"MANAGEMENT SYSTEM IN CRISIS SITUATIONS"

Professional paper

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"Abstract"

When a crisis occurs in a certain company, it is an unplanned and extraordinary event. This professional paper will explain what a crisis is in general, as well as a way to overcome crisis situations in a quality way. The very definition of crisis means a break, that is, a break in the development of the work process. Furthermore, for quality business, every company needs good management. Management is divided into three key phases in order to manage the resulting crisis. With the onset of a crisis, the use of previously created crisis strategies is switched to. Crisis strategies are divided into offensive and defensive. Not every crisis is necessarily a failure and the downfall of the company. Many companies have improved their work process after coming out of the crisis thanks to quality crisis management. Managers within the company are responsible for everything.

Keywords: Crisis, Crisis management, Communication, Strategic plan.

1   Introduction

A crisis in a company is an extraordinary and unplanned event that has a negative impact on the growth and development of the company. If the crisis is detected early, there is a great chance for suppression and continuation work according to the current plan.

For some companies, the crisis also has a positive impact because, through defensive action, a major turnaround is made in the company, which has a positive effect on economic inflows, placement products and the like. Crisis management is a branch of the company that is responsible for crisis management in crisis situations. The establishment of crisis management is necessary even before the occurrence of a crisis, because its preventive work greatly contributes to the prevention or early detection of a crisis and a crisis situation.

Crisis management operates in three phases in order to break down the way of working and acting during a crisis. When there is a crisis and crisis situation, communication is a very important factor. If communication is correct and healthy, then the company gives its partners, employees and audience a real vision of the importance of the situation, but also honestly presents the current state of the company. At any moment, the company must know what information will be released to the public, and this is the responsibility of the leadership during the crisis, which discusses about all aspects of the newly created situation.

The spokesperson is a person in charge of informing the public, partners and employees about the situation and progress in a crisis situation. In order to be as successful as possible in solving a crisis problem, crisis and strategic management must work closely together. Managers then look at the current situation, current events, but also a step further towards the achievement of goals, all for the purpose of solving the crisis situation and improving the situation in the company.

A crisis does not necessarily have to result in the collapse of the company or going into bankruptcy, but it can have a positive effect on the company by raising it to a larger scale.

2　　　Crisis and Crisis Management

The crisis is an extraordinary danger for every company individually. Every crisis brings with it special risks and eventual consequences. How the company will manage the resulting crisis depends on situation, that is, about what consequences the company will face.

It simply does not exist solution for exiting and mastering the crisis, however, there are pre-determined principles and procedures for overcoming the crisis as well as the principles of crisis communication. We cannot influence the emergence of crises, but there are also types of crises that we can influence precisely because the worker led to them (Baran, 2022).

Crisis management is precisely the organization of a company that must work primarily on preventive measures to prevent the occurrence of a crisis, but also to solve a possible crisis.

2.1　　　Definition of crisis

Crisis means an interruption, that is, any interruption in development that occurred suddenly (Belak, 2014). In the life of every organization, various extraordinary events appear, and we call these events crises.

The crisis is approached in two ways. The first one tries to stop its occurrence, that is, to act preventively, while the second approach reduces the impacts and possible damage that the crisis left to the company, organization, industry and the like.

Different definitions say that a crisis interferes with normal business so that a crisis cannot be a normal part of the business process. We do not necessarily see, with the emergence of a crisis, a catastrophe closure of companies, it is necessary to look at how to solve the newly created situation (Spain 2016).

Every crisis is different, that's why we say that there are as many crises as there are organizations, people, circumstances, companies and the like. The typology of crises allows us to clearly separate future and current crises into one, which makes it easier for us to manage crises.

Typology of crises (Janjić, 2010):

- Financially;
- Business industrial;
- Humanitarian;
- Ecological crisis;
- Information crisis;
- International conflicts and global crisis;
- Terrorist crisis.

2.2　　　Phases of crisis management

Strategic crisis management Ritchie (2004) divides into three phases of crisis management in which appropriate activities and measures should be implemented in phases, namely:

1. Phase of prevention and planning;
2. Application phase, i.e. implementation;
3. Evaluation phase.

Ritchie (2004) emphasizes how all strategic phases in crisis management must be flexible with the possibility of adaptation, which depends on the circumstances, but also on the response to the situation.

2.2.1　　Phase of prevention and planning

This phase is based on two activities. The first activity is planning and creating a strategy crisis management.

In the second activity, similar situations are mapped in order to create plans crisis-management, i.e. a plan is made for possible repetition of existing errors the same or similar crises. The more elaborate this phase is, the less the consequences of the crisis (Čevra, 2016).

2.2.2 Application phase, i.e. implementation

This phase occurs immediately after the outbreak of a crisis event. In this phase, all are applied, already in advance, prescribed measures and activities.

Following the application of the measures, it continues continuously implementation of all measures and activities to minimize the impact of the crisis. This phase requires constant monitoring and adjustment. If the crisis occurred as an extraordinary event, it is very much so it is difficult at first to notice or understand that the organization is in fact in crisis. Because of being late of discovering the crisis, the consequences can be great.

If the crisis management does its job how crisis should be recognized in the beginning, there are great possibilities, with a good strategy, to stop it the same.

The sooner the crisis and the crisis situation are understood, the less the consequences will be and the organization will in a shorter period of time to start operating normally as before the crisis situation (Čevra, 2016).

2.2.3 Evaluation phase

In this last phase, after the crisis, a long recovery follows. Recovery in any case greatly positively affects the further planning of crisis management, that is, the planning of the crisis plan.

This phase includes two activities. In the first activity, it is necessary to establish a normal state as it was before the outbreak of the crisis. Therefore, the main goal is to accept the crisis as the bearer of change which is present and we cannot change it. Another activity should be learning. In this activity, it is learned experientially and all procedures that can be the basis for future crisis situations are recorded (Čevra, 2016).

3 The Emergence of The Crisis

"An early warning for the emergence of a crisis can be the organization's financial reports. If from financial statements can read certain problems, i.e. crisis situations, we can read the indicators systematize from the following systems according to the degree of crisis:

1. 1st level: total traffic,
2. 2nd level: indicator of profitability (total investment, turnover, own investment),
3. 3rd level: indicator of economy (general, basic activities, financing, extraordinary activities),
4. 4th level: liquidity indicator (first, second and third level) and
5. 5th level: indicator of financial stability (level of coverage I and II)" (Osmanagić, 1999).

In order to protect the organization from further and deeper impact of the crisis, it is needed early discover, this is precisely where the preventive activities of security management come to the fore. In addition to the above methods for early crisis detection (Osmanagić, 1999), we also list the goals of developing the system of early warnings:

- Facilitating the adoption of proper qualifications for the company's partners;
- Facing all employees and partners with the real situation in which the company is and that on the basis of objective indicators;
- Monitoring the success of the process for exiting the crisis.

In this time of crisis, it is very important to have and share information partners, creditors, customers, suppliers and the like. It causes great damage in times of crisis lack of information, i.e. informing partners from the media using vague, inaccurate and superficial information. In these situations, it is very important to explain the seriousness of the situation to everyone, because in this way, it can successfully suppress crisis situations (Španja, 2016).

4 Crisis Strategies

When an organization or company finds itself in crisis, it is very important to maintain the continuation of the current one business. In no case should the business of the organization falter because in this way the organization loses its power.

The power, that is, the strength of each organization, is precisely successful business. A crisis situation is a situation that deals a big blow to business. How we would like the organization to continue working, it is necessary to fulfill the assumptions that the organization is economically sustainable, that it has human, material and financial resources for continuing business and on this way creates an advantage over the competition.

Management at a time of crisis must be aware of and u focused on challenges and internal and external changes. Furthermore, a very important item is insurance financial inflow in the organization, be it through product placement or credit sources. The priority is to provide a sufficient amount of money for everyday business as it was so far (Španja, 2016).

Turnaround strategies come into play when the company's operations are heading towards a crisis or crisis situation, and the main goal of such strategies is to stop the decline of business and reverse all the reasons and the circumstances that led the company to that state. If there is economic profitability, the role management is to keep the company alive, and if there is no economic profitability with the previous work, it is necessary to make a turnaround and, if necessary, change the activity organizations (Tipurić, 2013).

According to the recognized author Tipurić (2013), there are several types of strategies that are applied in crisis situations, and we can basically divide them into offensive and defensive strategies.

1. Offensive strategies are strategies where the main goal is an operational turnaround that includes: strategy to reduce costs, strategy to increase income, strategy to reduce assets, combined strategy and reorganization strategy in the event of bankruptcy.

2. Defensive strategies are strategies with which we act from a second plan. In these strategies leave the activity the organization is engaged in, turn to another activity or completely quits work and goes bankrupt. We can safely say how defensive strategies include stripping strategies, bankruptcy strategies, and liquidation strategies.

Figure 1 shows an example of the division of strategy in crisis conditions, it is visible how the crisis strategy is divided into offensive and defensive, and the future of the organization depends on the subtypes themselves which found itself in a crisis situation.

Figure 1. Strategies in crisis conditions (Source: Španja, 2016, p24)

5   Communication in Times of Crisis

It is impossible not to communicate in a situation when two people see each other. Because the activity or inaction, words or silence, all have a message value (Španja, 2016).

With the emergence of a crisis situation, effective communication of the crisis leadership with employees and the public. In crisis situations, communication must be fast, detailed and coordinated. In order to successfully end the crisis, it is necessary to have a plan in advance made and divided into two equally important elements.

- Crisis resolution plan and
- Communication plan in a crisis situation (Odobašić, 2016).

Crisis communication is a process that can be defined as the exchange of opinions and information before, during, and after the crisis. In order for that process to be successful and not additionally worsened the already difficult situation, a good crisis communication plan is needed.

"Crisis communication plan:

- Setting up a crisis communication team;
- Appointment of the main spokesperson;
- Spokesperson training;
- Adoption of the communication protocol;
- Identifying and getting to know the audience;
- Crisis anticipation;
- Identifying key messages in communication;
- Length of communication in crisis;
- Preparation for the storm that may follow" (Kružić, 2016).

When the crisis communication plan is determined, it is necessary to know what it must necessarily contain:

- Crisis team;
- Internal communication in a crisis situation;
- Designation and training of spokespersons;
- Education of team members for crisis situations and communication in crisis situations and special conditions;
- Determination of target audiences;
- Formation of key messages by audiences;
- Determination of the most effective method of communication;
- The answer to these basic questions (what happened, what is being done and what will be done);
- Analysis (Odobašić, 2016).

Any crisis management requires a great deal of skill from security management communication. Communication is the basis for successful resolution of a crisis situation. It is very it is important to determine in advance who will communicate about the crisis situation, when and in what way. It matters that the communication is carried out by one person, that is, the spokesperson, who of course takes care of everyone the type of communication he agrees with the leadership of the crisis.

The company must always be aware of what will happen and when to speak and in what way the new situation will be presented to the audience. Any eventuality wrong information, applied at the wrong time, leaves enormous long-term consequences for the company consequences, while proper management and communication produce beneficial effects (Janjić, 2010).

Further management of the crisis comes down to the accuracy of information, the withdrawal of correct business a move at the right time, business improvement and the like.

In order to manage the crisis whatever is more effective, it is necessary to mark the segments that crisis management must cover.

Crisis management includes:

- Setting the main goal,
- Strategic management of a crisis situation,

- Crisis resolution plan (what, how, when and where),
- Creating - causing a crisis,
- Crisis management,
- Crisis resolution and
- The realization of the originally determined goal (Javorović, 2004).

Strategic management and crisis management, as two closely related managements, have a very important role in solving the crisis.

Their task is to ensure the operation of the company, to publish the tasks set in advance goals, secure finances, ensure competitiveness in front of other companies, look for a solution for more greater product placement, etc. It is also necessary to set a clear strategic vision that can be clearly defined goals. Conception of new strategies and plans and production of default strategic plans as well as followed by their performance (Kružić, 2016).

6   Conclusion

When a company finds itself in a crisis situation, it is necessary to act promptly. In order to achieve preventive measures, quick and high-quality action is necessary. This is precisely what shows us how important the formation of crisis and strategic management within the organization is.

Every organization should determine in advance the way of functioning during crisis and crisis situations. In today at a time when information is very accessible to everyone, the possibility of coming to the crisis due to the theft of information, business and the like increases. It is not necessarily only the availability of information that is the cause of a crisis situation, the causes are much deeper and wider. Wrong job, wrong economic slips, wrong moves, all these are some of the beginnings of a crisis situation.

The crisis is inevitable, they perceive it as a challenge. Only if it is understood as a challenge, the company can find a way out and new situations. Every company faces various challenges, that's why there are people in companies who the job is to face such challenges. If crisis management falls on one person, that it cannot possibly result in a positive outcome. The famous saying "together we are stronger" gives the importance of teamwork.

The crisis management team must be coordinated, of course it must communicate information to the management of the company, but also to inform the public in a timely manner precisely for the sake of improvement state. Many companies came out of the crisis much stronger, better and smarter, so that's enough for us proof that one should not lose hope and give up at the very beginning of entering a crisis situation. The future of business should be based on crises and crisis situations, because that's exactly how it is the way they strengthen their business, then they move forward.

Of course, we can't say how it is crisis situation the most positive thing that could happen, but we can freely say how mistakes are learned and a lot can be learned from crises.

If the crisis plan is incorrectly set, there is a possibility that after coming out of the crisis we can change the training and make a new crisis country to plan so that the company can overcome the next possible crisis easier, better and faster.

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