



Crisis Sense Is the Original Driving Power For Enterprise's Sustainable Development

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Abstract

In ancient Chinese philosophical thought, there is a saying: "Thrive in calamity and perish in soft living", which is helpful and instructive to modern enterprise management. Strong crisis sense can be changed into strong competitive and innovative ability. If one enterprise wants to remain invincible all the time in market competition, it has to have strong crisis senses, considering the possible threat and crisis in safe places and take precaution before anything happens. Consistent innovation is the guarantee for the enterprise's sustainable development.

Keywords: Crisis sense, Sustainable development, Innovative ability

With rapid development of global economy and fast changes in science and technology, enterprises are facing more fierce market competition than ever. One small mistake might lead to great failure. Two thousands years ago, Mencius brought out a philosophical thought that "Thrive in calamity and perish in soft living". The ancients also had sayings such as "crisis sense leads to prosperity, coziness leads to perdition." and "if there is no wise people to manage the country, and there is no pressure outside, the country will come to end", and etc.. Therefore, it is a common understanding for entrepreneurs that we should keep in our minds a strong crisis sense, which is the driving power of society, and the original motivation for enterprises' development.

"Thrive in calamity and perish in soft living." If one person or an enterprise doesn't have crisis sense in a fairly cozy atmosphere, sooner or later, he or it will be destroyed by the fierce competition. We all know the story about frog. It is said that if you put a frog into a pot of boiling water, it will leap out right away to escape the danger. But, if you put a frog in a kettle that is filled with water that is cool and pleasant, and then you gradually heat the kettle until it starts boiling, the frog will not become aware of the threat until it is too late. The frog's survival instincts are geared towards detecting sudden changes. This parable is often used to illustrate how humans have to be careful to watch slowly changing trends in the environment, not just the sudden changes. It's a warning to keep us paying attention not just to obvious threats but to more slowly developing ones. It is very similar to enterprises.

Crisis sense can be changed into that of responsibility and competition. Bill Gates, the board chairman of Microsoft, required his employees to keep in mind that "the company can only survive for 18 months". Just because of that, Microsoft has been challenging themselves and created new products all the time so that other competitors could not catch up with them. This has helped Microsoft in the leading position of the industry for the past years. This developing model can be called "super-competition development", which means that in an industry, even though there are no strong competitors in the market, the company regards itself as the strongest rival and tries to exceed itself again and again, so that no other competitors can surpass it.

China's famous company, Haier, has a strong crisis sense, which is the driving power of innovation. In Mr. Zhang's opinion, an entrepreneur without crisis sense means that he is not qualified to be a leader. He said challenge is the motivation for Haier's sustainable development. As an enterprise leader, you must have strong crisis sense. Otherwise, you can not lead the company to success.

The existence of crisis sense can give enterprises great pressures for innovation, which can be changed into strong strive leading the company to consistent innovation and creation in technology, marketing and management system, and therefore helping the company reach its final aim of rapid development. This process can be called a cycle of "crisis-pressure-motivation-creation-development". Haier's strong crisis sense has become a great strive for its innovation and creation. In the intensive market competition, on one hand, Haier has been competing with various competitors, and on the other hand, it has been challenging itself. In the past 20 years, Haier has been the No.1 with largest number of patents. In 1998, Haier averagely applied for 1.8 patents every day. And now the number reached 3. Strong crisis sense has made Haier achieve a great deal in technical innovation, system creation and concept invention, which has led Haier from a small collective enterprise to world-famous company. Just as Mr. Zhang Ruimin said,

“Innovation and creation are the inexhaustible power for Haier’s development.”

Little Duck company is a good negative example. In the middle of 1980’s, the company introduced China’s first producing line of fully-automatic roller washing machine with advanced technology from Italy. As soon as the products were introduced to market, they received warmly welcome from consumers. The company became one of the three washing machine companies with largest market share. However, any advanced technology can not be leading in the market all the time. As others keep innovating their technology, Little Duck Company did little on technical innovation. They were satisfied with what they had achieved in the market, lack of crisis sense. Finally, Little Duck Company was defeated in the fierce competition and was merged by others.

Crisis sense is conflicted with the thought of being content with little achievement, which can not be in accordance with the need of market competition. In China, many once successful entrepreneurs were satisfied with what they had temporally achieved and took it for granted that their companies were on the right track of healthy development. Just because they were lack of crisis sense, their companies were prosperous just for a very short period and then were defeated in market competition, disappearing all of a sudden. Therefore, any company should keep a strong crisis sense in minds and persist in innovation and creation so that the enterprise can have a sustainable development.

Many famous entrepreneurs have realized the importance of crisis sense and put it into practice in management. Mr. Ren Zhengfei, president of Huawei Company, has very thorough explanation in his article “The Winter of Huawei”, which attracted resonance among other entrepreneurs. Facing great success and honor, Mr. Ren can “be happy for only three minutes”. He said: “I have been considering possible failure everyday for ten years, turning a blind eye to success and honor. I have not had any sense of honor or pride, but that of crisis.” From the idea of “being prepared for danger in times of safety”, Japanese deducted a management theory “with a bomb in arms”, which helped Aiwa Company become world famous with yearly sales of US\$3 billion from a nearly bankrupted enterprise. “Last-day management theory” was also deducted from crisis sense. This theory points out that any company would come to end with aging products and intensive market competition. However, if the enterprises realize it and have suitable adjustment in their system and ideas with necessary innovation, they would regain power for future development.

Lenovo is a very good example in putting crisis sense into their practical management system. Years ago, Mr. Liu Chuanzhi, board chairman of Lenovo Company, realized that it was a guarantee for the company’s sustainable development with a smooth change of leadership and he paid much attention in training future leaders for the company. Now, young leaders have taken over the responsibility of the managing the company in a very successful way. Lenovo has a steady touch in dealing with challenges from various competitors, including Dell. In order to enforce its competing power, Lenovo purchased IBM’s PC business in 2004, hoping to enlarge its global market share while holding the first position in domestic market.

One successful foreign businessman once pointed out that “the only unchangeable thing in the market is that the market is always changing.” Any company has to consider about possible crisis while it is developing rapidly and smoothly because it can not keep a rapid development all the time without any crisis, for market competition is always fierce. Neglecting this market law means that crisis is approaching. We should be prepared for possible danger in times of safety.

In the rapidly changing age, any nation, organization or individual will be washed out if it or he is satisfied with what has just been achieved without efforts for innovation and creation. Only consistent innovation and creation can win you a place for survive. A company has to have the ambition to plunder market share from others, and meanwhile to have a strong crisis sense that your market be taken by competitors. Strong crisis sense is the inexhaustible driving power for enterprises’ sustainable development.

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