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## The Management of Crisis

Mariem Kchaich Ep Chedli<sup>1</sup>

Bucharest University of Economic Studies, Romania

*Abstract. Many business leaders defines a time of crisis as a moment which completely hinders society activity, which ultimately leads to bankruptcy; they prefer the choice of resentment downturn and do not consider it a key moment for the renewal ideas, ways of thinking, of policies and strategies adopted that mobilize around new ambitions, new development projects, new sales models, new businesses, new markets in manner to transform a crisis in a moment of creation and innovation and collective revitalization.*

*The purpose of this article is to study the various steps of the management of crisis and best management practices in times of crisis to be applied properly by the manager. Therefore, we would have to ask the following question: how can we ride a situation of crisis and provide benchmarks based on best management practices?*

**Keywords:** Management, crisis, enterprise.

**Jel Codes:** O35, O2

### 1. Introduction

Today we talk more and more about the theme of crisis (economic, social, political, health, environmental), succeeding in the world and having substantial impacts mainly on tourism, which remains sensitive and very reactive to any disturbance.

The crisis puts the company in a very important tense situation. It can have an impact on sale, on employee motivation, creating distrust on company and its products.

Undoubtedly, the corporate image is questioned but it can also affect the survival of the latter. One of the biggest common problems that can increase the seriousness of this event is mismanagement of resources (human, financial, material) in times of crisis.

### 2. Definition of Crisis

A crisis is a crucial moment in the individuals', groups' and populations' life, which marks a break in continuity and uncertainty as to the evolution of events characterized by a paroxysm of contradictions and uncertainties, which can produce explosions of violence or revolt. The crisis is an imbalance.

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<sup>1</sup> E-mail address: [mariemkchaiech@gmail.com](mailto:mariemkchaiech@gmail.com)



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(Roux-Dufort, 2000) described the crisis as “brutal ruptures, in which several actors are involved, that require immediate attention in a climate of great uncertainty about the course of events and the consequences of decisions”.

(Pauchant, 1988) defines crisis as “an accumulation of probable events at a party or organization as a whole, which can interrupt the present and future operations of the company affecting individuals and communities at a physical level, psychological and / or existential.”

There are several types of crisis:

- 1 - An economic crisis is a brutal degradation in the economic situation of a country or an economic area, consequence of a shift between production and consumption, followed by a sharp increase in unemployment, a decrease of GDP (Gross Domestic Product), an increase in the number of bankruptcies, a decline in purchasing power. The most serious economic crisis in modern history in the world was the one from the year 1929.
- 2 - Financial crisis: economic phenomenon materialized by malfunction of capital markets mainly due to risk-taking poorly mastered, the deteriorating creditworthiness of certain public or private borrowers and / or speculative behaviour of certain operators. Financial crises can be currency crises, banking crises, stock market crises, and sovereign debt crises. Given the globalization of markets, the financial crisis is still rarely circumscribed to a country or group of countries. A financial crisis that extends quickly leads to a fall in growth, even recession.
- 3 - A political crisis is an important moment, serious and sometimes decisive in the life of an institution. It reflects the manifest adequacy between the organization of a political or public institution and reality: a crisis can provoke demonstrations, strikes, social movements, riots indeed a revolt or revolution.
- 4 - A social crisis. Multiple natures of changes disrupt human societies at different levels, on various scales, and engage in several modes the manning agent of change. Thus, according to its specific needs and its environment (natural, institutional, family, politics etc.), the social actor develops its own logic in a constant articulation with daily and historical contingencies to find new solutions, new action / reaction modes.
- 5 - Health crisis. Health crises are events affecting actually or potentially a large number of people, affecting the health and possibly increase significant factor of mortality. Declared officially by the State, there are several types: epidemics and pandemics, pharmaceuticals or vaccines. An ecological crisis occurs when the living environment of a species or population moves unfavourably to its survival. It may be a deterioration of the environment quality, following a change of biotic ecological factors, and it will be no longer good for the needs of the species. An example may be the temperature's increase.



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### 3. The Management of Crisis

"In the heart of any crisis, there is the question of power and its exercise. Treating a crisis is above all make judgments, set standards, identify options, and defines strategies, reshaping relationships of influence, save positions...! When the usual frameworks prove to be exceeded." (Patrick Lagadec)

The management of the crisis is "all organizational methods, techniques, and resources that enable an organization to prepare it for and cope, with the occurrence of a crisis and to learn from the event to improve procedures and structures in a prospective vision." (Source: Wikipedia)

The expression may seem paradoxical: "Managing the crisis is, from a certain point of view, a contradiction in terms: it does not handle the torment, trouble; it strives to prevent its occurrence or to minimize its effects or to restore order (Source: Gestion de crise-la réponse de l'entreprise de Simone Eiken and Olivier Velin, EFE, 2006).

### 4. The Management of Crisis Steps

Formally, the management of crisis includes four essential steps:



Fig. 1: The management of crisis steps.

#### 4.1. Prevention

This is the first and the longest step of the management of a crisis. It consists, mainly, of lookout potential risks. It usually coincides with the incubation period of the crisis, that is to say, an accumulation phase of malfunctions where nothing is visible. At this step, managers should be looking, in other words, search and identify elements with a potential risk to the organization (Lagadec, 1991).

Understanding the environmental factors of the organization is determined by the management of the crisis. This information will be used to prepare emergency plans, communication strategies in times of crisis, and especially, a planned strategic intelligence.

To identify, ride up and analyze anticipatory information (signals), to detect vulnerabilities and anomalies able to anticipate the triggering event, to capture changes in the environment.

#### Information Centre:

(Cutlip, Center and Broom, 2000, p391-394) suggest the implantation of a permanent information centre within the organization. This centre is to collect and diffuse information.

The detection of rumour and denial can be made by the information centre. The establishment of the centre before the crisis is essential to ensure credibility in times of crisis.



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### **Environment Variables:**

To plan the operations, managers should be aware of the environment in which they operate.

The knowledge of the stakeholders and the information circulating on the organization are two main categories of environment variables.

### **4.2. Preparation**

Preparation is the second step for the crisis' management. It is the moment that create the cell of crisis. This step is to develop the dedicated management plans. To do this, we gather a group called Crisis Staff, which will evaluate the potential of the crisis of the organization and prepare a help guide in the management. This guide will reduce uncertainties related to emergencies. It serves, in particular, to place temporarily common benchmarks for members of the organization. With these benchmarks is possible to mark everybody's action and to manage the crisis according to clearly established principles: honesty, transparency, social responsibility and organizational accountability (Maisonneuve, St-Amand and Lamarche, 2003).

Preparation is crucial since a good management of crisis should begin before the crisis hit. We must prepare:

#### **Cell of Crisis:**

The work of the cell members, in the preparation method, consist in identifying potential crisis and elaborating, for each of the scenarios, a guide of procedures to be in place.

These procedures include specifically the planning of frontline teams, that is to say, individuals must be available round the clock, 7 days a week, and their replacements in case of absence too.

It addresses all the elements necessary for the good management of crisis combat operations, including communication strategies and coordination teams.

The members of the crisis, have to be open-minded and with global vision persons, and able to shake up the organizational prejudices, to develop an effective crisis management guide.

We must "overturn the evidence and be able to think the unthinkable before a crisis is in charge." (Roux-Dufort, 2000)

#### **Establish and Evaluate Scenarios:**

The second preparation step is to establish and assess the crisis scenarios with the elements found in the first step. Each occurrence to potential risk likely must be a screenwriting.

It will then be evaluated taking into account the probability and severity of the crisis. The characteristics of immediacy and global reach of the internet are especially to be considered when developing the scenarios.



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#### **Design of Crisis Management Guide:**

The potential risks are already scripted and mentioned so, the next step is to create a crisis management guide, that will withdrawn wide solutions in case of organizational crisis.

#### **Implementation and Simulation of Crisis Management Guide:**

The crisis management guide should be integrated with policies of the organization and broadcast to all staff. This integration will have the effect of increasing the culture of crisis, which consists in placing employees in a state of mind conducive to face a crisis.

#### **4.3. Reaction**

When the state of crisis is declared, the organization has little time to set up procedures for crisis management guide. Essentially, quick response and in tune with the environment reduces the risk of crisis growth. The reaction is the critical step in the management of the crisis. It starts with the detection of the crisis in the organization and ends with a return to regular management mode.

At this step, the crisis varies in amplitude and time according to certain parameters. A good initial preparation can regulate many of these parameters, out of control, mean that the crisis deepens and extends in time. Date knowledge of the operating environment and a good crisis management guide allow the cell of crisis to make decisions quickly and implement the necessary measures.

In addition, the planning enables effective communication strategies to allow limiting the scope of some of the crisis' negative effects on the organization.

#### **The Beginning of Crisis:**

The first difficulty for the organization is to define the beginning of crisis. Proper identification of crisis triggers helps organization to detect the first beginning of the acute phase of the crisis. In a short time, the organization must analyze more information to declare a state of crisis or not. It must verify the validity of information collected, estimate the extent and understand the challenges of the potential crisis. If the results of the analysis show the entry into crisis, the organization must communicate the new state and set in motion the crisis management guide.

#### **Communication:**

Communication is essential during the reaction phase. The victims and their families, employees, suppliers and subcontractors, customers, shareholders, the media and the general public must be given special attention in communication when a crisis occurs. Strategies and messages normally delivered to each of the public should be updated and adjusted to take account of the situation.

#### **Principles:**

A first principle is to have control over the agenda of the crisis. The organization should put itself as the main source of information and establish the rhythm of information's diffusion. The information,



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although delivered quickly, should be validated. Experts recognize providing factual information and advice against speculation. The public see the crisis in a more emotional way than the organization.

The organization must maintain its credibility by showing its good understanding of events and its ability to answer them best, depending on available resources. A third principle is anticipation. The decisions must be made taking into account the medium-term consequences for not amplifying the crisis and stimulating new triggers.

#### **Strategies:**

The loss of the known benchmarks is characteristic of the crisis, which is why the public is looking for leaders. This identification reduces uncertainty and restores temporary benchmarks. Organizations involved may react in various ways in front of this development potential change, adopting communication strategies ranging from total recognition to refusal.

The four main strategies are full recognition, partial recognition, avoidance and refusal (Sartre, 2003). Other complementary strategies can be adopted to reduce the crisis amplifiers. It is important to remember that the responsibility is not related to guilt, so the organization can be responsible without being guilty.

#### **4.4. Adaptation**

Adaptation is the last step of the management of the crisis. This is the time when the organization seized the opportunities provided by the crisis to improve its operation. An objective assessment of the decisions taken and acts committed during the crisis should be made to understand their scope and impact. A comprehensive history of the crisis will help to evaluate the work done.

According to (Roux-Dufort, 2000) the crisis has a very high learning potential. Four options are available:

- Learn nothing and pretend that the crisis was an exceptional event.
- Capitalize on the crisis to improve what already exists.
- Capitalize on the crisis to challenge inadequate management assumptions.
- Capitalize on the crisis to define the identity of the organization.

Assessment of the management of crisis

According to (Pearson and Clair, 1988) successful management of crisis is defined by three points that can be assessed in detail:

- ✓ Before the entry into crisis, reducing potential risks.
- ✓ At the outbreak, interaction with stakeholders aiming to rebuild, for individuals and communities, their common benchmarks.
- ✓ At the end of the crisis, a readjustment of the basic assumptions and behaviours and emotional responses.



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✓ Any assessment of the management of crisis should be done by considering the successes and failures of interventions from three perspectives: psychological, socio-political and technical-structural.

## 5. The Management of Crisis: Proposed Solutions

Companies are exposed to a variety of risks (economic, technical, technological, human, regulatory, environmental, social, and informational, computer etc.) which are not always possible to anticipate and can have highly damaging consequences for the company: loss of markets, loss of skills, loss of credibility and many others.

When the crisis occurs, the company must be able to react very quickly. Its capacity of reaction and effectiveness of its action are therefore linked to its degree of preparation.

To this end, it is essential for the company to identify the earliest possible vulnerabilities and associated threats. It must also anticipate how to react (procedures to be put in place, human resources, and material to be mobilized, networks, hold information, communication plans etc).

### 1- Communicate Regularly and With Transparency:

During difficult periods, some measures can protect what constitutes the main asset of a company: the workforce. It must find the right mix to keep the people, despite a difficult situation, propose a set of measures to federate skills around the development of the company.

Of course, compensation may be part of the answer; however, this slider can't be used in times of crisis. So the responsibility to the human resources departments is to mix different measures: mutual, various benefits, work environment, launching idea boxes etc. , as many additional opportunities that allow employees to access benefits providing an improvement in their quality of life and working conditions.

In times of crisis, it is also essential to play the card of transparency. Thus, periodic meetings possible to draw up a realistic state of the situation indeed one of the key points of management in these times is transparency in the communication: regularly inform employees of any changes in the strategy of the enterprise or its objectives and to report more regularly on its economic performance and the situation of the tourism sector. This contributes to creating a climate of confidence and to appease the spirits, generally tender in times of crisis.

HRD should also ensure to preserve the internal employment and develop the skills of employees. Of course, this cannot be done in all departments, but it should still examine possible savings deposits. Rather than recruiting, it is also necessary to analyze the internal skills and to promote mobility and internal promotion. It is also possible to play on working time and its organization. Thus, the working time can be reduced, to allow the company to pass through a lower activity period without needing to make layoffs. It is fundamental to prepare the future and anticipate the recovery. In this sense, lay off employees in times of crisis must remain a last resort because it provides only short-term response and can significantly impact the company's performance during the recovery and thus burdening future capacity growth. In fact, it will then recruits again, train the new employee...



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In some cases, the departure of a colleague can be likened to a loss of many years of expertise, especially in technology companies. In the event of an economic layoff, it is, therefore, to properly take this data, and not to separate 'strategic' employees.

Although manage the human resources in times of crisis is a fundamental data integrated into corporate strategy, human resources must be treated with the biggest attention. We must, therefore, redouble our efforts to stimulate teams and secure a line of development shared and sustained employees.

### **2- Do Not Sacrifice Research and Development:**

Companies must be able, during difficult times, to anticipate the recovery and be able to respond to changes in demand which will have changed in the meantime.

Investment in research and development should therefore not be sacrificed in order to bounce back and remain competitive.

### **3 - Focus on Skills Development:**

Although operational business activity decreases, it is very important that every employee can remain active; allowing him to work on new development projects and improves their skills through training.

### **4 - Target Marketing Actions and Identify New, More Stable Market:**

The crisis management assumes the attempt to limit maximally the contraction of activity and therefore of turnover. This involves changing its marketing approach: more targeted actions and for shorter durations.

### **5 - Reduce Costs:**

To cope with the decline in the volume of the activity, it is essential to reduce costs to limit the direct impacts on cash and ensure better competitiveness: process re-engineering is needed to improve productivity and limit the impact of the sub-activity.

The crisis calls into question the current working methods and it is necessary to be creative and inventive in finding new ways and new solutions to provide quality work with fewer resources.

### **6 - Develop New Ways of Incentive:**

In times of crisis, financial incentives are reduced by the effect of lower corporate performance as well as by the desire to reduce costs and preserve as many jobs. To preserve the motivation of its teams it might be judicious to develop new systems of incentives, for example, using time as currency. So instead of laying off employees, it offers to its employees to reduce their working hours or take a "mini" sabbatical leave in return for a reduction in remuneration. This process not only permits to save money, but employees feel responsible and take this time off as a reward, in a situation where they know they are unlikely to be increased.





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## 6. Conclusion

The crisis is a threat for the most of companies. Detect and remove this threat means to apply the correct procedures.

This article shows the importance of the implementation of managerial benchmarks in times of crisis such as communication, reduce costs, develop new ways of incentive, and look for more stable markets to go up a crisis with the least resources.

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