Crisis Management and Crisis Situation in the Organization

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Abstract:

**Purpose:** The aim of the article is to present the problems of crisis management and crisis situation in an organisation, taking into consideration that crisis is an integral part of the functioning of any organisation.

**Design/Methodology/Approach:** Realisation of the goal indicated will help find an answer to the research problem: How does the occurrence of a crisis affect the functioning of an organisation, particularly in a time of chaos and uncertainty? Qualitative methods were applied to obtain an answer to the research question posed. The research made use of the latest report containing statistics concerning crisis and resilience of organisations, an analysis was also conducted based on both domestic and foreign scientific articles from recent years.

**Findings:** The authors formulated the following conclusions: Crisis is inevitable, but its effects can be mitigated. Organisations which are prepared for a crisis have a greater chance of successfully overcoming it. Crisis management is a complex process requiring the commitment of the entire team. Organisations should conduct regular reviews of their crisis plans to ensure that they have not become outdated and their effectiveness has not decreased. Organisations should also carry out crisis training to test their plans and prepare employees for the event of a crisis.

**Practical implications:** Crises may have various intensities and effects. Some may be short lasting and have no significant impact on the working of the organisation. Others may be long-term and lead to serious losses, or even the collapse of a company. In order to minimise the risk of a crisis, organisations should apply the appropriate crisis management strategies. which indicates the necessity to take these into account in the organisation’s practices, in plans and action strategies, stressing the creation of various scenarios for future development.

**Originality/Value:** An analysis of the materials gathered proves that crises may become a catalyst for change with regard to generating new solutions in the field of coping with crisis

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situations in an organisation. Particularly noteworthy are organisations in the energy, technology, media and communications sectors, and in the health industry, due to the experience they have in implementing integrated programmes to increase immunity, which may inspire other organisations to take such decisions.

**Keywords:** Economy, communication, crisis, organisation, management.

**JEL:** J00, I10, H12, A1, O1.

**Paper type:** Research article.

### 1. Introduction

A crisis is a sudden, unexpected event which threatens the normal functioning of an organisation. This event may be natural, technical, economic, social or political. A crisis may have various results, such as disruption of activity, financial losses, damage to reputation or even liquidation of the organisation. It faces the entrepreneur or manager with the necessity to take difficult and risky decisions relating to the financial sphere.

One of the major challenges faced by contemporary organisations is to safeguard them in the event of a crisis or crisis situation. The sources of a crisis situation should be sought inside the enterprise and its closer and more distant surroundings. Contemporary crises originate in both the macroeconomic and global conditions which the enterprise has no direct effect on and which, when they arise, affect the business of the enterprise. A crisis can thus disturb the balance of an enterprise.

Managers often assume that serious crises do not happen often and do not require specific procedures, and so a crisis should be dealt with when it arises. It should be considered here whether managers are able to meet the challenges involved in crisis management, the essence of which concerns particular management under pressure, and subsequently resolving difficult situations, and whether they will be prepared to take actions aimed at preventing, countering and reacting in the event of disruption to the stability of the organisation (Arvanitis et al., 2012).

### 2. The Essence of a Crisis and Crisis Situation in an Organisation

Every organisation is vulnerable to a crisis which may appear unexpectedly at individual stages of its activities. This may have an unexpected and varied impact on its functioning and may occur for various reasons.

During disadvantageous and negative market conditions, weaker entities unable to continue for long under such conditions are eliminated. A crisis and ensuing collapse of a company are a characteristic feature of a market economy, especially nowadays when organisations are functioning in the conditions of a global market economy.
(Kopczyński, 2016). Many scientists define a crisis as an unpredictable event which threatens the expectations of interested parties and may seriously affect the efficiency of an organisation and generate negative results (Coombs, 2012; Thalassinos et al., 2012). The literature on the subject includes many different interpretations of a crisis. Selected definitions are presented in Table 1 below.

**Table 1. Definition of crisis in an organisation**

<table>
<thead>
<tr>
<th>Author</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>R. Barton</td>
<td>Crisis is a major unpredictable event that has potentially negative results, significantly limiting the activities of an organisation in terms of production, services, employment, financial condition and reputation (Barton, 1993).</td>
</tr>
<tr>
<td>S. Slatter</td>
<td>A crisis can be understood as a state that threatens a company’s survival, the realisation of its goals, limits the time available for taking remedial action and surprises decision-makers with its occurrence, thus creating conditions of severe pressure (Slatter et al. 2001).</td>
</tr>
<tr>
<td>D. Lovett</td>
<td></td>
</tr>
<tr>
<td>I.I. Mitroff</td>
<td>A crisis is the effect of unexpected disruption appearing in the activity of an organisation, including internal and external factors of a random nature (Mitroff, 2001).</td>
</tr>
<tr>
<td>A. Zelek</td>
<td>A crisis can be understood as the consequence of disruption to the existence of realisation of one or more factors determining the existence and growth of a company, both external and internal, depending on the efficiency of management (Zelek, 2003).</td>
</tr>
</tbody>
</table>

*Source: Authors’ own work.*

Summarising the definitions selected, it can be stated that a crisis:

- threatens the normal functioning of an enterprise (in extreme cases prevents its continued existence),
- puts the basic values of the enterprise into question,
- adversely affects the credibility and efficiency of the enterprise,
- remains beyond the control of the enterprise.

Crisis in an organisation is closely connected with the idea of a crisis situation, so the proper interpretation of a crisis situation involves the need to understand what a crisis is, which usually has negative connotations (Żurawski et al., 2019). This concept, in contrast to a crisis, applies to a state which results from several unfavourable phenomena occurring at a time which does not cause a direct threat to the functioning of the organisation, but means an unsatisfactory assessment of its activities from the point of view of changes taking place in its surroundings (Zakrzewska-Bielawska, 2008; Thalassinos and Thalassinos, 2006; Do et al., 2022).

A crisis is, therefore, the culminating point of a crisis situation. Due to the fact that every crisis situation is different and conditioned by different factors, each should be treated individually. There are no ready-made, strictly accepted guidelines, but an analysis of crisis situations as well as experience gained during crises allows certain skills to be acquired which may enable symptoms of a crisis to be identified.
effectively, and management during a crisis situation to be carried out effectively (Kaczmarek-Śliwińska, 2015; Thalassinos et al., 2013; Thalassinos and Liapis, 2011). It should be mentioned, however, that in the event of proper and appropriate reaction, it may be received contrary to the initial assumption. It may have a positive effect, since after the transition and experiences there may be a strengthening of the organisation, its structures and procedures in the field of crisis management. Figure 1 presents the negative and positive aspects in a given area.

**Figure 1. Positive and negative aspects of crisis**

It is extremely important that signals indicating a possible crisis or possible occurrence of a crisis situation are not dismissed or underestimated. They should not, however, be confused with the actual causes of the crisis. Symptoms herald a
crisis and warn against unfavourable events (Dubrovski, 2016). The following situations are symptoms of an impending crisis:

- previous experiences are not confirmed, and results achieved differ from assumptions and forecasts,
- competitors achieve better effects,
- events whose course suggests to managers that a problem exists.

Crisis symptoms generate many unfavourable phenomena. One of these is the emotions felt by employees when planned results do not materialise. Trust in management is undermined, resulting in lack of integration in employee teams. Conflicts subsequently arise, causing a drop in productivity, thus exacerbating the existing situation.

3. Sources and Causes of Crises in an Enterprise

Crises occur in every organisation in varying degrees of intensity and scale. It is impossible to run an organisation in an entirely safe way. Research shows that nearly 40% of crisis situations in an organisation result from a lack of appropriate communication(https://commplace.pl/zdefiniowanie-wewnetrznych-i-zewnetrznych-zrodel-kryzysu/).

The causes and sources of a crisis should be sought within the organisation and in its surroundings (Michałowska et al., 2015).

Crises in organisations may have various sources, which can be categorised as internal and external. Internal sources are those which result from the activity of the organisation itself, its structure, processes or organisational culture. The most common internal sources include:

- Management errors, such as ill-considered decisions, inadequate control, lack of appropriate supervision of employees.
- Financial problems, such as falling revenues, rising costs, unprofitability.
- Internal conflicts, such as disputes among employees, between management and employees, or between individual departments.
- Ineffectiveness of processes, such as long order processing time, production faults, bad resource management.
- Lack of innovation, which may lead to reduced effectiveness of the organisation.

External sources are those which result from the environment in which the organisation operates. The most common external causes include:
• Changes in the economic environment, such as an economic crisis, changes in taxes or legislation.
• Changes in the technological environment, such as the introduction of new technologies, or changing customer preferences.
• Changes in the social environment, such as social protests, or changes in consumer awareness.
• Natural threats, such as natural disasters or infrastructure failures.

Crises may have various intensities and effects. Some may be short lasting and have no significant impact on the working of the organisation. Others may be long-term and lead to serious losses, or even the collapse of a company. In order to minimise the risk of a crisis, organisations should apply the appropriate crisis management strategies. These strategies should cover:

• Identification and assessment of a risk which could lead to a crisis.
• Preparation of an action plan to be realised in the event of a crisis.
• Employee training in the field of crisis management.
• Development and implementation of effective crisis management strategies may help organisations to limit the effects of a crisis and ensure continuity of their activity.

The causes of internal crises can be found in the company strategy with regard to employees, the financial state of the enterprise, solutions concerning organisational structures and technology applied. Internal causes of crisis are presented in Table 2.

**Table 2. Internal causes of crisis**

| Strategy | • unclear company policy,  
| | • wrong or imprecise company goals,  
| | • over-reliance on tried and tested recipes for success,  
| | • lack of understanding of the organisation’s mission,  
| | • incorrect assumptions about the company’s competencies,  
| | • failure to adhere to strategies, whether developmental, functional, instrumental to internal and external conditions of the functioning of the company,  
| | • inability to modernise and adapt.  
| Employees | • high turnover of management staff,  
| | • bad (false) management style,  
| | • incorrect assessment of employee possibilities,  
| | • indecision in management and decision-making,  
| | • overdue change of age in the organisation,  
| | • failure of employees to identify with the company, limiting their activity, entrepreneurship and the motivating effects of stimuli,  
| | • intra-organisational conflicts.  
| Finances | • budgeting errors,  
| | • high costs,  


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- erroneous investments due to insufficient planning (large investments, fusions, takeovers),
- weak working capital management,
- operational scale exceeding financial possibilities,
- inadequate controlling.

| Organisational structure | gaps in management organisation, |
| | incorrect organisational solutions unsuited to the strategy, |
| | conservative methods of organisation, |
| | lack of, or incohesive, interfuctional activity, |
| | bad information flow |

| Technology | low quality of the material and production base, |
| | obsolete technology, |
| | technical faults in products, |
| | process lines failures, |
| | unused production capacities, |
| | gaps in production automation. |


Meanwhile external causes resulting directly from the macroenvironment, as well as from the competitive environment, are characterised by a significantly large degree of complexity in their direct impact on organisations. Due to the fact that external factors differing in terms of origin and object often overlap in their effects, it is difficult to identify them thoroughly. Table 3 presents external causes divided into macroenvironment and microenvironment.

Table 3. External causes of crisis

<table>
<thead>
<tr>
<th>MACROENVIRONMENT</th>
<th>MICROENVIRONMENT</th>
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</thead>
<tbody>
<tr>
<td>• low economic growth rate</td>
<td>• unfavourable changes in the condition of companies’ partners,</td>
</tr>
<tr>
<td>domestically,</td>
<td>• payment backlogs,</td>
</tr>
<tr>
<td>• regionally,</td>
<td>• trouble with state institutions (e.g. Tax Office),</td>
</tr>
<tr>
<td>• change in economic policy towards businesses with regard to excise, antitrust</td>
<td>• falling demand for the company’s products or changes to its structure,</td>
</tr>
<tr>
<td>and licensing policies, etc.,</td>
<td>• ageing market (sector),</td>
</tr>
<tr>
<td>• market liberalisation and deregulation,</td>
<td>• intensity of competitive struggle in the sector,</td>
</tr>
<tr>
<td>• restrictive fiscal policy,</td>
<td>• high pressure of potential competition - increased capital inflow into the</td>
</tr>
<tr>
<td>• high interest rates,</td>
<td>sector,</td>
</tr>
<tr>
<td>• fall in the population’s income level,</td>
<td>• increase in the influence of suppliers,</td>
</tr>
<tr>
<td>• unemployment level,</td>
<td>• increase in the influence of producers of substitutes,</td>
</tr>
<tr>
<td>• greater tendency to save than to consume income,</td>
<td>• unfavourable changes in the prices of goods</td>
</tr>
<tr>
<td>• changes in the consumption model,</td>
<td></td>
</tr>
<tr>
<td>• changes in supply and demand,</td>
<td></td>
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<tr>
<td>• fast pace of technological changes causing a reduction in the life cycle of</td>
<td></td>
</tr>
<tr>
<td>products and the need for costly implementations,</td>
<td></td>
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</tbody>
</table>
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- restrictive labour code,
- changes in legislation,
- random factors.


An element distinguishing a crisis situation, connected with another feature such as sensitivity. Combining these two motifs allows us to define a crisis as a situation which has a severe impact on an organisation vulnerable to crises (Tworzydło et al., 2022). Two degrees of severity of crises are differentiated: minor (with negligible harm) and serious. There also exists a division of crises into three groups, namely crises of high, medium and low severity (Zhou et al., 2019). Figure 2 below illustrates elected criteria for defining a communication crisis situation.

**Figure 2. Criteria for defining a communication crisis situation**

Source: Tworzydło et al., 2018.

A permanent solution to the problems requires crisis situation management to be under control. This leads to a search for the situations which give rise to conflicts, an analysis of those situations and an assessment of their direct influence on the functioning of the organisation, and on planning actions to achieve set goals (Ciekanowski et al., 2011). To summarise, it should be stated that in managing a crisis or crisis situation it is of vital importance to clearly define the procedures for proceeding, to identify the causes of the crisis and its potential adverse effects, and also to ensure swift reaction aimed at eliminating those effects.
The proper division of roles, tasks and competencies enables effective action in crisis situations.

4. Resistance of an Organisation to Crises

The economic turmoil of recent years has proved how important the ability to cope with crisis in an organisation is in order to ensure continuity of its operations in times of crisis. That ability to not fall into crises, or to cope with them when they occur, is called the resilience of an organisation to crisis. This resilience is a feature directly connected to the organisation itself (Zabłocka-Kluczka, 2012).

Companies not only acquired the ability to adapt rapidly to a new situation, but also prepared themselves well for new potential threats and challenges from nature, gaining an operational advantage.

As the COVID-19 pandemic and Russia-Ukraine conflict have shown, flexibility and a readiness to implement substitute solutions may decide the success of a given entity during periods of instability (https://www2.deloitte.com/pl/pl/pages/press-releases/articles/Co-trzeci-lider-uznaje-odpornosc-organizacji-na-kryzysy-za-kwestie-o-znaczeniu-strategicznym.html).

Resilience requires constant development, protection against shocks, and at the same time the ability to adapt and create value. The basic elements of an organisation’s resilience are:

- strategic resilience - the ability to evolve and create agility in the organisation;
- operational resilience - the ability to maintain critical operations during disruption;
- financial resilience - the ability to maintain capital and cash flow during disruption.

In today’s world, effective resilience is a basic competitive advantage and condition for the proper functioning of an organisation. For this reason it is necessary to provide a given organisation with the appropriate level of security (Ciekanowski et al., 2023). Below in Figure 3 is presented the increase in disruption in companies.

On the basis of the data analysed, it can be stated that the number of organisations experiencing disruption has increased over the past four years. In 2019, 69% of organisations stated that they had experienced disruptions in the last five years, while in 2023 96% of organisations had experienced disruptions in the last two years. In addition, in 2023 96% of organisations had experienced at least one disruption other than the pandemic.
There are several possible explanations for this process. Firstly, the world has become more complex and changeable, causing a greater risk of disruption. Secondly, organisations are becoming increasingly global, thus making them more vulnerable to disruption in other parts of the world. Thirdly, organisations are becoming increasingly dependent on technology, which may lead to disruption in the event of a malfunction or cyberattack.

Meanwhile, the increased number of disruptions apart from the pandemic may be explained by the following factors:

- The increasing complexity and changeability of the world has meant that fewer and fewer disruptions are connected with specific events such as the pandemic.
- Declining impact of the pandemic: The COVID-19 pandemic is still present, but its impact on organisations is decreasing.
Based on the data presented, it can be stated that organisations must be prepared for disruption. Disruption may have different causes, and have a major impact on the functioning of an organisation. Organisations should have crisis management plans implemented to help them react effectively to disruption. The data in the report shows that those who transferred to an integrated programme to increase resilience have a significantly greater advantage in many key elements of operational resilience (OpRes).

A significant number of organisations feel strengthened - either because they have not experienced many crises, or because they have survived those that they have encountered. The data below shows that those organisations are vulnerable to a range of different threats. These include:

- Inappropriate risk management;
- Lack of cultural immunity;
- Inappropriate technology and resources;
- Increasing costs and falling competitiveness.

Below are shown the sectors which have the most integrated programmes for increasing resilience (Figure 4).

**Figure 4. Sectors with the most integrated programmes for increasing resilience**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government and public services</td>
<td>19%</td>
</tr>
<tr>
<td>Financial services</td>
<td>22%</td>
</tr>
<tr>
<td>Energy, media and resources</td>
<td>24%</td>
</tr>
<tr>
<td>Health industries</td>
<td>24%</td>
</tr>
<tr>
<td>Technology, media and communication</td>
<td>28%</td>
</tr>
</tbody>
</table>

An analysis of the data above indicates that the sectors of organisations with the most integrated programmes for increasing resilience include:

1. **Energy, media and resources:** This sector is especially vulnerable to disruption such as power network malfunctions or cyberattacks. Organisations in this sector have to have integrated programmes for increasing resilience to ensure continuity of activity in the event of such disruption.

2. **Technology, media and communication:** This sector is also vulnerable to disruption such as cyberattacks or technological infrastructure malfunctions. Organisations in this sector have to have integrated programmes for increasing resilience to ensure continuity of activity in the event of such disruption.

3. **Health industries:** This sector is especially vulnerable to disruption such as epidemics and pandemics. Organisations in this sector have to have integrated programmes for increasing resilience to ensure continuity of activity in the event of such disruption.

There are several factors which may explain why organisations in these sectors have the most integrated systems for increasing resilience.

- **High risk of disruption:** Organisations in these sectors are vulnerable to a high risk of disruption, which may have a significant impact on their activities.
- **High costs of disruption:** Disruption in these sectors could lead to high financial, reputational or operational costs.
- **High regulatory requirements:** Organisations in these sectors are often subject to high regulatory requirements which may require them to implement integrated programmes for increasing resilience.

Organisations in other sectors should take into account the examples of organisations in the energy, technology, media and communication sectors and the health industry. These organisations have great experience in implementing integrated programmes for increasing resilience, and may constitute a good source of knowledge and inspiration.

5. **Conclusions**

A crisis is a sudden, unexpected event which threatens the normal functioning of an organisation. A crisis may have different causes, such as natural, technical, economic, social or political events. A crisis may have various results, such as disruption of activity, financial losses, damage to reputation or even liquidation of the organisation.
A crisis is undoubtedly a challenge for any organisation, as it is a serious burden on its structures. It often also affects decision making. This means it is all the more important to prepare for and properly react in situations where a crisis arises. It is also vital for the organisation to be aware of what a resilience system involves, and to know that it must have one.

The analysis carried out indicates that in crisis management and management of crisis situations, it is crucial to have defined procedures for behaviour, and to identify the causes and potential effects of the crisis, as well as ensuring rapid reaction to neutralise the negative effects.

The proper division of roles, tasks and competencies also enables effective action in crisis situations. Organisations can prepare for a crisis by increasing their resilience. The resilience of an organisation is its ability to cope with crises and their effects.

Organisations can increase their resilience through such actions as risk identification and assessment, preparation of a crisis plan, employee training and creation of relations with stakeholders.

To summarise, the main conclusions should be presented, including:

- crisis is inevitable, but its effects can be mitigated,
- organisations which are prepared for a crisis have a greater chance of successfully overcoming it,
- Crisis management is a complex process requiring the commitment of the entire team.

Organisations should review their crisis plans regularly to make sure that they are up-to-date and effective. Organisations should also carry out crisis training to test their plans and prepare employees for the event of a crisis.

References:


Co trzeci lider uznaje odporność organizacji na kryzysy za kwestię o znaczeniu strategicznym.

https://www2.deloitte.com/pl/pl/pages/press-releases/articles/Co-trzeci-lider-uznaje-


