



## EFFECTIVE FUNCTIONING OF MANAGEMENT IN CRISIS SITUATIONS

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### SUMMARY:

*Today's business of companies in developing countries is conducted in a very complex business climate. A great number of factors is related to the crisis in the organization, to the strategy and to the business plans. Modern trends of management in such situations are imperative for commercial companies that want to compete and survive in the market. This paper presents the contemporary aspects of business management that can contribute to easy overcome the crisis. They can focus a management on to effective tasks and plans for their implementation in a successful business.*

**KEY WORD:** security, crisis, crisis management.

### 1. INTRODUCTION

The Institute for Crisis Management defines a business crisis as a problem that [1]:

- a. disrupts the way an organization conducts business, and
- b. attracts significant new media coverage and/or public scrutiny. Typically, these crises have the capacity to visit negative financial, legal, political, or governmental repercussions on the company, especially if they are not dealt with in a prompt and effective manner.

According to data of international experts in business management crisis is:

- a. turning-point in the sequence of events and actions,
- b. threat to business objectives,
- c. situation that requires quick reaction to changes,
- d. combination of events that creates new opportunities for decision making,
- e. period of increasing uncertainty in estimating the situation and alternatives,
- f. state of emergency, which usually creates stress and fear among the actors,
- g. state of increased pressure on management,
- h. state that marks a change in the relations between all stakeholders and others.

Henry Ford has characterized the crisis situation in the company through two categories [2, p. 27]:

1. *Stress and*
2. *Pressure of time*

According to Ford the stress is meant a threat to the participants in business processes. Stress was the result of some unfavourable situation, i.e. crisis that prevents realization of new values, retaining of good old values of quality, resources, strategies, plans and objectives.

These risks of stress are reflected in the size or value of potential loss and in the probability of its appearance.

The nature of the potential stress is tied to:

- personal role as a result of individual's acting in the company,
- organizational role as a result of the integration activities in the firm and in the environment,
- social conditions discussed at the macroeconomic level, etc

Pressure of time is a state that in crisis harms the company. Time is important for management to effectively solve business problems. It is important for the organization, as well as for research of new benefits for the

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operation and overcoming unplanned and unwanted situations. Figure 1 shows the internal and external causes of the crisis that

should be considered when organizing an effective business strategy.

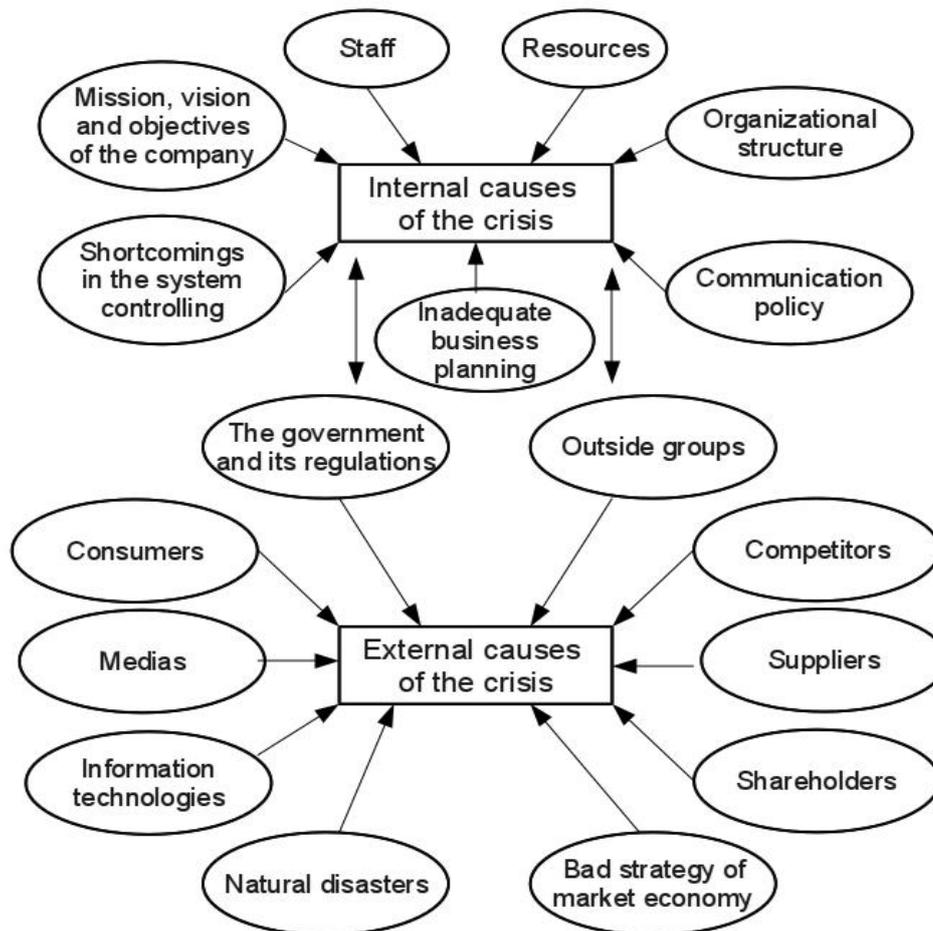


Figure 1 Internal and external causes of the crisis in companies

## 2. ASSUMPTIONS REGARDING THE CAUSES OF THE CRISIS IMPORTANT FOR EFFICIENT IMPLEMENTATION OF THE STRATEGY

For the success of management in today's business environment, it is necessary to consider several important issues related to the crisis. They are essential, as the conditions that must be perceived to find easier solution of the situation. Table 1 presents some basic potential causes of crises, the factors that complicate effective planning and modern quality marketing strategies, and management leadership role in this process [3, pp. 143].

Here are listed, without detailed explanations, several effective methods for solving of crisis and their prevention:

- a. Method - Discipline of finance, accounting, auditing process, internally and externally.
  - b. Method - The attempt to prevent the crisis from inside, through efficient education, training, implementing of rules and regulations, management response "on-line"
  - c. Method - High-quality organizational cultures, rules, behaviours, avoidance of advertising in a bad context, as well as a warning to leave the company.
  - d. Method - Preventive action on the front line of defence against crises.
  - e. Method - Cognition in which direction the crisis moves and in which stage it is.
- All the methods are very detailed explained in the literature.

**Assumptions of appearing of crisis and role of management in its solving**

<b>No.</b>	<b>Crisis / Assumptions of formation</b>	<b>The role of management</b>
1	The problem is worse than it looks	Management spends much time in proving that something went wrong
2	All causes of the crisis will eventually be discovered and everyone will know the true state	The tendency of management is to avoid the leak of such information
3	Fear that the management method for crisis solving will be exposed at its worst face	To the public it will be shown that management policies are successful, as if everything is nice, but the reality is that management swims in troubles
4	Changes in staff and processes	The notion that crises do not arise by themselves
5	Surviving the crisis and strengthening the organization	The future will be tolerable. The crisis can be overcome, and the results of organization more successful.

### **3. EFFECTIVE ACTION PLAN - WELL-ESTABLISHED BUSINESS STRATEGY**

Basically, action plans should be designed step by step [4, p.17]:

- a. Work on understanding the problem, as something which might be the worst for a company.
- b. Management of companies in difficult conditions is the basis of management and managers – they need to know **what** is expected of them.

Plan for solving the model expectation of managers is in its conception one of the most important tasks of the company, and includes the following [5]:

- a. It needs a good vision of the management, and support of all employees. Bearing in mind the changes in most cases, the reason is not obvious.
- b. To set clear and measurable goals.
- c. Optimistic managers will contribute to the commitment to do everything to bring about a reversal. This means that we should eliminate counter-ideas.
- d. The crisis should not be followed as a process. Management should strive for the real results that will come on the basis of well-placed basis of the development, employees' motivation and their rewards for achieved results.
- e. The new management style will help to repair things better than it has been recognized.

### **3.1 ORGANIZATION OF A TEAM TO ACHIEVE OBJECTIVES**

The greatest challenge for management and managers is to achieve real goals with well-organized team of people. The purpose is to combine all the efforts of individuals to achieve the best result. It could be achieved by a clear division of tasks and by combining of all the options.

The first element is a clear idea of finding the best way to harmonize work within a team. Everyone should know that it is expected from an employee:

- implementation of clear guidelines,
- efficient operations of the company based on impeccable combinations of personal responsibilities,
- prediction of effective performances of all,
- high productivity.

According to data from international research databases show that in most cases, employees and managers do not know what is expected of them (Table 2):

**Research of the number of employees who do not know what to do at work**

Job type	Do not know what is expected of them
Production	1/2 - 2/3
IT and technical jobs	1/3
Those who earn lot of money	Most of them told „off the record” that they really do not know what they supposed to do
Other jobs	2/3

**3.2. PSYCHOLOGICAL EFFECT AS A PROBLEM OF SOLVING OF CRISIS IN THE ORGANIZATION OF THE MANAGEMENT**

Psychology of employees on the workplace plays a significant role in addressing the very serious problems of quality of business management. **What should be expected from individuals, managers or the executors in production?** It is more than just a job description [6]. The problem is that managers understand this item of modern business as a simple solution. This means that every employee should fully understand:

- How he should work to fit in the concept, in which all employees need to fit, and how these expectations may be changed when circumstances will change.

For example: A group of managers has begun several days training and, at the early beginning, leader of the program said: „At the beginning I would like you to introduce yourself; tell us what your business is, and how your work affects the increase of profits in your company.” From the 25 present managers, only 5 were able to make a convincing link between their work and made profit.

- Is it effective and useful to apply many levels of management in the organizational hierarchy of business?

This is bad for business and the consequence is the removal of management from the front line which is the most important for fully perceiving the true state of affairs and for start of all projects and business activities. These are data related to production, operational units, and the total profits of the enterprise [7].

The mentioned models give a clear form of behaviour for employees and management of companies. Building of planned and effective strategy in the management frame is related to their ability and safety at work. Success is seen in learning and creating motivation as

generators to overcome the crisis. Model of the combined modes of training (Figure 2) is very important to shorten the time for decision making, the key to further success of the company and management.

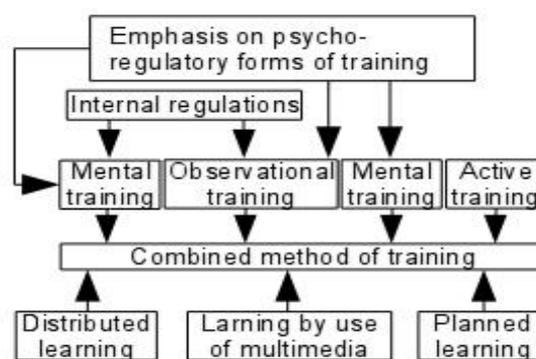


Figure 2 A structure of the model of combined method of training

**CONCLUSIONS**

Modern business conditions require fundamental changes in management, changes that will successfully adapt to market conditions and to competition. Appearance of the crisis is cause of a number of factors in the management and in the entire staff of the company. How to solve problems and how to move towards new trends and challenges are questions that are put in front of each management and manager. Awareness of the crisis is the obligation of timely management response to the crises situation. Creating an effective strategy is a process that requires fundamental changes that could solve the crisis in business and that could provide new styles and models of management. Special importance of solving the crisis in the business or production company is related to the psychology of cognition of employees what is expected of them to do and cognition of managers how to allocate these tasks to employees to achieve the expected results and performances.

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