



## The Role of Innovation in Business Crisis

<sup>1</sup>Nitin, <sup>2</sup>Dr. Kirti Siwach

<sup>1</sup>Research Scholar, Department of Management

<sup>2</sup>Astt. Prof., Faculty of Mgmt. And Commerce,

Baba Mastnath University, Rohtak

### Abstract

Innovation plays an important role in managing business crisis. Business crisis is the period in which company is facing problem in term of financially or non – financially Business crisis need to handle very circumspectly and try to end as soon as possible. Innovation is the key to manage business crisis and it is one source of competitive advantage and essential element for company growth

ISSN : 2348-5612 © URR



### Introduction

Innovation is the result that's means getting something new and better as compared to previous one. It can be come through politically Environment for example change in government, natural disaster for example earth quakes, damage in product image, power blackouts, Global economy, change in technology, competition, any mis happening to key leader. When business starts coming downfall that's means company is going to face crisis in near future or presently facing crisis. Crisis never comes abrupt. It's always come step by step. Delay in salary; pay Taxes with penalties, Increase in creditor turnover ratio, Increase in average payment period and the most important is increase in inventory turnover ratio are some of the symptoms of business crisis.

In business, Innovation is the process of implementation of new product, process or services or change in existing product, process or services or compensation of both, old technologies with new technology to achieve specified target.

### Review of Literature

Berthon, Hulbert and Pitt (1999, P .37) define innovation orientation in terms of technological superiority: firms that “devote their energy towards inventing and refining superior product (Berthon, 1999)”

### Type of Crisis:-

- **Natural Crisis:** - Natural crisis are those crisis which comes from natural disaster i.e Earthquake, Volcanic eruptions, Floods etc. These crises are non –controllable to



management. According to paper “Economic consequences of the Gujarat Earthquake” says that government of Gujarat has estimated the disaster loss at Rs 14454 cr after earthquake. As per its “Memorandum on the earthquake damage in Gujarat” submitted to the government of India on February 17, 2001.

- **Unexpected Crisis:** - The crisis which come sudden due change in government policies, Get negative decision from Supreme Court or any government authority, fire etc are sudden crisis and non – controllable to management. For example national food regulator Food & Standards Authority of India (FSSAI) has banned Maggi (noodle brand) on allegations of content higher lead and enhancer monosodium glutamate that’s report a decline 17.2% in its net sales for the year ended December 2015 as per The Economic Times dated 24.02.2016. Another example is when government cancelled coal mines of Jindal steel & power, the profit of Rs 1910 cr in F.Y 13-14 turn into loss of Rs 1278.12 in 14-15.
- **Equipment Breakdown:** - This is very common term in business world. Company may face any crisis or any loss due to sudden breakdown in Machinery, electricity, software problem etc. Equipment breakdown is directly effects on monetary and non-monetary loss in terms of decline in net sales, setting ideal of Man power, Non –Completion of just in time promise, delay in business process etc.
- **Technology revolutionize:** - Change in Technology through innovation by creating new called Technology revolutionize. GST is the biggest example of Technology revolution. Rakesh Nangia and Rajat Mohan says in his article “ GST impact And The States” (2016) that Maharashtra government is set to loss Rs 14000/- Crores that it collect as Octroi and Tamil Nadu government will loss Rs 3500/- Crores annually due to abolition of CST.
- **Strikes / Lockout:** - Strikes or Lockout is critical situation for the companies due union culture mainly in manufacturing industries. Maruti, Manesar plant has suffered a production loss of 54775 units since 2011, translating into revenue loss of Rs 1643 crore. The loss to the vendors has been estimated at over Rs 1300 crore (Heena Khan, The hindu business line, 2012) during strike.
- **Financial Crisis:** - Financial crisis is the situation when flow of money reduced in company account or we can say that supply of money i.e. incoming and outgoing of funds is under stick controlled. This kind of situation, the companies faced during



demonetization when RBI allowed the companies to withdraw up to Rs 50000/-only in a week. This impact very badly to small scale industries or village economy. Financial Crisis may come when revenue struck with customers, Lack of fund, economic slowdown or industry slowdown, etc. For Example steel industries is facing financial crisis due of dumping steel by china as It's directly impact on steel sales.

- **Competition:** - Competition is the activity in which companies in same industry try to get more profit by defeating or proving superiority as compared to their rivals. This is good for ultimate consumer but crisis for other companies in same industry. In telecom sector, reliance jio disturb the whole telecom market by giving free data and free call which results that one company have to merge with other telecom company to compete with reliance jio for example Airtel acquisition of Telenor India, Reliance communication merge with Aircel, Tata Communication merger with Bharti Airtel.

### Prevention Plan

- **Regular Maintained of machine and equipment's:** - Companies must have stick plans and policies for regular maintained of machine and equipment especially which is directly related to production to avoid equipment breakdown. Every behavior of machinery must be observed and any unusual sound must be notice by technical person before heavy loss. Most of manufacturing companies have separate budget for maintenance of machinery and equipment.
- **Fast absorber of Technology:** - Companies should always welcome technology and keep the eyes open like a hunter to grape opportunity. Companies should analyze the trend and come up with solution. We are reading and Listening news about pollution every day and the government has clear to automobile industries that they want to promote electric vehicle by 2018. So those companies who will come with solution for electric vehicle will be king of automobile Industry. For Example Paytm App analyzed the digital market and launch the Paytm app in 2010 and got very popularity at the time of demonetization in November 2016 with having more than 165 million e- wallet user. Innovation pay important role in developing technology. Jindal steel and power innovate the steel making process
- **Internal Marketing:** - Every employee of company should marketing person for the company. Always try to create positive image with your surroundings, don't panic and



don't spread negative rumors to any one, should have good relationship with your vendors and customer so that company can take some more credit period if and when require. Aesthetic Living Merchants is small Export Company but they have very good relations with their vendors and customers. Ms. Ritika Jain director of Aesthetic Living Merchants Pvt Ltd confirmed that they get even one year credit period from their vendor as they have good communication with buyers and seller. She believed relation and communication is backbone of the business and we can use our relation in crisis period and to stabilize the business.

- **Planning:** - Planning is vision and straight framework of your action work. In organization planning play an important role. Work must be assigned to employees with set target on monthly, weekly and daily bases. Work must be assigned with proper planning. Nothing should urgent, everything should be planned. Urgent is acceptable only once or two times in a month if everything is urgent then there is no meaning of word urgent and also its shows that there is something lack in planning and poor time management. Lack of planning is the main element of failure of starts up and Doormint – on demand laundry business is the example of the same which shut down in a year. Planning on Availability of Raw material, fuel and target customer is the key to success in business.
- **Deducting early stage signs of crisis don't snub and take corrective actions:** - Companies should deduct signs of crisis at early stage and should take corrective actions. As I mention above that Delay in salary, pay Taxes with penalties, Increase in creditor turnover ratio, Increase in average payment period and the most important is increase in inventory turnover ratio are some of the symptoms of business crisis. Companies must recognize the same and take corrective action plan. Retail sector deduct the signs of e commerce business and most of retail companies like Samsung, LG, Fab India, and Shoppers stop Ltd etc. having retail stores with online business.
- **Keep searching new segment:** - Success and growth of business is totally depend on adding of new segment in our business. New segment can be of two type i.e increase in product line or adding new market segments or combination of both, based on set target. Segment can be divided into religion, community, gender, age, color, Size, profession, earning capacity, education etc. Patanjali Ayured Ltd successfully increases their



turnover from 162.67 cr to 10000 in just eight years since 2009 – 2010 to 2016-17 with having more than 47000 retail counters. They also use strategy of selling on retail counter and using e commerce for online customer and offer the products for each segment i.e Man, Women, kids, boys, girls.

- **Keep motivating to Employee:** - Motivation is the key or power that causes an employee to work done in efficiently with full enthusiasm and positive manner. If the company can't afford motivation in financial manner then company should give motivation to employees in terms of positive and energetic lecture with clear define the vision and goal, providing good and supportive leadership, showing each and every body is important and work in a team, Reward in term of best performer of the month or year. Net App follows this technique. The Vice chairman of Net App call 10 to 20 employees every day to call thanks you for their good work.
- **Health:** - Health is wealth and this formula adopted by Jindal steel & power, offer medical services of doctor and physios at each location, annual health checkup along with spouse, providing sports & recreation activities. They also provide school and housing facilities at plant location to create healthy and fit environment with in the company. This creates loyalty and increase productivity in employee and also reduces absenteeism culture in company.
- **Financial Planning:** - Plan your financial is play an important role to manage crisis. Master Budget should be preparing in beginning of the year. Monthly cash flow should be prepared on budgeted and actual based. Set financial target. Variance between budgeted and actual must be recognized and take corrective action to narrow variance.

### Conclusion

During crisis, management team work diligently and try to end as soon as possible and turn into business recovery phase. Companies must follow preventions plan to avoid crisis and make action plan if company currently facing crisis.

### REFERENCE

1. Berthon, Pierre, Hulbert , James M. and Pitt , Leyland F. (1999). To serve or create ? Strategic orientations toward customers & Innovation. California Management Review 42 (1):37-58.
2. Ashok K. Lahiri, Tapas K. sen , R. Kavita Rao , Pratap Ranjan Jena (2001), Economic consequences of the Gujarat Earthquake, P -11.



3. Rakesh Nangia and Rajat Mohan (2016, October 10), GST Impact and the States, mondaq connecting knowledge & people.
4. Heena Khan (2011), Losses mount for the industrial belt, as Maruti's Manesar woes continue, The hindu business line
5. Sindhu kashyap (2016) Doormint shuts operation. Crisis or correction for online Laundry startups? - <https://yourstory.com/2016/09/doormint-shuts-operations>.
6. <http://patanjaliayurved.org/>