THE PROBLEMS OF DEFINING ENTERPRISE
CRISIS MANAGEMENT

In the article, the main scientific approaches to defining and understanding enterprise crisis management are analyzed, the contradictions in the theoretic field are presented and discussed, as well as other problematic issues of crisis decision making are identified. Based on the analysis, conclusions have been made regarding further development in the crisis management scientific research field.

Keywords: enterprise crisis, crisis management, risk management, business continuity management.

Introduction and statement of the problem.
While everyday management has been sufficiently covered in academic literature, crisis management remains largely anecdotal and ad hoc [7, p. 126]. Only recently certain scientific attention has been given to crisis decision-making processes in organizations [6, p. 181]. As enterprise crises are becoming more and more frequent, the role of crisis management mechanisms in companies should inevitably increase to ensure the stability not only of individual enterprises, but also of entire industries and economies. However, prior to developing and implementing any crisis management decisions, the concept of crisis management itself needs to be thoroughly investigated and clearly defined. Only in this way, relevance and objectivity of crisis decision-making actions are not compromised.

Analysis of the recent research and publications. The topics of crisis management and, more common, topics adjacent to crisis management are represented in works of both Ukrainian and foreign scholars. Among the originators of crisis management research are Das [6], Barton [2], Mitroff et al. [16; 15], Shrivastava [29; 30], Rosenthal & Kouzmin [26], Rosenthal & Pijnenburg [27]. Most of the authors addressed the problem of defining crises; they also investigated the role of manager in dealing with crises and often described what effective crisis...
management is. Ukrainian researchers also developed considerable knowledge on crisis management processes. Yet, many Ukrainian works dedicated to enterprise crisis management are textbooks, for instance, Blank [3], Vasylenko [36], Skibitsky [32], Shtangret [31], etc., whereas academic studies remain rare and publications are mostly limited to reciting the textbooks. Among the most noted Ukrainian scientific works on the subject of crisis management are by Lihonenko [11], and Tereshchenko [34], the latter two being specifically focused on financial crisis management. Topics related to crisis management in companies can be also found in Tolcheyev [35], Yehorova [37], Makarenko [12] and others. However, the absence of uniformity in both Ukrainian and Western academic literature of crisis management theory (if conclusion that such theory exists) calls for additional research in the topic field.

**Purpose of the research.** The research is aimed at analyzing the key views on enterprise crisis management in order to identify the discrepancies and common features of academic approaches to crisis decisionmaking. The fulfillment of such a purpose should help to overcome the existing theoretical looseness of the subject, and thus enable the narrowing of further research to issues pertaining specifically to enterprise crisis management.

**Main findings.** Up to this date, there have been only a few studies aimed at deep theoretical analysis which include defining and analyzing the crisis management concept. Roux-Duforthas concluded that crisis management appears to be a dispersed and non-cumulative research field with lack of theorization, ambiguity of definitions, methodological monolithism, and crisis notion misperceptions. All these flaws if not overcome now lead to scientific isolation of crisis management [28, p. 106].

Undoubtedly, there have been numerous attempts to make crisis management knowledge clear and univocal, yet no agreed view has been established on the problems of enterprise crisis itself and crisis management.

Pearson & Clair note that some researchers believe that crises can be recurring and cannot be prevented (for instance, Perrow [23]), whereas others try to identify how to manage or avoid organizational crises (for example, Meyers [14]; Pauchant & Mitroff [20]; Pearson & Mitroff [22]; Roberts [25]) [21, p. 59]. Das stated that crises cannot be completely avoided, so organizations can only reduce susceptibility to crisis and develop the ability to manage a crisis after it emerges, and now many researchers adhere to the view that crisis management deals with both prevention of crises and coping with them [6, p. 185].

Interestingly, Diermeier et al. suppose that crisis management may be simply management under particularly high stakes, but not a qualitatively different phenomenon and that may not deserve a research strategy distinct from the general study of management. They also state that if crisis management requires rapid innovation, it could be regarded as a special case of innovation management, meaning that the authors take an extremely narrow approach to crisis management [7, p. 129–130].

However, most scholars recognize enterprise crisis management as a special, independent notion. Pearson and Clair are among those few who define crisis management. They view it as a systematic attempt by organizational members with external stakeholders to avoid crises or to manage effectively those which do occur [21, p. 61]. Blank connects crisis management with a system of principles and methods of developing and implementing a complex of management decisions aimed at prevention and overcoming of crises in an enterprise, as well as at minimizing their negative consequences [3, p. 589]. Likewise, Lihonenko stresses the preventive value of crisis management and defines it as a system of continuous monitoring aimed at early identification of crises and preventing enterprise bankruptcy [11, p. 37].

Müller also agrees that every firm should strive to prevent a crisis from occurring by developing crisis avoidance or anticipation. But when preventive measures fail and a firm is threatened from a completely unexpected situation, quick reaction is essential, which is called crisis management or turnaround management. Müller also stresses that the main cause of crisis is management failure and, thus, coping with that failure remains an essential task [17, p. 38]. Yet, Rosenthal and Kouzminemphasize that crisis analysis needs to go beyond attributing crisis solely to human error as the cause of crises. The effectiveness of approaches may be increased by paying attention to organizational and systemic deficiencies [26, p. 6].

Comfort earlier placed stress on crisis management following the newest crisis research concept: it has to be viewed and considered in processual terms. He emphasizes that crisis management should not be limited to coping with crisis: model of crisis management should include prevention and mitigation, preparation and planning, response and decision making and recovery, consolidation and change [4]. Likewise, Shrivastava’s frame suggests that crisis studies can focus on four key aspects of crises: causes, consequences, caution, and coping [29]. Coombs also reinforces the significance of crisis planning of detection, prevention,
preparation, recognition, containment, and recovery issues [5]. Barton suggests that company executives must be able to recognize, anticipate, manage, and formally prepare for a crisis [2].

Nunamaker et al. see crisis planning, crisis training, scenario generation, and crisis sensing to be the first set of crisis activities [18, p. 15-16]. Yet, Mitroff et al. emphasize that prevention of all crises is not the basic purpose of planning and crisis management, mechanisms are need to be planned and developed by an organization and put in place for guiding recovery [16].

Spillan regards crisis management as a means of minimizing the impact of an unexpected event in the life of an organization and closely investigates the different stages of crisis management [33, p. 160]. He differentiates two types of crisis management: reactive and proactive. In the reactive model decisions regarding planning arise during or after the crisis has arisen. In the proactive model managers do anticipate crisis: they conduct vulnerability analysis, develop plans, as well as weigh costs of planning for crisis versus the losses of encountering crisis unprepared [33, p. 162].

Parallels between crisis management the so-called business continuity management (frequently abbreviated as BCM) can also be found in literature. Business continuity management is systematic process to cope with the effects of crises and business interruptions and has evolved into a process that identifies an organization’s exposure to internal and external threats and synthesizes hard and soft assets to provide effective prevention and recovery [8, p. 1]. Hence business continuity management appears to cover fully the previously mentioned components of crisis management. However, the authors stress that business continuity management tends to be business-centric (the organization, customers, suppliers etc.) whilst crisis management tends to be sociocentric (government, public bodies, local communities, etc.). Such interpretation seems not to fit the view of the general logic of crisis management presented some mainstream works; still, many Ukrainian and Russian researchers tend to make definitions of crisis management similar to business continuity management (Gradov [9]; Griaznova [10], and others).

Taking into account the view of Comfort [4] that crisis management can be viewed as a process in which an organization engages with its environment, such a process ought to be regarded as strategic in its nature. Elliot et al. claim that crisis management resembles a strategic planning process because it is aimed at safeguarding the company’s ability to achieve strategic goals [8, p. 438]. McConnell and Drennan argue that crisis management promotes ideals similar to those of planning [13, p. 63]. They conclude that crisis management pulls planning into minimalist direction, because it requires individual autonomy in order to respond to extraordinary and unpredictable circumstances [13, p. 64].

Roux-Dufort criticizes the event-centered approach in crisis management, because if the analysis of crisis is limited to assisting managers cope with exceptions (i.e. crisis events), there will be no possibility for disciplinary expansion, innovation, and progress in crisis management. The accent should be shifted towards the process of incubation of crisis, which may go far before the triggering event [28, p. 106].

Robert and Lajtha suggest that crisis management should not be viewed as a strict set of procedures based on manuals and maintained in permanent readiness. Contrary, they propose to regard crisis management as a continuous management process which can be revised and redesigned at any time, as well as which can be enriched with feedback from experience and simulation exercise, one of the main characteristics of it being its flexibility [24, p. 187].

Attention has also been drawn to investigating the crisis development in a system, rather than merely responding to the crisis event and limiting crisis management to the disaster recovery approach [8, p. 439].

Disregarding how to approach crisis management, research in crisis management decision-making indicates that managers are usually unprepared when a crisis situation appears. The organization’s preparedness for a potential crisis depends on senior officials as well as other personnel operating within the company. Corporations with established crisis management teams are able to communicate and effectively respond in the event of a crisis.

When a crisis erupts decisions are often made based upon emotion and fact-free arguments [1, p. 83]. Nunamaker et al. argue that in order to respond to crises out of “deliberation rather than desperation”, it is important that organizations develop facilities and processes of identifying situations that would damage the organization; acquire the knowledge and tools required to anticipate, manage, prevent them; develop professional decision groups; and learn from its crisis-management experience. They suggest dividing crisis management activities into three groups: pre-crisis activities; crisis activities and facilities; post-crisis activities [18, p. 15]. Mitroff, et al. also
stress that an organization should ask itself what has been learnt from past crises and how that knowledge can be utilized in future [16, p. 286–288]. Pearson and Clair also put great value learning from crises and elimination of fantasy driven decision making [21, p. 68].

Mitroff, et al. draw attention to the fundamental paradox connected with crisis management: the less vulnerable an organization deems itself, the fewer crises it prepares for; and, therefore, the more vulnerable it becomes [16, p. 285]. Pearson and Clair emphasize that effective crisis management should be able to minimize potential risk before a triggering event [21].

Conclusions and further research suggestions. Enterprise crisis management has a significant role in enterprise functioning; yet the scientific knowledge on this subject needs to be expanded, especially taking into account the absence of agreement on the basic issues regarding definition of the underlying concepts, the difference in approach to event-time perception, the questions on scope of connected activities and cross-disciplinary boundaries. The standpoints of researchers also vary when it comes to understanding specific elements of crisis management.

Nevertheless, most scholars share a common view on the inclusion of both detection-prevention and coping phases of crisis management. Likewise, many researchers agree that currently crisis management needs to be approached systemically, that is all the complexity and feedbacks are to be studied in order to develop firm theoretical grounds in the field of crisis management.

Another important implication of the research is that the mentions of risk in crisis management discussion, as well as the presented definitions of crisis management reveal the proximity between risk management and crisis management. Moreover, some scholar present notions that seems to duplicate crisis management (for example, business continuity management). It appears that there may be a need in additional scientific research in order to delimit the borders between risk management, business continuity management, and crisis management, or, alternatively, conclude that they do actually represent the same concept.

References

ПРОБЛЕМИ ВИЗНАЧЕННЯ АНТИКРИЗОВОГО УПРАВЛІННЯ НА ПІДПРИЄМСТВІ

У статті проаналізовано основні наукові підходи до визначення та трактування антикризового управління на підприємстві, представлено та описано наявні теоретичні протиріччя, а також визначено інші проблемні питання прийняття рішень в умовах кризи. На основі аналізу зроблено висновки стосовно подальших розробок у сфері наукового дослідження антикризового управління.

Ключові слова: криза на підприємстві, антикризове управління, ризик-менеджмент.

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