

# DEVELOPMENT OF CREATIVE THINKING IN CONNECTION WITH COMPENSATION TRADES

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## Abstract

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Current business environment in world perspective brings different impact on possible development. During economic crisis in last couple of years world economic growth has getting slower, market shares are rapidly falling down. That situation could create new dimension of competition because of large competitors' intensity on the market due to developed logistics and information technologies. Based on the theoretical data there are applied statistical methods, which should be achieved of main aim of the paper. The main aim of the article is defining possible trend of using business tools as a way, how is practicable get out of economic crisis. For this reason there was used questionnaire survey, focused on small and medium companies during economic crisis (between 2009 and 2013). Observed business tools have quite excellent usage not only in the time of crisis, but also in prosperity times, when the companies provide unique competitive advantages. During tracked periods there were advance of gained knowledge about compensation tools by various learning methods.

Keywords: trading tools, crisis management, creative thinking, soft skills

## INTRODUCTION

The world economic growth got slower in last couple of years, and the share markets are strongly falling down and former confirmed global players are crushing. This fact has hard impact on nearly all companies and as consequence is descent the business volume, payment morale is worsening; the access to operating and investment capital is more difficult, etc. Due the global financial and economic crisis, there are created new dimensions of competition because the above mentioned hyper-competition on the markets, which is due to developed logistics and information technologies causing lower barriers for entry into these fields, is now still more intensive as the total volume of businesses is smaller.

Each economic crisis, which has affected European region, gives important questions about necessity of innovation to exceed the situation arises. That way creates possibilities to be effective in monitoring own activities in production and processes (Klímková, Hornungová, 2012).

Nowadays, the effects of the crisis are alarming. All business cases where cash is flowing have been hit – especially financial institutions, media organisations, energy and oil companies, or food and consumer industry. The immediate fall of demand is felt everywhere. Central banks are lowering the interest rate, the prices of cars are falling, there are clearances of consumables but there are not any radical adjustments to these changes – nobody wants to become bankrupt and he prays for the others to become bankrupt.

The governments of single states started with some precautions against the crisis trying to limit the negative impacts upon their economics. But these provisions help especially to big companies in the construction or car industry. Zich (2009) argues that contemporary economic-political situation itself offers the theme of the influence of links formed by various stakeholders in competitive space upon the possibility of the development of company competitiveness and its ability to succeed.

During the state's provisions against the crisis the small and middle companies are often on the edge of interest even if they represent more than 99% of all companies and they make more than two thirds working places in the EU. They are the engine of innovations in lower orders and a platform for development of entrepreneurial spirit. Theirs presented flexibility is maybe the reason for the expectation that they will help themselves. Then the management has the priority task to find and realise provisions for their stabilization and in the better case usage of the situation in favour of the company. The tools available to the managers in these conditions could be generally classified as tools for the crisis management, eventually tools for the turn-around management.

This article's target is to present the research of the recognition level and especially the application of the methods and tools in the field of commercial activities of the company during economic crisis. There are also partially incorporated the activities concerning management of the company finances as due to their close cohesion with the business they can't be displaced from the field of the turnaround management. Other partial target was monitoring the impact of the economic crisis upon the economical results of the companies (lower turnover, worse payment morale, aggravated access to financial resources, etc.).

In crisis time, creative and innovative thinking become more important, especially in crisis time. According to Čichovský *et al.* (2012) and Vlček (2011) is innovative thinking created by individual experiences and ambitions to improve own abilities, skills or knowledge. For this creation there are important three factors: 1) acceptance (usage of new and innovative findings in human thinking); 2) application (adoption or imitation of new and innovative findings); 3) adaptation (activity to transform findings into new original areas to expand knowledge). Therefore, there exist requirements to change entrepreneurs' approach and thinking to be effective and innovative.

Effective implementation of innovation helps to increase competitiveness. It involves using intervention programs compared to the free development and innovation under the pressure. In each organisation is implementation of innovation accompanied by a lack of connectivity of individual areas and non-linearity. That is usually caused by shortage of needful skills, scarce resources, low flexibility or bad education level (McAdam, 2005).

Acceptable solution could be using so-called innovative thinking. To be successful in implementation process with innovative thinking, it has to require appropriate supportive organizational structure (Humphreys, McAdam, Leckey, 2005; Paul, Elder, 2002).

For many companies the hard times are the constant of the present period. Difficult situation on the market has indisputably strong influence upon the companies. But it doesn't have to bring

them at the brink of living conditions. There are many tools for identification of the coming troubles and if the possible problems will be discovered in time there can be used another tools for mastering the situation.

There are many indicators which allow recognizing the coming difficulties. Relevance of the indicators will differ between various fields and also between various companies. The basis should be the tools for strategic analysis of the company surroundings – PEST analysis of environmental influences, Five forces analysis, The life cycle model (Johnson, Scholes, Whittington, 2008) and also of the internal forces and environment Value Chain, Value system, Competitive advantages (Porter, 2008). Many suitable indicators could be also selected from the models of the company processes and from strategic and operative controlling (Steinstöcker, 1998).

In addition to listing of the single indicators it is also necessary to consider their quantifiability (some indicators are so called soft indicators) and also with "decontamination" from relations to others, unrelated trends, cyclic and seasonal deviations, etc.

For the purpose of this article were selected indicators for the economic crisis status mainly from the business field, monitoring the changes of the demand volume and structure, availability of resources at the input (materials and raw material) and basic associated services. In the financial field were investigated data about availability of external financial resources, payment discipline of the customers and the faculty to cover the obligations.

For the need of the executed research were selected tools helping to get control over cash-flow (Castor and Newcomb, 2006), for example provisions for quicker recovery of debts, postponement of the obligations maturity, use of compensation businesses and also many exclusively business tools from the field of marketing, promotion, relationships with customers or development of the businesses channels (MacPherson, Miller, 2010).

Many of the described tools can act in contrary and it depends only on the given situation and management attitude if the way out of the crisis will be for example limitation of the loyalty actions for constant customers or their development. From the point of view of crisis management it is essential to take this situation into consideration and evaluate the pro and con for both attitudes.

From point of view of the activities which are realised during crisis, strategic partnership enabling companies with minimal effort and above all quickly to diversify their portfolio, to extend their services or distribution channels, should be mentioned as well (Somnath, Pradyot, Sanjit, 2003; Kolečák, 2008; Oliver, Mpinganjira, 2011a). But the basic role in the so-called turnaround management play the compensation trade forms, especially barter and multilateral barter. Actually, barter is general tool,

applied in various countries (Oliver, Mpinganjira, 2011b).

The clean barter is a direct exchange of goods for goods, where signed one contract for the supply and counter-supply. There is no invoicing in the supplier's nor customer's currency, no movement of money. Multilateral barter is a modern form of a barter trade with many parties. The principle of the multilateral barter is that a client buys from other client goods or services he just needs and pays by supplying his products to other clients. Single businesses are not bound by a time frame, it is possible to purchase and sell continuously according to needs. Each transaction is made by means and with support from some of the barter centre. These subjects – trade companies with various legal form and size, number of clients, turnover and field of activity – are registering and booking in the accountancy single transactions and they are supporting the mutual business of its clients, participants in the corresponding barter chain with various means (Guriev, Ickes, 1999; Oliver, Mpinganjira, 2011a; Kaikati, Kaikati, 2013).

Main reason to use counter trade tools is in those cases, where companies try to offer goods for unstable local currency. In that way counter trades become kind of safety of the goods' value (Hatten, 2012; Marin, Schnitzer, 2002).

In crisis time there exist strong correlation between barter trades and business cycles, what has been caused by amount of barter transactions. Marvasti and Smyth (2011) and Cresti (2003) realised studies in U.S. region, where they have focused on behaviour in barter exchanges between commercial barter and corporate barter. Both of these barter types are positively correlated with business inventories. That means companies usually use barter trades almost in 30% of all world trade cases (Oliver, Mpinganjira, 2011a).

In Czech Republic are active more than ten barter companies. The participation in the barter system can be for many entrepreneurs very interesting way how to finance the overheads connected with operation or extension of the company – especially, in today's difficult time when nearly each company fight with unbalanced cash flow. It is a fact that in Czech Republic is actively organized in the multilateral barter systems less than 2000 companies.

In spite of all arguments supporting the usage of barter there are many opponents declaring that there are not many business cases, when the barter couldn't be substituted by classical payment with money. But the problem is in the fact that most of the businesses made with barter trade wouldn't be done otherwise or only in incomparably small volume or with other limitations.

One of the biggest problems what entrepreneurs have to solve today is the redundant capacity in the form of unused production facilities or gathering of the goods in stores (Uijttenbroek, 2004). These surplus products mean dead money, which has been

missed in the cash-flow. And just that money could be used by barter trade for further development of the company. Herewith the barter trade helps to recreate the actual state of the assets to desired state.

## MATERIALS AND METHODS

The objective of this article is find trend of improvement by using business tools in course of economic crisis. For this reason there was used questionnaire survey, focused on small and medium companies during economic crisis (between 2009 and 2013). Respondents have been mainly owners and managers.

Own research problem was the confirmation or refutation of this hypothesis:

Hypothesis 1: the managers of small and middle companies in Czech Republic are not well prepared for management of the companies in crisis times.

Hypothesis 2: due bad preparation do not react sufficiently to arising situation.

Hypothesis 3: low knowledge and practical experiences with usage of the tools for crisis and turnaround management.

For confirmation or refutation of the hypothesis were used more research methods. From point of view of secondary research were used sources of actual information, published in the specialised literature, which were focused on tools from the business field usage. In primary research we asked the managers of Czech small and middle companies in questionnaire survey and in some cases with controlled interviews.

The questionnaire used for primary investigation was divided in three categories:

1. Identification of the company.
2. Impacts of the crisis times in the business field.
3. Impacts of the crisis times in the financial field.
4. Knowledge and usage of the tools for company management in crisis times with stress upon ensuring the business activities (more details are in the part theoretical outcomes).

In this section it was investigated independently, if the managers of small and middle companies have enough information and knowledge in this field and how they are acquiring them. According defined hypothesis 3, part of primary research was focused on findings development of knowledge in field of compensation trade tools.

## RESULTS

There was realised research survey during period 2009–2013, if the companies have been impacted by period of economic crisis and time after this period. Period of economic crisis could be accepted as hard times. This exploration was executed on sample of 827 respondents in 5-years period by questionnaire survey. Respondents were managers from different levels of corporate management. From total count of them there is the biggest group (more 75% of

all) included owners or executive heads. Almost 25% of the rest respondents were located in lower management levels. The questions were focused on basic risks as result of economic crisis, followed by currency crisis in Europe monetary union.

In the period were different influences on individual activities in sales, financial and marketing fields. Sales field includes only six types of impacts – Reducing the volume of new orders, Cancellation contracted orders, Changing structure of demand, Difficulty obtaining of sources, Change term performance, The need for restrictions accompanying services. From point of view of sales field was outstanding change in Changing structure of demand, where was growth from 45.57% to 53.85% in level of changes till 10% of total volume. In 2013 was rapidly decreased in structure of demand to 33.33%. In the levels of changes till 20% and over 20% there were decline about almost 13% and 2%. That indicates greater propensity for purchasing relatively cheaper variants of common goods (see Fig. 1).

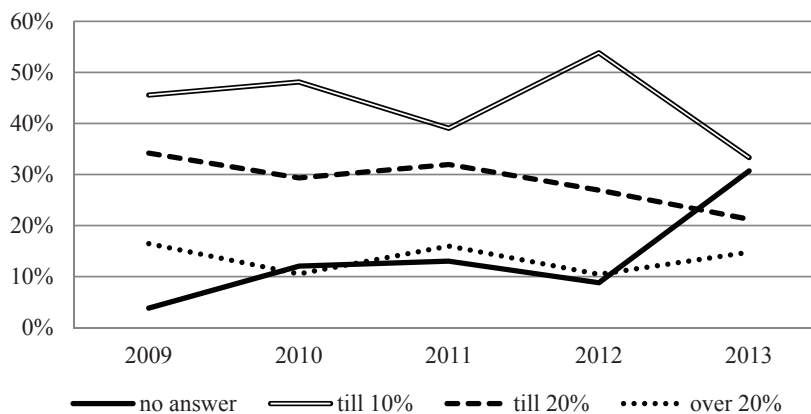
Financial field includes only three types of impacts: 1) Limited availability of external funding sources; 2) Impaired payment customers' discipline; 3) Poor ability to repay liabilities. The most important change was found by Limited availability of external funding sources, which noted decline almost about 15%. That improves possibilities of using diverse foreign sources with standard barter's trades (see Fig. 2).

There are necessary to use manager's measures to minimize all impacts. Common measures include sharing of trade channels or effort of increase the value added which customers perceive as strong brand. These measures have increased by 6%.

During financial crisis there were reduced marketing activities and customer's benefit programs. In 2009 were reduced almost 40% of all marketing activities and 34% of customer's benefit programs. In comparison with 2012 were changed these groups only by 28% and 23%.

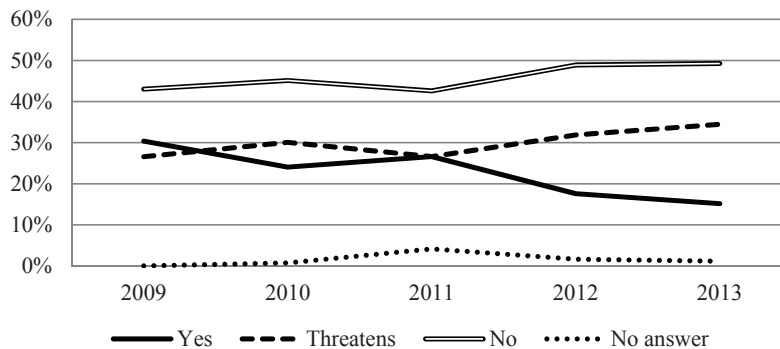
In 2013 were small increase in reduction of marketing activities to 31% and decrease of

### Changing structure of demand



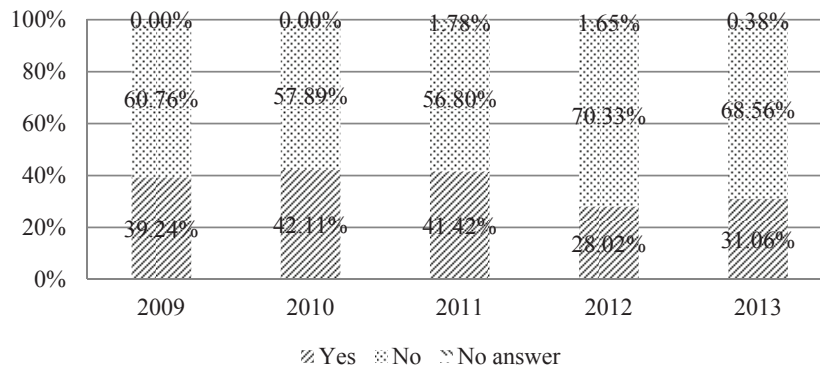
1: Trend of changing structure of demand in 2009–2013  
Source: own research

### Limited availability of external funding sources



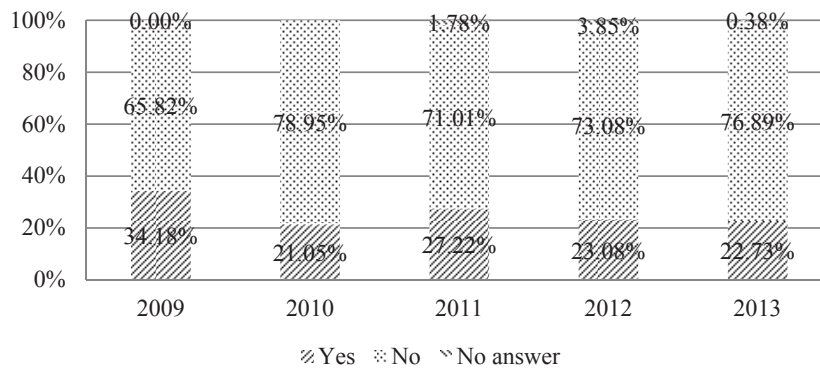
2: Trend of limited availability of external funding sources in 2009–2013  
Source: own research

## Reduction of marketing and promotion activities



3: Trend of reduction of marketing and promotion activities in 2009–2013  
Source: own research

## Reduction of benefit programmes for customers



4: Trend of reduction of benefit programmes for customers in 2009–2013  
Source: own research

reduction of customer's benefit programs to 22.73%. These changes have been changed by amount of barter trades (see Fig. 3, Fig. 4).

There has been rapid increase in using barter trades as key tool. It was used in 31.65% companies in 2009 and in 2012 it was more than 65% and in 2013 almost 43% (see Fig. 5). According the trend there is obvious that managers in 2009 were badly prepared for hard times' management. That is results of economic crisis followed by crisis of European monetary union. During crises using of barter trade tools have grown as results of findings key roles of trading tools – barter, counter purchase, multilateral barter. Important is, if this growth has become only by single trades or by total transformation of whole trading approach.

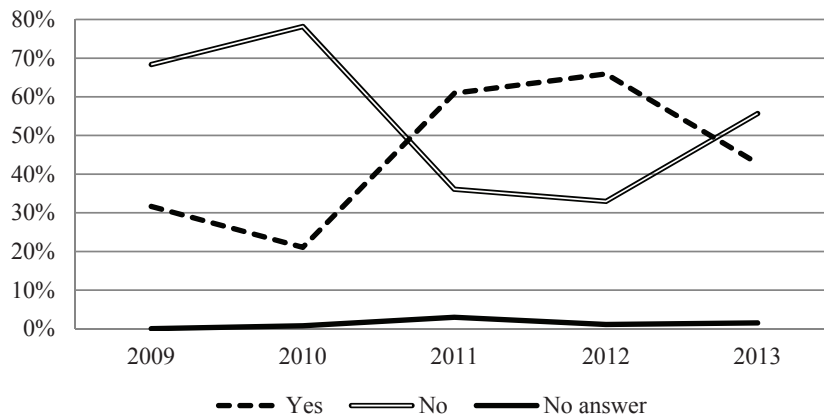
There are necessary to execute further research to exploit findings with minimal losses in both of domestic and foreign environment. Important premise is verification influence of compensation

deals on companies and the choice of using individual business and marketing activities.

In case of distressed sale there exists only opportunity, how sell quickly with minimal loss. Sellers usually lose only few per cent by this kind of sell in comparison with cash sale. Main condition is possibility to exchange own products for another to get required effect. For this is necessary to have a broad information base or to be a member of some barter centres.

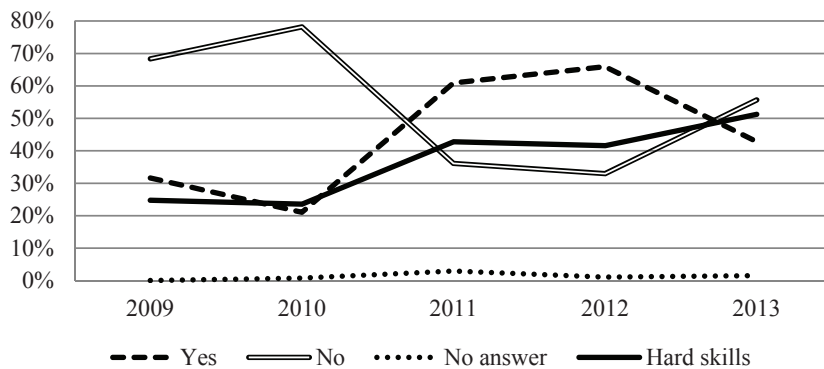
In questionnaire survey there were respondents asked if companies improves corporate hard skills. According to Senge (2007) hard skills as group of managerial abilities includes 1) alignments in law; 2) economics; 3) taxes; 4) human resources; 5) policy; 6) market and 7) language. From Fig. 6 is obvious, that since 2009 there has been slow growth of hard skills' curve. This progress is made by changing managers' thinking in innovative and creative fields. To be competitive, managers need to develop knowledge about innovation. Since 2010 knowledge has been

## Use of compensation trades



5: Trend of using of compensation trades in 2009–2013  
Source: own research

## Use of compensation trades in connection to hard skills



6: Trend of using of compensation trades in connection to trend of hard skills  
Source: own research

increased especially by self-study, courses and workshops or from books. These tools are too old for development of innovation thinking.

Unfortunately, there is necessary to improve knowledge forcefully, included in hard skills. As quite new approach, there is possible to develop “gift” of subtle skills. Mentioned hard skills are part of subtle skills, which support creative potential of individual persons. According Hroník (2008) subtle skills could be partly genetically encrypted. Accurate perception of feelings and senses should be base for managerial success in high competitive environments. Main fields of subtle skills are: 1) mental fitness; 2) psychophysical condition; 3) critical thinking – wisdom; 4) discipline and stability; 5) distance, concentration; 6) respect; 7) change, chance and stress.

These fields describe process of requirements which should be expected in decision-making level in foreign trades and used trades tools.

## DISCUSSION

The article proposed the evaluation of three hypotheses formulated on the basis of the secondary research, the monitoring of the trends described in the specialized literature and presented on the specialized meetings of managers and entrepreneurs: 1) managers of small and medium-sized companies in the Czech Republic are not ready well for the management of their companies in the “hard times”; 2) they do not respond adequately to the occurred situation as the consequence of their poor readiness; 3) the cause of the poor readiness is the low level of knowledge and practical experience with the utilization of the tools of the crisis and turnaround management.

The questionnaire survey was applied for the verification or disapproving of the hypotheses, with the aim to verify the situation in the Czech small and medium-sized companies.

On the basis of the identified facts all three hypotheses can be declared as partially verified. Their validity is highly probable; nevertheless, at least one research in the field of the adequacy of the individual implemented provisions will have to be carried-out with a certain time distance.

So as to further verify the validity of the hypotheses, a separate monitoring of the industry focus

of the investigated companies will be necessary on the grounds of the differing difficultness of the implementation of the crisis activities. The paper mentions the barter central offices as one of the examples of the strategic partnerships; however, this field offers a space for the future profound research.

## CONCLUSION

Most of respondents find information in internet sources. Except internet there are used books and courses which become basis of countertrade knowledge. Unfortunately, there exists negative response to the question if there are have enough information for possible execution of the compensation trade. Corporate practices show way how is possible create maximal using of compensation trades. Usually, companies are joined up to local barter centres. They have available trained specialists (brokers) who are working for a provision of a few percent and they are actively looking for trade opportunities and solve the problems with single client. Consciousness of barter trade's knowledge provides possibility to reach effective innovation thinking (Oliver, Mpinganjira, 2011b). Economic crisis support in companies approaches to improve innovative thinking and creativity to stabilize own market positions. Important is to focus on alternative methods of knowledge improving of managers, which strengthen their subtle skills. Mentioned alternative methods could be coaching, self-reflection or counselling. As support for the improvement of "crisis trades" knowledge there are possible to applied brainstorming, simulation, case studies or outdoor training. Own evaluation of the relationship between the development and management decisions would be possible to identify key factors, which would influence the effectiveness of decision-making and recommend methods for further development of the company.

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