CRISIS MANAGEMENT AND BUSINESS ADAPTATION: MECHANISMS AND STRUCTURAL CHANGE

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Abstract: This paper seeks to provide the explanation on basic types of business adaptation during the crisis using most valuable crisis management theories, mostly organizational theoretical apparatus. In particular, it looks at the mechanisms whereby organizations and companies are coordinated and shows how crises produce certain structural modifications, which have implication for business coordination. The intent is to provide scientific explanations for what is traditionally described as emergent phenomena.[2] It argues that most of it has been called emergent business solution can be explained by: a) the heightened necessity for organizational coordination during crises; b) the conditions which make for changes in the communication patterns within emergency organizations and c) the consequences the changes in communication patterns have for organizational co-ordination.

Key words: Crisis management, business adaptation, structural change, emergent phenomena, communication.

1. INTRODUCTION

During the last ten years, many scientists have conducted conceptual and empirical studies on the impact of the crisis on the business. This is, in a sense, a new venture as it is similar to the economic crisis that has not been met by modern society. he interdisciplinary nature of the research is influenced by the reduced level of business integration with existing theoretical apparatus within the discipline of crisis management, but it can be concluded that the crisis is dealt with in the business of technological and structural,, psychological, socio-political and economic point of view. Specifically speaking, the economic crisis is a phenomenon for which

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[1] This article is a part of the project 179014 financed by the Ministry of education, science and technological development.

[2] More on emergent phenomena can be found in: Harvard Business School Press, *Crisis Management: Expert Solutions to Everyday Challenges*, Boston, MA: HBSP, 2008, pp. 19-31.

there is scientific: sociological, social and technological as well as political explanation, as all of these factors have a major impact in the development of the crisis and its management. Taking into consideration the fact that the studies involve a multidisciplinary approach to the crisis, the researchers believe that the study of the crisis must be conducted through a systematic approach. In other words, the researchers believe that psychological, socio-political and technological-structural approach must be explicitly considered and included in the analysis of the phenomenon of the crisis, so that it can be explained from a scientific point of view and be able to draw some conclusions in terms of running a business and to offset the effects of the crisis and avoid. While some researchers are trying to use a multidisciplinary approach, the other group of scholars examines the causes, consequences and crisis management techniques through the same disciplinary framework as the first group. To some extent it might seem like one and the same approach where there are many different disciplinary voices, in different languages and on different issues before various audiences, but it is not so.

Most of business life during crisis is so structured that business behavior occurs rather routinely. Most of the time, established and standardized business procedures are followed, manifesting themselves in the habitual behavior of employees or traditional actions of organizations and companies. At times however internal or external factors generate enough difficulties in doing business to make it possible to think of responding entities as being in a state of crisis. Crisis requires the reworking of established and standardized procedures to make modern business as well as of organizations for carrying them out. In a large part, the direction of response of groups or organizations is for certain aspects of emergent behavior to be combined with elements of routinely organizational behavior. In order to create a multidisciplinary approach in this paper, we tried to present alternative views on the crisis and using eminent psychological, socio-political and technological structural research techniques.[3] Conclusions that we obtained in this study do not represent a catalog of given research perspectives within each area, but an attempt of building definition of crisis, crisis management, and a comprehensive model for crisis management that will help the business to surpass the crisis, and same time to reflect the psychological, socio-political and technological-structural assumptions.

Main changes that are in focus of this paper can be explained using standard organizational variables which are applicable to a wide range of types of organizations and companies, not just organizations or companies in emergences during crisis period. After establishing theoretical orientation, we will come back to its application in crisis. Theoretical orientation of this paper encompasses organizational coordination which is related to the internal structure of an organization. It argues that the predominant type of coordination in an organization is determined by diversity and its internal distribution of non crisis context, the types of variables specified are particularly significant in changes which occur in the crises context. Central concern within organization is coordination. Coordination can be seen as the degree to which there are adequate linkages among organizational parts, i.e. among specific task performances as well as among sub-units of the organization, so that- business objectives can be accomplished. Organizations can be coordinated by plan and by feedback. The former is based on pre-established crisis management schedules and programs directing and standardizing the

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[3] Harvard Business School Press, *Crisis Management: Master the Skills to Prevent Disasters*, Boston, MA: HBSP, 2004, pp. 21-46.

functioning of organizations, while the latter is centered on the transmission of new information so as to facilitate the mutual adjustment of parts.

2. THEORETICAL AND ORGANIZATIONAL BEHAVIOR DURING CRISIS

Two basic types of coordination are ideal constructs. In reality, during economic and other crisis complex organizations are mixture of the two. It is possible, however to identify organizational variables which would be associated with one or the other mechanisms of coordination. There are at least three: a) uncertainty of tasks; b) diversity, or the relative number of different occupations in an organization and their degree of professional specialization; and c) the distribution of power and status within organizations.

Organizational coordination with feedback connections is feasible in terms of business success while increasing the diversity of occupations, and the diversity and uncertainty of business objectives. In the first case, no standard set of administrative guidelines and sanctions can not regulate the activities of professionals in the appropriate manner and entirely. Another theoretical approach emphasizes the speed of information exchange between the staff responsible for the organization. Increase in the volume of information and its immediate diversity, with horizontal communication, which has a very important role, makes coordination planning practically unfeasible. Opportunities of success of the planning coordination increases in situation of explicit differences in power and status in organization. Accordingly, the higher the hierarchical distance between the parking staff, lower the volume of communications. External environmental factors such as homogeneity and stability are important determinants for achieving business success in a time of crisis. The conclusions of most studies indicate that the stability of the environment leads to routine technology and planning coordination. Based on the above can be written to certain conclusions: 1) more diversity of the organizational structure, more emphasis are placed on usage of the coordination feedback; 2) more differences in status and power within an organization, more emphasis is placed on the coordination of the planning and 3) the greater the uncertainty of organizational surrounding, greater the emphasis on the coordination of the usage of feedback.[4] Theoretical orientation to overcome the crisis in terms of business success, which is presented in this paper has certain consequences for the functioning of the organization during the crisis. Generally speaking, during the economic crisis, there is an increasing need for coordination of the organizational structure with the help of feedback and planning coordination. In addition, the crisis has produced conditions in which there is a general increase in the level of communication and horizontal communication with the aim of rapid overcoming of the crisis. The crisis created conditions of extreme uncertainty for organizations and business actors when it comes to the business environment. In such circumstances there is a possibility of creating greater organizational diversity through the acceptance of new organizational goals or new staff. Also, the number of participants becomes larger business ventures, especially during emergency situations, when hiring additional resources is an economic imperative

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[4] Similar conclusions can be found in: Roberts, K, *New challenges to understanding organizations*. New York, Macmillan, 2009.

to neutralize the effects of the crisis. Additionally, all of the conditions and consequences of the functioning of the organization during the economic crisis lead to the establishment of coordination with feedback and planning coordination.

Although it may sound like simple phenomenon described as urgent, organizational adaptation in times of crisis can be explained by standard sociological variables. When we speak of the established organizations, they retain the structure they had before the crisis with the help of planning coordination. Planning coordination features have been closely associated with traditional organizations whose primary function is based on the urgent needs in order to overcome the crisis and successful business. These business organizations often refuse to perform "non-traditional" tasks in crisis situations and try to maximize the lower cost of doing business through the engagement of volunteers and low-paid labor. They decided to implement emergency measures, thus saving significant resources. The viability of regular structure and tasks of such an organization can maintain intact their business plans prior coordination. On the other hand, demands that can not meet certain business actors must be absorbed within the company, and they have all chances to be effectively carried out by emergency groups or organizations that coordinate with feedback.

Established organizations or major business organizational actors perceive pressure during the crisis period. When most of the business organizations that work in emergency situations is going to establish coordination with the help of feedback, established organizations are vulnerable in many ways. There is a discontinuity in their attempt to maintain internal planning coordination related to the crisis, when the conditions are such that most of the other business actors moving towards the establishment of coordination with feedback. This discontinuity creates a lot of difficulties in trying to take over the entire communication system between business actors establish general coordination.

Nevertheless, structural conditions during the emergency period are affected by the uncertainty, diversity, less formalization and decentralization of the entire business of the company. These changes increase the need for communication between business stakeholders. Nature of the tasks that need to be overcome in the course of the crisis is not routine but may be explained as that which is caused by those same sociological factors that affect coordination. Research and conceptualization of organizational crisis response operations in one area usually has immediate political consequences. It is believed that the most urgent political implications of planning can be mostly perceived at the local level, where there is centralization of operations and formalizing business processes. In other words, the planned coordination is considered as normative activity. This method is the most recognized in the World, since it is considered to be the most effective for use in conditions of economic crisis to improve business. Planned activity relies on mechanisms of social control and the system of rewards and punishments as the predominant method of coordination in terms of achieving business goals during the crisis. Basic emergency planning assumptions must be examined individually in order to protect further business activity.

Most of the individual business actors involved in emergency planning process must have previous business experience enabling achievement of business goals on a routine basis.

Based on what has been written, the predominance of normative planning model that puts the emphasis on the coordination of planning, is at least, problematic. Crisis, as a phenomenon that itself creates conditions for ameliorated business planning and inadequate coordi-

nation for a given business situation. Business actors are confronted with these and similar issues, and after the crisis, leading to the possibility of launching various business reviews. The standards used to evaluate the efficiency of the business are such that usually lead to negative form of business organizations that use coordination with feedback. A significant increase in the volume of communication is considered to be a failure in coordination of the process, not the adequate condition for its existence. This phenomenon is now widespread, but it should not be underestimated in the future, because otherwise the business could be at a loss. Emergency planning should be conducted in order to improve and increase the level of coordination feedback effect, since all the chances that it will become the most important form that is realized through emergency planning.

3. TYPOLOGY OF CRISIS MANAGEMENT AND ITS IMPACT ON WORLD ECONOMIC CRISIS

Many have sought to make the classification of crisis management to more effectively overcome the impact of the crisis impact on the sphere of business. As the final result appeared on hundreds of classifications with more or less success, to not only define the term crisis management, but also a developmental mechanism of this relatively young scientific discipline. While large, particularly economic crisis, we distinguish at least five types of crisis management: 1) strategic efforts, 2) technical and structural efforts, 3) efforts to evaluate and diagnosis, and 4) communication efforts, and 5) the psychological and cultural efforts.[5] This typology is established through the use of the most modern and sophisticated scientific analyzes that were intended to contribute to a better understanding of content "every family", the degree of its effectiveness and modalities for better business conditions in World economic crisis. Strategic efforts are considered parts of the business world that has developed and conducted a systematic strategy. These organizations are the system ready to cope with the crisis and managers within these types seeking to implement new forms of business behavior in order to overcome the crisis management crisis turning into a kind of art that promote the strategic planning process. Some types of strategic efforts also forms a new business unit within their organizations aimed to cope with the aftermath of the crisis, organize preparation of employees to the new conditions as well as to organize the usage of simulation of diversified strategies. Some technical and structural approaches to crisis efforts are very serious and responsible, with an emphasis on reducing the budget of the organization and the development of urgent policy changes and adaptations during the crisis. This type is perhaps most sophisticated in terms of introducing innovations.

Computer processing of investment products and available resources is one of the main characteristics of this type of crisis management. Creating a separate part of the business organizations and crisis management is one of the characteristics with emphasis on reliable products whose competitiveness can not be compromised in the market. This type also insisted on improving the overall design of the product, as well as the safety of the product and production process. Technological supremacy over the rest of this kind is undeniable, and the use of

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[5] More on typology in: Rosenthal, U., Boin R.A., & Comfort, L. K., *The changing world of crisis management*, Springfield, IL, Charles C. Thomas.

external experts for individual issue is something that this type of crisis management based business of your organization in times of crisis. The third type of crisis management places emphasis on evaluation and diagnosis of indicators that affect the business process during the crisis. Organizations that use this method of crisis management rely on legal audit as financial operations to remove threats that can jeopardize their business processes. Usually, these companies resort to changes in insurance at the same time relying on the analysis of environmental and safety standards with respect to environmental protection. One of the main characteristics of this type of crisis management is careful daily ranking of the most critical activities that affect the functioning of the organization. As a result of this approach usually appears a system of early warning of dangerous effects, scanning, and analysis of individual items (issue management) is one of the most commonly used methods of this type of crisis management. Inexhaustible research on potential hazards and critical attitudes is also very peculiar for this approach. Communication effort, as the fourth subtype method of crisis management, relies on a variety of media training and their main commitment is carried out through the media. In this way, disseminating information to local communities, and interviews with various managers trying to learn more about the different dimensions of the problem with which the business of the organization may be facing. Communication approach includes increased cooperation and lobbying with decision makers. This is a very pragmatic and interest-oriented approach, the maximum benefit for the business is trying to achieve through increasing the role of the communication. Psychological and cultural efforts may in large measure on all approaches rely on strong motivation power and fellowship company executives. This approach involves entering into relationships with activists in order to improve business by certain individuals with pre-defined business objectives. The approach advocated by acquiring more knowledge about criminal behavior, the impact of the crisis on employment, as well as advanced knowledge of psychological techniques to help employees in times of crisis. Manage stress and reduce anxiety are an integral part of this approach through attempts to reduce and erase the memory of past crises and dangers through which the organization, and they, as employees, they passed. The common denominator of all approaches is to simplify the concept of crisis and its reduction to a specialized type of activity or problematic which each approach deals. It seems that there is a need for a moral and strategic position since it was a positive shift in corporate theory and practice. This relates directly to the chief executive of an organization that is willing to tackle the crisis, with the executives and managers have access to their company not only as a production system but also as a possible cause of the big problem with destructive consequences. Because of this it is vital that leaders and managers develop an ethical corporate culture in their organizations, which are able to withstand losses, crises and business disasters.

4.   CONCLUSION

The interdisciplinary nature of the research has led to a reduced level of business compatibility with existing theoretical apparatus within the discipline of crisis management. The crisis is dealt with in the business and technological-structural, psychological, socio-political and economic point of crisis as the one that prepares leaders and managers to develop a system-

atic approach to help organizations survive the crisis and that business activity would avoid suffering damage. Currently the apparent fragmentation of approaches used by the discipline of crisis management process to define the crisis and achieve its main role, for which it came into existence as a scientific discipline. Managers who deal with crisis management had to understand that crisis management requires focusing on the technical and human activities, and the relationship of employees and what they have to also understand that one of their main tasks is to bring unity to the business activities and prevent any kind of conflict. Through five main approaches that are present in the literature on crisis management, we have seen unfold fragmentation: while some emphasize the strategic efforts, the same can focus on other technological-structural components of business activities, and otherwise communication, psychological or evaluative methods. It is pretty worrying that lack of perspective is present among the most renowned experts in the field of crisis management. It explains why the business organization has had to experience failure. Perhaps the strategic content of this paper represent anything unusual or strange in the business world, but the authors of this paper firmly believe that the strategies presented here described above and become a standard procedure in the future when it comes to business behavior during the crisis. Business activities during a crisis can never be treated the same way as before the crisis in which the business orientation of executives and managers is of the utmost importance. Rational approach to the scientific discipline of crisis management implies a moral and social responsibility to the managers themselves, the organization in which they work, decision-making, society at large and which is particularly important, the politics of human environment-ecology. Managers in organizations that have the time to prepare for emergency conditions have started to implement a number of innovative and effective actions within the scope of their competence, based on their systemic and moral views on the crisis.

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