

Economic Crisis Management - Concept and Definition

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ABSTRACT

Crisis management is the ability of the organization to realize the current and potential risks and threats and work to avoid them or reduce their negative effects to rebalance the system in the shortest possible time and start its activity again and draw lessons learned to prevent the recurrence of the crisis or improve ways to deal with it in the future and take advantage of the opportunities it offers.

Crisis and disaster management is a critical component of any organization's emergency preparedness plans. Effective management of these events can save lives, reduce property damage and help communities and businesses recover faster. By following the steps described above, organizations can develop a comprehensive plan that ensures their readiness for any crisis or disaster that may occur, and this is achieved through the training sustainability of institutional cadres in their various specialties and understanding the mechanisms of emergency action for each working group related to the crisis and disaster management program with the involvement of security forces and the media in trainings and updating plans because of their importance in response and empowerment plans.

Keywords: Management, Crisis, Economic crises, Crisis management.

Introduction:

The science of modern management is based on several basic pillars, including human resource management, service management, natural resource management and improvement and development management, and it has been added in recent decades, mainly crisis management, as it has become one of the main topics taught in modern management science.

In view of the great complexity and severe human intertwining as a result of the rapid development taking place in the technological, information, commercial and financial fields, we see that the crisis that occurs in the part of the world in which we live quickly moves to the rest of our world.

The crises facing private organizations and public organizations also differ in terms of type and causes of occurrence, as they differ in terms of the threat that accompanies these crises and in the size of the associated risks that cover them, as well as in the size of the circumstances they leave behind.

This research focuses on the definition of the concept of economic crises and the management of economic crises and the most important causes, types and stages as well as focuses on the definition of concepts linked and overlapping with them and to determine the nature of crisis management and the role of economic organizations in confronting them.

The importance of the study:

The importance of this study lies in trying to decode crises and deal with them. The fact that it is not possible to address any crisis or deal with it as a result of the deficit and deficiencies in the vocabulary of scientific thinking and the need for preparation and appropriate intervention to resist the inability to fully understand the nature of the economic crisis in translating its causes and dimensions and framing the crisis situation facing the administrative entity.

Objectives of the study:

This study aimed to introduce the concept of the crisis, its characteristics and the reasons for the emergence of economic crises. It also aimed to introduce the concept of economic crisis management, its nature, importance and objectives, and being the first responsible for preserving the assets and properties of economic organizations, and their ability to achieve revenues as well as maintaining in times of crises individuals and their employees against potential

risks and mitigating their impact on organizations in the event that they cannot be completely avoided. (Paul, 1979)

Concepts of the Economic Crisis:

First: - The concept of the crisis:

- 1- the linguistic concept of the crisis: - The crisis in the dictionaries of the Arabic language is meant by drought, which represents an emergency and a position that is different from the course of normal things and was not a common term crisis in Arabic literature has turned Arab researchers to the term crisis prominently to be a direct translation of the English word (crisis). (omer, 2009)
- 2- The terminological concept of the crisis: - The crisis is defined in the terminology as a critical and decisive moment that affects the administrative entity, as it represents a difficult and acute problem for the decision-maker that makes him confused, so any decision he takes within a large circle of uncertainty and lack of knowledge and mixing of reasons with the results that lead to the successive collapse that increases the degree of unknown within the developments of what may result from this crisis. (shik, 2012)

In another definition, the crisis: a sudden shift from the usual behavior means the collapse of a series of interactions resulting in the emergence of a sudden situation involving threats and direct risks to the values or core interests of the state and organizations, which necessitates the need to take quick decisions in a tight time and in conditions of uncertainty so as not to explode the crisis

While the crisis is defined in the Webster dictionary as a situation that represents a turning point for the worse or better, and this position faces countries, individuals, groups and organizations of all kinds. (gilpin, 2008)

Second: - General characteristics of the crisis: - Crises are characterized by characteristics that distinguish them from other events and phenomena, and these characteristics are:

- 1- The surprise and speed at which it occurs when it explodes and attracts all the attention.
- 2- Complexity, entanglement, overlap and multiplicity, its elements, factors, causes and forces of supporting interests
- 3- Lack of information and lack of clarity of vision for the decision-maker

- 4- The prevalence of a state of fear and panic, which may reach the point of terror and restriction of thinking
- 5- Lack of time and pressure that does not allow enough time to respond to the sudden event and the need to make correct and quick decisions.
- 6- Characterized by a high degree of doubt of the decisions put forward due to the difficulty of controlling events.
7. Represents a turning point in which the need for increased action and increased reaction to emergency circumstances. (Kalpana, 1998)

The crisis according to the positive and negative aspects

Positive aspects (opportunity)	Negative aspects (threat)	Crisis level
Search for opportunities, rejuvenate the social fabric. Adapt new and more efficient verbs . Cooperation, alliances, coalitions. Creative pressure, search for Clear solutions. Prevention, cohesion. Experimentation (pragmatism).	Confusion, chaos. Inertia, paralysis, a source of confusion. Conflict, rivalry. Excessive tension leads to a series of violent and reckless behaviors. Familiar routines. Accelerated entrance towards modular bases.	At the level of the organization's strategic plan -At the level of the operational plan -At the level of the plan related to the relational system -At the level of the behavioral plan -At the level of the values plan : -At the level of the learning plan

(Lalonde, 2004)

Third: Causes of economic crises:

1- Misunderstanding: It refers to an error in receiving and understanding the available information about the crisis and is due to several reasons, including the lack of information and warning signals about the crisis and the inability to collect information and link it to the crisis in addition to miscalculation and means that the information is given to it value, appreciation and meaning contrary to the truth. (Dunaway, 2009)

2- Mismanagement: When the administrative system deteriorates, you should expect successive disasters and crises, and the causes of mismanagement include:

- Lack of planning and control system.
- Administrative tyranny and conflicts over positions
- Conflict of interest and objectives
- When views differ or interests and objectives differ, a conflict arises between individuals, between managers or between departments, which may lead to disasters and crises, and the reasons for the conflict of interests and objectives include:
- Different organizational and cultural backgrounds in gender, nationality and income
- Lack of a dispute resolution mechanism and system. (Smithe, 2002)

3- Human errors: It means errors due to the inability or desire of the parties to the crisis to deal with its facts, and human errors are due to the following reasons:

- Deterioration of motivation and morale.
- Lack of concentration at work, neglect and lack of experience.

4- Rumors: It is the use of false and misleading information and its announcement at a certain time and climate that leads to the crisis, and the reasons that lead to rumors are the following:

- The existence of confusion among officials.
- The presence of public tension.

5 - Despair: It is the loss of hope in solving problems and disasters, or it is the frustration and unwillingness of the decision-maker

Fourth: Stages of crises: - Each crisis is a life cycle similar to the human life cycle. Methods of dealing with the crisis depend on your knowledge of the stages of the crisis. The stages of the crisis life cycle are manifested in the following:

1- Stage of development: - Officials feel a vague sense that there is a problem on the way. If the manager can identify, even partially, the main factors in it, he can vent the crisis. That is, diverting its course by creating new interests or absorbing its engines. (Demirguc, 1998)

2- Growth stage: - When the crisis is fed engines, causes and additional people begin to grow and grow and at this stage must officials attract engines and growth factors or neutralize them or create a conflict of interest between the people driving them. (Richard, 1987)

3 - Maturity stage: - Here the crisis becomes at its peak and begins to produce heavy losses for the organization and destroy those around it from managers, people or assets. Controlling the crisis becomes difficult unless the decision-maker makes a radical confrontation with the causes and drivers of the crisis or searches for a scapegoat to bear the burden of losses and the crisis ends. (Pangarkar, 2016)

4 - The stage of decline: - Here the crisis begins to decline and end because of the clash or confrontation with it, if the crisis loses its causes and people began to recede. Officials should not be optimistic, as the people who caused the crisis may be dispersed or the crisis will begin to rise again. The Organization must rebuild itself and learn from its mistakes. (Acedo, 2017)

The concept of economic crisis management:

1. Academic interest in the study of crisis management began at the beginning of the sixties of the twentieth century, accompanying the emergence of major crises that faced society, as the crises of international conflicts and the Cold War escalated, specifically, when US Secretary of Defense Robert McNamara in the John- Kennedy administration used this term for the first time during the Cuban missile crisis in 1962, when the confrontation between the United States of America and the Soviet Union allied with Cuba was within the events of the Cold War, one of the most severe confrontations, as it almost This crisis leads to nuclear war, so McNamara described it as managing a dangerous emergency. Then he took interest in studying the term and moving from the political framework to the social, then economic and

administrative, so research attempts and studies appeared to develop definitions of the concept of crisis management. (Bundy, 2017)

Stages of crisis management and models:

If the organization fails to abort the crisis, it has no choice but to manage the life cycle of the crisis, and at a faster rate than the rate of its aggravation and development, and some writers have provided practical models for managing the crisis to reduce its negatives, and take advantage of its positives, and the following are some of these models:

First: The model of Steve Albrecht;

The life cycle of a crisis in its relationship with the organization is divided into the following stages through which the crisis can be managed.

- 1- Pre-crisis stage: The department's efforts are based on performing a number of tasks such as surveying the environment and sensing potential crises that may occur in the future, as well as focusing on collecting information
- 2- The stage of exacerbation of the crisis: crises worsen on their own without the need for management assistance, but there are some administrative environments that are preferred by crises without others, and these environments are characterized by certain characteristics such as slow decision-making, weak communication networks between departments and work sites, weak spirit of belonging and the rule of indifference, in addition to neglecting the study of competitors and lack of clarity of strategic goals.
- 3- Post-crisis phase:- Learning from previous experiences and updating the crisis management plan based on the recent crisis in order to lay the foundations for developing a new crisis prevention plan and introducing amendments to the existing plan.
- 4- Crisis management stage: It can also be called the "crisis containment" stage, and it includes the following tasks:
- 5- Recognition of the crisis. Allocating specific resources and a specific team to deal directly with the crisis.- Mobilizing efforts and supporting foreign aid.- Developing an emergency plan to overcome the crisis radically and quickly. (Charles & Aliber, 2005)

Second: Johnston & stepanovich model ;

Researchers William P. Johnston and Paul L. Stepanovich presented a practical model for crisis management; consisting of three stages that crisis management goes through in the organization:

1: Planning : At this stage, the organization must plan for potential crises by relying on preventive methods in preparing for the crisis, and these preventive methods include linking crisis planning to the strategic planning process of the organization as a whole, as well as forming a specialized team for crisis management and providing appropriate training and development programs for team members.

2: acting: At this stage, the organization is facing a real crisis that requires everyone to work to deal with it effectively and efficiently, and the support of senior management for the efforts made is the starting point for this successful handling of the crisis. It is also important at this stage to have good channels of communication in place to ensure that the work of the various parties in the Organization is coordinated and directed towards managing the crisis effectively and coming out with the least losses.

3: Learning: This stage is an opportunity for the organization to take advantage of the crises it faced in the past to raise its capacity and efficiency in dealing with crises that may occur in the future

Third: Pearson and Mitroff model ;

This model is one of the most famous and clearest models presented by the researchers and this model consists of five stages of crisis management summarized as follows:

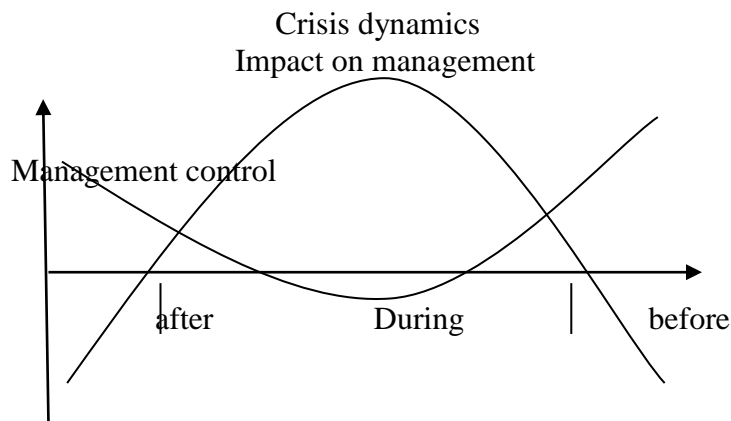
1- The stage of detecting early warning signals sends the crisis long before it occurs. (Eichengreen & Portes , 1987)

2. Preparedness and prevention phase The Organization must have adequate preparations and methods for crisis prevention,

3. Damage containment or reduction phase Sometimes it is difficult to prevent crises from occurring,

4- Recovery phase This stage includes the preparation and implementation of ready-made and previously selected programs.

5- Learning Phase This stage includes recalling events and studying them in depth and thoroughly, and drawing lessons and lessons learned in the future. (Philippe, 1998)



Source: Diermeier , Daniel (2004) ."Strategic Crisis Management

Crisis Management Objectives:

The objectives of crisis management are as follows.

- 1- Develop a list of potential threats and risks and prioritize them according to their importance. (Luoma, 2017)
- 2- Avoid the surprise associated with the occurrence of risks or crises by continuous and accurate follow-up of sources of threat and potential risks and the discovery of early warning signals and ensure that they are communicated to the decision-maker in time to take countermeasures.
- 3- Developing emergency plans, early warning systems and preventive measures necessary to try to prevent crises, determining the communication plan with the concerned parties, methods of restoring activity and returning to normal conditions, learning methods, and analyzing the strengths and weaknesses in the prevention and confrontation process to evaluate the performance of the various agencies.
- 4- Making good use of the time available for confrontation by reducing the time required to make the decision to prevent confrontation.
- 5- Trying to eliminate a great deal of confusion, randomness and emotion of the moment, which usually accompanies crises.

6- Efficient utilization of available resources and ensuring that they are quickly directed to deal with the crisis . (Zurawska, 2017)

Elements of a crisis management plan at work

A good crisis management plan can be the difference between keeping citizens safe in emergencies and threatening their health and safety. From a business perspective, it can be a crucial factor in maintaining your company or forcing it to close. As a result, there are many reasons why schools, businesses and government agencies rely on crisis management plans, and understanding the need to develop a plan has all the effective elements. (Nitin, 2016)

1. Advance planning: With the onset of a crisis, there is no time to start developing a plan to manage and respond to it. You should already have a plan written in a known place to use quickly when a crisis occurs. Try in advance to identify any kind of crisis that may arise and affect your business, from a natural disaster to a personal disaster. A detailed assessment of potential risks can mean the difference between responding immediately and responding too late. (Misse & Mobjork, 2017)

2. Tree Organization and Communication: When a crisis appears, you will not have time to know who needs to act, how and who needs to contact whom. This information must be provided and decisions made in advance, and this information must be present in the crisis management plan. The organization and communication tree illustrates the key officials to face the crisis within the organization. For example, the company's human resources manager is responsible for notifying the company's managers of the occurrence of a crisis, and each manager is responsible for notifying his boss directly of the crisis. It is important for the organization and communication tree to be part of the crisis management plan so that everyone knows who to call in an emergency. (Mehr, 2016)

3- Identify potential crises:A crisis management plan should identify a variety of potential crises that can occur, such as environmental and technological crises, product or service crises, or financial crises. For each specific crisis, the crisis management plan must have steps to confront it that keep pace with the different levels of the crisis. It must be accompanied by an action plan at each level, and a small-scale crisis does not guarantee a response plan, as is the case with what an acute crisis requires, because its solution is usually simple. Crises should be grouped together according to the type of relationship or similarity between them so that they can be easily placed in a crisis management plan.

4- Prevention steps:A good crisis management plan includes detailed steps that can be taken in order to avoid crises. The prevention section of the plan can be developed once the various potential crises are identified. Prevention activities can include

routine auditing, monitoring efforts, risk assessment, surprise inspection and training of staff to respond quickly to crises. (Canyon, 2020)

The results of the study:

A crisis is an unexpected event that can cause serious internal and external damage to companies by their nature, it is difficult to predict or plan for a crisis, which is why many enterprises are unprepared to face when it occurs. With preventive plans in place, you can be sure that employees will react appropriately and this will help your company minimize damage.

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