







Business Crises in Europe and Asia: The Role of Aggressive Expansion

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Abstract *This article provides insights into the causes of business crises in Europe and Asia that occurred between 2000 and 2022. The research offers a comprehensive analysis of 20 crisis situations, providing a deeper understanding of the factors that contributed to them. The study aims to identify common factors underlying business crises and detect the role of aggressive expansion that may be present in the activities of European and Asian companies. Knowing the causes, entrepreneurs can better understand the conditions for business development and make better decisions.*

The research findings reveal that there are four main commonalities in the cases analyzed on both continents: 1) aggressive expansion; 2) market downturn and declining sales; 3) excessive debt and lack of liquidity; and 4) operating and labor costs. When analyzing the causes typical for one continent, we can point to conflicts and strikes in the case of Asia, and a lack of investments, as well as complex corporate structures, in the case of Europe.

In addition to identifying the causes, this analysis also suggests key solutions for businesses to avoid crisis and achieve success: managers should ensure the business can support new ventures without overextending resources; keep debt manageable by ensuring it aligns with the company's revenue and growth projections; and develop strategies to quickly adapt to declining sales and market downturns. The research method used in this work is a comparative analysis of case studies, supported by a multidimensional correspondence analysis.

Keywords Aggressive Strategy, Bankruptcy, Excessive Debt, Informed Decisions, Market Downturn

JEL Classification L10, H12, M16, G38

Introduction

Crises in the realm of business present formidable challenges for both corporate entities and the economies of entire regions. Europe and Asia, two distinct continents characterized by variations in culture, history, and economic structures, exhibit disparities in the underlying triggers and progression of business crises. Crises can be considered from different perspectives. From a corporate standpoint, they denote a critical and potentially deleterious circumstance necessitating immediate attention, usually the implementation of strategic measures to mitigate adverse repercussions (Bundy et al., 2017).

We often talk about crises that affect entire countries or regions. They are a recurrent facet of human history, wielding profound influence over the lives of millions and sculpting the destinies of nations as well as the global economy. Turbulent times cause uncertainty, as well as financial shocks and economic recessions that leave lasting marks on businesses (Adamczyk, 2012; Harrison, 2020). Both types of crisis are often linked, which means that broader economic crises may be the cause of crises and failures in individual companies. However, there may also be many more causes, and they do not have to be solely of a general economic nature.

The global business landscape over last 20 years has witnessed numerous crises, each with the potential to disrupt entire industries, economies, and livelihoods (Sánchez-Vida et al., 2020). Europe and Asia, as two prominent and diverse continents, have not been immune to these challenges. The significance of studying business crises in these regions lies in the critical role

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they play in shaping the trajectory of not only individual companies, but also the economic stability and growth of entire regions and nations (Claessens and Kose, 2013).

Comprehending how companies deal with crises is crucial to understanding their successes and failures (Jiang and Wang, 2023), but it is equally important to know how those crises occur and whether they can be prevented. The occurrence of business crises can have far-reaching consequences, including mass layoffs, financial market volatility, and a loss of consumer trust. In Europe, a region marked by a variety of different economic structures as well as cultural diversity, businesses face crises influenced by different factors compared to Asia, where rapid economic development and other types of cultural diversity create unique challenges. Understanding the dynamics of these crises is crucial for stakeholders, including business leaders, policymakers, and investors, as it allows for proactive measures to mitigate risks and enhance resilience. This is also of great importance to the inhabitants of a given region.

The conditions for doing business in Europe and Asia exhibit significant diversity, shaped by a multitude of factors, including the organization of individual countries, the influence of political systems, and the maturity of their respective markets (Brzozowski and Cucculelli, 2016). Europe, for instance, is home to a wide range of economic models, from the highly regulated and welfare-oriented Nordic countries to the more laissez-faire economies of Western Europe. The European Union further fosters an environment of harmonized regulations and a single market, promoting trade and investment.

In contrast, Asia encompasses countries with distinct political systems and levels of economic development. For example, countries like Singapore and Hong Kong are known for their business-friendly environments, while others, like China, combine elements of state control with market-driven growth (Nguyen and Wu, 2019). As a result, businesses operating in these regions must navigate varying regulatory frameworks, cultural nuances, and market conditions, making it essential to adapt their strategies and operations accordingly. Taking these factors into account, the goal of this work is to discover the common causes of crises on both continents, and to point out significant differences. Therefore, we pose the following research questions:

1. What are the common factors underlying business crises in Europe and Asia?
2. What are the distinct differences in business crises on these two continents?
3. Does aggressive expansion contribute to crises?
4. What actions should entrepreneurs take to avoid the collapse of their business?

We hypothesize that aggressive expansion is at the root of many crises, although the reasons for this expansion are different in European and Asian companies.

The basis of the research is the analysis of case studies from 20 companies (both European and Asian) that have faced major crises in between 2000 and 2022. In the research part, we use the comparative case study analysis method, and a multidimensional correspondence analysis for statistical calculations.

Undoubtedly, companies operating in both Asian and European landscapes may encounter issues related to financial mismanagement, including burdensome debt, deficient financial planning, and inadequate risk management. These factors can precipitate liquidity challenges, insolvency, and, ultimately, business failure. Nevertheless, it is imperative to acknowledge that Europe and Asia have unique economic, cultural and regulatory characteristics, demonstrated, for example, by the prevalence of family-controlled enterprises in Asian countries (Beeson, 2018). Therefore, this article seeks to identify shared causative factors underpinning crises in both Europe and Asia, while simultaneously exploring distinct crisis factors in the realm of business across these regions and explaining the role of aggressive expansion.

According to M. Lemerle, M. Latorre, and A. Kuhanathan (2023), global insolvency rates are expected to increase by 21% in 2023 and by 4% in 2024, so the problem of bankruptcies and company failures remains important. Europe is the largest contributor to the recent global increase in companies collapses – in 2023, 59,000 bankruptcies are expected in France, approximately 18,000 bankruptcies in Germany, and over 7,000 in Spain – originating primarily from the fields of transportation, freight forwarding, trade, tourism-related services, gastronomy, and B2C services (Lemerle et al., 2023).

Of course, forecasts for Asian markets should be treated with caution, because information is often incomplete or even unavailable. It is currently difficult, for example, to find data or reports predicting bankruptcies in China (Huang, 2023). It is important, however, to note that the Chinese economy has faced challenges, including high debt levels, a housing crisis and slowing growth rates, which could potentially lead to an increase in bankruptcies there. Recent press reports indicate that around 40 Chinese banks have disappeared from the market, probably due to the banking crisis (Asia Sentinel, 2024).

Other countries, such as Sri Lanka, continue to face severe economic challenges, primarily due to a significant debt crisis contributing to economic slowdowns and business difficulties (Asia and the Pacific in 2024). Thus it can be seen here that the issue of business crises, both in European and Asian countries, is very important and worth analyzing.

Literature review

Apart from the causes and effects of crises, a key issue is how crisis should be understood. Defining “crisis”, however, presents a multifaceted endeavor. Bundy et al. (2017) believe that an organizational crisis is an event that is perceived by managers and stakeholders as highly salient, unexpected, and potentially disruptive. Such events can significantly threaten an organization’s goals, have profound implications for its relationships with stakeholders, and pose a risk to its financial performance and reputation.

From a broader point of view, such as financial markets, crisis can be understood as a sudden change or collapse in the market, associated with a lack of liquidity and insolvency of entities participating in this market, forcing public authorities to intervene (Vasickova, 2020; García, and Mures, 2013; Miklaszewski, 2003; Oumlil, and Balloun, 2017; Bernate Valbuena and Gómez Meneses, 2021). Alternatively, it can manifest as a downturn in economic activity, leading to a substantial reduction in production and, consequently, a deceleration in economic growth (Papadakis, 1994; Chrabonszczewska, 2005). Crisis, then, can be defined according to the sector and circumstances.

Business crises can have various causes; the literature discusses such reasons as mismanagement, cultural variations and ethical lapses, as well as market differences. Referring to cultural differences, E.L Yong (2019) writes that economic divergences between Asia and Europe are connected to the Hofstede’s concept of cultural differences, especially to individualism and power distance. The concept posits that individualism is characterized by a loosely-knit social framework that emphasizes individual achievement and self-reliance, while power distance relates to a society’s acceptance of unequal power distribution in organizations and institutions (Beugelsdijk and Welzel, 2018). Hofstede argues that individualism tends to be dominant in Western Europe, while power distance culturally prevails in Asia. On this basis, the authors opine that an individualistic culture is identified to favor Europe’s economic prosperity, while the power-distance culture is found to be a barrier to development in Asia. Thus, cultural factors may be a cause of economic crisis.

Regardless of the cultural dimensions, an almost universal human tendency to engage in unethical behavior and rationalize it using various strategies can be observed (Pope, 2015; Bundy et al., 2017; Oumlil and Balloun, 2017; Schoen, 2017; Clore, 2011). These strategies include tricks of language, cognitive justifications, and logical fallacies that allow individuals to make ethically questionable actions seem acceptable. It can certainly be said that noncompliance with ethics often results in significant consequences, not only for individuals but also within organizational dynamics. Pope and Schoen’s research indicates that unethical behavior can cause psychological trauma, including shock, grief, damaged self-esteem, and life-altering changes (Pope, 2015; Schoen, 2017). Within organizations, this can lead to management difficulties and inefficiency.

The problems faced by enterprises, as E.J Schoen (2017) writes, may also stem from external conditions, such as difficult economic situations and economic crises. He refers to the global financial crisis of 2007-2009, which had severe and widespread consequences. It caused a deep and protracted recession, significant unemployment, and a decline in the GDP of many countries. There was also a rapid rise in joblessness, with unemployment rates remaining high for an extended period. Schoen, as well as Lemerle, Latorre and Kuhanathan (2023), argue that this crisis revealed critical weaknesses in the financial system, and led to business collapse and bankruptcy of many companies.

Knowledge about the causes and tactics for overcoming crises are therefore crucial. Jiang and Wang (2024) demonstrate three specific survival tactics that can help distressed firms recover: relying on tangible assets; relying on intangible assets; and reducing costs. They also show the critical role of institutional development in emerging economies, where institutions create an important framework for business.

It is significant that every crisis in business is, to some extent, related to the company’s financial resources. Therefore, over last 35 years, the topic of corporate failure prediction has become a major research domain within corporate finance (Mittal and Raman, 2021). Balcaen and Ooghe (2006) and Morawski (2003) claim that economists try to predict corporate crisis using classic cross-sectional statistical techniques, resulting in single-period or static models; they highlight also the various challenges and issues with this approach, including problems related to the classical paradigm (such as the definition of failure, data stability, and optimization criteria), and neglect of the time dimension.

Despite having developed techniques and strategies, executives – according to Slywotzky and Wise (2002) – increasingly find it difficult to achieve sustained top-line growth, as traditional methods are losing effectiveness. Even in the boom years from 1990 to 2000, only 10% of publicly-traded companies managed consistent double-digit revenue growth. While cost-cutting and promises of future profits can temporarily boost earnings and share prices, these tactics don’t guarantee long-term development. It turns out, moreover, that many companies that appeared to grow substantially were actually relying on unsustainable, incremental strategies like strong international expansion, acquisitions, or aggressive pricing, rather than strengthening their core business (Slywotzky and Wise, 2002; Adnan and Dar, 2006).

Methodology and research sample

For this article, we selected companies' crises from the years 2000 to 2022 that had an international impact and led to business bankruptcy or a long-term collapse. We used the Google search engine to seek out and identify business crisis cases in Europe and Asia. The search criteria sought out companies operating on the international market that experienced serious crises during the specified timeframe. Subsequently, the identified cases were subjected to a comprehensive analysis, which involved gathering information on the causes of the crisis, its progression, and consequences. Finally, 20 crisis cases were selected from 12 countries: UK, Italy, Switzerland, Germany, Finland, Spain, South Korea, Japan, China, Singapore, Indonesia and India; the description of the crises is included in Tables 1 and 2. It can thus be said that the sample selection was not random but purposeful.

The selection of companies for this research was guided by the need to capture a diverse range of crises across different contexts, in line with Yin's (2009) recommendations on case study selection, which emphasize the importance of diversity in cases for comparative analysis. By including both European and Asian companies, we ensured a comprehensive analysis that accounts for the varying regulatory, cultural, and market dynamics across these regions, as suggested by Eisenhardt (1989), who highlights that heterogeneous cases enable richer theory development. Furthermore, focusing on internationally operating companies that have faced significant crises allows for a broader understanding of crisis management strategies across different institutional environments, which aligns with Stake's (1995) argument that case studies should represent complex, real-life situations to yield meaningful insights.

The research method used in this work is a comparative analysis of case studies, which typically involves comparing and contrasting two or more cases to identify similarities and differences (Parreira do Amaral, 2022). As it is important to establish a good understanding of each case and its context to create the foundation for the analytic framework, each crisis discussed in this article was cross-checked with at least two sources. The data was sourced from reports from sources such as *Bloomberg*, *The Guardian*, Reuters, *The New York Times*, and the *Financial Times*. Additionally, we consulted reports from governmental bodies, including the U.S. Department of Justice, the International Monetary Fund, and the Asian Development Bank Institute. In order to better understand the structure of the obtained data, our statistical analysis used the multidimensional correspondence analysis method, along with the classification of variables using Ward's method. It should be mentioned here that Ward's method assumes that a hierarchical structure is appropriate for the data being analyzed, as it requires the calculation of distances between all pairs of data points and updates of cluster variances at each step, and resulting in a hierarchical tree (dendrogram) is created (Greenacre and Hastie, 1987).

The chosen research material has certain limitations, which are detailed in the final part of the article. The most significant are the fact that the press reports analyzed were mostly those published in English; the considerable time gap from many crises (sometimes up to 20 years); and, in some cases, a lack of detailed data. Consequently, it is advisable to approach the results with caution, as there may be factors not covered in the mass media that are currently unavailable, and information in national languages that has been overlooked.

It should also be added here that although the research period covers the COVID-19 pandemic (XII 2019 - V 2023), in this study we do not focus on the impact of the pandemic on enterprises. This is due, on one hand, to the fact that most of the cases described occurred before the pandemic, and on the other hand, the information about Abengoa and Wirecard, which collapsed during the pandemic, did not indicate that the pandemic was the main cause of their problems. Only in the case of the Jet Airways airline was there a noticeable acceleration in decline attributed to the pandemic, but it ceased flying for the first time in April 2019, prior to the pandemic (Anand and Shah 2022).

Case study analysis

As mentioned, 20 crisis cases were selected based on the following criteria: they needed to involve a company operating in the international market, located in either a European or an Asian country; the crisis had to have occurred between 2000 and 2022; and the crisis's impact on the company had to have resulted in bankruptcy or a long-term severe crisis.

The chosen European companies that suffered crises included Swiss airline Swissair; Italian food producer Parmalat; British carmaker Rover Group; German telecommunication conglomerate Siemens; Spanish airline Spanair; Finnish telecommunication company Nokia; Spanish bank Banco Popular; travel agency from UK Thomas Cook Group; German payment processing company Wirecard; and Spanish energy and environmental company Abengoa.

The list of European companies and their crises is presented in Table 1.

Table 1. Description of selected crises of European companies

Company	Dates and key events
Swissair	1990s: Swissair embarked on an ambitious and costly expansion strategy, acquiring stakes in multiple airlines around the world to create the Qualifyer Group Alliance. 2000: Swissair's financial troubles began to surface as the company experienced difficulties with mounting debt and losses. 2001: Swissair grounded its fleet due to a severe liquidity crisis and sought emergency financial assistance from the Swiss government.
Parmalat	1990s: Parmalat embarked on an aggressive international expansion, acquiring various companies worldwide and diversifying into different industries. December 2003: Parmalat admitted that it did not have the funds it claimed to have and announced a financial crisis. It filed for bankruptcy protection. December 2003: Parmalat's founder and CEO, Calisto Tanzi, was arrested.
Rover Group	1994: Rover Group was acquired by BMW, a German automaker, who made unfavorable decisions. 2000: BMW sold the Rover Group to the Phoenix Consortium, a group of British businessmen, for a nominal fee of £10. 2005: The MG Rover Group (as it was known by then) collapsed.
Siemens AG	Mid-1990s: Siemens AG began systematic efforts to falsify its corporate books and records. 2005: German prosecutors opened the Siemens case. 2008: Siemens agreed to pay \$800 million to settle a U.S. investigation of allegations.
Spanair	2009-2011: Spanair experienced financial difficulties, leading to losses and efforts to secure additional funding. January 2012: Spanair abruptly ceased operations and canceled all flights.
Nokia	Late 2000s: Nokia's dominance in the mobile phone industry began to erode as smartphones gained popularity. 2011: Nokia reported massive losses and announced significant job cuts and restructuring efforts. 2013: Microsoft announced its acquisition of Nokia's Devices and Services division, effectively ending Nokia's role as a mobile phone manufacturer.
Banco Popular	March 2017: Banco Popular's crisis unfolded when an internal audit at the bank uncovered financial irregularities totaling hundreds of millions of euros. June 2017: Banco Santander announced its acquisition of Banco Popular for a symbolic price of one euro, with the condition that Santander would raise €7 billion in capital to strengthen the bank's financial position.
Thomas Cook Group	2018: Thomas Cook Group began experiencing financial difficulties due to various factors, including high debt and changing consumer behavior. 2019: Thomas Cook Group announced a loss of £1.5 billion and started a strategic review of its airline division; five months later, Thomas Cook Group collapsed.
Wirecard	2018: The internal legal team of Wirecard's Singapore office began the first investigations into three members of the finance team. June 2020: Wirecard admitted that €1.9 billion, which was supposedly held in trustee accounts in the Philippines, likely did not exist. June 2020: Wirecard filed for insolvency, acknowledging a €1.3 billion financial hole in its balance sheet.
Abengoa	2015-2016: Abengoa's financial troubles became apparent as the company faced mounting debt and liquidity challenges. November 2015: Abengoa filed for preliminary creditor protection in Spain – one of the largest insolvency proceedings in Spain's history. 2021: The company's crisis broadened as it sought to finalize its restructuring plan.

Source: own work, based on: Byjake, 2021; Collinson, 2019; 2002; Dairy Reporter, 2004; de Bel, 2020; Deutsche Welle, 2006; Finlay and Bodell, 2023; Fitzmaurice, 2015; Fox, 2012; Gay, 2021; Hermann and Rammal, 2010; House of Commons Committee of Public Accounts, 2006; Human Resource Management International Digest, Löscher, 2012; Morgenson, 2017a; Morgenson, 2017b; McCrum, 2020; Minder, 2016; Rimkus, 2016; Schrage, 2011; U.S. Department of Justice, 2008; Tedder, 2019; Tesse Fox, 2012; "Timeline: Siemens battles corruption scandal", 2008; Venard, 2018; Wray and Wearden, 2007.

The second group consisted of crises in Asian companies - the following crises were included: Singaporean fuel supplier China Aviation Oil; Indonesian bank PT Bank Century; South Korean automotive SsangYong Motor; Japanese airline AirAsia Japan; South Korean container carrier Hanjin Shipping; Japanese automotive company Toyota; Chinese solar energy producer LDK Solar; and three Indian companies: Kingfisher Airlines, Satyam Computer Services, and Jet Airways. The list of Asian companies is presented in Table 2.

Table 2. Description of selected crises of Asian companies

Company	Dates and key events
China Aviation Oil	November 2004: CAO announced a massive trading loss of approximately \$550 million due to speculative trading in oil futures. December 2004: CAO filed for bankruptcy protection as a result of its trading losses, becoming one of the largest bankruptcies in Singapore's history.

PT Bank Century	2008: PT Bank Century's crisis began, amidst the global financial crisis (which originated in the United States), as it experienced liquidity problems and concerns about its solvency. December 2008: The government of Indonesia announced a bailout plan for PT Bank Century. December 2009: A parliamentary inquiry into the Bank Century bailout led to the resignation of Minister of Finance Sri Mulyani Indrawati.
SsangYong Motor	2009: The crisis for SsangYong Motor Company began in earnest in 2009. April 2009: The company declared bankruptcy and filed for court receivership after experiencing severe financial difficulties. October 2011: Mahindra & Mahindra Ltd., an Indian automotive manufacturer, acquired a majority stake in SsangYong Motor Company.
AirAsia Japan	August 2012: AirAsia Japan commenced its operations, aiming to tap into the low-cost carrier market in Japan. June 2013: AirAsia Japan faced significant financial and operational challenges. October 2013: AirAsia Japan announced the suspension of all flights and its withdrawal from the Japanese market.
Hanjin Shipping	August 2016: Hanjin Shipping filed for court receivership in South Korea, seeking protection from creditors as it faced insurmountable financial difficulties. September 2016: Ports around the world began refusing to load or unload Hanjin's containers, causing massive disruptions in global supply chains. February 2017: Hanjin Shipping was declared bankrupt by a South Korean court.
Toyota	January 2010: Toyota announced a recall of approximately 2.3 million vehicles in the United States to address concerns related to unintended acceleration. June 2010: Toyota appointed a new quality control officer and announced plans to improve its quality control and address safety concerns Throughout 2010: The crisis escalated as Toyota announced a global recall of nearly 8.5 million vehicles to resolve unintended acceleration and other safety issues.
LDK Solar	2011: The crisis for LDK Solar began to manifest, with global oversupply led to falling solar panel prices, which eroded profit margins. 2014: LDK Solar went into a deep financial crisis. 2015: LDK solar declared bankruptcy.
Kingfisher Airlines	2008-2009: Kingfisher Airlines faced its first financial difficulties, primarily due to the global economic downturn and high operating costs 2013: The Directorate General of Civil Aviation (DGCA) suspended Kingfisher Airlines' flying license, grounding the airline.
Satyam Computer Services	2008: The crisis at Satyam, caused by financial problems, began to unfold. January 2009: Satyam's founder and then-chairman, Ramalinga Raju, admitted to massive financial fraud. April 2009: Tech Mahindra emerged as the highest bidder for acquiring a controlling stake in Satyam to restore stability to the company.
Jet Airways	Late 2010s: Jet Airways faced mounting financial challenges, including a substantial debt burden. June 2019: Jet Airways was officially grounded as the State Bank of India (SBI) initiated bankruptcy proceedings; the pandemic further exacerbated these troubles. 2021: The National Company Law Tribunal (NCLT) approved a resolution plan submitted by a consortium of creditors, enabling the airline's revival.

Source: own work based on: Anjani and Arka, 2008; The Guardian, 2016; Milford and Bathon, 2014; Osborne, 2015; Osborne, 2016; Zhu and Powell, 2013; Kotoky, and Ghosh 2022; Anand and Shah, 2022; Curtis and Pistor, 2013; The New York Times, 2006; Anjani and Anugrah Arka, 2008; Sang-Hun and Wassener, 2009; "AirAsia Japan: Announcement of cessation of operations", 2020; Centre for Aviation, 2013; Kelly, 2012; Panigrahi, et al. 2019; The Indian Express, 2017; The U.S. Securities and Exchange Commission, 2011.

Comparative analysis

The causes of crises can be divided into internal and external, and direct and indirect (Dubrovski, 2016). By analyzing media commentaries and reports from various institutions, a total of 26 causes of crisis were identified: aggressive expansion; illegal actions; market downturn and declining sales; mismanagement, conflicts and strikes; excessive debt and lack of liquidity; lack of control and transparency; operating and labor costs; poor financial risk assessment; the 2008 economic recession; intense competition; inadequate government response; lack of product innovation; overcapacity; poor control by auditors; product safety problems; catastrophes and accidents; the influence of state policy; Brexit-related uncertainty; changes in leadership; changing consumer preferences; complex corporate structure; excessive investment in R&D; and lack of capital.

We have classified direct causes as those most closely linked to the crisis, while indirect causes are those affecting other factors and obliquely causing the crisis. On the other hand, internal causes of crises are those that occurred within the company's inner operations, and external ones were those occurred in the environment and over which the company had no major influence (Dubrovski, 2016; Wilson, 2016). In accordance with these assumptions, the identified causes were divided into four categories (Fig. 1). It should be noted that individual causes, depending on the adopted assumptions and perspective, may also be found in an area other than those indicated in the Figure 1.

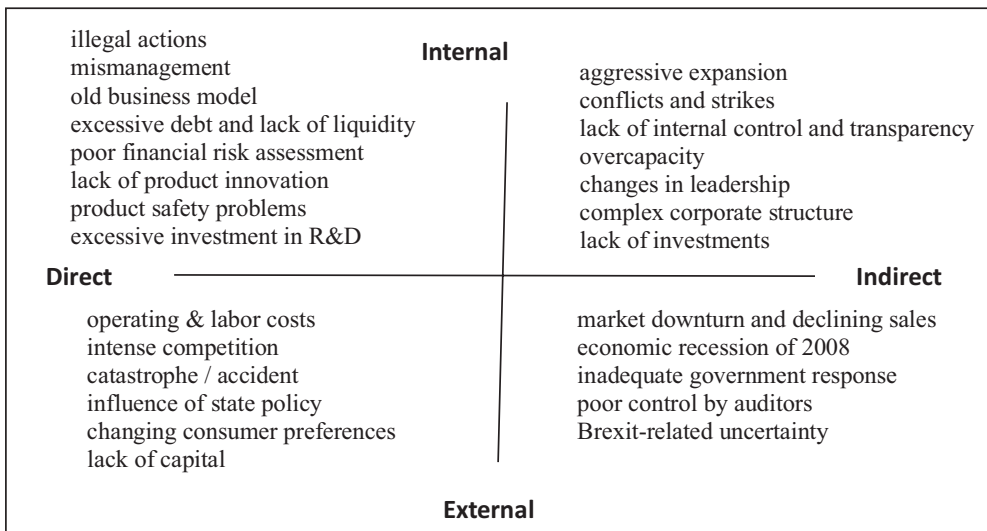


Figure 1. Division of the identified causes of crises

Source: own research.

Among the listed causes of crises, five concerned only European companies and six concerned only Asian companies, and thus those were the causes that were present only in one continent. The next set of causes, 13 in total, appeared with varying intensity in both European and Asian companies. Figure 2 was prepared in reference to the question, “What are the common factors, and what are the distinct differences, underlying business crises in Europe and Asia?”

The analyzed 20 crises were very diverse, as well as their underlying causes. **Seventeen causes of crises were identified in Asian countries and 20 in European countries** (Fig. 2). The causes of crises in Asian companies were identified a total of 39 times, while the causes of crises in European companies were identified a total of 41 times. It should be recalled here that most crises were due to several factors, so their causes will overlap. The same causes could also appear in different crises. Furthermore, many causes of crises appeared in both European and Asian companies, but their intensity fluctuated.

Differences and similarities in the causes of crises

Despite differences, certain values appeared in two cases with identical numbers: poor financial risk assessment (three cases on both continents, making up 17.6% in Asia and 15% in Europe) and inadequate auditor control (one case in Europe, and one in Asia, representing 5.9% and 5%, respectively). Similar results were also observed for both regions in cases of aggressive expansion (four cases in Asia and five cases in Europe, accounting for 23.5% and 20%, respectively). It should be noted that this was not the most common reason for the crisis to occur – the most common was excessive debt and lack of liquidity (seven cases in Asia and five in Europe, accounting for 41.2% and 20%, respectively). Other reasons included lack of internal control and transparency, as well as intense competition.

The causes that were most exclusive to either Europe were outdated business models and complex corporate structures, while Asian companies were most distinctly marked by the influence of state decisions, overcapacity, and problems with product safety.

Statistical Material and Research Method

To assess relationships between the factors underlying business crises, a multidimensional correspondence analysis was utilized. For this purpose, 26 categorization variables concerning the causes of crises observed separately for companies in Europe and Asia were created. Their names and designations are presented in Table 3. All variables had two categories, “yes” and “no”, that were assigned ranks of 1 when the phenomenon had occurred, or 0 when the phenomenon did not occur. This resulted in a total of 52 variables. Those variables not causing crises in the studied continent were then eliminated from the list. Ultimately, 37 variables were examined for this analysis.

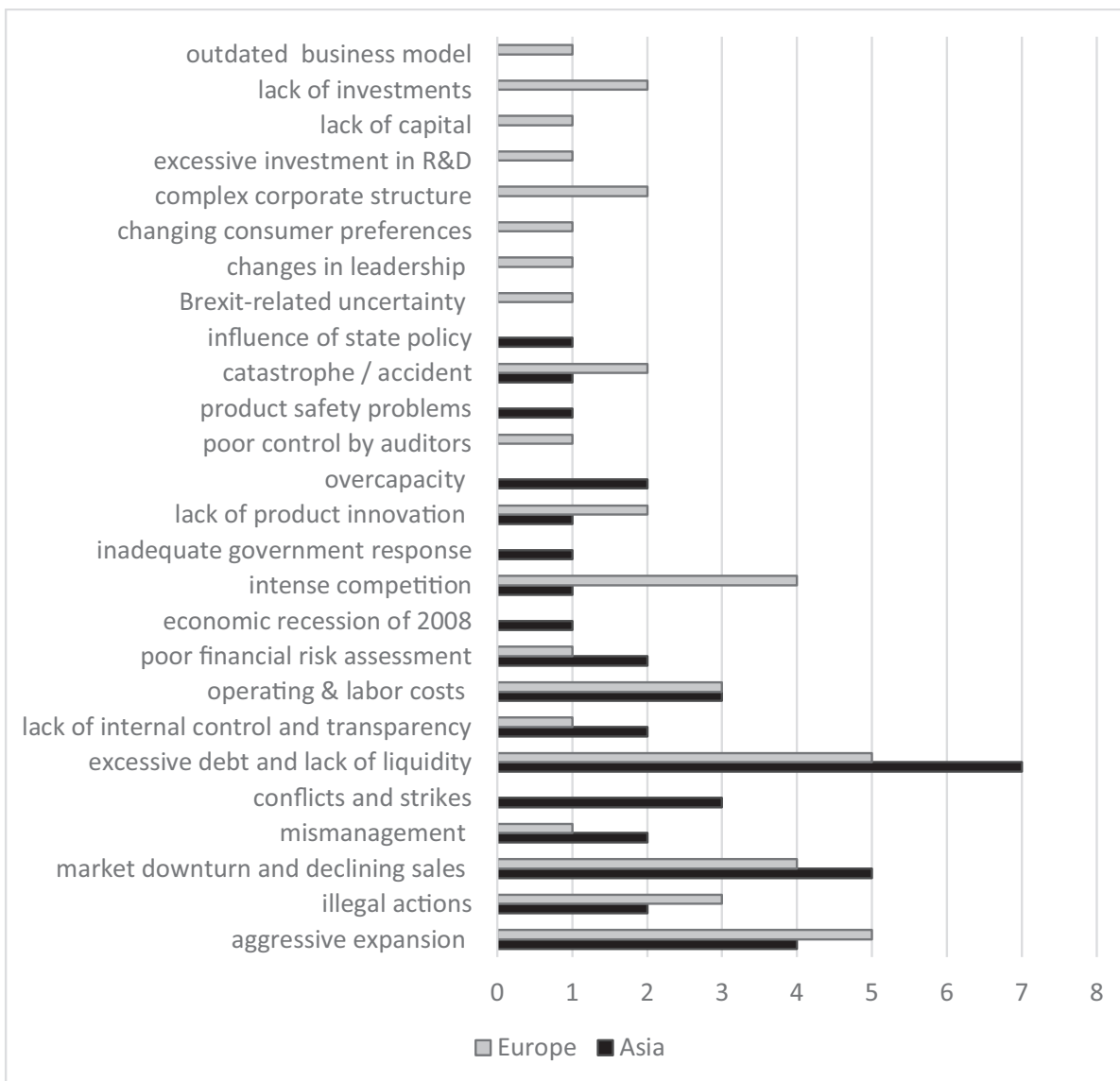


Figure 2. Identified causes of crises in the studied cases (n = 20)

Source: own research.

Table 3. Variables Used in the Analysis

Categorization		Direct causes of crises
Europe	Asia	
EX1	AX1	aggressive expansion
EX2	AX2	illegal actions
EX3	AX3	market downturn and declining sales
EX4	AX4	mismanagement
EX5	AX5	conflicts and strikes
EX6	AX6	excessive debt and lack of liquidity
EX7	AX7	lack of internal control and transparency
EX8	AX8	operating & labor costs
EX9	AX9	poor financial risk assessment

EX10	AX10	economic recession of 2008
EX11	AX11	intense competition
EX12	AX12	inadequate government response
EX13	AX13	lack of product innovation
EX14	AX14	overcapacity
EX15	AX15	poor control by auditors
EX16	AX16	product safety problems
EX17	AX17	catastrophe / accident
EX18	AX18	influence of state policy
EX19	AX19	Brexit-related uncertainty
EX20	AX20	changes in leadership
EX21	AX21	changing consumer preferences
EX22	AX22	complex corporate structure
EX23	AX23	excessive investment in R&D
EX24	AX24	lack of capital
EX25	AX25	lack of investments
EX26	AX26	outdated business model

Source: own study.

To investigate the relationships between variables, correspondence analysis was employed. This method of multidimensional statistical analysis allows for the assessment of relationships between categories of variables measured on non-metric scales. For multidimensional analysis of multiple characteristics, one of four approaches is typically chosen to calculate the observed frequency of each variable category: a complex indicator matrix; Burt's matrix; multidimensional contingency analysis; or a combined contingency table. In this study, Burt's matrix was used, which is the most commonly employed basis for conducting correspondence analysis. The procedure was carried out in the following stages (Lebart, Morineau & Warwick, 1984; Goodman, 1986; Greenacre, Hastie, 1987):

- 1) determining the dimension of the actual co-occurrence space based on the formula:

$$K = \sum_{q=1}^Q (I_q - 1) \quad (1)$$

where:

I_q – the number of categories of variable q ($q = 1, 2, \dots, Q$),

Q – the number of variables;

- 2) checking to what extent the eigenvalues (principal inertias) of the lower-dimensional space explain the total inertia (λ), which is the sum of K eigenvalues, where K is the dimension of the actual co-occurrence space. For this purpose, Greenacre's criterion was applied, according to which principal inertias greater than the reciprocal of the number of analyzed variables ($\frac{1}{Q}$) are considered significant for the study;
- 3) enhancing the quality of representation by modifying the eigenvalues according to Greenacre's proposal (1984; 1993):

$$\tilde{\lambda}_k = \left(\frac{Q}{Q-1} \right)^2 \cdot \left(\sqrt{\lambda_{B,k}} - \frac{1}{Q} \right)^2 \quad (2)$$

where:

Q – the number of analyzed variables,

$\lambda_{B,k}$ – the k -th eigenvalue ($k = 1, 2, \dots, K$);

- 4) graphical presentation of the results using classification methods.

The calculations and graphical presentation of the results were performed using the Correspondence Analysis module of the Statistica 13.0 software package.

Results

First, the dimension of the actual co-occurrence space was determined, which, according to Formula (1), was 37. Next, it was checked to what extent the eigenvalues of the lower-dimensional space explained the total inertia. For this purpose, Greenacre's criterion was used, in which the best dimension for projecting the variable categories is chosen based on the condition that the eigenvalues meet the requirement.

$$\lambda_k > \frac{1}{Q} \quad (3)$$

In the analyzed case, eigenvalues greater than $\frac{1}{Q} = \frac{1}{37} = 0.027$ were considered significant for the study. This condition was met for $K = 9$. Nonetheless, it was found that the degree of explained inertia in the two-dimensional space was 40.9232%, and in the three-dimensional space, it was 54.7316%. The quality of representation was further enhanced by modifying the eigenvalues according to Greenacre's proposal based on Formula (2). The original and modified eigenvalues, along with the degree of explained total inertia, are presented in Table 4.

Table 4. Singular values and eigenvalues with the degree of explained total inertia in the original and modified versions

Number of dimensions, K	Singular values, γ_k	Eigenvalues, λ_k	λ_k / λ	τ_k	$\tilde{\lambda}_k$	$\tilde{\lambda}_k / \tilde{\lambda}$	$\tilde{\tau}_k$
1	0.5113	0.2615	26.1475	26.1475	0.2478	27.5831	27.5831
2	0.3844	0.1478	14.7757	40.9232	0.1349	15.0177	42.6008
3	0.3716	0.1381	13.8083	54.7316	0.1254	13.9615	56.5623
4	0.3398	0.1154	11.5444	66.2759	0.1033	11.5015	68.0638
5	0.3073	0.0944	9.4419	75.7179	0.0830	9.2357	77.2996
6	0.2944	0.0867	8.6663	84.3841	0.0755	8.4055	85.7051
7	0.2551	0.0651	6.5082	90.8924	0.0550	6.1175	91.8226
8	0.2297	0.0527	5.2740	96.1664	0.0434	4.8280	96.6506
9	0.1958	0.0383	3.8336	100.0000	0.0301	3.3494	100.0000
					$\tilde{\lambda} = 0.8983$		

Source: own study.

After modification, the degree of explained total inertia in the three-dimensional space amounted to 56.56%, which was considered satisfactory. Due to the large number of feature categories, the interpretation of results in the three-dimensional space is not very clear. Therefore, to identify typological groups, classification methods were chosen for analyzing the results — specifically, Ward's method, which is one of the agglomerative methods. In this case, since the objects are defined as the categories of all analyzed features and the variables are the coordinates of the projection of each category, the latter were modified to improve their quality of representation:

$$\tilde{F} = F^* \cdot \Gamma^{-1} \cdot \tilde{\Lambda} \quad (4)$$

where:

\tilde{F} – the matrix of modified coordinate values for the categories of the analyzed variables with dimensions $K \times k$ (K – dimension of the actual co-occurrence space),

F^* – the matrix of original coordinate values for the categories of the analyzed variables with dimensions $K \times k$,

Γ^{-1} – diagonal matrix of inverse singular values (γ_k) with dimensions $k \times k$ ($\gamma_k - k$ – the k^{th} singular value being the square root of the k^{th} eigenvalue (λ_k)),

$\tilde{\Lambda}$ – diagonal matrix of modified eigenvalues with dimensions $k \times k$.

In Figure 3, the results of the classification using Ward's method are presented graphically. The horizontal line indicates the stage at which the merging of classes was stopped. Based on this, three typological groups of the variables included in the study can be identified. Subsequently, from each group, those variables for which the value was equal to 1, indicating they were a direct cause of the crisis, were selected. Information about these causes is provided in Table 5.

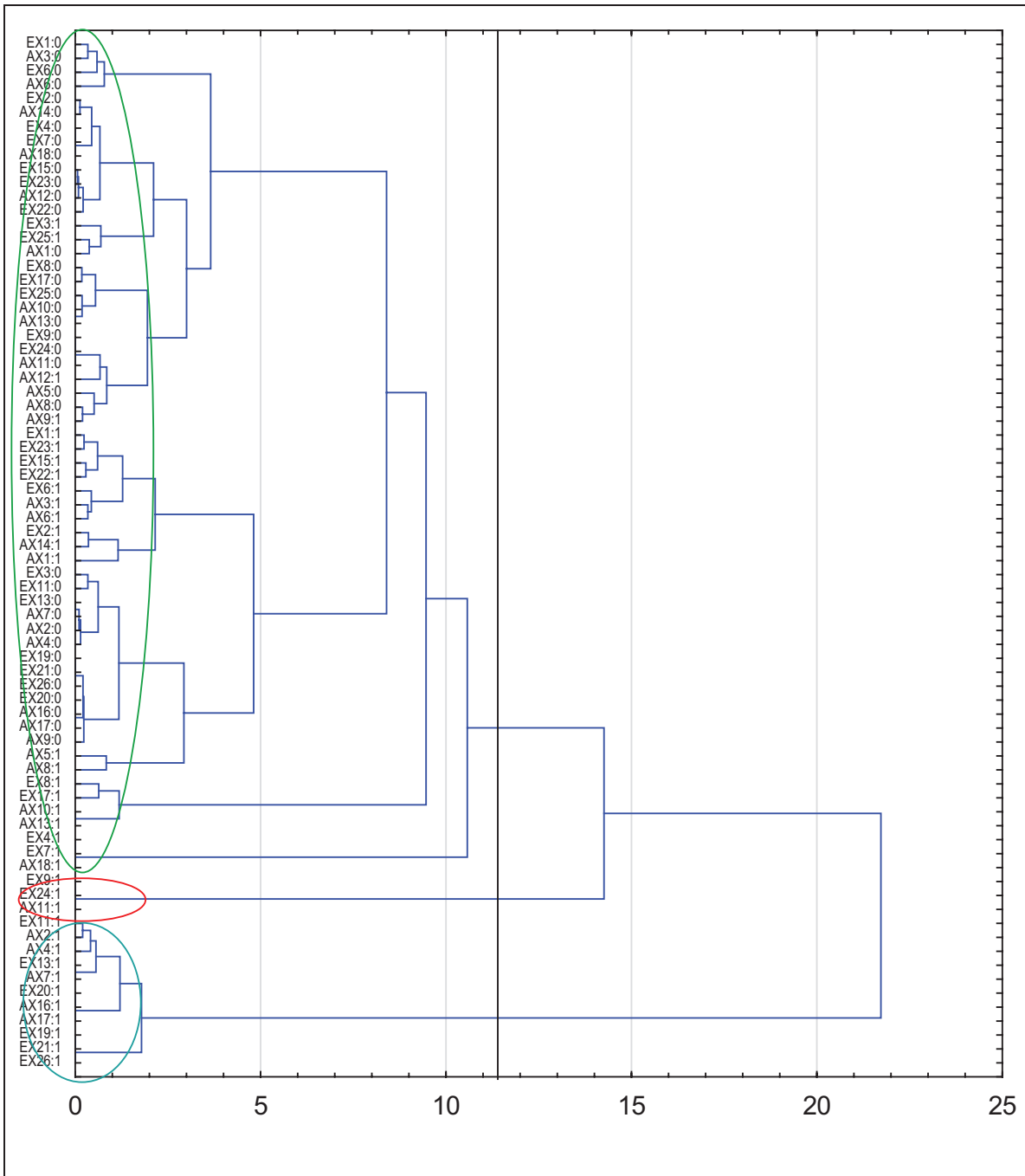


Figure 3. Hierarchical Classification Diagram of Variable Categories Using Ward's Method

Source: own study.

The occurrence of variables associated with the same types of crises within a given typological group, observed simultaneously in companies from Europe and Asia, indicates similarities between the analyzed continents. This situation is evident in group 3 for four variables: aggressive expansion (EX1, AX1); market downturn and declining sales (EX3, AX3); excessive debt and lack of liquidity (EX6, AX6); and operating and labor costs (EX8, AX8). These are the factors common to both the Asian and European crises. The other typological groups do not contain common objects, indicating that the other determinants of crises differ between Asian and European companies.

Table 5. Homogeneous typological groups according to the occurrence of direct causes of the crisis

Variable	Group	Variable	Group	Variable	Group
EX9:1	1	EX11:1	2	EX1:1	3
EX24:1	1	EX13:1	2	EX2:1	3
AX11:1	1	EX19:1	2	EX3:1	3
		EX20:1	2	EX4:1	3
		EX21:1	2	EX6:1	3
		EX26:1	2	EX7:1	3
		AX2:1	2	EX8:1	3
		AX4:1	2	EX15:1	3
		AX7:1	2	EX17:1	3
		AX16:1	2	EX22:1	3
		AX17:1	2	EX23:1	3
			2	EX25:1	3
				AX1:1	3
				AX3:1	3
				AX5:1	3
				AX6:1	3
				AX8:1	3
				AX9:1	3
				AX10:1	3
				AX12:1	3
				AX13:1	3
				AX14:1	3
				AX18:1	3

Source: own study.

Discussion and conclusions

The results of the study, which aimed to explore the common factors and distinct differences underlying business crises in Europe and Asia, provide insight into the nature of these crises. First of all, the analysis reveals a complex web of factors contributing to business crises, with a mix of both internal and external, as well as direct and indirect, causes. The research identified a total of 26 causes of crises, with a varied distribution across the analyzed 20 crises in Asia and Europe.

The conclusions from the analysis indicate that there are four main factors in the crises that were common to the cases on both continents: 1) aggressive expansion; 2) market downturn and declining sales; 3) excessive debt and lack of liquidity; and 4) operating and labor costs. In this way we obtained the answer to the first research question (“What are the common factors underlying business crises in Europe and Asia?”). Two of the factors – aggressive expansion, and excessive debt and lack of liquidity – are internal, this means that they depend on a company’s strategy and managerial decisions. Other factors – market downturn, declining sales, operating and labor costs — are largely external and independent of leaders’ decisions.

The key is to identify the primary and secondary causes. While excessive debt and lack of liquidity are common causes, they are secondary effects of aggressive expansion. Therefore, we assert that aggressive expansion is the root cause of the business crisis.

Aggressive business strategies may lead to crisis because often they do not take into account various development factors. Moreover, such strategies are associated with overinvestment and lack of capital, resulting in insufficient financial liquidity. Of course, other factors could also be at play here – for example, a complicated organizational structure, a lack of innovation, and inadequate communication (Li et al, 2021). However, rapid expansion often requires significant capital investment in new markets, production facilities, or technology. If this expansion does not generate expected returns quickly enough, the company might face liquidity issues. We can thus conclude that the results of this study confirm the link between crisis, aggressive growth and lack of liquidity, with aggressive strategy classified as the main cause.

Of course, there may be justified reasons behind an aggressive expansion strategy in the business. One significant driver may be the perception of untapped market opportunities, where companies identify untapped or under-served markets as fertile ground for aggressive growth. Concurrently, competitive pressure can play a crucial role, as companies often pursue rapid expansion to outpace rivals and secure market dominance, among other compelling reasons they might pursue an aggressive growth strategy (Slywotzky and Wise, 2002). While potentially profitable, these approaches can also lead to vulnerabilities, which refer to the question of whether an aggressive expansion may contribute to the crisis. Our answer is affirmative.

It can be concluded that the adoption of aggressive development strategies in Asian countries is influenced by their dynamic business environment and rapid market growth (Nguyen and Wu, 2019), while in European countries, it appears to be driven by a relentless pursuit of new areas due to saturation and competition in existing markets (Domaredzki, 2017; Civelek et al., 2022). We point these out as significant differences that confirm the assumed hypothesis.

It appears that there are many more differences between Europe and Asia here than similarities. The most distinctive causes of crises include intense competition, lack of investment, and complex corporate structure in the case of Europe (not so important in Asia). On the other hand, conflicts and strikes, overcapacity and the impact of government policy on company operations are prominent in Asia and insignificant in Europe. We can also point out the causes of the crisis that appear only in Asia, such as problems with product safety, and only in Europe, such as old business model. It is also worth emphasizing the prevalence of poor management in Asian countries, often stemming from familial connections and decisions favoring business owners rather than the business itself (Jarchow, 2023; Yong, 2019; Oumlil and Balloun, 2017). On the other hand, Europe seems to be dominated by old business models that respond too slowly to changes in consumer preferences. These patterns suggest that the causes of crisis can be region-specific.

It's important to note that many crises were driven by multiple, often overlapping factors (Adamczyk, 2012). This indicates that business crises are habitually the result of a combination of issues, and a single cause may not be solely responsible for a crisis (Pawęta, 2018; Chen et al., 2020).

Even though the literature claims that crises are easy to predict (Harrison, 2020), this does not seem so obvious from our results because our economies and businesses encounter such a diverse range of risks. Some sudden and severe disruptions can be difficult to foresee, while others may stem from the gradual accumulation of weaknesses, like market imbalances and distortions, or poor management and inaccurate risk assessments (OECD, 2021). Thus there is uncertainty about the factors causing crises, as well as the appropriate intensity and the timing of intervention. Thus, a complete understanding of these crises necessitates an integration of diverse perspectives and analytical approaches (Kaszowska et al., 2019).

Since we have identified four common causes of crises – 1) aggressive expansion, 2) market downturn and declining sales, 3) excessive debt and lack of liquidity, and 4) operating and labor costs – it is logical that entrepreneurs should focus on them. It is important to decide what lies within the competences of managers and how to prepare for difficult external factors. In this context we can say that both managers in Europe and Asia should:

- 1) Avoid overly rapid expansion that can strain resources and capital. Gradual and sustainable growth will better maintain financial stability, leading businesses to success.
- 2) Develop strategies to quickly adapt to declining sales and market downturns. This includes flexible pricing strategies, cost-cutting measures, and diversification of revenue streams.
- 3) Keep debt manageable by ensuring it aligns with the company's revenue and growth projections. Avoid taking on excessive debt that could jeopardize liquidity.
- 4) Regularly review and optimize operating and labor costs to maintain efficiency and competitiveness, especially during economic slowdowns. This involves adjusting prices as costs demand.

Although aggressive expansion can seem promising and bring good benefits, our research shows that it is one of the main causes of crises, so such expansions should be conducted with special caution – all the more so because they are associated with other important causes of the crisis, namely lack of liquidity and financial collapse.

Further research

Our conclusions do not exhaust the topic. Further research may refer to issues such as communication style or risk perception (cultural factors), the role of management and regulations (political structures), or the role of local integrations and connections (factors related to globalization and competition). As highlighted by E.L Yong (2019), cultural variations, particularly individualism and power distance, play an important role in driving economic disparities between Asia and Europe. Thus, the relationship of culture with the emergence, course and effects of crises is not discussed in this work, but may be an area for further research as well.

Limitations of this analysis

While the research provides insights into business crises in Europe and Asia, and provides tips for more effective business management, it is important to acknowledge its limitations. Some of this study's limitations include:

- 1) The use of secondary data sources – this study relies on media reports and reports from various institutions for its data. The accuracy and reliability of these sources can vary, and there may be biases in media reporting. Moreover, the use of secondary data sources may not capture the full scope of the crises or their underlying causes.
- 2) Categorization of causes – the categorization of the causes of crises into 26 distinct factors may oversimplify the complex nature of business crises. Some crises may result from a combination of factors that are difficult to categorize neatly. Furthermore, economic and business conditions can change over time, and the relevance of certain factors may evolve.
- 3) Lack of qualitative insights – the study primarily relies on quantitative analysis and does not incorporate qualitative insights or interviews with key stakeholders who have experienced or managed business crises. Qualitative data could provide a deeper understanding of the nuances of each crisis.
- 4) The purposeful selection of cases – the limitation of this case study analysis is that the purposeful selection of cases from different industries may have influenced the findings. Expanding the list of cases or focusing on companies from specific industries could offer additional insights.

However, it seems that the results we have obtained have the potential to significantly inform and enhance business strategies and risk management practices by offering valuable knowledge about the intricacies of regional and contextual factors that contribute to crises. This enhanced understanding empowers organizations to make more informed and adequate decisions, thereby enabling them to better anticipate and mitigate the specific risks that can distance companies from success.

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