

THE MANAGEMENT SOLUTIONS IN TIMES OF ECONOMIC CRISIS

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Abstract. This paper presents a chronological analysis, since the establishment - in 1831- until 2013, of the economic activity of Generali Group. The management solutions the insurance company has taken to overcome the global economic crisis are all the same: making difficult decisions without delay, coupled with immediate action, using concrete data for making important decisions, components of a quality strategy, focusing on people, turned from customer into business partners/associates, fair negotiations with partners, individuals or legal entities, the ability to buy and sell at the right time.

Keywords. Management, marketing, insurance company, economic crisis

1. Moments and important economic figures (1831 - 1918)

Conquered by the theory and the practice of insurance, the economist Giuseppe Lazzaro Morpurgo, implements his plan to create a company to act in all branches of insurance, a campaign where to implement comprehensive information acquired in the field. On 26th September 1831 the founders signed an act that is the foundation of *Assigurationi Generali Austro-Italiche*, a multinational insurance company, according to the political climate tolerant of the host city, Trieste, where lived in complete harmony Italians, Slovaks and Austrians.

In 1835, *Generali* establishes its first branch in Romania, in Braila. The work is based on the sale of insurance for carried goods, and then, after two years of operation, the company moved its headquarters to Bucharest.

The component of the generic name expresses our desire to act not only in all branches, but on all continents. *Generali* marked the beginning of a period of prosperity and development. The new company has a capital of two million Austrian florins, which means an amount of ten times the average capital of all companies based in Trieste. Until the outbreak of World War I, *Generali Assigurationi* acted not only in insurance, but also in the major real estate investment, building and acquiring famous buildings.

In addition, the company promotes a dual management structure: the headquarters in Trieste has to develop business in the Austrian Empire, and the second headquarters, that in Venice, has to coordinate activities in the Italian peninsula. In 1848, the company decided to abandon the original name and adopt the simplified *Assigurationi Generali*.

On the operational or management level, the company is structured into subsidiaries, minicompanies, each specialized in specific sectors or markets. These companies attach, in the following years, *Erste Allemagne*, in Venice, *Anonima Grandin*, a company specializing in hail and casualty insurance, in Milan, *Concorde* in Paris and *Generala Romania*.

A special economic strategy, multiple development due to bold investment policy, in other fields than insurance, propel, even now, *Assigurationi Generali* as an insurance group of premium European size, but the insurance dimension of the company is well calibrated size by financier Marco Basso. He, behaving in an economically identical way to GiuseppeLazzaroMorpurgo, sets the company on an ascending trend, heralding the emergence, over time, as head of the company of some contemporary personalities such as

Mario Gabriele and Greco Galatari, who wrote and writes a special economic history, confirming that great economists occurred at important historical moments at *Generali*, participating, influencing or creating economic events with the size of their personality, formed in the family or through studies. Marco Basso was trained as an economist in a Hebrew family of merchants, who originally came from Greece, knowing the pulse of Europe's economy, through the genealogical tradition to which he added his own experience. As a practitioner in the field of economics, Marco Basso started, first, at an insurance company in Ljubljana, after that he was moved to Innsbruck, then transferred to *Di Venezia Generali Assigurationi*. At the end of 1866 we meet him in Rome, seeking solutions for the development of social insurance, and in 1877 he is appointed general secretary at *Generali Assigurationi*. In 1909, as a result of the position that he held in the financial and industrial life, Italian or European, as a recognized expert in advising and managing numerous banks and industrial sectors in the electrical industry and transport he is elected president of the company.

The positive economic consequences related to the insurance business are immediate. Thus, until the outbreak of the World War I, the company knows a period of growth and development from the dividend payment in gold, publishing and media strategy and its own economic policy and venturing into real estate investments and directing important work over the years to what will be called *Generali Group*.

2. Modernising the Company in the interwar period (1918 - 1939)

In Europe, the start of World War I stopped the economic and trade relations between countries.

As a consequence, both countries, Austria-Hungary and Italy, where the insurance policy of the company has grown, goes to war being on contrary positions, the name, *Assicurazioni Generali Austria - Italiche* and the logo, imaging a two-headed eagle, the symbol of the House of Habsburg, stands outside the historical reality. Following the armistice, Trieste, where the headquarters of the company is, belongs to Italy and *Generali* becomes an Italian company. The company's activity is more dynamic due to the collaboration with the renowned producer of billboards, Dudovich, proving that General found solutions for development even during the economic crisis, which showed teeth since 1926.

Thus, in 1933, it starts an extensive program of investment property then becomes the market leader in Romania and modernizes, equipping the accounting department with state of the art equipment. However, the company's history can not be separated from the major events that have marked and will mark all across Europe, the outbreak and conduct of the World War II.

3. During the major economic crisis of World War II (1939 - 1945)

The Belligerent Central Powers, Germany and Italy have called harmful political attitudes against the market economy, in this case, against the normal development of social insurance, marching on feelings of belonging to the same national identity, of race superiority and "legitimate rights" which would determine the war, occupying territories considered "rightfully" theirs. Italy, the second state to foster *Generali Group* after the Austrian-Hungarian Empire, became a totalitarian state, just ahead of Germany, but for similar reasons.

The main theaters of war were Western Europe and Eastern Europe, the Mediterranean, the Atlantic, North Africa, the Middle East and the Pacific Ocean. The

Company's overall development strategies are blocked and the war caused an isolation of the countries considered enemies, culminating in the termination of contracts even with its agencies in central and southern Italy.

In conclusion, *Assigurationi Generali* restricted its insurance activities, resuming to the northern territory of Italy, leading a policy of survival, in order to reorient its assets to the countries of the capitalist economy that provided private insurance, being forced to give up its shares of a statist economy.

4. Withdrawal from the Eastern European market (1945 - 1990)

After the World War II, following the installation of the communist regime, the company withdrew its activities for half a century, from Central and Eastern Europe. Post war Europe was divided, politically and economically, and even administratively, between Western and Soviet spheres of influence.

Immediately after the war, the West has begun reconstruction through the Marshall Plan, but the states of Eastern Europe became satellite states of the Soviet Union, using the planned economy methods. For over 50 years the so-called iron curtain separated the countries into two large parts of Europe. The economic life of the world was going through a noticeable change. The Centre of gravity of world power is transferred from the major European countries to the now superpowers: the United States and the Soviet Union. *Generali* restricted their sphere of activity, renouncing to the market in Romania and throughout Eastern Europe. Immediately after the war, the city of Trieste, although it was pardoned, was abandoned as the headquarters for the connection with the image Germany, and the headquarters moved to Rome.

In summary, *Generali Insurance*, with the dynamism and realism found in the entire insurance business was turning to the biggest powerhouse of the world, to the U.S., and for the most powerful insurance group in the world, *Aetena*, signing an important international agreement. Dynamism, flexibility and intuitive understanding of major political events make *Generali Insurance* the insurance leader in Eastern Europe, the first group to have entered the insurance market in Hungary.

5. The company's development to Eastern Europe and the Orient (1990 -2007)

Moving the headquarters from Rome to Trieste is a sign of restoring the link with history and tradition, symbolizing the stability of the company, giving the signal to strengthen it.

After 1990, *Generali* returned on the Romanian market and the new partnerships with customers from everywhere have substituted the long absence. The company demonstrates that innovation is the way for economic development, introducing insurance by phone, *Generatel*. The economic offensive is emphasized by the acquisitions and control over the AMB and *Migbal German Groups*, consolidating its insurance policy in Germany.

During this period, the company's work exhibits diversification, as providing telephone insurances, and an increase in the insurance business, the entry into financial services and the employment of new markets, one in Romania, and a competitive insurance market, the German market. Carefully analysing the Eastern markets and the development prospects of this important economic area, the company operates successfully in the Philippines, Thailand, China and India. It has also strengthened its position in Latin America, where the company is growing.

In conclusion, the period 2000 - 2007 is one of economic development that has led to the development of lead markets, to international trade in insurance exchanges, the insurance groups and businesses which are in direct contact with the *Generali Group* united to counter the economic crisis that *Generali* envisaged with much accuracy.

6. Generali Group during the global recession (2007 -2012)

To manage the recession, to survive and, ultimately, to thrive *Generali Insurance* used correctly, as always in times of crisis (during the war or during the economic crisis of 1933), the real data obtained in the field in order to build their strategies.

Generali Insurance plan adopts a calculated strategy to be able to pass through the global financial crisis. The company finds opportunities ahead of competitors; its insurance program became operational in most countries of Central and Eastern Europe. The company management makes difficult decisions which are risk surprising, showing that the recession is really a period full of opportunities. *Generali* shows that marketing is a luxury in times of crisis, and it merges with *Allenza i Toro Company*, in Italy, thus becoming the strongest insurers in Europe.

The rapidity of important actions, carried out in the years of crisis, and innovation in the field of insurance, namely the promotion of voluntary pension, were ways out of the crisis. The innovation, present in the insurance business, means for the *Generali Group* creativity and action, resulting in an effective economic way to overcome the economic crisis.

7. Economic measures post-crisis (2012 -2013)

A new management team and a strategy of action, focusing on profitable group growth, associates the safety of the name *Generali* with strength, tradition, constantly improved service quality and maximum respect to the customer's needs, now become a business partner. Taking into consideration real evidence and making quality decisions, Marco Greco, head of the largest insurance company in Italy, *Generali Assicurazioni*, since August 2012, announced a new strategy based on the introduction of discipline, simplicity in the insurance and maximum concentration on each activity. Marco Greco simplified the organizational structure, following a disciplined approach to the effective management of the group and its investments. The general manager has also expressed his intention to reach four billion Euros from the sale of assets, in order to increase the capital.

Following the strategy to increase profitability, announced by the president of *Generali Group*, Mario Greco, and the insurance business began to show signs of success, being the main sensor that announced the end of the economic crisis. The president announced a profit above expectations and the proposed increase of capital, which has attracted an increase in shares by 3%, as submitted and news agency Reuters.

In Romania, the main objective of the *Generali Group* is to become the most trusted insurance company and one of the leaders on the local market by maximizing profits, because, this way it can support the development of its activity. On the medium and long term, *Generali* wants to take a leading position on the local insurance market, becoming one of the most important and prestigious insurance companies. The company's strategy is based on its values. *Generali Romania* is customer-oriented, aiming to provide quality services and developing relationships based on trust, honesty and friendship, promoting honesty as an essential moral value. Teamwork and performance are obtained in compliance with the personality and views of others, by sharing knowledge and expertise among agents, consultants, unit-managers, branch managers and general managers.

Expanding the company by occupying new markets worldwide, such as the Vietnamese market in Asia, merging with other specialized companies in Romania, with ARDAF (2011), purchasing shares at the right moment, such as those of *P PH Generali Holding*, and selling others for an increase in capital, such as those of *Migdal* (Israel), are solutions that have accelerated the end of the crisis and have set the company on an ascending line. Then, tough administrative and economic measures have succeeded, the net profit of *Generali* increased in the first quarter of 2012 by 6.3% to 603 million Euros, exceeding even the most optimistic estimates of the analysts, who predicted a net profit of 528 million. The current actions the company recorded a steady increase of 2.5% to 14.90 Euros on the Milan Stock Exchange.

Recently, *Generali Group* has announced that it has completed the first quarter of 2013 with good results and a profit margin, which directed the company to a total operating income of 1.328 billion Euros (+ 8%, compared to 1.23 billion Euros, profit in Q1 2012) and a net profit of 603 million Euros (+ 6.3% to euro 567 million profit in Q1 2012). The general insurance segment increased by EUR 520 million (+ 26%), as a result of improved combined ratio, which reached 93.6%.

The dynamic sequence of events reveals special managerial skills, evidenced by the ability to react quickly and effectively, but also a good and courageous economic orientation, performed with discretion and professionalism, defining a time of many changes required by an unprecedented economic situation: post-crisis.

According to President Mario Greco, in the first quarter of 2013, the company recorded its best operational year in recent years, being on track to meet the proposed objectives. Therefore, *Generali* continued to increase its capital, reaching a Solvency I ratio of 145% at the end of April. As an economic strategy, as Mario Greco has recently announced, *Generali*, the third insurer in Europe, wants to increase its capital reserves by selling peripheral businesses.

For 2014 Mario Greco's management decisions are clear and firm, announcing that the company is going to take the full control over *Generali PPF Holding* (GPH), having already finished the first instalment in the purchase of shares. The intention of the CEO of *Generali Group* is to strengthen the company's presence in Central and Eastern Europe and to make clear the group's strategy in this key market.

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