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## MANAGEMENT IN TIMES OF CRISIS

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**Abstract:** *In order for an organization to successfully deal with the crisis, it is necessary, first of all, to recognize the crisis, analyze, determine the basic problems, create a program of activities, select and motivate the team that will solve the problem, and finally, unreservedly fight the new situation. There is one very simple formula that says that every manager in crisis situations should focus on four main areas. These are: reducing costs, increasing sales, financial consolidation, and motivating people and preventing panic. The authors have tried to show in this paper that in crisis prevention, and rehabilitation of the one that has occurred, the main role is played by adequate crisis management, at the center of which is crisis management.*

**Keywords:** *crisis, change, leader, leadership*

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### INTRODUCTION

The term crisis indicates a feeling of threat, urgency, ruin, etc. The very concept of crisis management began to be applied only in the middle of the twentieth century. Thus, the literature states that the first forms of crisis management, on a broader macro level, were applied in 1962, when US President John F. Kennedy formed crisis management to resolve the conflict between the US and the USSR due to the installation of Soviet missiles with nuclear warheads on Cuba. On the other hand, on the meso level, ie. at the company level, the concept of crisis management began to be applied in 1982, when seven people died using Tylenol tablets. (Among the dead was a daughter of Johnson & Johnson, a tablet maker.) Johnson & Johnson responded in an appropriate, situation-appropriate manner, and that appropriateness to the situation is now taken as the standard in crisis management. (Bljelica, 2009)

Nowadays, the crisis is a part of everyday life. For a crisis organization, it often poses a fundamental threat to its stability and survival. And for these threats to be thwarted, or successfully addressed, it is very important to distinguish between crisis

management, outcome management, and risk management. In this context, outcomes mean unresolved issues, or situations that have been observed to appear in public, with a potential impact on the organization.

Outcome management is a strategic process of identifying outcomes, monitoring and analyzing them, indicating the joint impact on the organization and its stakeholders. Outcomes are related to the crisis in two ways: 1. unresolved outcomes can lead to a crisis, and 2. a crisis can create new outcomes, especially in the later stages of crisis development. As far as risk is concerned, in the managerial process, as well as in everyday speech situation, this term implies uncertainty of outcome or danger - something that, if it happens, will result in negative and unwanted consequences. The first meaning is associated with gambling, and has no special significance for the process of overcoming the crisis in the organization, while the second meaning - danger - is a serious warning to crisis management when deciding how, by what means, how, and which way to lead the crisis. (Bjelica, 2009, pp. 253-260).

## 1. CRISIS AS CHANGE

As a countermeasure to the crisis, in organizations that are aware of the fact that crises are inevitable in the modern world, different and diverse plans are prepared in time, and processes are implemented that compensate for what the key management strategy does not contain, prepared for normal non-crisis working conditions. Practice shows, however, that a large number of companies in crisis conditions do not formulate their own plans for resolving specific crisis situations, but rely on measures and strategies of other companies, which is a typical mistake, because experience shows that no two crises are the same and, accordingly, there are no the same ways to prevent or eliminate them. "This is due to the fact that different people participate in every crisis, ie people with different motives, desires and interests. Strategies that have given a high level of efficiency and effectiveness in the past, or elsewhere, can have negative effects in a particular crisis. Hence the need to manage the crisis in all its segments and phases through systematic thinking and systematic action. The key role in crisis management is played by top management, ie leaders. The success of crisis management and turning negative into positive business trends largely depends on their ability and speed of action" (Radosavljevic, M., 2015, p. 254).

The most important questions that must be asked in the study and / or research of the crisis are the following: what are the specifics of managing strategic change in a crisis and whether special management skills are needed for crisis management; whether the crises are the same; what they are, in essence, and what they can all be; and whether the strategies for addressing, preventing and eliminating them are the same; whether in times of crisis (which are increasingly evident, more frequent and

inevitable) specific knowledge and skills are needed as well as specific training of managers to manage in such conditions.

However, the problem of management should also be considered in the wider socio-economic conditions, because the principles of management in normal and in times of crisis differ from each other. Some of these principles are even contradictory. For example, in normal conditions, the principle of stability is insisted upon, while in changing and crisis conditions, the principle of flexibility and the principle of adaptability are insisted upon. "It is clear that the first principle is traditional and the result of an organization that was conditionally long-term planned, while the principle of adaptability implies living and working with constant changes and as such is much more complex in the practice of business systems management."

## **2. A HOLISTIC APPROACH TO CRISIS RESOLUTION**

The authors of this paper have set themselves two goals: to adequately reach the principles of flexibility and the principle of adaptability, and to create conditions for invoking practices and rules. These rules must be followed by the modern management of every organization, which counts on permanent successful development. These are practices and rules: 1. good delegation of authority, 2. successful planning, 3. successful organization, 4. successful leadership, 5. successful coordination, 6. effective control, 7. unique strategies, and 8. product development.

All these rules, in our opinion, must be maximally expressed in crisis situations. This is because crisis situations are proving to be key determinants of modern economic life around the world; they are global, with a trend of further multiplication. It turns out, namely, that no previous philosophy of economics, nor economic policy, and, consequently, nor political economy, are more valid. Generally speaking, it can be said that, *mutatis mutandis*, the concept of pragmatism whose progenitors are the well-known theorists Peirce, James and Dewey has won.

Hence, the only solution (again in our opinion!) is to formulate rules for specific actions and activities in every specific situation in which the organization finds itself, almost on the daily work plan. In other words, examples from practice and the formulation of rules in each specific situation are the basic way to overcome crisis situations that become inevitable in the present and any future time.

Another reason for our insistence on the principles of flexibility and adaptability is that these principles lead us to natural systems and natural situations, embodied in the very original nature. The analogy with the adaptability of organisms in nature, with the corresponding flexibility, is more than obvious. In fact, great daily battles take place permanently in nature as well. All conditions and all factors of the influence of the external environment always bring the organism into temptation, it should always respond to current challenges, which is also a kind of pragmatism.

Indirectly, the presented analogy has to do with self-organization and a holistic approach to organizing in firms, companies and enterprises, that is, in organizations in general. Through this analogy, the notion of the autopoiesis of biologists Maturana and Varela becomes clearer, whose theory is based on the idea that the first step in the emergence of life is not the possibility of reproduction, but the first step is precisely the possibility of self-organization.

### 3. REFERENCE OF WORLD ECONOMIC CRISES

The strategic development of the organization in the conditions of crisis is not possible without taking into account the reference parameters of the overall world (global) environment; especially in the current times after the great world crisis, which occurred in 2008. This is because, unlike the previous great world crises, this one happened at a time when the whole world, not only hypothetically, but in reality, really became one "big global village", not only in media and politics, but above all economically, organizationally and systemically (McLuhan, 1992). In such an environment, modern business is more than ever characterized by a high degree of turbulence and unknowns. In addition, the economic crisis is accompanied by a social crisis, environmental and ethical, which means that none of these crises appear independently. To make the situation even more complex, the boundaries between all these types of crises are vague and invisible, which is an additional reason why it is necessary for each crisis to be, if not anticipated, then timely, analyzed and researched; as a whole and in part.

The necessity of reference of world economic crises in modern conditions is at the same time a requirement that in all current research of crisis economic situations, all major previous crises be kept in mind.<sup>1</sup>

The world economic crises, which do not leave aside any company, firm, company and organization in general, have sharpened the type of researchers of social movements, phenomena, processes and appearances. Thus, in recent times, it has

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<sup>1</sup> The first economic crisis occurred in England in 1825, when capitalism became a social organization. The next crisis was in 1836 and it affected Great Britain and the United States. The crisis of 1847 affected all European countries. The first great world economic crisis dates back to 1857 and occurred at the very beginning of the development of capitalism. The crisis of 1878 affected most European countries and the United States, and surpassed all previous ones. Furthermore, the world economic crises arose in the period 1900–1903. year, then 1907, then 1920, but all of them together can not be compared with the one that occurred in the period from 1929 to 1933 and which was called the time of the Great Depression. That crisis affected all capitalist countries and all spheres of the economy, and was characterized by a large number of bankruptcies. At that time, in the United States alone, about 109,000 companies went bankrupt.

been realized that the very act of the existence of socio-economic systems is a cyclical process, which, among other things, is characterized by the regularity of the inevitable occurrence and resolution of crises. This comes from the fact that the socio-economic system, which can be understood as civil society, enterprise, integrated business structure, etc., has two basic tendencies in its existence: the tendency of functioning and the tendency of development. Functioning refers to the maintenance of functions that characterize the whole system and its entity. Development, on the other hand, represents a transformation into new qualities, necessary for progressive changes in training for survival in new environmental conditions, and these conditions are changes in objects, means of work, as well as changes in man himself - biological individual and social being (Somina, Mamontova, 2009).

#### **4. GENERAL CRISIS (CONFUSION)**

World crises are in many cases accompanied by negative publicity. When people hear the word "crisis", they automatically assume that it is a catastrophe. The causes of possible catastrophes are generally considered through the possible action of two main factors - natural and human (social).

If we now dedicate part of the space and study the origins of world crises, it would probably end up interpreting myths and legends. Namely, many scientists believe that Noah was the first crisis "manager" (he reacted before the catastrophe - the flood). So, crises are (regardless of the legends) certainly as old as humanity and it can be said that they are "historical constants of human communities". Crises and catastrophes have always been a human obsession. They tried in every way to avoid them, that is, to fight the consequences. The first forms of this "struggle" took the form of prayer, sacrifice and other rituals in order to gain the favor of a higher power and thus avoid, or at least reduce, misfortune. In modern times, however, prayers and sacrifices have been abandoned rather than science and technology. A characteristic example is the problem of warming of our planet and possible harmful, if not catastrophic consequences.

In a certain way, the world crisis, from 2008, led to, one might say, a general world (confusion). Suddenly, regardless of the profession in which they were educated, many became overnight economists ("economists") and experts ("experts") on issues concerning the wealth of the people. A typical example is Naomi Klein, with her 2009 book, *The Doctrine of Shock*. On the other hand, relatively young experts and scientists in economics have appeared, with completely new ideas about social organization, production and business. A typical example is Toma Piketi, with his 2013 book *"Capital in the 21st Century"*. His book is actually everyone's answer; the answer to all the essential questions that are being asked, both on the occasion of the

latest world crisis and on the occasion of the current changes in the economic development of societies, the almost sudden emergence of the global world.

With his book, he presented to the whole world that the crisis of 2008 will have a comprehensive challenge to every national (economic) model ["The crisis we are going through is a profound challenge to every national model"] (Piketty, 2013). No one will be able to be immune from these influences, both at the macro and at the meso and micro level. Unlike the nineteenth and twentieth centuries, which led to class stratification, the twenty-first century already brings accelerated stratification along the line of inequality. It is a financial crisis, its completely new form of manifestation, which (after all, like all previous financial crises) will not be able to pass anyone's pocket, and managers and leaders in companies will only have new "headaches". Everything in their work, in terms of "approving" the collective of employees to advocate for progress, better and faster development of the company, will now have to pass a new test - how each individual employee will react to this new "financial force" that inevitably, like the inevitability of natural law, makes the rich get richer and the poor get poorer.

## 5. CRISIS MANAGEMENT

In order to solve crisis situations, companies must first discover the causes that lead to the crisis, and this is not possible without organizing specialized management functions. Hence, it is understandable that, precisely because of the great impact of the crisis on business, today more and more importance is attached to crisis management. For example, the results of a two-decade study of Fortune 500 companies showed that crisis preparedness reduces the number of crises companies face, enables better financial results and longer survival of organizations, which indirectly confirms our general hypothesis that adequate management results in better success.

And the best way to prevent and defend against the crisis is a well-developed crisis plan and a well-organized professional crisis staff that has been trained in crisis management, with a clear division of roles and readiness of members of the crisis staff to respond more quickly to crisis and unity in crisis management. for a more successful resolution of the crisis. With strategic planning and management activities, the crisis situation can be successfully overcome, and even reversed in favor of the organization. Although the outcome of the crisis is influenced by many factors, by applying basic principles in crisis management, organizations can improve their ability to manage the crisis, which will be important for their business when the crisis is over, and the crisis can turn into an opportunity for a new step. and which should be especially true for companies in the Republic of Serbia.

Crisis research in the world is very developed. Crisis management is the subject of research at numerous faculties and scientific institutes, and companies have also realized the importance of crisis management, so that today every major organization pays special attention to crisis management. [The situation here is completely different. Regardless of the seismic area in which we live, the thought of crises in our area is unfortunately at the very beginning, and practical action in crisis situations is pointless and often panicky; it is based solely on instinctive response.]

Crisis, or remediation management can be composed of people both from within the organization and outside it. The central bearer of crisis management is basically the top management of the organization. In addition to crisis management, other institutions and individuals can play an important role in overcoming the crisis, but they are not actively engaged in that, but are there in terms of providing certain support.

A crisis is not something that appears all at once. It develops for a long time and is visible from afar, although it does not look like that when it appears in its strongest form. The moment it appears, the most important question for managers is (for the survival of the company): what to do with costs, which to reduce, and which to cut at the root? Somehow it always happens that the first budget that is reduced is the budget intended for employee education. Our opinion is in agreement with many analysts who believe that this is perhaps the most illogical move because the fact that educated, willing and quality employees will respond better, and, in general, better deal with the problem, than those employees who are not in crisis in theory. met. The crisis situation is definitely not the time for the selection and recruitment of new staff.

For the success of crisis management, measured by the results in rehabilitating the organization, the opposite situation would of course be desirable - for less qualified managers and associates to leave the organization, especially since, as a rule, they cause the crisis or at least contribute to it. In times of crisis, resolving and managing conflicts becomes a vital problem, because the stress caused by the crisis reflects on the entire mental life of people, making them much more prone to conflicts than in normal circumstances. People, who are burdened with fear and anxiety for the future, perceive other people as a danger, as competitors, and become more anxious, vulnerable, intolerant, impulsive, more willing to react aggressively even to insignificant reasons, so conflicts are not only inevitable but also significant deeper and harder to solve than usual.

In the modern era of business, three key events are emerging, and they are: danger-crisis-catastrophe. Organizations that are prepared, ie. they have elaborate procedures in case of a crisis, they usually start a "fight" with it while it is in a state of danger, and rarely when a catastrophe occurs. However, organizations that do not have elaborate crisis procedures, or are not able to perceive the danger, react

unprepared, only at the moment when the crisis occurs, and very often they "deal" with it only in the catastrophe stage. And, when asked about the right leadership style, there is no generally accepted answer. Leadership style must be tailored to the specific situation. A number of scientists are in favor of an authoritarian style of leadership - according to the "strong hand" system, it is necessary in crisis situations. Their dissidents believe, however, that authoritarian forms of leadership reduce the necessary creativity to solve problems, so it is better to apply a cooperative leadership style in which management is very sensitive to the comments and suggestions of employees. As always in life, the best style is somewhere in between; therefore, a combination of these two styles. We are looking for a manager who will not sit locked in an ivory tower and make his own decisions, nor will he spend an infinite amount of time in long meetings with all possible participants.

## **6. LEADERS IN CRISIS SITUATIONS**

If we start from the fact that the sole culprit for all mistakes that occur in business is top management, and not employees and the environment, the primary question is not only what management should do in crisis situations, but also how leaders act in such situations, not only in resolving the crisis, but also in relation to employees, because the loss, ie lack of trust, negatively affects the success of crisis management. Therefore, the central task of management, in the field of management, should be to maintain the existing, or gain new trust.

What are these actions, how and when to take them, how to manage a stressful situation, is not an easy question that arises in managing an organization in dynamic conditions, where decisions are made based on opportunities and dangers, as well as the strengths and weaknesses of the company. The goal is to improve the situation and position of the organization in the foreseeable future, by initiating actions in the present. Decisions, which ensure this, must be made on the basis of facts about the current situation, adequate knowledge (and knowledge) and the specifics of the business area. However, in addition to knowledge and experience, it is necessary to include a constant process of reasoning about the validity of procedures, dilemmas and possible alternatives in order to successfully analyze the current situation, validly predict the business perspective and make the best decisions.

The specific steps and actions of the leaders of the organization, which are in accordance with the above, could, in general, be the following:

The basic thing is - to be with employees, to share a common destiny, because employees want to know that problems are solved, which motivates them to help solve problems and implement activities. Crisis situations require that the leader be with the employees, that he shares a common destiny with them, that the explanation

of the crisis situation, as well as the needs and logic of the proposed activities be acceptable to individuals, groups and even the entire team.

The most important thing is to compile a plan for informing employees, as well as interested groups, about the crisis situation, about the measures that are being implemented and the expected effects, as well as about the difficulties that arise. It often happens that leaders do not appear at press conferences, which is a big mistake, because real leaders should not avoid them. For them, it is an opportunity to explain not only the cause and / or intensity of the crisis, but also the ways that are being taken to eliminate it. With their optimistic attitude, leaders can influence the renewal of important success factors and create the terrain for achieving the most favorable conditions for solving key tasks that need to be achieved in the new development of the company.

The key thing is - speed, application of fast and practical methods for overcoming unfavorable trends. Leaders must show determination and speed, react in the first hours after the beginning of the crisis, but not hastily. Likewise, they must not show confusion and bewilderment, nor procrastinate in making decisions. They must be convincing in explaining to all employees that the crisis (which has already occurred) can also be a chance for quick positive changes and a new stimulating beginning.

It is imperative - to respect employees and their creative potential, as the most important resource, and even to provide emotional support; also understanding the situation of each individual and the entire collective, who are affected by the crisis situation. With greater respect for employees, they will make more efforts to resolve the crisis. Some individuals, or groups with a significant degree of power, can make a great contribution by gaining desired positions in the crisis resolution process, designing and implementing new solutions. People who participate, who freely express their ideas, are committed to helping.

The authority and qualities needed to manage a crisis need to be re-examined. It is also an opportunity to refresh the way and style of leadership. Explicit and implicit coercion, the threat of job loss, relocation, lack of promotion, all this can be very risky, because it can provoke anger and rage among employees in the organization, directed, among other things, against all initiatives for change that would lead to successful remediation. crisis.

One should remain professionally honest, retain human virtues in all these activities, and not lose the dimensions of humanity.

## CONCLUSION

Crisis times require crisis management professionals, even in crisis, and these are crisis managers. Given that the crisis is expected to be more and more, it is also necessary to train managers who will be able to manage in organizations, just when

they find themselves in abnormal, ie. in crisis conditions. For normal conditions and when the manager, on the way to the goal, is not disturbed, less specific knowledge, skills and abilities are needed. And in order to gain specific knowledge, it is necessary to reconsider the education programs of future managers in higher business schools, both in the West and the East, with one critical approach: it is not enough to use only quantitative sciences and techniques, but also sciences that deal with methods and techniques of working with people; to exclude any improvisation and search for ways to prevent the crisis from occurring by shortcut, and if it occurs, to try to carry out the urgent elimination of the possible consequences of the crisis. If the definition of crisis as an unexpected change and a sudden event that threatens the organization (and its capabilities) to survive and function is accepted, then it means that in addition to the implied thoroughness of crisis management, timeliness must be included, both in considering all aspects of the crisis. preventing and overcoming the crisis (Radosavljevic, M., 2015).

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