

Alma Mater Studiorum – Università di Bologna
SCHOOL OF ECONOMICS, MANAGEMENT AND STATISTICS

-Forlì Campus-

Master's Degree programme in Economics and Management
Business and Administration - International Curriculum

CRISIS AND RECOVERY IN A START-UP. THE CASE OF THE SLOVAK COMPANY
SYNCULARIO

CANDIDATE:

GIULIO CAMUFFO

SUPERVISOR:

RAFFAELE CORRADO

Academic Year 2021/2022

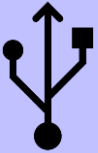
Synculario



Synculario (trade name: Synculario j.s.a.) is a start-up co-founded on March 15, 2018, by Rastislav Brenčič, which is the current CEO.



Headquartered in Jarošova 2961/1, 831 03, Bratislava (Slovakia).



Being a B2B services company that operates in the IT employment placement sector, it's an intermediary between the job demand (candidates) and job supply (clients).



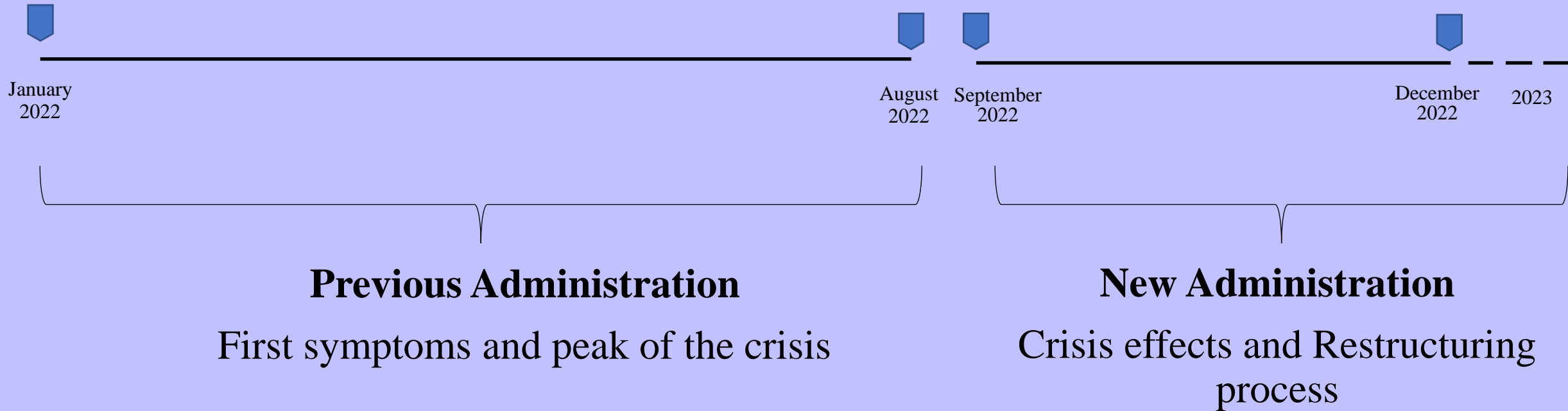
The main sources of revenues are body shops (temporary placement) and permanent placements.



The company most important departments are Recruitment, which hire candidates interested in the company's intermediary service, and Sales, which place candidates to client companies.

Thesis Purpose

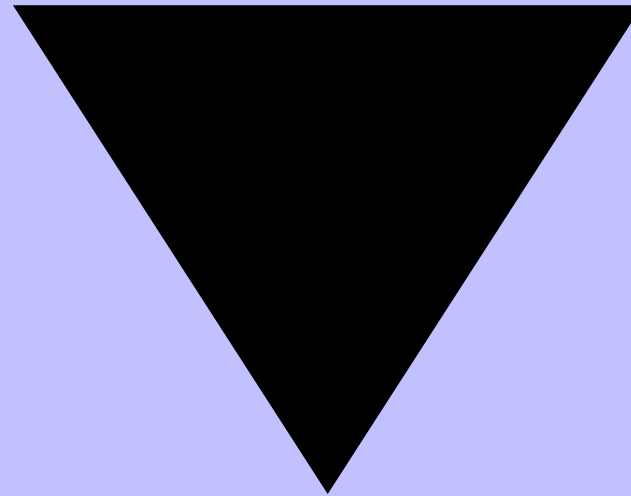
In 2022, the company encountered its biggest crisis that was initiated by the previous administration. The goal of this research is to investigate the root causes of the crisis and to examine the measures taken by the new administration during the ongoing restructuring process.



Theoretical Framework

START-UP

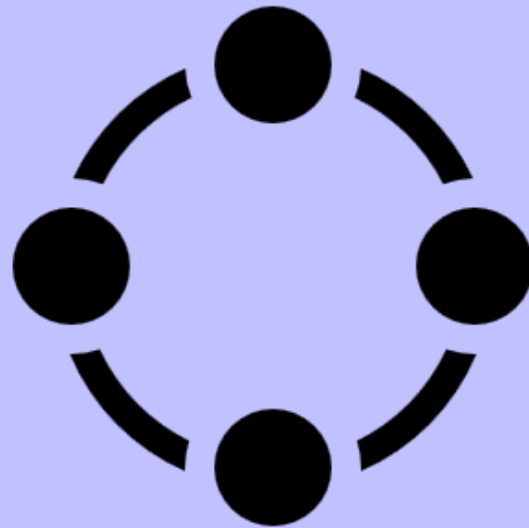
CRISIS



RESTRUCTURING

Research Questions

- Based on the typological classification of crisis from the literature and the factors that caused it in the specific, what type of crisis is Synculario facing?

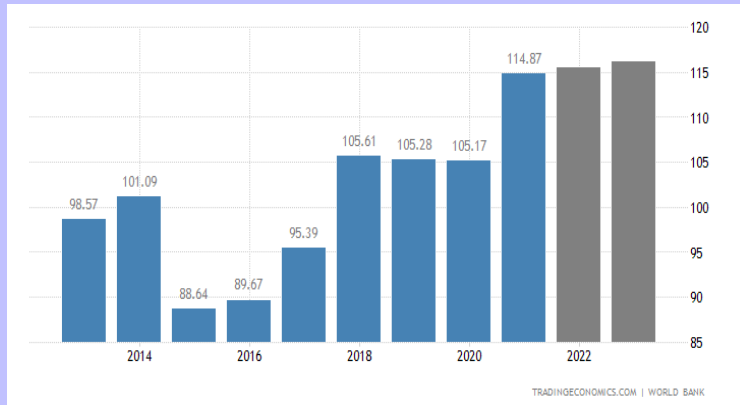


- Which are the internal and external factors that led the start-up to a crisis in 2022?

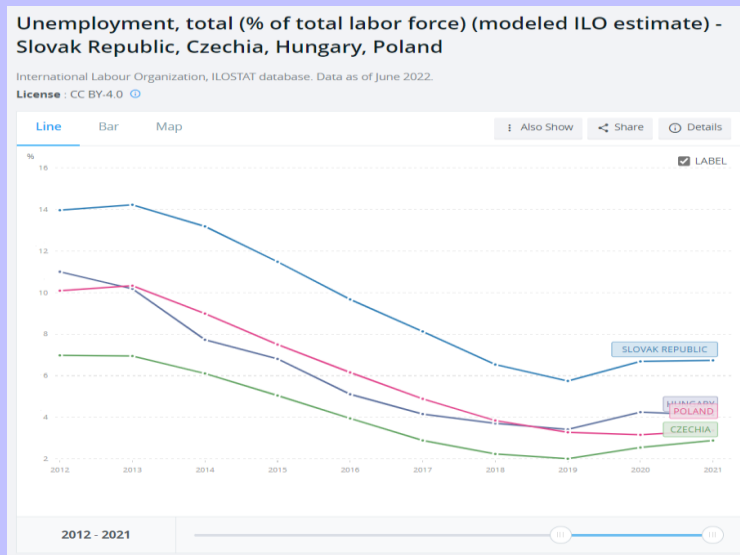
- Which solutions have been adopted so far to solve the crisis?

- Based on the typological classification of restructuring from the literature and the restructuring process put in practice so far, what type of restructuring process is Synculario implementing?

Slovakia Overview



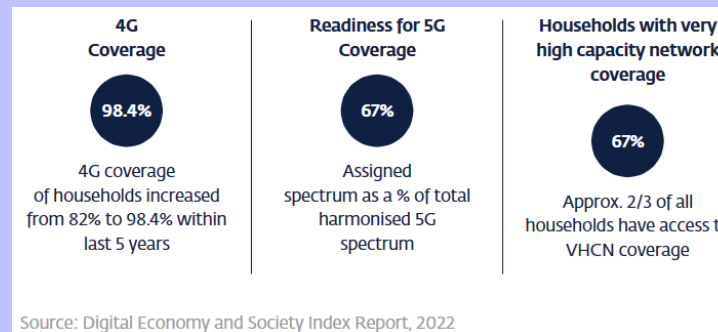
Slovakia GDP



Visegrad Group Unemployment Rate

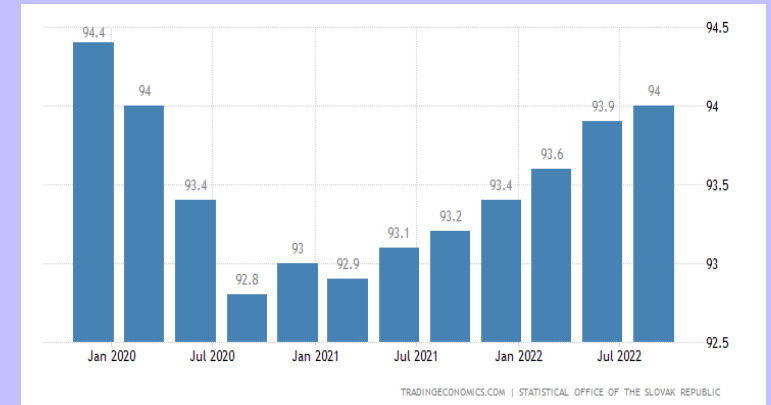
- 1st in the Digital/Technological skills among Visegrad group countries (Poland, Czech, Hungary, Slovakia)
- 4% ICT share on the total employment (>100,000 job opportunities and a 58% growth of employees in the sector between 2017 and 2022)
- 5% ICT's contribution to Slovakia's GDP

Source: Statistical Office of the Slovak Republic, 2021, IMD World Digital Competitiveness Ranking 2021, SARIO Calculations based on Finstat, 2021

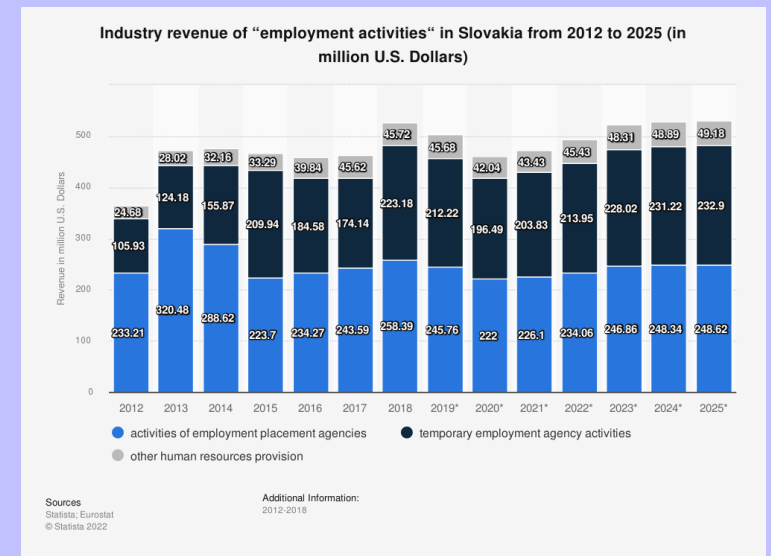


Source: Digital Economy and Society Index Report, 2022

ICT technologies integration in Slovakia



Slovakia Labour Participation Rate



Employment Placement activities in Slovakia (Nace N78)

Synculario Financial Performance Overview 2019-2022

PROFIT AND LOSS STATEMENT 2019 & 2020 & 2021

	2019	2020	2021
Revenue	441 047 €	641 385 €	1 198 394 €
Costs of Sales		-451 385 €	-736 514 €
Gross Profit		189 724 € (Gross Margin=30%)	461 880 €
Operating Expenses		-177 159 €	-382 346 €
EBIT (Operating Profit)		12 565 €	79 534 €
Interest		-8 800 €	-8 800 €
Net Income (EBT)	-55 801 €	3 765 €	70 883 €

S

PROFIT AND LOSS STATEMENT 2021 & 2022

	2021	2022	Difference
Revenue Recruitment	261 685 €	200 063 €	-62K € (Decrease 24%)
Revenue BS (incl. RPO)	936 709 €	981 638 €	+ 45K € (Increase 5%)
Revenue Total	1 198 394 €	1 181 701 €	-17K € (Decrease 1%)
Costs of Sales	-736 514 €	-817 739€	+81K € (Increase 11%)
Gross Profit Recruitment	263 271 €	200 063 €	-63K € (Decrease 24%)
Gross Profit BS (incl. RPO)	198 608 €	163 898€	-34K € (Decrease 17%)
Gross Profit Total	461 880 €	363 962 €	-98K € (Decrease 21%)
Operating Expenses	-382 346 €	-387 329 €	+4K € (Increase 1%)
EBIT (Operating Profit)	79 534 €	-23 368 €	-103K € (Decrease 129%)
Interest	-8 700 €	-8 700 €	
Net Income (EBT)	70 883 €	-32 068 €	-103K € (Decrease 145%)

- Changes in Revenues: 2019 / 2020 = **+49%**; 2020 / 2021 = **+87%**
- Changes in Gross Profit: 2020 / 2021 = **+143%**
- Changes in Net Income: 2019 / 2020 = **+107%**; 2020 / 2021 = **+1,782%**

- Changes in Revenues: 2021 / 2022 = **-1%**
- Changes in Gross Profit: 2021 / 2022 = **-21 %**
- Changes in Net Income: 2021 / 2022 = **-145%**

Empirical Analysis: the 8 crisis' factors (1)



Personnel cutbacks and internship shortfall



Overreliance on Postova Banka

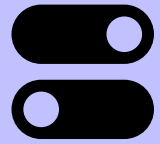


Hiring overload of junior positions without mentoring

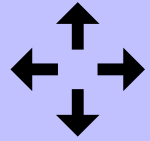


Lack of control by the parent, 26HOUSE, and principal - agent issue

Empirical Analysis: the 8 crisis' factors (2)



Failed management change (from traditional to agile)



Business expansion failure in Kosice



Unsustainable sales and recruitment strategy focus on permanent placements solutions



Market growth and competitors reaction impact (TITANS and Coolpeople)

Synculario's Crisis

CRISIS TYPE	SOURCE
<ul style="list-style-type: none"> • Python • Cobra 	Seymour and Moore (2000)
<ul style="list-style-type: none"> • Natural • Organisational 	Richardson (1994)
<ul style="list-style-type: none"> • Internal • External 	Nyström & Skoglund (2002)
<ul style="list-style-type: none"> • Technological • Confrontational • Due to malevolence • Due to managerial failure 	Lerbinger (1997)
<ul style="list-style-type: none"> • Technical/Economic centric • People/Social/Organisational centric 	Mitroff et al. (1998)
<ul style="list-style-type: none"> • Victim • Accidental • Intentional 	Coombs (2004)
<ul style="list-style-type: none"> • Immediate • Emerging • Sustained 	Parsons (1996)
<ul style="list-style-type: none"> • Manageable crisis • Unmanageable crisis 	Augustine (1995)
<ul style="list-style-type: none"> • Crisis caused by internal/external factors • Crisis caused by technological/social factors 	Shrivastava and Mitroff (1987)
<ul style="list-style-type: none"> • Major • Minor 	Hannah et al. 2009

KEYWORDS TO IDENTIFY SYNCULARIO'S CRISIS

- Major crisis.
- Caused by internal factors.
- With organisational origins.
- Emerging and gradual crisis that might have been handle before.
- Characterized by feeling of ambiguity, insecurity and instability.
- Result of series of strategic missteps, wrong decisions and specific circumstances.
- Result of poor and bad management.
- Intentional and only to a small extent accidental.

McKinsey 7S Strategic Readiness Survey

- 35 questions, divided in 7 groups (7S) of 5 questions each
- Agreement Rating from 1 (strongly disagree) to 5 (strongly agree)
- Computational value: 1 = - 2; 2 = - 1; 3 = 0; 4 = +1; 5 = +2
- 12 respondents out of 14 (85.7% response rate). The management (2 people) has been voluntarily excluded from the survey to avoid biases
- Output of the survey represent the internal perception of the company and of the management itself
- Style obtained the highest averaged overall composite score (4.67), while Systems and Staff the lowest score, <1.5 (1.17 and 1.42 respectively)
- From SPSS:

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,914	,907	35

↓
High reliability

DIMENSION	OVERALL CS	AVERAGED CS
Shared Value	27	2.25
Strategy	21	1.75
Systems	14	1.17
Structure	20	1.67
Skills	30	2.5
Style	56	4.67
Staff	17	1.42

Shared Values	-20-18-16-14-12	-12-10-8-6-4	-4 -2 0 2 4	4 6 8 10 12	12 14 16 18 20
Strategy	-20-18-16-14-12	-12-10-8-6-4	-4 -2 0 2 4	4 6 8 10 12	12 14 16 18 20
Systems	-20-18-16-14-12	-12-10-8-6-4	-4 -2 0 2 4	4 6 8 10 12	12 14 16 18 20
Structure	-20-18-16-14-12	-12-10-8-6-4	-4 -2 0 2 4	4 6 8 10 12	12 14 16 18 20
Skills	-20-18-16-14-12	-12-10-8-6-4	-4 -2 0 2 4	4 6 8 10 12	12 14 16 18 20
Style	-20-18-16-14-12	-12-10-8-6-4	-4 -2 0 2 4	4 6 8 10 12	12 14 16 18 20
Staff	-20-18-16-14-12	-12-10-8-6-4	-4 -2 0 2 4	4 6 8 10 12	12 14 16 18 20
Based on the agreement rating	Problem not recognised as an issue. Need for urgent attention.	Needs attention	Recognized as problem & action plans are being initiated	Implemented action plan trying to solve the issues	Outcomes related to these issues are being achieved.

McKinsey 7S Survey's Output

Style



- Organisational culture, mindset and mutual respect adopted and shared by the staff are the key strengths of the company



Systems



- Negligence, lack of experience and an efficient training system to develop talent once hired
- Inefficiencies due to use of disjointed non-integrated software
- Lack of functional corporate website
- Need for streamlining and automating the operational flow for faster results



Staff



- Poor management style by the previous CEO and administration
- Employees' size reduction in August 2022
- Resistant attitudes to change
- Lack of focus and enhancement of the internship program



Restructuring Process and Solutions Adopted

Systems



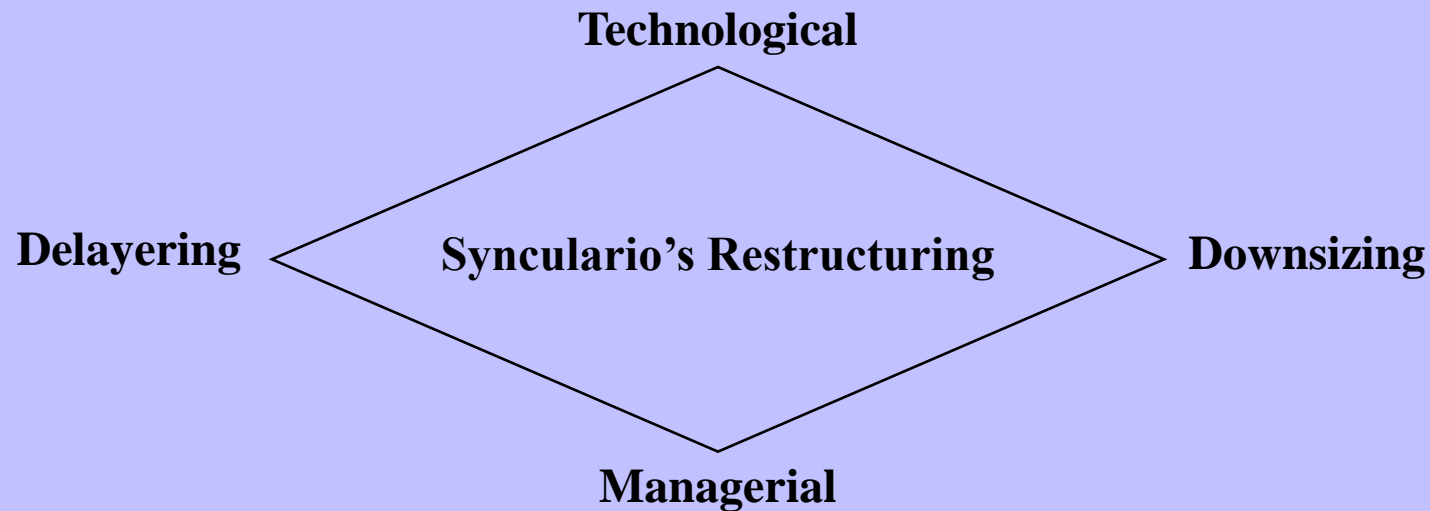
- Leveraging the parent-subsidary synergies with the implementation of the ERP Odoo



Staff



- Replacement of the previous CEO in 2022 and replacing of the two senior figures in 2023
- More responsibilities to the interns and involvement into business' dynamics, less and only Czech or Slovak interns to provide more support and better training



Limitations and Future Research

! ➤ LIMITATION 1: lack of key performance indicators (KPIs) and performance management during the crisis in 2022

➤ LIMITATION 2: very limited theoretical framework on start-up crises

➤ LIMITATION 3: time limitation imposed on data collection (from September 2022 to December 2022)

➤ Need for further theoretical development in the area of start-up crises

➤ Need for better internal reporting mechanisms to be put in place

➤ Need for the creation of a contingency plan for future crises

➤ Development of complex software or database with combination of different dependent variables associated to the most popular crisis' causes



Ďakujem!
(Thank you!)