The Process of Crisis: Model of Its Development in the Organization

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Abstract—The main aim of this paper is to present a clear and comprehensive picture of the process of a crisis in the organization which will help to better understand its possible developments. For a description of the sequence of individual steps and an indication of their causation and possible variants of the developments, a detailed flow diagram with verbal comment is applied. For simplicity, the process of the crisis is observed in four basic phases called: symptoms of the crisis, diagnosis, action and prevention. The model highlights the complexity of the phenomenon of the crisis and that the various phases of the crisis are interweaving.

Keywords—Crisis, management, model, organization.

I. INTRODUCTION

CRISIS management has become the demand of the current time. Managers are starting to understand that good crisis management is the most effective way to deal with crisis issues in business. In current managerial trends, there has been increased attention given to a crisis management in the broader sense.

Incorporating crisis management into the overall organizational management system can be affected by unprofessionalism and "trendiness". It carries a risk of isolated applications and the absence of systemic structure [2]. Also, omitting the causality of phenomena and underestimating the complexity of the problem lead to a unilateral solution. This can cause the entrepreneurs and top management disappointment and frustration towards crises management.

II. PROBLEM FORMULATION

Demands on the managers, and especially crisis managers are undoubtedly high [12]. This derives from the very nature of the crisis, its consequences and methods of their solution [1]. In a crisis situation, "things" and procedures are "different" than under standard conditions. Everything is complicated, contradictory, and it takes place in an atmosphere of tension and anxiety. Owners and managers of organizations have a distorted image about crises and their management, development, cyclicality, etc. It is obvious that all organizations are susceptible to crises and it is also clear that the negative consequences of crisis can be minimized with proper planning [7]. However, the efforts dedicated to planning do not come until the concerns come [5]. A concern arising from surviving a crisis may come too late or can bring too higher costs.

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The goal of this paper is to provide an essential insight into possible development of a process of crisis, so that managers will be able to know how the crisis may develop, what solutions are offered and by this way their responsibility to prepare for the crisis is ignited.

III. THE MODEL OF THE PROCESS OF CRISIS

Continuity and causal connection of development phases or stages and individual activities are clearly detected graphically in the Appendix. The model is accompanied by text, so that the options for development of the crisis process are the brightest and clearest. For the model, four phases of crisis development in the organization are defined. These are known as:
- symptoms phase
- diagnostics phase
- action phase
- prevention phase

Note that individual phases cannot be accurately defined. Steps in dealing with them overlap, and sometimes phases occur simultaneously. However, the author can claim they have general validity.

IV. SYMPTOMS PHASE I

Phase of symptoms I is shown in the Appendix.

A. The Causal Links

1) Seriousness of Information

The whole process begins at the moment of transmission of information from internal or external sources, or a combination of both. Information may signal the onset of the crisis. The organization faces the first decision (*1*): Is a source of information reliable, and is the information true, accurate and serious?

Information quality and reliability of their sources is mostly estimated. It relies on experience, knowledge and skills of the people monitoring the incoming information [9]. The initiation phase requires constant attention given the potential seriousness of the situation. If the information and/or source are considered as unimportant and/or unreliable, the organization should continue to monitor the situation. Often the organization feels that the situation may be important and decides to explore it further.

The decision on the seriousness of the situation and said acceptance of liability is affected by the criteria that an organization sets.

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2) React Immediately

If the information and its source are considered credible, there is another critical decision organization has to make (*2*): Be proactive? Take active measures before the full extent of the damage occurs?

The proactive approach is a show of good faith of the organization to quick and responsible conduct. Although, in many cases, quick action can mean incurring large financial or other resources.

3) Ready to Crisis Management

Once an organization decides to be proactive, the next decision is (*3*): Is the organization able to cope with the crisis?

If the organization is proactive and ready to crisis management, the first action should be to activate a crisis team (in Appendix marked as "CT activation"). On the other hand, if an organization wants to immediately respond to a crisis situation, but is not ready to crisis management, top management should be instantly familiar with the situation (in the Appendix labeled as "top management").

Management has acquainted itself with the situation. The comparison of their abilities and capabilities with the anticipated requirements for managing crisis situations must decide (*3a*): Will it respond to the crisis? If managers decide for the strategy of rejecting or ignoring the crisis, they have to reckon with the fact that their position has deteriorated [4]. The delay in the decision negatively affects the quality of ad hoc responses to each situation created during the crisis. Since the organization is not prepared for the crisis, there are conditions for chaining the causes of the crisis, subsequently complicating the course of the crisis and its solution.

The situation, in which the organization is not ready for the impending crisis, is accompanied by a large possibility of other, simultaneously resulting potential crises.

4) Take Responsibility

The organization prepared for crisis management should also be prepared to take responsibility for the crisis before finding all the details (*4*): Take responsibility for the crisis?

A well prepared organization will take responsibility for the situation, even though it is not responsible. It indicates that a concern for customers, employees, the public and the environment takes precedence over the immediate short-term gains or losses. Also, organizations unprepared for crisis management, but responsive, face a decision about taking responsibility; evaluated outcome ("acceptance/non-acceptance of responsibility") will lead to ad hoc responses. Taking responsibility affects the attitude of top management and a hastily created crisis team and the manner and speed of creating conditions for chaining the causes of the crisis.

Taking responsibility for a crisis and already existing or imminent harm may be delayed, may be made too late, or not at all. If the organization caused damage and does not assume liability, its insufficiency in the preparation becomes part of the crisis. This error can bring organization to the uncoordinated ad hoc crisis responses. All this can result in a chain reaction of other crises which requires additional uncoordinated emergency response.

V. Symptoms Phase II

Phase of symptoms II is shown in the Appendix.

A. The Causal Links

1) React Immediately

Organizations may consider the information or resources as trustworthy and serious, although not alarming. It needs additional information to make further considerations and decisions. Therefore, the managers after taking the decision (*2*), incline to the decision not to interfere to the development until sufficient data are collected. In this case the organization faces further decisions 2a to 2d (and possibly others).

Resources and information (*2a*): Why does the information not seem sufficient? Will other resources confirm the information? Are the resources that provide this information reliable? Did the sources previously transmit information that was truthful and accurate?

Organizations (*2b*): Do the top management and owners admit the vulnerability of the organization? Do they admit that the crisis has already stuck the organization and is there a need to act and not rely on outside help?

Threats (*2c*): What is the degree of seriousness of the threat? How quickly will the threat escalate?

Top management (*2d*): Does it decide to act? Is it functional?

In seeking answers to these questions there is a time delay in response to a crisis situation, which creates conditions for the emergence of other crises. Finally, when the organization evaluates the supplementary information, often it finds that the time delay was so long that the conditions for successful crisis intervention have worsened (*2e*), which creates more damage and new threats. However, even under these conditions the will organization make decisions about their readiness to cope with the crisis (*3*).

The organization may also decide at the outset to be reactive. This decision is shifted to the decision-making (*3a*) for ad hoc reactions.

B. Conclusion of the Phase

This part represents the first stage of crisis here called phase of the symptoms. They include initial collection and evaluation of information, and the first decision-making in crisis management. Development of the crisis process depends on how the organization responds to the initial crisis. If the initial crisis responses are too delayed, the reason may be another collection of reliable information, or if the organization is not prepared for crisis management. Delayed reaction may further promote the development of the initial crisis.

VI. Diagnostics Phase

Diagnostics phase is shown in the Appendix.

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A. The Causal Links

1) Type of Crisis

Whether an organization is ready for crisis management or not, and for this reason, gives a coordinated or uncoordinated emergency response, and it ensures a degree of restoration of the basic functions and approaches to the diagnosis of the crisis and its elements. First, it determines the type and nature of the crisis (*5*): Is the type of crisis well-known?

Due to its complexity, the crisis may, depending on the circumstances, consist of one or more types at the same time and each of the other types may be caused by a different reason. Any of the types may be the cause and/or effect of another type of crisis. Types of crisis in each organization specifies by itself by finding their weaknesses according to the organization characteristics.

Recognizing the crisis and determining whether the damage has ended cannot be regarded as a separate asset. At each decision for a specific action, members of the crisis team must have a concept which will affect the course of the crisis and what will be the result. Ignorance of the type of crisis results in a loss of time, and thereby increases the risk. If we know the type of crisis and the organization has previously created crises plans, the analysis of differences in the actual situation from the planned follows.

2) Warning Signs

One of the main concepts of crisis management is that crises usually send warning signals before its actual creation. If the signals can be identified, then many crises can be prevented. For this reason, it is important to know whether the warning signs were present and how they were treated (*6*): Were the warning signals detected? If the warning signs were ignored from the outset, it is likely that they can become part of the crisis itself.

Other events will aim to reveal the causes of the crisis: Elements of the crisis, systemic linkages, and stakeholders [8].

Elements of the crisis that can be considered are information, probability of the crisis, un/predictability of the crisis, trigger for the crisis, measures proposed during the process of the crisis and the changed conditions, and possibly more.

The system links related to the readiness of organizations to manage systems that can cause a crisis or to prevent them. A study of a variety crises reveal that they occur because of a breakdown in relations between organizations, people and technology. If, for example, the organization does not analyze the interaction of operating personnel with technological systems or the effect of people´s restrictions in response to stressful conditions, the risk assessment will be incomplete [10].

Analysis of interest groups that might be affected by the crisis or that could affect the organization's ability to manage the crisis, also contributes to determining the causes of the crisis.

3) Causes of the Crisis

After the analyses mentioned previously, the organization faces further decisions (*7*): Are then causes of the crisis known? Knowledge of the causes of the crisis, limits the crisis itself, which increases the possibility of the success of the crisis measures [3].

Most organizations have core techniques/technologies associated with range of products. People often make mistakes as a result of overwork and stress, but also, negligently or intentionally [11]. Organizational structure, as well as organizational culture and attitudes, and the values of top management, contribute to the crisis, too.

4) Management´s Fault?

Yet to be identified and evaluated information leads the organization to further decision making (*8*): Is it the fault of the crisis management of the organization? The fact that the organization itself is not the culprit, reduces the possibility of further crises and improves the starting position for negotiations with stakeholders and restoring legitimacy.

B. Conclusion of the Phase

This part shows the importance of knowledge of a specific type of crisis and its specific causes. When an organization does not have this information, it is very difficult to contain the crisis and treat its effects. In this stage it will be clear to what extent the crisis was caused by the organization itself. This finding will affect the difficulty of restoring the credibility of the organization.

VII. ACTION PHASE

Phase of action is shown in the Appendix.

A. The Causal Links

1) Rescue Operations

After the diagnostic phase comes the stage of crisis intervention. The organization has a variety of information on which to decide (*9*): Continue with the rescue operations?

After processing the data, the crisis team may conclude that it is ineffective to prolong the agony of the organization and the best solution is to adhere to some variant of termination of its activity. The owners and top management must accept that their failure would be a lesson, not only for themselves, but also for other organizations. However, if the situation seems promising, the crisis team advances towards revitalization. Based on the detailed analysis, the crisis team processes variants of a revitalization plan, of which the best option is subsequently selected.

2) The Choice of Strategy

To cope with crises, a crisis team selects the correct strategy. The application of specific measures, tactical and strategic tools, fundraising, applying the correct principles of communications, meetings with stakeholders, regain credibility etc., could mean a long and definitely a difficult period. The crisis may come in waves; the conditions for their management are subject to change.

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3) Is the Organization Saved?

The period of rescue operations ends with a decision (*10*): Was the rescue of the organization successful? If, despite all efforts, the actions of the crisis team were unsuccessful, the organization terminates its operation. In the case of successful completion of the activity of the crisis team and the crisis action staves off the crisis, the team does not end here. Evaluation of the results is a milestone of this action phase.

B. Conclusion of the Phase

Information and abilities of the crisis team are the condition of success. Variants of the revitalization concept must be developed in detail, with time deadlines, and be supported by calculations of expected results. In the entire process, the conditions for managing the crisis amend and at any moment can lead to termination of the organization. Evaluation of the results and their reflection in the subsequent development of the crisis is the end of this phase.

VIII. PREVENTION PHASE

Phase of prevention is shown in the Appendix.

A. The Causal Links

1) Before/After Crisis Audit

Both audits focus on four factors, and it has been shown that they play an important role in a crisis. In the model, the factors are named: types, phases, systems and stakeholders.

The types refer to the types of crisis to which the organization is ready, and the reasons for the selection of specific potential crises. Because the number of crises and forms that they can take are unlimited, no organization, not even those with the best resources, can plan for every possibility. Conversely, they should be considered as part of the processes of thinking and training for something that cannot be prepared for.

Phase indicates how well the organization is ready to discover the crisis, manage the crisis, reactivate itself and learn from the crisis.

Systems relates to the level of preparedness of organizations to manage complex systems, which can cause a crisis or prevent crises. This concerns the structure and culture of the organization, people, technology, management attitude or others.

Audit of stakeholders focuses on the relationships of the most important interest groups in the organization. The crisis prejudice to numerous parties, groups and institutions that affect or are affected by specific organizations. They represent a diversity of views that the organization should take into account when formulating their plans and crisis management procedures.

The results of the audit (in Appendix entitled "profile CM") are usually presented in a written report that summarizes the main findings and makes recommendations for improvement.

Audit after crisis differs to audit before crisis in several respects. The main objective of the audit after the crisis is to identify the lessons to be learnt from the specific "trigger" event, and integrate this learning into the daily operations of the organization and practices of crisis management. It focuses mainly on the event, and only secondarily, on the overall readiness of the organization to the crisis. Although there are no two same crises, identifying the specific nature of the crisis and its causes, is vital in an organization for understanding susceptibility to a given type of crisis. It provides the key to the vulnerabilities that may make the organization sensitive.

2) Intervention to Prevention

The result of the audit is to determine whether it is necessary to make interventions into the system of preventive measures (*11*): Interventions in prevention? Usually the results arising from an audit affect the status of preventive measures. Integrating lessons learned from the crisis is one of the most important aspects of crisis management for the future [6].

3) Improving Conditions for Crisis Management

The purpose of the audit is to identify the strengths and weaknesses of the organization to develop and implement an action plan for improving the skills of crisis management. Without these skills, it will be very difficult for the organization to decide and carry out the necessary measures in a crisis.

B. Conclusion of the Phase

The audits before a crisis and post-crisis reveal the strengths and weaknesses of the organization in crisis management. The measures may relate to the composition of the crisis teams, identifying critical points, assembly of contingency plans, interference in the organizational culture, etc., including plans for training to improve the skills and abilities of members of the crisis teams. The fact that the organization has successfully passed the crisis and adopted the measures to improve conditions for crisis management does not mean that it is absolutely ready for the future. Certainly, however, has a better chance of surviving the next potential crisis.

IX. CONCLUSION

Crisis management is a system, which means that it is the result of the interaction of all crisis activities. Successful crisis management does not depend on how well the organization performs just some of the activities separately, and without the others; it is not the sum of separate activities. In this sense, the equation 1+1=2 does not apply to crisis management; rather it is similar to the result of 1x1. If the organization does well in a crisis activity (and thus receives a score of 1), but is doing poorly in another activity (obtains score 0), its overall demeanor will be presented 1x0=0! The crisis is not offset by weak performance in one area, and extraordinary appearances in other areas.

The presented model (flowchart) indicates why crisis management requires preparation before the crisis, as there are too many problems and activities that occur during the crisis. Unprepared organizations may expect disagreement and infighting, which only intensifies the crisis.
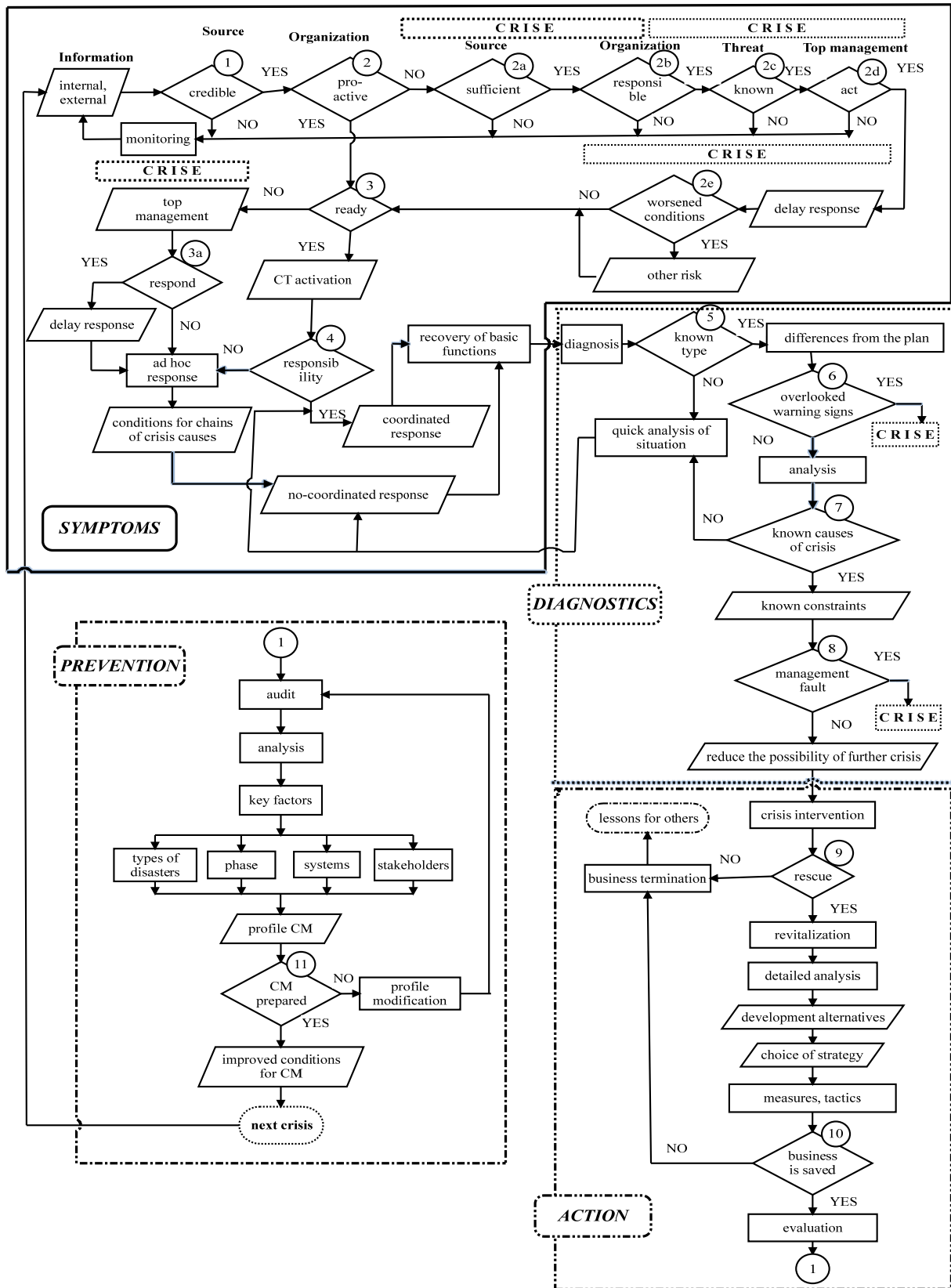
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APPENDIX

Fig. 1 The Process of Crisis in the Organization

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