

# Crisis Management in Organizations

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## ABSTRACT

In the contemporary business environment, the ability to effectively manage crises is paramount to ensuring organizational continuity and resilience. Crisis management encompasses proactive strategies to prepare for potential disruptions and reactive measures to mitigate the impact of unforeseen events. This paper explores the various types of crises that organizations may encounter, including natural, technological, and human-caused crises, and examines the importance of developing robust crisis management strategies. The study highlights the significance of organizational resilience, detailing key components such as anticipation, adaptivity, and renewal capacity. Through case studies and best practices, the paper illustrates successful crisis management approaches and emphasizes the need for continuous investment in preparedness and resilience.

**Keywords:** Crisis management, organizational resilience, business continuity, risk management, proactive strategies, crisis response, natural crises, technological crises, human-caused crises.

## INTRODUCTION

Management of crises is of considerable significance to ensure organizational continuity. Most managerial functions concentrate on performance and efficiency improvement [1]. However, the possibility of unexpected issues in the fast-paced world cannot be neglected [2]. Crises generally involve negative associations and may attract increased attention in proportions higher than routine work for larger organizations [3]. Given that forthcoming disasters can have devastating effects on large-scale companies with extensive connections, it is crucial to reduce stakeholders' intimidation and mitigate potential legal implications [4]. The recent growth in the investigation of crises underscores the importance of understanding risk factors, appropriate responses, and the capacity to integrate negative events into organizational performance [1]. This research anticipates that specific crises, response sequences, and subcategories will shape an organizational resilience function [2]. The varied incidents, community reactions, and consumer disruptions necessitate empirical investigation to develop effective crisis management strategies [3, 4].

### Definition and Conceptual Framework

Crisis management is a field of management studies that has been mainly influenced by political and conflict management sciences, and developed in the last twenty-five years a body of thought, mainly in the United States [4]. Crisis management was mainly focused on government and authoritative bodies that have to face severe emergencies affecting national security and industrial and ecological disasters [5]. Over time, both technical and managerial understanding of crises evolution improved, finally reaching the today's cultural and "normative" approach. According to this multifaceted view, crises are complex phenomena that significantly draw attention from scholars belonging to different scientific and professional fields, and finally come to belong to something "normal" and "surely expected" in a globalized world [5, 6, 7]. According to a definition provided by [8], for example, crisis management is a multi-disciplinary/industry/societal or sectoral/speed and geometric growth technological risk management field, focused on organizational issues most affected by this risk/fear/morbidity medium. [9], conceive crisis management as a fundamental normative study in which normative values are considered to be fundamental in accountability and responsibility in relation to the use of information as

information systems (IS), through a crisis lens [11]. This definition clearly captures the business, managerial, and diffusion phenomenon level of analysis of a crisis [7]. It concentrates on organizational crises more than societal ones and underlines the role of crisis management both as a regulatory tool for the use and sharing of knowledge and as the sole field able to support a procedural and an ethical approach in the face of crisis situations harming the whole organization.

#### **Importance and Benefits**

Crisis management experts and past victims increasingly emphasize the advantages of investing time and resources in crisis management [8]. Kets de Vries and Balazs believe that the emergency response competences represent one of the few resources that may provide sustainable competitive advantage to organizations, while Behzadnejad and Balali notice that crisis management is often a key criterion used by industries to select their business partners [9]. Other researchers signal an increasingly complex and interconnected global business context with critical clouding of supply chains, increasing the importance of preparing for the worst through exercising. Furthermore, in an organizational context, crises can occur at any time and may represent a life or death situation for a company, especially small companies such as family businesses that do not have the possibility to use wider (geographically) distributed plants to reduce the probability of being completely put out of operation at one site by a single devastating event [10, 11]. Consequently, prevention is considered the best response to crises and is particularly required where emergency response may be impossible or delayed. A wider study, conducted by Coa and Millet and involving managers and expert consultants working across a range of industries from several countries, identified that percent considered that "Business Continuity Management can benefit an organization" and only six percent felt that it was "not worth the time and effort" [11]. The most commonly cited reason why Business Continuity preparation was beneficial was "to protect assets and resources" [12]. Organizational resilience is the potential of acquiring, developing, and exercising any "needed knowledge, skills, or abilities and combining or recombining them in the appropriate way so as to achieve and sustain a desired state of readiness in the face of constantly changing, complex, and unpredictable circumstances characterized by turbulence, ambiguity, novelty, surprise, uncertainty, or adversity" [13]. Thus, Business Continuity is concerned with directing activities to "prepare for and ensure resilience to operational disruptions and threats", and Crisis Management is about "the capability an organization has to respond effectively to an event requiring the activation of the organization's capability to respond to a crisis" [14].

#### **Types of Crises**

While it may be difficult to accurately list all types of crises that organizations may face, several publications classify them in different ways [11]. For example, based on the factor causing their occurrence, they are divided into crises of internal origin, those of external origin, and those originating from environmental irregularities. Also, for their destructive impact and the range of those affected, crises can be of local, regional, national, or international significance [12]. Furthermore, the types of crises organizations may face depend on their main activity. For this research, organizational crises will be clustered into three groups, taking into account the factor that caused their incidence and their phylogenesis: (1) natural and ecological crises; (2) economic and financial crises; and (3) crises rooted in organizational management deficiencies [12, 13, 14]. Natural and ecological crises have increased importance in the onset of management crises because they generate fatal odds at the level of business units [12]. The second group of crises has a high occurrence in the life of organizations, regardless of the field in which they operate [13]. The last category of crises has a development that is directly influenced by how these organizations manage their internal processes and what is the level of relationship with the internal or external environment [14].

#### **Natural Crises**

Natural crises are called this way when the main triggering problems are from natural origin [15]. Examples can be the havoc caused by severe weather, a tsunami, a volcano or an earthquake. In short, they have immediate consequences and are not clearly predictable. However, they are not totally unpredictable [15]. For instance, it is known that certain coastal areas are particularly subjected to these events or that in some African countries severe droughts might happen. Normally, there is a national, local or regional response to these crises. Actually, it is expected that it is the people or the local organizations, which face these challenges first and eventually ask for help, if the situation gets out of hand [16]. The reason for giving a definition and some characteristics about these crises is that psychological, ethical, legal and managerial considerations are often distinctly different [17]. First, the sheer power of nature could be very frightening for those affected by natural crises. Second, the feeling of randomness and unpredictability of these events is especially high. In order to help the organizations as a whole as well as some of the individuals working in it, it is judged as reasonable to separate amongst the

different types of crises discussed [18]. Finally, the chances are, however, that more and more these events impact on a global scale, as we will see.

#### **Technological Crises**

Technological crises represent a unique type of crisis event. While technological systems must be designed to offer the greatest operational flexibility and a wide range of capabilities in order to be useful to the users, this broad set of capabilities also extends the range of possible system errors and inconsistencies [15, 16]. In the technological system, design faults and coding, hardware, and software faults at any level and in any type of system can lead to system crashes with consequent possible local and global effects [17]. The wider effects of a system crash can also be of several types depending on the kind of system affecting the crisis characteristics and the underlying organizational environment. Sufficient internal redundancies are sometimes possible to minimize the range of failure impacts; however, in some cases, system crashes may instantly cause far-reaching effects that spread widely and quickly, causing what can be called global/on-the-go (unexpectedly emergent) crises or cascading (potentially) global successfully emergent crises [15]. In other cases, system anomalies may occur over time in a slow and diffuse way, caused by the de facto cumulative efforts of the actors as is the case with environmental systems. The acquired awareness of existing system conditions that doesn't or cannot anymore meet the existing performance and goal needs, as per the original intents, underpins these crises characterized by slow time-breaking failures [16]. Although a large amount of research has dealt specifically with the specification of disaster recovery and crisis protective measures and has provided insight into the different dimensions of effective business continuity planning, disaster preparedness, and risk management, the specific characteristics of technological crises require dedicated management approaches in order to overcome and prevent the challenges posed by the increased level of system complexity [17].

#### **Human-Caused Crises**

The fourth category of crises is those caused by humans. The various crises caused by human actions, on the other hand, can also be influenced by sociopolitical and environmental factors. They can also affect organizational practices, accountability regulations, and the company's strategic directions [8]. Since these are different, we carve them out of the naturally caused crises and discuss them as a separate type of crisis. The risk management and business continuity approaches approach them under the common label of "man-made crises," and they try to develop mechanisms to differentiate between crises depending on the reasons that produced them [9]. This type of crisis is concerned with ways to use management tools in business practices and embed crisis management thinking into new organizations that address new, untested markets. Examples that can be provided for this type of crisis are technological risks and accidents, damages and lack of confidence in services caused by humans, damages and wastage related to deliberate or non-deliberate system misconfigurations, and consequences of imposing the wrong people in appropriate places or critical incompetence and insufficiency in labor practices [18]. In terms of crisis prevention for a modern organization, decision-makers should be aware of the effects of all these types of crises. We will say that a crisis management model for human-originated crises should be founded on a set of dimensions typical for addressing waste, pollution, terrorism, fraud and dishonesty, corrupted and racism-inspired human activities, and the other social problems and deficiencies related to the activities and interests in a complex society. We suggest two hypotheses concerning the crisis events in human-caused crises that introduce general categories within which strategies of counter-acting with a crisis can differ [19].

#### **Crisis Management Strategies**

Being prepared for a crisis is not enough, as it is rarely possible to predict where and when, if ever, crises may occur. Despite this, an organization can prepare for crises by identifying different crisis management approaches and strategies which can influence the likelihood and severity of, as well as responses to, a crisis [12]. Crisis management has been classified into six types of strategies and approaches in the quantitative study. These types are: compliance/legal-based orientation; ethics-based orientation; operational flexibility-based orientation; business resiliency-based orientation; resource-dependence theory-oriented resilience; proactive ethics-based orientation [14]. The same strategies and approaches were the findings of the division of crisis management system approaches, which classified the preparedness strategies and approaches according to their dynamism. This classification comes as an addition to the descriptive typology of crisis management through its four categories: reactions; tactical; adaptive; and transition-based. The classification of crisis management will not only help avoid the predefinition of the preparedness of a crisis as a reactive strategy, it will also avoid being vague when an organization manages various crises without a clear categorization [15, 17]. Crisis management strategies are important to be able to prepare organizations with the necessary capacities to reduce damages and negative effects of crises.

### Prevention and Preparedness

It is often argued that crisis management must be proactive rather than merely reactive, because it is not so much the crisis that causes an organization problems, but its unpreparedness to manage the unknown situation [16]. An organization that is resilient is naturally one that can minimize the potentially negative impacts of a crisis to the greatest possible extent or can avert it entirely where possible. To demonstrate this, it is useful to examine two seminal early definitions of crisis management. According to [17], crisis management is "the art of resolving crisis incidents effectively and efficiently" and "the science of management decision making as applied to the prevention, managing, controlling, and solving of organizational and industrial matters, threats, conditions, concerns, happenings, crisis, disasters, emergencies and situations affecting people, stakeholders, its element, facilities and assets the organization have charge, care, control responsibility and management of related to." Additionally, Ian Mitroff viewed crisis management as "the detection of weakness in the management system and mitigating their potential for harm" and a proactive avoidance mechanism that is "conducted by an organization to solve problems before they develop into full-blown crises" [18]. It is in this proactivity, as [18] argue, that crisis prevention and preparedness events can support resiliency in organizations, defined as enhancing the "capacity to prepare for, respond to, and recover from disaster or other critical incidents." This is because such events include "training..., tabletop exercises, practice drills... [and] create a state of readiness." They describe these as developing management capacity to respond to any type of crisis. This vulnerability is what drives much of the impetus behind the initiation of crisis processes, strategies, and plans as outlined above [19].

### Response and Recovery

As previously mentioned, crisis management is a multidisciplinary field dealing with both proactive and reactive aspects. However, the reactive aspect is always more appealing in the marketing crises literature. From a reactive point of view, a crisis goes through diverse stages [12]-. The first step is, of course, the detection of a problem or a set of interconnected problems (single or compound crisis). This phase can be really long in time when the crisis brings discrete losses, or exceptionally short when losses are giant (an airplane crashes, a huge pandemic occurs) [14]. The next step concentrates on the mitigating process that helps to get a decent level of organization back on track and to restore a stable situation [15]. Then, a quite positive reorganization of the organization is needed to remove redundant information and to work out a set of prioritizing common goals to be reached in a short period of time [16]. The third and fourth stages are related to recovery. During the recovery process, organizations implement operational procedures to fulfill the aforementioned goals. This can lead the organization to a status quo ante situation when the conditions are almost the same as before the crisis and when the organization is back to its normal functioning with forgiving stakeholders [13]. However, problems do not vanish after a recovery process. Many researchers have studied the traumatic effects of a crisis, such as cultural degradation, value infringement, social disintegration phenomena, and reorganizations via strategic innovations. Only recently, meeting not stakeholders' needs but fulfilling stakeholders' expectations has forced organizations toward resilience management. This awareness calls for tools that help organizations guarantee resilience in both stable situations and crises [14].

### Building Organizational Resilience

How do organizations survive in an ever-evolving, complex, and unpredictable business environment? One theoretical answer is by developing organizational resilience [14]. The overarching aim of this section is to enrich the theoretical understanding of organizational resilience from the perspective of risk and crisis management. In doing so, we provide useful definitions and explanations that support the development of resilience as an effective strategy to build organizational capacities and to allow for continuity of an organization during crisis events [15]. According to one of the disciplines observing organizational resilience, resilience is seen as "the ability of a system, organization or community to survive and adapt in the face of environmental shocks or internal stress." In line with this, today's organizations can find themselves in crisis events such as natural disasters or a global pandemic [8]. In such events - highly unpredictable, but inevitable - organizations and individuals suffer. Bridges argues that disaster can be associated with business; for instance, it can be associated with the business' ability to manage the unforeseen and the expected risks [12]. Managing these risks becomes more important when business operations could significantly affect customers, shareholders, the society in general, or have the potential to systemically damage the viability and growth of the organization. Organizations can also find themselves exposed to crisis events. In contrast to disasters, crises are the product of a chain of events that happen within a wider environment impinging on a particular organization.

### Resilience Definition and Characteristics

Defining resilience within the scope of a single definition is a complex task. This difficulty is due to the various contexts in which the concept is used and to the particular readings from which it can be taken [9]. For example, in systems with an engineering approach (physical systems or computer systems), the notion of resilience is different from its use within psychosocial studies or within industrial management. When defining resilience within an organizational context, it is important to consider its three main characteristics. To propose a definition, it is therefore necessary to first describe the object as such, its properties and determine its different dimensions. In general, resilience refers to a system's capacity of absorbing the impacts (shocks and stresses) from crises, subsequently returning to being at least as efficient as it was before the crisis, which is known as bounce back or, in some circumstances, even better [10]. Being linked to change, crises are also understood as "opportunities" to improve performance. Consequently, this plurality in approaching resilience is related to the four different characteristics that it is defined by: as a resource, as an outcome, zero state, or process [12]. The relational framing and embedded relationships are fundamental aspects to be taken into account when drawing on the topic of resilience as ready-made organizational practice. In this line of interpretation, the questions to be asked refer to the kind of relationships, institutional networks and resources, and transformational strategies to be adopted and deployed by the actors involved in the process [11].

### Key Components of Resilience

To enhance or fortify resilience, it is necessary to break down the concept and understand its deeper elements [10]. From a meta-study of 85 scholarly publications over a 45-year period, in our paper, we analyzed the findings in order to proceed in a differentiated discussion and a third-order concept development. Based on it, our concept refers to organizational resilience, the firm's capacity to adapt for self-renewal, to anticipate challenges, shocks, and disturbances in its environments, and to renew its behavior in a way that secures long-term success [11]. Following previous scholars on organizational resilience, we divide our concept into two higher-level components: a) Anticipation and adaptivity-compulsoriness with five essential dimensions: absorptive, adaptive, and transformative capacity, strategic foreseeing and ambiguity tolerance, innovation and experimentation. b) Renewal-compulsoriness with five essential dimensions: a learning organization, utilizing entrepreneurial activity, maintaining resources and assets, investing in business development, and values and ethics [13].

### CONCLUSION

Effective crisis management is indispensable for maintaining organizational continuity and resilience in the face of unexpected disruptions. By understanding the types of crises and developing comprehensive strategies that encompass prevention, preparedness, response, and recovery, organizations can mitigate the adverse effects of crises. The incorporation of best practices and continuous investment in building resilience ensures that organizations are well-equipped to navigate crises, safeguard their assets, and sustain operations. As the business environment continues to evolve, the importance of crisis management will only grow, making it a critical area for ongoing research and development.

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