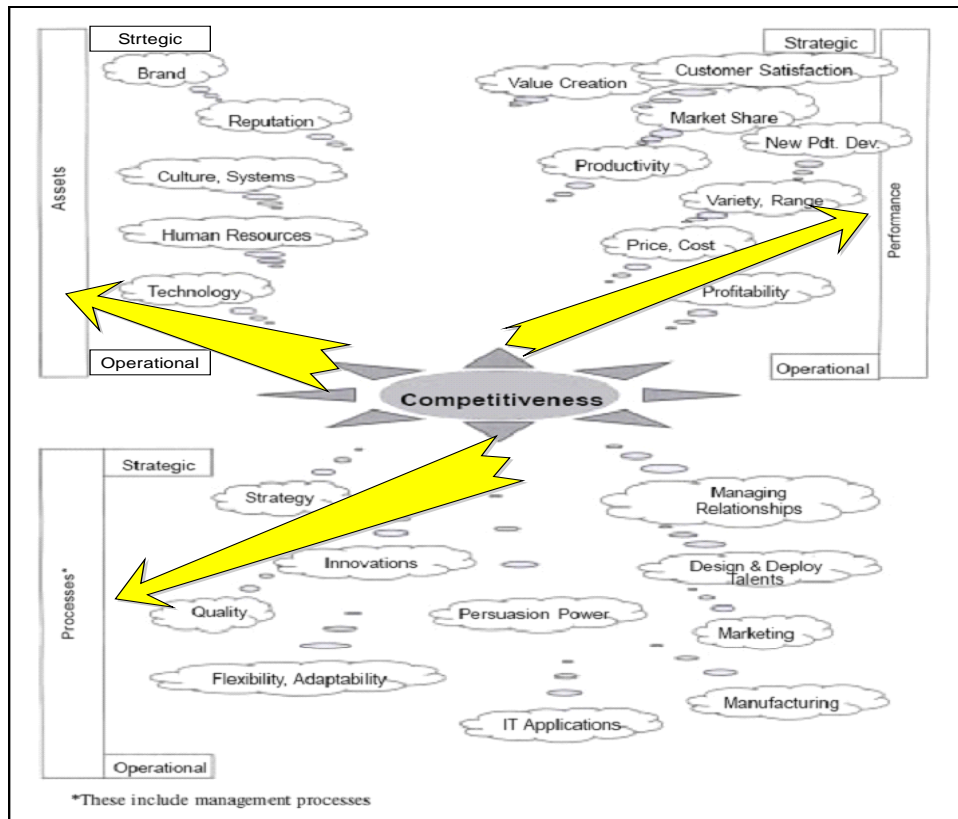
**Figure no. 5 Localization of the biggest industrial companies in Bulgaria**

### 3. CULTURAL ASPECTS OF LOCAL MANAGERS' BEHAVIOR IN THE CRISIS THROUGH THE LENS OF FIRM-LEVEL COMPETITIVENESS

Popular research perspectives to company competitiveness, labelled as “*assets*”, “*performance*” and “*processes*”, provide fruitful opportunity of analyzing local managers' behavioral aspects, concerning the crisis on the spectrum of probably a little bit subjective categorization of strategic and operational levers, as follows [Ambastha, Momaya, 2003; Depperu, Cerrato, 2005] (see Figure 6):

- Treatment of competitiveness as a dependent variable attaches to it the importance of driver of a firm's performance.
- Treatment of competitiveness as an independent variable attaches to it the significance of outcome of a firm's competitive advantages (performance measurement).
- Applying static analysis as a preferred approach to the study of competitiveness which essence may be explained through adopting the concept of competitive advantage as a firm's position within an industry (assets, resources).
- Applying dynamic analysis as a preferred approach to the study of competitiveness which essence may be explained through adopting the concept of competitive advantage as a firm's actions and abilities to work more effectively and efficiently than its competitors (processes).

Traditionally the majority of local industrial organizations are followers in the sphere of intellectual property - brands, patents, licenses, etc. in comparison to the dominating situation in the elder member states of the EU. A large group of companies from shoe industry, clothing industry and machine-building industry prefer producing with their client's materials under his trademark to registering and developing their own ones, because of higher initially incurred costs and associated risks of market failure. The companies from the pharmaceutical industry are the local leaders in registering patents, especially in the sub-sphere of nutrition additives. On other hand many industrial organizations do not create clear, memorable and attractive brands to target audience which hampers their successful market performance.



Source: [Ambastha, Momaya, 2003]

Figure no. 6 The lens of firm competitiveness

Company reputation is an attribute the majority of managers are not concerned with. Dissatisfied employees and clients and/or lack or inefficient relationships with local communities and state administration have turned into ordinary circumstances in everyday professional life turmoil, encountered by the executives in a substantial part of local organizations, a significant group of which still try to sell what they can produce (or deliver) and in fact do not take into account neither the needs and necessities of their clients, nor any customer rights. On the contrary, they limit the potential positive impact of marketing function in the companies by implementation of strategic moves, aiming at pushing up the output quantities of what's produced and/or delivered which is an equivalent of an outdated approach used in the 1950s and in the 1960s by industrial companies from the nowadays called "developed countries".

In turn, organizational culture types dominating in many entities are characterized by persistent orientation predominantly to the profit increases for business owners and/or senior managers while other constituencies' interests (suppliers, customers, employees, local community, regulators, stockholders, etc.) are not identified, defined as priorities or balanced by means of deliberately planned managing activities, concerning these crucial relationships. Logically, such attitude confines decision-makers in the organizations in their "own worlds" and generates lack of respect to them by large strata of society. That is why



many of them can not occupy leadership roles, corresponding to their status, in the organizations and on public/ political scene.

As far as human resources are concerned, the majority of managers continue considering they are not in “*one boat*” with their employees which is manifested by widespread practices of creative circumvention of enacted labor legislation, associated with employee compensations and otherwise obligatory agreements with trade unions because of performed mass layoffs. Most of the employers’ initiatives to reappoint employees in newly registered companies proved to be just successful attempts for labor cost optimization by introducing minor but substantial changes in labor contract clauses – for example, its indefinite duration may be replaced by “*an agreement*” on a trial period of up to six months, most of the time taking advantage of employee naivety and ignorance.

The issues, concerning design and deploy of talents do not find contemporary solutions, contributing to achievement of sustainable competitive advantage through human resources. The “*rules of the game*” in the majority of local industrial organizations are imposed by mechanistic and multilayer organizational hierarchies, maintaining high horizontal differentiation, rigid hierarchical relationships, fixed duties, high formalization, official communication channels and centralized decision authority, instead of modern (flat) organization structures, maintaining collaboration, adaptable duties, low formalization, informal communication, decentralized decision authority, limited chain of command, widened spans of control, empowered employee teams, and low horizontal differentiation. “*Experience*” is still a dominating employee selection criterion, overbearing other human characteristics as intelligence and creativity. Promotion from within the organization is not a wide spread practice among local industrial organizations whose senior managers more often prefer employing prominent outsiders to developing the careers of their own high-performers. Most of the time they know the exact names of these leading specialists and in fact “*steal*” them from other companies (or even competitors), using the services of head-hunters. That is why narrow groups of professionals have been formed in almost all spheres of the processing industry, whose brethren “*are subscribed to*” remuneration packages approximating the payment levels for linear (or functional) managers from the developed countries. All other employees in the companies are labelled as “*the rest of the staff*” and their remuneration packages are the lowest in the EU.

The managers’ attitude to manufacturing, technology and quality standards during crisis times varies between two extremes options. *First*, some industrial organizations postponed all investments that are not directly related and are not urgent or crucial to smooth flow of current production activities of the entity as an anti-crisis measure. *Second*, some of the industrial organizations are subsidiaries of multinational companies and their mother-organizations decided that the crisis period, characterized by lower business activity in many industries, is perfect for implementation of projects for production capacity enlargement and/or modernization of production processes, and building of new facilities. Managers’ willingness to implement industry specific quality standards, nevertheless current hardships, results mainly from clients’ requirements and EU regulations, directives or recommendations.

Concerning the qualitative factor of customer satisfaction diverse business approaches may be identified, varying from business model renewal to intentional deterioration in quality of supplied products in order to limit production costs. In some cases the customers changed their unreliable suppliers, but in others they could not do it (for instance, the public utilities). Since this is a crisis in consumption, the persuasion power in many spheres sup-

ports the side of “*the clients*” who as a rule prefer lower prices, smaller quantities, and the same or higher quality. Thus the potential productivity increase issue becomes of great importance to suppliers, but its possible solutions most of the time counteract tenured managers’ underlying assumptions of business, universe and the rest of the stuff, incarnated in their organizational power and turf interests. The majority of entities that reported an increase in productivity levels achieved it through layoffs of low-qualified employees, not by means of business process reengineering or culture change programs. A minority of companies directed resources, time and efforts to organizational restructuring initiatives, including product portfolio optimization (variety and range), implementation of cheap innovations oriented to lowering or occupying leading position, concerning prime cost or product prices. Managers’ widespread underlying assumption that it is possible to generate higher value added by means of traditional businesses provokes continuous tendency of pushing up commodity prices not in congruence with population incomes. Since Bulgaria is the underdeveloped part of the optimum currency area within the EU in comparison to the elder member states, the social cost of country’s accession to the “*club of the richest*” may turn out high, the more so as an efficient “*financial mechanism*” for balancing output prices and employee remuneration packages is neither created in the economic theory, nor enacted by the constituencies in the industrial relations. So, it is not surprising that the process of economic and welfare alignment with elder member state “*standards*” proceeds unevenly and a little bit chaotically, most of the time to the detriment of hired laborers. Lower population solvency levels and insufficient sharing of the profits, generated by industrial organizations, between the group of hired laborers from one side and the group of owners and senior managers from the other side, limits local market’s depth and strengthens “*us and them*” cultural programming, culminating in a basic assumption that in a transition economy you may achieve “*success*” (personal, professional, and/or social) only as an employer, rather than as a hired laborer. This predetermines managers’ strong attention predominantly to output price levels per unit, rather than total sales profits from production and trading with large volumes of output. Such attitude dooms the majority of local industrial organizations to slow growth in market share or forbearance from international expansion, and sporadic new product development. Most of the time managers undertake such activities as a reaction to main competitors’ successful strategic moves in related business spheres. The comparatively lower rate of innovations in the local companies creates a number of issues, concerning their smooth conduct, expressed by:

- Demonstration of inadequate behavior by managers – unwillingness to systematic abandonment of yesterday, preoccupation with ongoing business processes and activities, risk averse attitude, rejection of new, half-baked ideas, etc.
- Inappropriate application of project management principles, processes and phases.

A traditional classification of business strategies for crisis times provides the managers with a set of possible moves for local industrial companies, as follows [Paunov, 1995]:

- Terminating the business, personnel layoffs, sales of all the assets, including the required legal steps to strike off the company from trade register.
- Reformulating the current business strategy.
- Implementing a strategy for an increase in revenues.
- Implementing a strategy for a decrease in costs.
- Implementing a strategy for a decrease or relocation of firm’s assets.
- Creative search for any indirect form of subsidies from the state, because giving “*direct help*” to business entities is forbidden by EU regulations.

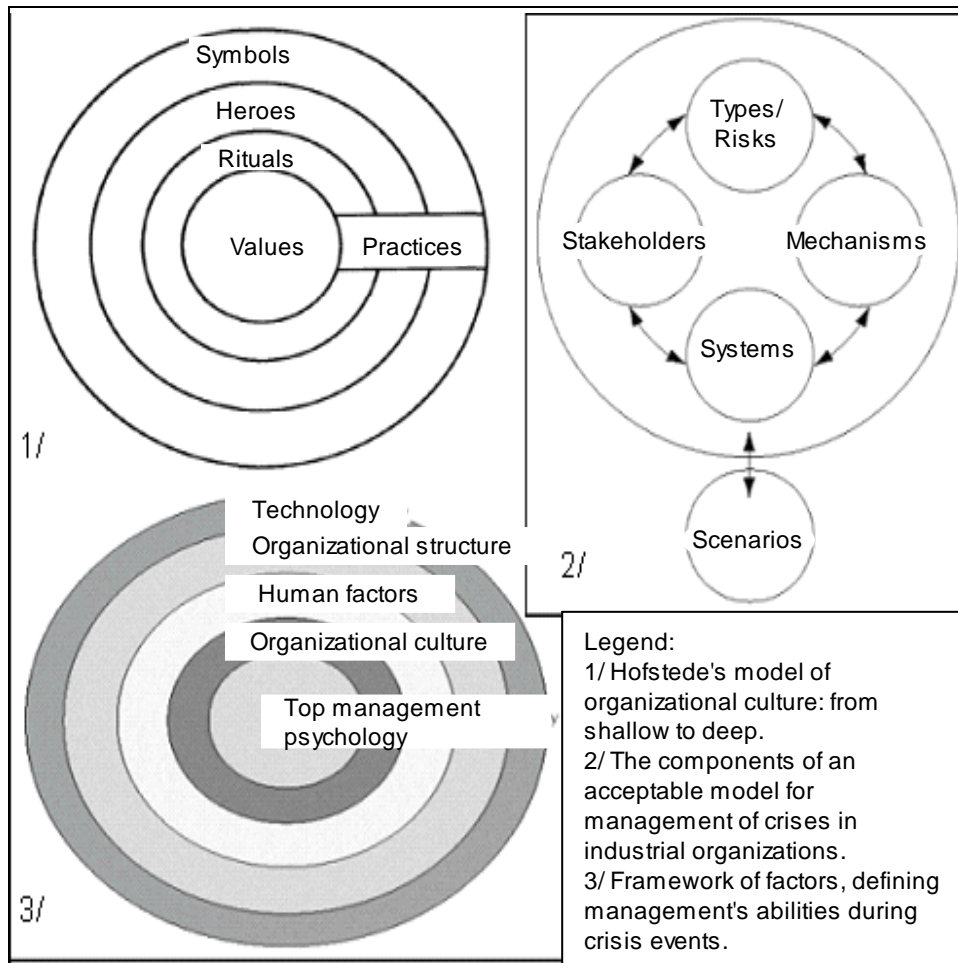
In fact most of the local industrial companies pursued simultaneously more than one of the presented options, according to the extent to which the crisis affected their industry and particularly their entity and the established competition levels and approaches among business rivals. It is important to note that decision-makers were reluctant to share some aspects, related with such “*sensitive business information*”, as they call it, during the pilot survey.

Management of the IT sphere in local industrial companies encompasses diverse practices, some of which are far away from what is called “*strategic perspective*” (long-term, important). It is a fact that there are completely modernized or newly built local industrial enterprises which management information systems cover all aspects of their activities and help not only their managers in decision-making processes, but also the managers in their partner organizations (suppliers or clients) by providing a limited access to valuable data from their integrated management system. On the other hand managers’ reluctance can be noticed, concerning implementation of electronic connectivity of the companies with the National revenue agency, because of incurred additional expenses and the evident impossibility of tax avoidance (for example producers of wine and spirits, producers and traders of petrol).

An acceptable “interval” of manifested flexibility and adaptability for the companies, responding to crisis conditions, may be achieved by adopting of an appropriate model for crisis management in congruence with dominating organizational culture and better positioning, concerning other crucial factors, influencing management’s abilities during crisis events (see figure 7).

Many managers traditionally associate anti-crisis preparation only with enacted law requirements, the majority of which have nothing to do with market performance of a company. That is why a classification of identified, specific types of crises and risks of their occurrence into groups has to be accomplished in many enterprises, including the economic aspects of entity’s performance. Such undertaking gives managers the opportunity of performing preliminary preparations by means of designing “*a precise crisis reaction portfolio*” that guarantees readiness for activities (prepared action plans and respective procedures), associated with at least one type of crisis from each group because the items from a given group are similar in many aspects and may require similar treatment. As far as the mechanisms are concerned, the early-warning systems come of great importance because of their proven track record, although even the most efficient of them can not prevent the occurrence of many types of crises. That is why crisis management capabilities of the executives in industrial companies constitute the opposite side of the “*anti-crisis coin*”, especially in the sphere of crisis audit with its two main components – organizational learning from crisis and crisis-related reengineering of particular business processes or entire systems. Efficient relations with constituencies (local community, suppliers, clients, etc.) with high probability of being affected by potential crises are to be developed and maintained by the executives in an effort to minimize the potential damages and reimbursements. Coping with uncertainty through the traditional scenario planning activities did not retain “*success*” in many organizations during the current crisis, because the turbulent conditions imposed an emphasis on other related aspects, as follows [Lowell, Farrell, 2008]:

- including more variables in the analyses;
- including a greater number of decision-makers from different hierarchical levels in the industrial organizations;
- persistent measurement as means to track changes in environmental factors, and
- searching for new and unusual scenarios.



Source: [Mitroff, 2000; Hofstede et al., 1990]

Figure no. 7 Aspects of industrial company's conduct during crisis

#### 4. SURVEY METHODOLOGY

This survey is based simultaneously on two approaches:

- The traditional view to crisis as a threat that may endanger the survival and development of the industrial organization. In this case the managers strive to minimize the negative effects of potential negative events or try to avoid their occurrence. It is considered that the company sails in a hostile environment which impact factors cannot be controlled or influenced and the only possible imperative is organization's adapting to continuous change. That is why bottom line (or efficiency improvement) comes as the first priority for managers who prefer working in "their current business" and emphasize the appropriate management of ongoing operations. The passive or accepting side dominates managers' behavior, especially when related to emerging business opportunities, expressed by anticipation and search. Customer re-

lations possess certain specificity in these conditions, predominantly expressed by “listening and tailoring” activities, initiated by managers for the sake of the company.

- Perceiving the crisis as an opportunity for the business entity to strengthen its market position and performance. In this case the managers strive to notice favorable chances for their organization to improve its position in comparison to the competitors, conquer new markets, enter new businesses, and create innovations. Thus, they show the active, aggressive side of their characters. It is considered that the organization may influence some of the environmental factors and it is worth the efforts of creating desired change. In such situations managers tend to work on their business by venturing and speed, and emphasize on innovations management. Leading and co-innovating are the essence of dominating character in customer relationships.

The first approach is embedded in a survey, held in the summer and the autumn of 2010 which included 160 big and medium-sized industrial enterprises, operating in Bulgaria. This survey was done by a team of university professors. My contribution in this project encompasses two of its investigative questions, as follows:

- What attitude to crisis do managers in the industrial companies demonstrate?
- What kinds of anti-crisis measures do the managers in the industrial companies undertake?

Scientific interest, associated with *the first investigative question*, is directed to the extent of readiness for adequate reactions by the companies at the occurrence of crisis events; mapping different kinds of events that may be defined as crisis in different companies; clarifying the type and main sources of the current crisis. Here, the respondents were given an adapted version of a list of basic categories of crises (or risks) for the industrial companies and they had to choose what was appropriate to their practices (see table no. 1) [Mitroff, 2000]. Some of the categorized crisis groups by Mitroff are intentionally omitted, because the conscientious preparation against their occurrence is required by laws or have little to do with financial and economic crisis factors. The extent of congruence between managers’ thinking of and planning actions against/at occurrence of certain events is analyzed, too.

Table no. 1 Structure of precisely constructed portfolio for reaction to crises in industrial organizations.

Basic categories of crises (or risks) for the industrial companies						
Economic	Informational	Physical (loss of key plants and facilities)	Human Resource	Reputational	Psychopathic Acts	Natural Disasters
Labor strikes	Loss of proprietary and confidential information	Loss of key equipment, plants, and material supplies	Loss of key executives	Slander	Product tampering	Earthquake
Labor unrest			Loss of key personnel	Gossip	Kidnapping	Fire
Labor shortage	False information	Breakdowns of key equipment, plants, etc.	Rise in absenteeism	Sick jokes	Hostage taking	Floods
Major decline in stock price and fluctuations	Tampering with computer records		Rise in vandalism and accidents	Rumors	Terrorism	Explosions
Market crash	Loss of key computer information with regard to customers, suppliers, etc. (Y2K)	Major plant disruptions	Workplace violence	Damage to corporate reputation	Workplace violence	Typhoons
Decline in major earnings				Tampering with corporate logos	Hurricanes	

Source: [Mitroff, 2000].

Scientific interest, associated with *the second investigative question*, is directed to identification of miscellaneous anti-crisis measures, initiated in different functional spheres of the enterprises (finances, production management, human resources, etc.).

The second approach to current crisis analysis concentrates on surveying the undertaken strategic moves of the so called “*succeeding industrial companies*” during the last 2-3 years. In this direction my research is based on careful review and selection of officially presented results from surveys, done by investigative units or associated partners of the two most serious economic media groups in Bulgaria:

- “Gepard Survey 2010” of Bulgarian economy, presented on the pages of “Bonnier Pari” economic newspaper (the issues during the autumn and winter of 2010), and
- “The biggest Bulgarian companies survey 2010”, presented on the pages of “Capital” newspaper (the issues from the summer of 2010).

Here, I based my “*success rating*” on three provisos, as follows:

- A succeeding company is one that has an increase in its profits for the last 3-4 years;
- A succeeding company is one that has undergone the least decrease in sales (or profits) in comparison to its competitors;
- Directors of these companies, themselves or by means of accepting interviews with economic journalists, profess the achieved excellent results of their companies and retell “*the story*” (in some cases maybe with features of saga or legend) in public on the pages of specialized economic media [Schein, 2004; Trice, Beyer, 1993].

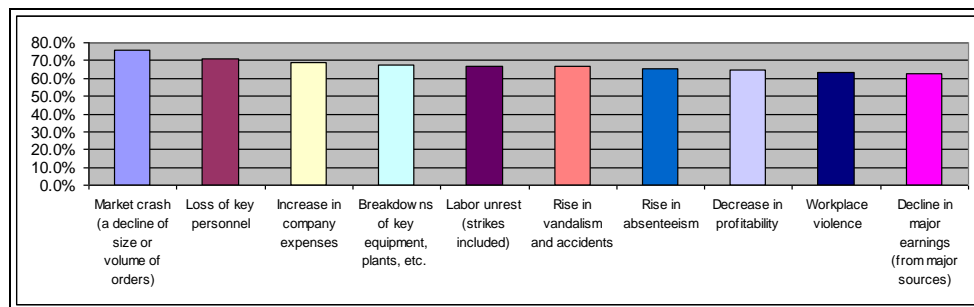
Thus, a list of 48 “*succeeding organizations*” was created. The bundle of overall company’s development strategy and some of its specific facets are identified and analyzed for almost each of these industrial organizations. The structure of overall company’s development strategy is shaped by means of competitive strategies, diversification theory, hybrid strategies, product/market growth strategic framework, innovation strategy, entry mode alternatives, etc., traditionally taught at the universities [Campbell, Stonehouse, Houston, 2002; Ansoff, 1987; Porter, 1980; Campbell, Goold, Alexander, 1994; Drucker, 1984; Kotler, Caslione, 2009; Wilson, Gilligan, 2009; Grundy, 2004]. All these represent “*managers’ exact words*” from their media interviews or are concluded by the researcher as a summary of proclaimed specific stories of organization’s success, shaped as a set of successive events and described by managers themselves or by economic journalists (analyzers).

In the research process, especially in the pilot survey, some “*expected*” issues, related with respondents’ unwillingness to share “*sensitive*” company information during interviews, came to surface. That is why some survey limitations were defined, as follows:

- The components of company model for coping with crises can not be studied directly. Circumstantial conclusions about these components may be made by means of surveying the undertaken anti-crisis measures and executives’ attitude.
- Detailed information of implemented company strategy is not accessible in the majority of the industrial organizations. That is why researcher’s interest is directed only to strategical aspects, mentioned by executives in public. The basic assumption that people in general blow their own trumpets only when they achieve success and hide the dark sides of their failures, proved to be true. That is why the “*strategy*” research was directed only to succeeding companies whose managers were not afraid of sharing their stories with the local community in search of respect and admiration - a necessary PR initiative.

## 5. SURVEY RESULTS

According to the majority of the respondents the industrial companies are prepared to demonstrate adequate reactions predominantly at the occurrence of the following events: market crash (a decline of size or volume of orders) (75.7%), loss of key personnel (71.1%), increase in company expenses (68.8%), breakdowns of key equipment, plants, etc. (67.6%), labor unrest (strikes included) (67.1%), rise in vandalism and accidents (67.1%), rise in absenteeism (65.3%), decrease in profitability (64.7%), workplace violence (63.6%), decline in major earnings (from major sources as produced products and/or delivered services) (62.4%) (see figure 8).



**Figure no. 8 Do you consider your company ready to react adequately at the occurrence of certain events?**

That is why it can be concluded that the majority of Bulgarian industrial enterprises are prepared to react against the risks of occurrence of unfavorable events, associated with general economic situation, loss of material assets and human resources. The stress of this “preparation” is posed in the sphere of human resources where majority of the employers acquired awkward experience, bearing some of the following characteristics:

- Providing low remuneration packages to their employees;
- Paying a part of the employee remuneration package unofficially, thus saving social security and income tax expenses;
- Undertaking large-scale lay-offs soon after the privatization and again when confronting the first difficulties of the World financial and economic crisis impact on Bulgarian economy almost a decade later;
- Hunting for “eluding options” in the clauses of their contracts with the Privatization agency for not keeping the required average number of personnel in the enterprise for a certain period (most often the first five years). This was done by transforming some of the companies’ operations into independent organizations or activities with the respective portions of personnel, for example canteens, employee transport services, holiday homes etc.
- Abstaining from laying-off their employees although the employers find it impossible to secure the necessary financial resources to meet the contracted employee compensation expenses. In this case the Labor Inspectorate just imposes fines on these companies, but the Prosecutor’s office officially declared that it can not take legal actions against inaccurate employers by enacted laws. In this case the sluggish functioning judicial system is not the best choice for the unemployed.

- Hunting for “*eluding options*” in labor legislation in order to escape the payment of the unemployment benefit or retirement benefit for the respective employees.

On the other hand the majority of the surveyed companies declared insufficient levels of preparation against the occurrence of other important unfavorable events as follows: damage to corporate reputation (58.4%), tampering with computer records (57.2%), false information (about markets, clients, competitors) (54.9%), loss of key equipment, plants and material supplies (53.8%), loss of key executives (50.9%).

The preparation against potential loss of key clients is not a strength in the managerial activities which is proved by insufficient level of integration of local industrial enterprises with leading multinational companies (subcontractor chains, entrepreneurship nets). In the minority of cases where such useful business relations exist, they do not secure the desired stability and independence of local companies. In rare cases Bulgarian enterprises succeeded in diversifying their partners’ or clients’ base. There was not a single case, illustrating a situation in which local industrial entities organize subcontractor chains, entrepreneurship nets, etc. by themselves, purposefully enlisting other entities (foreign organizations included) as participants whose production capacity frequently is not used (loaded) at optimal levels during the contracted (negotiated) time period of this cooperation form. Traditionally Bulgarian enterprises occupy the less-risky, but dependent and much less profitable position of “*the enlisted organizations*” whose “*big client*” defines the rules and plays his “*own game*”, changing the volume of his orders in congruence with current market conditions, prioritizing the optimal load of production capacity of his own factories.

The majority of the respondents define the following events as a crisis in their organizations: market crash (a decline of size or volume of orders) (88.4%), decline in major earnings (from major sources) (86.1%), loss of key clients (79.8%), decrease in profitability (69.4%), damage to corporate reputation (55.5%), loss of key equipment, plants and material supplies (52%), increase in company expenses (50.3%) (see figure 9).

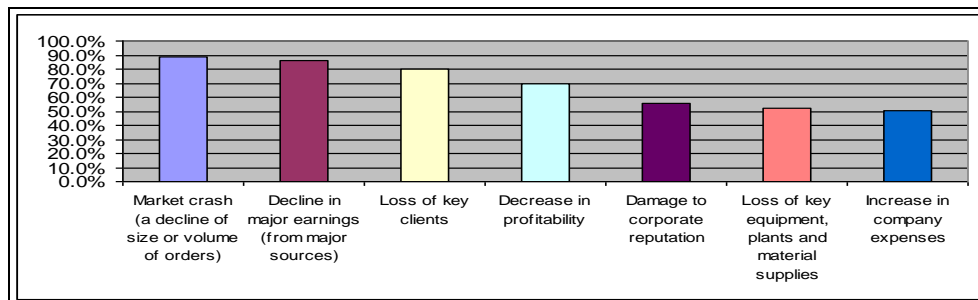


Figure no. 9 What kinds of events do you define as crisis in your company?

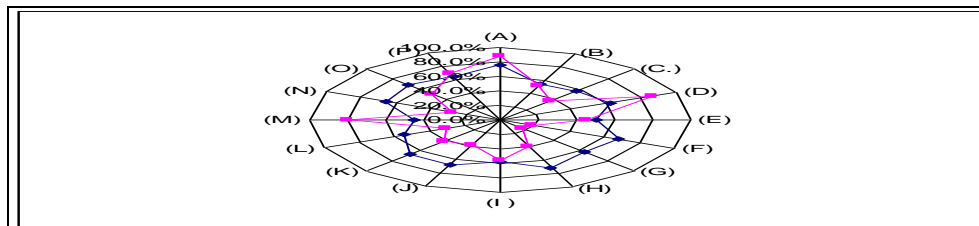
Good management practices command that:

- First, the managers of an industrial company have to define a potential occurrence of a definite event as risky with regard to the rise of a crisis in their business operations.
- Second, the managers of an industrial company plan certain measures against the occurrence of this event.

Comparing respondents’ answers to the previous two questions (see figure 10) brings to the eyes of the unbiased researcher certain differences in the expressed opinions, in connection with thinking of and planning actions against/at occurrence of certain events, as follows:



- The greater number of the respondents define as crisis “market crash (a decline of size or volume of orders)” (88.4%), but only 75.7% of the respondents consider they are adequately prepared to react against the occurrence of similar event.
- Greater percent of respondents define as crisis “decline in major earnings (from major sources)” (86.1%) in comparison to those who declare adequate preparation against the occurrence of a similar event (62.4%).
- “Loss of key clients” is defined as a crisis event by 79.8% of the respondents, but only 45.1% of them are ready to work on in a similar situation.
- Greater number of respondents define as crisis “decrease in profitability” (69,4%), but only 64.7% claim that they are prepared against the occurrence of a similar event.
- Less number of the respondents define as crisis “damage to corporate reputation” (55.5%) while 58.4% state that they are prepared to react at the occurrence of a similar event.
- Less number of the respondents define as crisis “loss of key equipment, plants and material supplies” (52%) while 53.8% consider they are prepared for the occurrence of a similar event.
- Less number of the respondents define as crisis “increase in company expenses” (50.3%) while 68.8% declare they are prepared to act in a similar situation.
- Less (insignificant) number of the respondents define other events as potential crisis sources for their enterprises, but more managers claim they spend money, devote time and put in efforts in the preparation processes against the occurrence of similar events, as follows: “loss of key personnel”, “breakdowns of key equipment, plants, etc.”, “labor unrest (strikes included)”, “rise in vandalism and accidents”, “rise in absenteeism”, “workplace violence”, “tampering with computer records”, “false information (about markets, clients, competitors)” and “loss of key executives”.



Legend:

■ Do you consider your company ready to react adequately at the occurrence of certain events? (black colored curve)

■ What kinds of events do you define as crisis in your company? (purple colored curve)

The list with the respective events:

(A) - Market crash (a decline of size or volume of orders)	(G) - Workplace violence	(M) - Loss of key clients
(B) - Loss of key equipment, plants and material supplies	(H) - Loss of key personnel	(N) - Rise in absenteeism
(C.) - Tampering with computer records	(I) - Damage to corporate reputation	(O) - Increase in company expenses
(D) - Decline in major earnings (from major products, services)	(J) - Labor unrest (strikes included)	(P) - Decrease in profitability
(E) - Loss of key executives	(K) - Breakdowns of key equipment, plants, etc.	
(F) - Rise in vandalism and accidents	(L) - False information (about markets, clients, competitors)	

**Figure no. 10 Comparison among the dimensions of preparation against crisis events in the industrial companies and the aspects of their managers' conscious conception of the phenomenon "crisis".**

That is why it can be accepted there are evident discrepancies between: (a) general attitudes of management with respect to crisis occurrence in the industrial companies, and (b) the extent, the importance, the necessary organizational and resource provisions of the undertaken initiatives in this sphere. This situation reveals low quality of management in the majority of the surveyed industrial companies, reverberating in executives' inability to form priorities to be followed and implemented through project management techniques. Developing the "appropriate" definitions of crisis sources for a given enterprise determines further discipline in thinking and successive actions among the decision-makers there. The differences between the achieved through consensus "definitions of crisis" in the enterprises and the undertaken specific initiatives, associated with preparation for minimizing the negative consequences of these events, turn into a serious challenge, confronting a great number of local industrial organizations. That is why it can be concluded that the majority of managerial teams did not draw their lessons from the gas crisis (the end of 2008 and the beginning of 2009) and electricity crisis (the summer of 2010) and still continue with their passive behavior or rely predominantly on analyses of an object's external characteristics. In turn, this situation undermines the competitiveness of Bulgarian economy as a whole and may limit the extent of the potential economic growth and prosperity increase of its citizens.

Mapping the crisis in a traditional frame reveals that the majority of respondents perceive it as economic (85.5%) and production (64.2%). This way of thinking is justified by the “*mirror way*” the World financial crisis hit Bulgarian economy. 54.3% of the respondents consider the crisis as financial mostly because the delays in the contracted payments for won public tenders by some of the industrial companies and the percent increase of the inter-firm indebtedness. The last represent two influential factors that may cause bankruptcy of otherwise succeeding organizations.

According to the greater part of inquired people “the world financial and economic crisis” (79.8%) and “delayed payments by clients” (67.1%) are the most important environmental factors that exerted influence on crisis positions of their companies. The negative impact of tightened-up criteria of allotting business loans by banks is not widely mentioned by the representatives of the investigated companies. Intensifying of the competitive struggle is nowhere to be found in the industries where the majority of the targeted industrial enterprises operate.

Widespread reactions of managers from the investigated companies regarding the arising crisis reduce to: accomplishment of analyses of the industries in which the company operates (74.6%), development of different variants of scenarios, assuming different values of sales decreases (70.5%), and design and implementation of anti-crisis programs (56.6%) (see Figure no. 11).

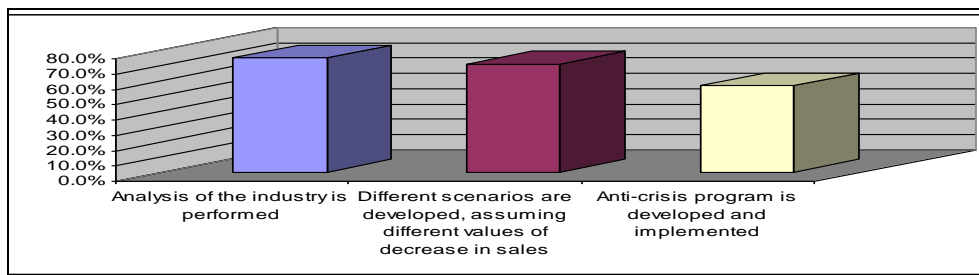


Figure no. 11 In what way do the managers of your company react to the incoming crisis?

The managers from the majority of the surveyed organizations stick to crisis management traditions without searching for new and more efficient approaches, fine-tuned to the current situation. The organizational provision of management reactions to the crisis does not attract enough attention in all the companies, because only 29.5% of the respondents specify that their employer organization has created a special council (committee) to master and solve/ resolve or dissolve crisis manifestations.

Dogmatic local managers' sticking to experience and traditions is detected in the pointed differences between crisis management and management practices under normal conditions, as follows:

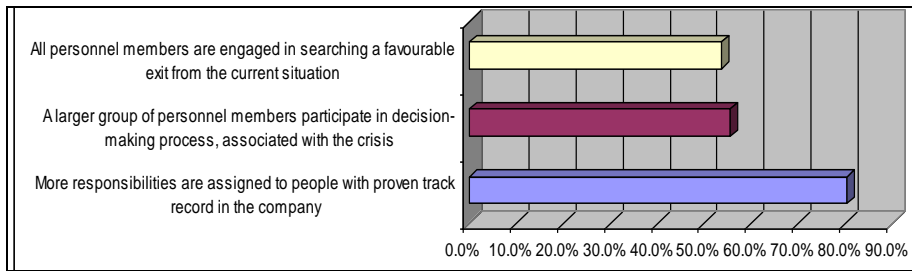
- More responsibilities are assigned to people with proven track record in the company, accompanied by a longer tenure (80.3%).
- A larger group of personnel members participate in decision-making process, associated with the crisis by forming teams with the right skill inventory and even introducing competition among them (55.5%).
- All personnel members are engaged in searching a favorable exit from the current situation (53.8%).

Several important characteristics of managers' behavior make great impression on the unbiased observer, as follows: low demand of external consultant services, demonstration of "patience" by the managers and forbearance from undertaking incumbents' changes at higher management levels in the organizations (see figure 12).

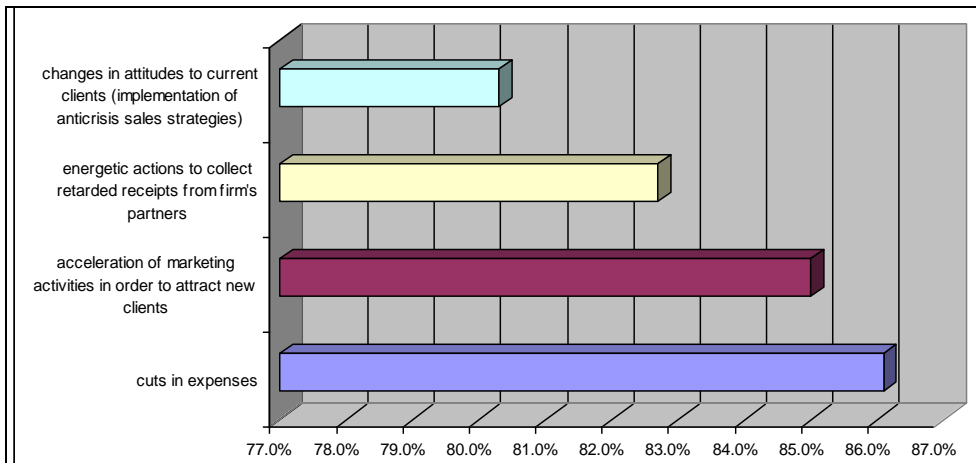
The majority of the respondents are oriented to undertaking of more urgent and low-risk measures for gaining control over crisis, as follows: cuts in company expenses (86.1%), acceleration of marketing activities in order to attract new clients (85%), energetic actions to collect retarded receipts from firm's partners (82.7%) and changes in attitudes to current clients (implementation of anticrisis sales strategies) (80.3%) (see figure 13).

On the other hand the widespread long-term and high-risk initiated activities for gaining control over the crisis at firm level are, as follows: "products' review and appraisal in order to develop new ones and implementation of changes in the production processes" (73.4%) and "launching the formulation process of new company goals and objectives, and conducting new prioritizing of the existing ones or even striking some of them off the list" (64.7%).

The fact that the majority of the respondents marked "optimization of the production assortment", but missed as an option "re-formulation of company's goals (objectives)", reveals the existence of certain strategic management issues in some of the surveyed industrial organizations (approximately 10%). On the other side deliberate business process outsourcing is not a widespread activity among local companies because a negligible part of them constitute a "driving force" of their own subcontractor chains or entrepreneurship networks, but participate in business collaboration structures organized by other entities and frequently get into dependency of working for just one client. Such a situation brings these companies to unfavorable and risky position with great probability of potential devastating and irreversible effects on their business activities, if the client encounters even minor business-related problems. Most of the managers in the investigated organizations think the entities still have the chance of improving their performance on current markets because they have not initiated divestment procedures. Reported investments in new technology and modern equipment have to be accepted deeply skeptically, especially if the unbiased researcher relies on statistical information from ARC Fund [Petrov M., et.al., 2008-2010].



**Figure no. 12 Differences in crisis management and management practices under normal conditions in the industrial companies.**



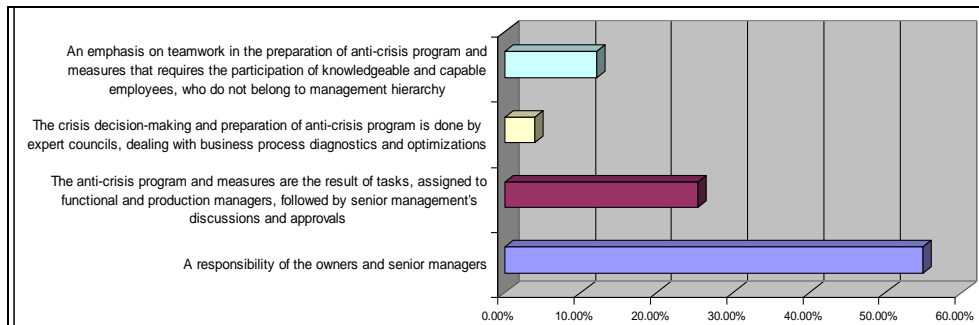
**Figure no. 13 Measures, oriented to gaining control over the crisis.**

Unlike expressed opinions of wide employee participation (especially of high-qualified and tenured members) in the preparation of anti-crisis program, measures and related decision-making by the majority of the responders, “grim” reality shows that local industrial companies assign “these activities” as a responsibility of the owner(s) and senior management (54.9%) (see figure 14).

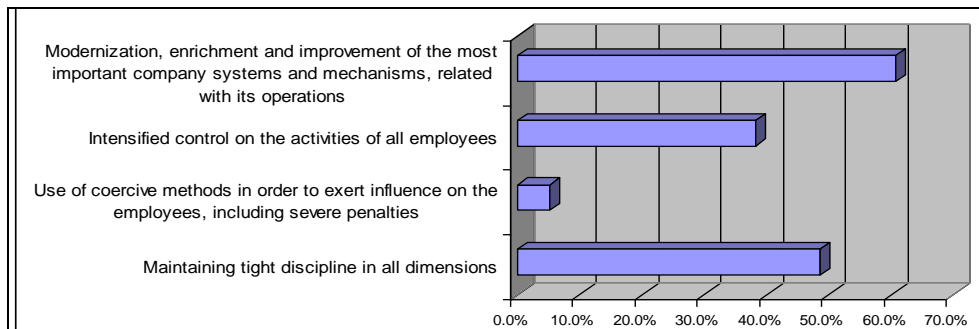
The managers in the majority of the surveyed companies emphasize on “modernization, enrichment and improvement of the most important company systems and mechanisms, related with its operations” (60.7%). This reveals that decision-makers start to search for reserves (buffers) at the crash with crisis related difficulties (see figure 15).

Storming crisis urged the majority of the respondents to demonstration of behavior and decision-making, preserving the status quo with respect to organization structure and production layout (62.4%). The inclination among managers to launch organization change initiatives is weak (see figure 16).

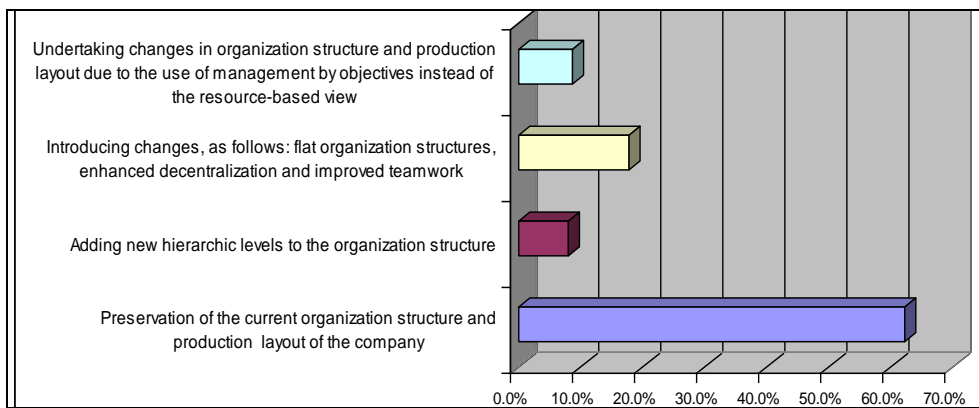
The most widespread anti-crisis measures, implemented in the local industrial companies belong to the following spheres: “corporate finances”, including “cost management” (75.1%) and “human resource management” (54.3%). This situation once again confirms managers’ orientation to risk avoidance and their still dominating perception of human resources mostly as costs.



**Figure no. 14 Approaches to preparation of anti-crisis program, measures and related decision-making in the industrial companies**



**Figure no. 15 On what do the managers of local industrial companies emphasize in the complicated and difficult times of crisis?**

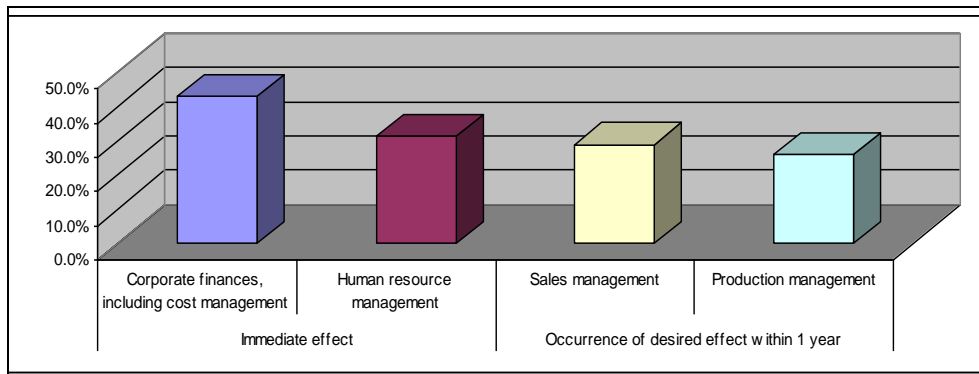


**Figure no. 16 Managers' arguments and reasons, originated from the crisis**

The greatest part of the respondents rely on cuts in costs as leading anti-crisis measure in the spheres of corporate finances (cost management) (62.4%), production management (19.1%) and human resource management (17.9%). Great savings in the last mentioned sphere are also achieved through its reengineering (16.8%).

Common sense of the majority of answering executives is revealed by their time orientation, associated with effects expectations from initiated anti-crisis measures (see figure 17), as follows:

- Immediate effect is anticipated in the spheres of corporate finances, including cost management (42.8%) and human resource management (31.2%);
- The occurrence of desired effect is anticipated within the period of one year in the spheres of sales management (28.9%) and production management (26%) because the implementations of changes in these fields require exertion of greater organization efforts.

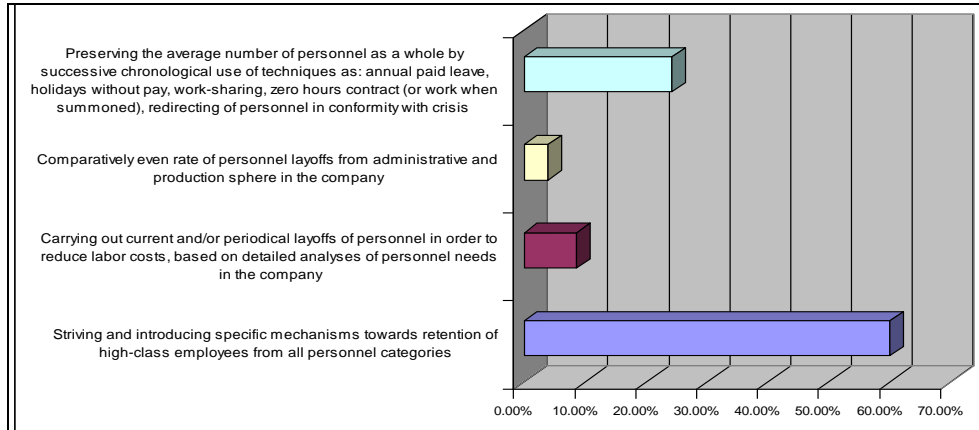


**Figure no. 17 Managers' expectations of desired effects from initiated anti-crisis measures**

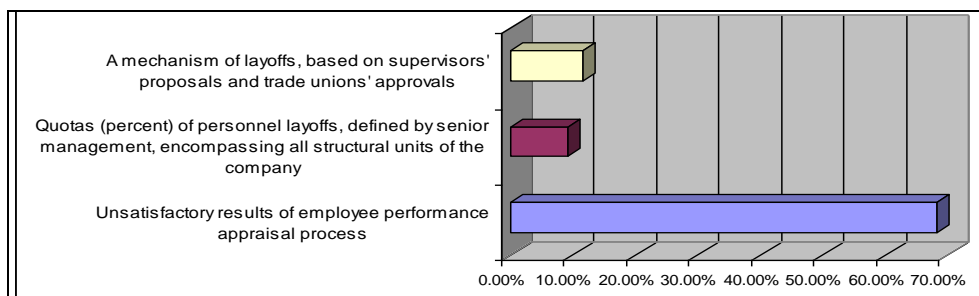
As far as management's anti-crisis policy in the sphere of human resources is concerned, it becomes evident that the majority of the answering executives strive and introduce specific mechanisms towards retention of high-class employees from all personnel categories (60.1%). Another significant group of them (24.3%) is formed by those who try to preserve the average number of personnel as a whole by successive chronological use of techniques as: annual paid leave, holidays without pay, work-sharing, zero hours contract (or work when summoned), redirecting of personnel in conformity with crisis situation, etc. Negligible part of the respondents carry out current and/or periodical layoffs of personnel in order to reduce labor costs, based on detailed analyses of personnel needs in the company (8.7%) and only 4% of the respondents follow the approach of performing personnel layoffs from administrative and production sphere in the company at comparatively even rates (see figure 18).

There is no surprise with respect to used criteria for performing personnel layoffs by the answering executives, because the majority of them rely on unsatisfactory results from employee performance appraisal process (68.2%), which attributes at least an ostensible sense of justice in the tense "manager – employee" relation. Otherwise such kind of an answer may become a cover of enacted nepotism and corruption in the human resource sphere that may hamper the achievement of sustainable competitive advantage through the employees by the company in the long run. A negligible part of the respondents use a mechanism of layoffs, based on supervisors' proposals and trade unions' approvals (11.6%), which means that up to the moment of the survey implementation the majority of managers have not undertaken mass layoffs, because in such situations trade unions' official approvals are required by law. It is evident that the majority of responding executives prefer making prior-

ities to using a balanced approach in layoffs accomplishments, since only 9.2% of them declared they assign quotas (percent) of personnel layoffs, defined by senior management, encompassing all structural units of the company (see Figure no. 19).



**Figure no. 18 Dominating aspects of the implemented anti-crisis policy in the company, regarding human resources**



**Figure no. 19 Criteria for performing personnel layoffs in the companies as an anti-crisis measure**

On the other hand surveying of the succeeding companies in the crisis – the other side of the coin – adds important knowledge of the portfolio of strategic moves that brought “*success*” in these leading industrial companies, nevertheless the turbulence in the environment and it leads to outlining of certain nuances (see figure 20), as follows:

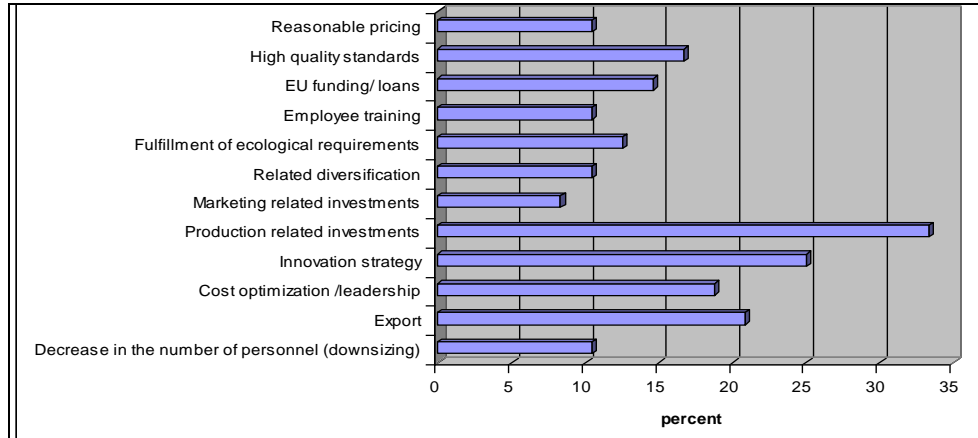
- The current crisis is defined and wisely used as a favorable period for design and implementation of production related investments by the majority of executive boards in leading industrial organizations.
- Logically, the innovation strategy proved to be the driver of effectiveness and efficiency improvements in leading industrial organizations, as well as the introducing of new products and/or services, but predominantly on existing markets. It may also be interpreted as a vivid manifestation of implemented differentiation strategy in comparison to firm’s competitors.
- The export seems to be the preferred entry mode alternative, concerning presence on foreign markets by leading companies, because it requires the lowest levels of exer-



cised control by the producer and minimum required resources in comparison to other moves such as licensing, joint venture and wholly owned subsidiary. It is obvious that executives in the succeeding companies are cautious in their initiatives and risk avert.

- Cost optimization/ leadership is the next most powerful strategic move, implemented by leading companies, which comes of great importance for the long-term firm-level competitiveness, considering the comparatively lower value added of Bulgarian export in comparison to elder EU member states.
- Keeping the “High quality standards” became a priority for the executives of leading industrial companies, since international acknowledged certification is a preliminary condition for establishing lasting mutually advantageous relations with mighty partners from developed countries.
- Apparently the EU has its share of contribution to the sustainable development of the local economy, but the positive effect of Bulgaria’s membership in it has not reached its peak yet, because many industrial companies demonstrate low quality management and still find difficulties in embracing (preparing and managing projects) the EU institutions’ offers in the forms of given cheap loans or free funding through the active programs, comprising the National frame of reference (2007 – 2013).
- The strategic move of fulfilment of ecological requirements comes to be an important tool for executive boards of leading organizations, too. But its wider application is associated with production decreases as a result of the crisis in some of the succeeding companies, all of which belong to the group of privatized industrial enterprises that before 20 years and more comprised the backbone of Bulgaria’s economy. So that now their management has time and resources to modernize the ongoing production processes without necessarily rejecting clients’ orders. On other hand these investments are not the first priority in managers’ heads and their implementations have been delayed at least several times during the last decade, because they are not strongly related to the bottom line. In fact, the EU contemporary ecological requirements with strict end terms forced the managers to make expenses in this sphere, even during the crisis. Such requirements were included in the clauses of the signed contracts during the intensive privatization process (1998 – 2001), but were not kept by the new owners, while the Post-privatization control agency did not take legal actions against them.
- Minority of the leading companies officially declare “reasonable pricing”, “employee training”, “related diversification”, “marketing related investments” and “decrease in number of personnel (downsizing) as attributes of their company strategies.
- There is negligible use of strategic moves as site relocation, unrelated diversification, organizational restructuring, and efforts, directed to achievement of increase in productivity, which are riskier.
- Ideas of other perspectives to formulation and implementation (or explicit classifications) of corporate/ business strategies such as marshal arts or military strategy, and games of poker, chess or bridge, proved not to be widespread and/ or preferred among/ by the managers in the surveyed industrial organizations, since position defense is mentioned only once.

- The officially proclaimed and desired strategic alternatives by the researchers and by the quasi-state institutions, such as sustainable development strategy, and corporate social responsibility are reported by a minority of leading enterprises.



**Figure no. 20 Preferred strategical moves by the managers in the succeeding industrial companies**

The available and retrieved data provided additional information about 31 of the total group of 48 leading industrial organizations, illustrating some related specific facets of the generally defined bundles of overall company's development strategy. The most interesting cases are presented below (see table no. 2) and permit reaching the following conclusions:

- It may be inferred that the greater part of these companies that realized lower degrees of utilization of current production capacity in the short run because of the crisis-time impacts, have initiated projects for building new production sites or modernization and/or increase in the current production might of existing production facilities.
- The applied marketing instruments are limited to intensive advertisement, establishment of closer relations with target clients and vendors of related services and/or products. This situation may be accepted as a manifestation of low levels trust to modern marketing approaches by the managers in these companies.
- A small part of them initiated efforts in the sphere of employee training which costs may be shared by the company and EU funding, provided through different operative programs, such as "*Competitiveness*" and "*Human resources*". Considering lower levels of client orders for some of the enterprises, this strategic move ensures the maintenance and development of business specific employee skills, abilities and knowledge.
- A minority of them chose to restructure their product portfolios, thus concentrating to producing products or delivering services through which higher value added is generated. This facet in the strategic moves by some of the leading industrial enterprises makes a stand against the traditional market orientation approach of the majority of companies to try to sell what they can produce, and not to pay attention to customer preferences.
- Unbundling of different functional spheres in the industrial organization as separate companies is an old approach that is preferred again by some managers to escape en-

acted law procedures during mass layoffs and spare labor costs, associated with this process.

- A minority of companies dare reinvent their business model, trying to (re-)(dis)solve in a better way the issues of their customers. Examples may be found in the construction industry where a minority of companies first build the infrastructure, and then buildings or create “*new home shop*” to deliver on the same site related services to its clients as property financing sources, furniture sellers, etc.
- The current crisis is accepted as a key marker event by the senior managers in a minority of leading companies and forced them to re-define their mission, vision and/or credo, thus initiating substantial organization culture changes in order to improve form’s external adaptation and internal integration.
- A minority of leading organizations try to cooperate with their partners in an innovative way. For example a company may not take legal actions against a debtor, but invite the other company to deliver certain necessary services.
- As a whole it may be concluded that managers of the succeeding companies share a long-term orientation to lower profit margins and tolerate higher levels of discipline, concerning contracted end-terms of implemented projects and due payments to partners.

Table no. 2 Related facets of bundles, comprising an overall company’s development strategy

#	Industry	The bundle of overall company’s development strategy	Related specific facets
1.	Foodstuff industry	(a) Marketing related investments; (b) Production related investments;	(a) Increased expenses in media advertising; (b) Working conditions improvements
2.	Foodstuff industry	(a) Site relocation; (b) Production related investments	Concentrating production activities in Bulgaria
4.	Chemical industry	(a) Production related investments; (b) Fulfillment of ecological requirements	(a) Investment in new production capacity; (b) Modernization of production might
5.	Glass industry	(a) Position defense; (b) Production related investments	(a) Maintenance of production volumes without radical changes and cataclysms; (b) Investment in new production might
6.	Chemical industry	(a) Cost optimization/ leadership; (b) Organizational restructuring; (c) Decrease in the number of personnel (downsizing)	(a) Stick to the core activities/ competences; (b) Discontinuing of unprofitable activities; (c) Production processes optimization; (d) Transport activity is transformed into a separate company
7.	Machine building	(a) Innovation strategy; (b) Market development; (c) Production related investments;	(a) Investments in production processes are associated with achievement of potential decrease in prime cost; (b) Increase in production capacity
8.	Construction	(a) High quality standards; (b) Reasonable pricing; (c) Export; (d) Employee training; (e) Production related investments; (f) Increase in productivity	(a) Doesn’t work with subcontractors; (b) Shorter terms of project accomplishment; (c) Use of modern equipment; (d) Increase in production capacity
9.	Construction	(a) Cost optimization/ leadership; (b) Reasonable pricing; (c) Related diversification; (d) Employee training	(a) Lower profit margins; (b) Investment in human capital development;

Table no. 3 Related facets of bundles, comprising an overall company's development strategy (cont'd)

#	Industry	The bundle of overall company's development strategy	Related specific facets
10.	Construction	Cost optimization/ leadership	Decrease in expenses in the sphere of: employee remuneration, technical equipment, and building plots.
11.	Construction	EU funding/ loans	Participation in infrastructure projects, funded by EU
12.	Foodstuff industry	High quality standards	Collaboration in working out and implementation of new quality standards
13.	Furniture, sports equipment	(a) Reasonable pricing; (b) Innovation strategy	(a) Active search of clients; (b) Higher work dynamics; (c) Lower profit margins
14.	Construction	EU funding/ loans	Participation in infrastructure projects.
15.	Energy production	(a) High quality standards; (b) Sustainable development strategy; (c) Production related investments	(a) ISO certificates for quality, environment, and health and safety work conditions, change in management philosophy; (b) Change in policy of property expropriation in front of the mining activities; (c) Successful management characteristics: modern strategy, proactive policy, innovative thinking and hiring appropriate employees; (d) Timely payments to the partners; (e) Modernization of equipment
16.	Foodstuff industry	(a) Fulfillment of ecological requirements; (b) EU funding/ loans; (c) Cost optimization/ leadership, (d) Export, (e) High quality standards, (f) Innovation strategy	ISO 14000, energy efficiency projects,
17.	High-tech	Innovation strategy	Free will and search of the necessary quantity of disorder in electro physics, to embrace doubts, while walking the winding road to clarity, and support of experiments.
18.	Non-ferrous metallurgy	(a) Innovation strategy, (b) EU funding/ loans, (c) Production related investments, (d) Fulfillment of ecological requirements	(a) Modernization of production processes, (b) Participation in infrastructure projects, (c) Increase in production capacity
19.	High-tech	(a) Employee training, (b) Innovation strategy, (c) Production related investments, (d) High quality standards	German order – Bulgarian enthusiasm

Table no. 4 Related facets of bundles, comprising an overall company's development strategy (cont'd)

#	Industry	The bundle of overall company's development strategy	Related specific facets
19.	Construction	(a) High quality standards, (b) Increase in productivity, (c) Reasonable pricing, (d) Cost optimization/ leadership	(a) First, infrastructure is built, then the houses are erected; (b) Shorter terms of project accomplishment
20.	Energy production	(a) Fulfillment of ecological requirements, (b) Sustainable development strategy	Maintenance of a health and work safety information management system
21.	Brewing	(a) Corporate social responsibility, (b) Differentiation strategy, (c) Innovation strategy, (d) Production related investments, (e) Marketing related investments	(a) Updating product portfolio, (b) Investments in development of company's trade marks
22.	Ferrous metallurgy	(a) Cost optimization/ leadership, (b) Production related investments	The debtors perform the construction activities at the site of the company.
24.	Wine	(a) Export, (b) High quality standards, (c) Reasonable pricing, (d) Differentiation strategy, (e) EU funding/ loans	Participation in EU projects
25.	Construction	(a) EU funding/ loans, (b) Employee training, (c) Production related investments	(a) New home shop – a new marketing approach, (b) Construction of business parks, (c) Participation in infrastructure projects, (d) Investment in equipment

## 6. CONCLUSIONS

The presented survey analysis of 160 big and medium-sized industrial enterprises, operating in Bulgaria, gives the opportunity of making certain conclusions. The attitude to the current crisis by the majority of inquired managers seems dominated by passive and reactive aspects, showing low extent of congruence between formulated by them crisis definitions and the preparation level against the potential occurrence of specific crisis-related events. It can be asserted that in less than a half of the surveyed industrial organizations:

- The risks of occurrence of different crisis types are classified into groups and appraised.
- There is high probability, that preliminary constructed management reaction portfolio at the occurrence of potential crises, includes preparation for actions in the field of at least one type of crisis from each category [Mitroff, 2000].

That is why it can be inferred that there is low probability of successful crisis management of potential unfavorable events in the majority of the surveyed industrial companies.

In connection with managers' anti-crisis activities it can be concluded that they rely predominantly on cuts of expenditures, including through decreasing the average number of hired personnel. It seems that the majority of inquired managers do not desire and undertake active efforts, aiming at serious changes in current business models of the respective organizations, associated with re-formulation of vision, mission and purposes (objectives).

This time again the human resource sphere is viewed predominantly as a source of anti-crisis measures with immediate effect, irrespective of currently outlined general tendency of retaining high-class employees in the companies and the setting of seemingly fair criteria of classifying the personnel into categories, ranging from "bad performers" to "excellent performers" in order to justify management decision-making, associated with conducting of layoffs.

It is evident that the selected sample of 48 succeeding local industrial enterprises are oriented to innovating in the spheres of their products/ services and processes, implementing higher standards of quality in their practices, using wisely the financing alternatives, provided by EU, and undertaking export activities. The sample of leading industrial organizations, compared to the group of 160 big and medium-sized enterprises, shows higher affinity to risk, but within reasonable limits. On the other hand the positive effect of management's efforts in these leading companies is not enough to outweigh the shrinking of the national economy because of the current crisis.

Some managers' increased anxiety with respect to undertaking of certain actions to identify and adequately prepare against occurrence of potential crises could be beheld during the interviewing process. But in rare cases contemporary books (guides) for managing in crisis situations could be noticed in their offices. But yet this is the first World economic crisis, affecting Bulgarian economy since the start point of the transition process from 1989. As with colliding into new and unknown phenomenon more of the managers occupied a "wait and see" position or approached it cautiously in the beginning. This may be labelled as a psychological state of unbiased indecisiveness by which managers preserve their ability to undertake necessary measures in due course at the moment when the industry-specific or organization-specific crisis picture assumes shape and pattern. The current situation is not as devastating as the local crisis from 1996-1998 (NSI, 1996-1998, 2008-2009). Managers' reactions reveal that the majority of them perceive the effects of the current financial and economic crisis on Bulgarian economy as a threat which unleashing on local market cannot be controlled or even influenced. Instead, they aim at cutting their expenses with the hope that the phenomenon will soon pass away. Low percent of the incumbents, occupying managerial positions, consider this crisis as an opportunity of initiating creative changes with an eye to conquer new markets or enter new and higher value-adding businesses. These represent possible transpositions of "players" in crisis times on a certain markets where one entity's losses transform into other entity's emerging opportunities of attaining higher profit levels. That is why it may be contended that the managers of local industrial companies are in bad need of new ways of thinking, oriented to creativity, formation of businesses, generating higher value-added and internationalization of business operations in order to escape the trap of national economy's potential inertial spiral: "economic crisis – social crisis – financial crisis – political crisis".

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