



INNOVATIONS IN CRISIS MANAGEMENT

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JEL Category: **M10, O31**

Abstract

The article is devoted to the capabilities of innovative activities in crisis management and analyzes the terms of “crisis management”, “risk management”, “anticrisis administration”, “anticrisis management”. The differences and similarities between the above-mentioned terms were described based on the standards as well as several publications. The article shows that the use of innovation in crisis management is possible in two aspects: innovation as improvement activities relating to crisis management and innovations used to meet the challenges to emerge from the crisis. Basing on the analysis, the authors created a list of possible areas of innovation activities of enterprises, the crisis of which has arisen because of natural, social, or military man-made emergencies. They analyzed the war as the source of the crisis for companies and the source of the crisis of the state and showed that the state in which military operations are going on, needs to move from conventional management to crisis management.

Keywords: *innovation, management, crisis, risk management, crisis management, administration.*

1 INTRODUCTION

Most authors considering innovations in crisis management focus their attention on innovations that are used to emerge from the company crisis. Much less has been said about innovation in the activities of crisis management or crisis team. This is a consequence of the fact that, historically, crisis management was considered as management only in an emergency. It is called - an emergency crisis management. The purpose of this management is to bring the company out of

the crisis, or at least reduce the damage. A set of techniques that can be used by the crisis manager for this purpose quite varies, but it is difficult to offer any of novelty – innovation.

The situation changed after the crisis management tasks have expanded. The problems began to include: definition of probability (risk) of the crisis, identification, development of crisis measures. This situation prompted the development of preventive, prophylactic measures to prevent or mitigate the crisis itself or increase the stability of the enterprise to a particular crisis. In addition to the above activities, crisis management begins to include various methods of forecasting the onset of the crisis, and

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a large set of preventive measures aimed at reducing the action of the crisis for the company. In addition to crisis management the terms such as “risk management” and “anticrisis administration” are used.

The terms of “crisis management”, “risk management” and “anticrisis administration” will be described briefly in the further part of the article.

2 RISK MANAGEMENT

Risk management is the identification, assessment, and prioritization of risks (defined in ISO 31000 as the effect of uncertainty on objectives) followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events (Hubbard, 2009, p. 46) or to maximize the realization of opportunities. Risk management’s objective is to assure uncertainty does not deflect the endeavor from the business goals (Antunes & Gonzalez, 2015).

The definition of risk management in the literature varies. In the dictionary of business terms (Akademik, 2001) risk management is defined as the set of rules and procedures aimed at monitoring possible adverse events, with a view of taking decisions to prevent a negative effect. This is a general definition. In this sense, risk management can be attributed to any kind of activity. This may be risk management in the state and private sector, risk management in the social sphere, and risk management in business, etc.

Most authors link risk management with business and economic security. According to the dictionary of crisis management (Yun, Tal', & Grigor'yev, 2003) and (Akademik, 2000), the risk management covers a risk assessment, management of risk, and financial relations arising in the business process.

Risk management holds a special place in some specific types of business, such as insurance.

In the insurance, risk management is seen as a deliberate action of the insurer, the surveyor or adjuster to limit or minimize the risk within the system of economic relations. The implementation of risk management in practice means the consistent use of the insurer of the structural elements of risk management: the

establishment (definition) of risk, risk assessment, risk control, risk financing. These structural elements of risk management as a whole or in a part are concentrated in the site plan that contains specific requirements that must be followed by every participant of insurance relations in any situation. With a specific situational plan, managers implementing risk solutions can act quickly in unforeseen circumstances. It reduces uncertainty in the actions of economic entities in the risk situation and shows the probability of negative event so the exposure to the risk may be estimated reliably. The discrepancy between the objective value of the existing risk and its subjective perception depends on the availability of information on the subject. From the standpoint of risk management, insurance is the process of formation and use of insurance fund of a certain group of individuals and / or legal persons having an insurable interest, due to risky circumstances of time and place (Efimov, 1996).

According to the National Standard of the Russian Federation “Risk management. Terms and definitions” (GOST R 51897-2011/Rukovodstvo ISO 73:2009, 2012), risk management is defined as a coordinated action for the organization of risk management. Russian standard GOST R 51897-2011 fully complies with the international ISO Guide 73 Document: 2009 (ISO Guide 73:2009, 2009). Other documents and standards use the terminology of the standard GOST R 51897-2011, for example, the standard ISO 31000-2010 Risk Management. Principles and guidelines (GOST R ISO 31000-2010, 2011).

Let us briefly consider some of the important aspects of ISO 31000-2010 standard. In accordance with this standard, any activities of the organization include the risk. The organization carries out risk management through risk identification, analysis, and its subsequent evaluation. Since all organizations manage risk to some extent, this standard establishes a set of principles that must be followed in order risk management to be effective. This standard recommends that organizations develop, implement and continuously improve infrastructure, the purpose of which is to integrate the risk management process in general management, strategy, and planning, management, reporting processes, policies, values, and culture.

Risk management can be applied to the entire organization at any time, in its many areas and at many levels, as well as to specific functions, projects, and activities.

The standard emphasizes that risk management enables an organization to:

- to increase the ability to achieve the objectives;
- maintain an active management;
- be aware of the need to identify the impact and risks across the organization;
- improve the identification of opportunities and threats;
- comply with the relevant statutory and regulatory requirements and international standards;
- improve binding management reporting;
- improve management;
- strengthen stakeholders' confidence;
- create a reliable basis for decision-making and planning;
- improve management;
- effectively allocate and use the resources to influence the risk;
- increase the functional efficiency and effectiveness;
- increase the level of security, health, and environmental protection;
- improve loss prevention and incident management;
- minimize losses;
- improve training within the organization;
- improve the sustainability of the organization.

The standard ISO 31000-2010 use the terms: "risk management" and "managing risk". "Risk management" refers to the architecture (principles, infrastructure, and processes) of effective risk management, and "managing risk" refers to the use of this architecture to particular risks (GOST R ISO 31000-2010, 2011).

Risk management can be regarded as an independent activity. If the firm has developed crisis management, risk management can then enter the crisis management structure of the company and is a part of the preventive crisis management.

3 ANTICRISIS ADMINISTRATION

There are several approaches to the concept of anticrisis administration. In the first case, anticrisis

administration stands synonymous with crisis management. In the second one anticrisis administration is a particular case of crisis management. This approach limits the anticrisis administration separate issues, primarily related to problems in management. According to the "Encyclopedia of the investor" (2013) anticrisis administration is a special case of crisis management. Anticrisis administration is a process of application forms, methods, and procedures aimed at the socio-economic recovery of financial and economic activity of an individual entrepreneur, enterprise, industry, the creation and development of conditions to emerge from the crisis. Anticrisis administration considers the crises caused by the poor administration - inadequate, or unprofessional, and crises that have arisen as a result of corruption, abuse, theft and fraud (Akademik, 2013).

Detailed analysis of the literature showed that most of the authors, describing the anticrisis administration, use the same goals and objectives that are used in crisis management. The most common tasks of anticrisis administration are:

- analysis of macro and micro environment and choice preferred of the company's mission;
- the study of the mechanism of the economic crisis and creation of a system scanning the external and the internal organization of media with the aim of early detection of signals concerning the threat of forthcoming crisis;
- strategic MCS (management control systems) and the development of strategies to prevent its bankruptcy;
- rapid assessment and analysis of the financial condition of the organization and the identification of possible insolvency (bankruptcy) - the operational MCS (management control systems);
- development of the preferred policy of behavior in the situation of upcoming crisis and its elimination from the company;
- a permanent record of business risks and development measures to reduce it.

The terms "anticrisis administration", "crisis management" and "anticrisis management" have become very popular in the business life of the post-Soviet countries. Some authors divide these concepts whereas some mix them. In some cases, the term of anticrisis administration is

understood as the management of the company in the context of a general crisis of the economy, some authors describe it as management of the organization on the eve of bankruptcy, and others associate it with the concept of anticrisis administration activities undertaken by managers within the framework of judicial bankruptcy proceedings. Some authors believe that the anticrisis measures should be taken when the financial position of companies operating in the market is becoming worse and the prospect of bankruptcy - real. Thus, anticrisis administration completely ignores diagnostics threat of bankruptcy in the early stages of its origin and focuses its attention only on the anticrisis issue (Akademik, 2013). This is an outdated approach. The modern approach is based not only on the fight against the crisis but, first, on the prevention of negative issues.

Korol V.S. defines crisis management as the company's ability to respond constructively to the changes that threaten its normal functioning (Korol', 2001).

According to E.M Korotkov, the anticrisis administration is the management, which places emphasis on the way of foreseeing the danger of the crisis, analyzing its symptoms and reducing the negative effects of the crisis and its use of factors for the subsequent development (Korotkov, 2010).

Utkin E.A notes that the main thing in the anticrisis administration is providing conditions when financial difficulties cannot be permanently stable. There should not be any question of bankruptcy because there should be established management mechanism to address emerging problems before, as long as they did not take irreversible" (Utkin, 1999).

Professor A.G. Hraznova believes that the anticrisis administration is such an enterprise management system that is comprehensive, systemic in nature and aimed at preventing or eliminating the adverse effects of business through the use of the full potential of modern management, development and implementation in an enterprise a special program of strategic character, allowing to remove temporary difficulties, to preserve and increase its market positions in all circumstances, by relying mainly on its own resources (Gryaznova, 1999).

Thus, the concept of "anticrisis administration" as well as the concept of "crisis management" and "anticrisis management" have no clear definition in the current literature. These concepts are so similar that they can be considered as synonyms. But we should not say this categorically. The development of economic science and, in particular, the science of economic security can in some way share these concepts.

Risk management of self-direction is increasingly becoming a structural element of the crisis management system of the company and is a preventive and prophylactic part of the modern crisis management.

4 INNOVATIONS IN CRISIS MANAGEMENT

With the expansion of crisis management, there will be more opportunities to apply innovations to solve specific problems of crisis management. Thus, in the modern crisis management innovation is possible in two ways:

- the use of innovation to meet the challenges of crisis management, which are not related to changes in the production facility protection. These innovations relate to the introduction of innovative methods of forecasting crises, the use of innovative methods for the development of preventive measures, in particular, the use of simulation techniques, etc.;
- the introduction of innovation in an enterprise. These innovations are very diverse and are aimed at improving the sustainability of the enterprise for the crisis, or are used to cause that the company recovers from the crisis.

Innovations that are used to exit the company out of the crisis, can be directed to:

- changes in the organization structure;
- changes in the personnel of the organization;
- creation of a new product or service;
- the introduction of new technologies;
- development of a new market;
- obtainment of a new source of raw materials;
- changes in the enterprise market position;
- changes in the economic, social and environmental policies;
- changes in the control system.

These innovations are used by crisis managers in the process of withdrawal of the company from the

crisis. They are described in detail in the literature. They can be used for businesses, social groups, local government structures, government structures, the foreign policy decisions of the international level.

Innovation in crisis management has a slightly different purpose than innovation in the usual innovation management. The aim of innovation management is to ensure long-term operation of the companies on the basis of the effective organization of innovative processes and ensure the high competitiveness of innovative products (Tseli i zadachi innovatsionnogo menedzhmenta, n.d.). The main criterion for assessing the achievement of objectives of innovation activity is the profitability of the enterprise.

- innovations in crisis management primarily aim at causing that the company will recover from the crisis and establish a stable operation of the enterprise. The main criterion for the assessment of achievement of innovation in crisis management is the stability of the enterprise to the reasons that have caused the crisis of its activities. The objective of crisis management innovation can be considered achieved when the management of the firm may return to normal (non-crisis) mode. After the transition into noncrisis mode of operation, the company can continue to innovate itself and move to the innovative type of development or entities continue to use innovations that have been introduced by crisis managers. The activity of companies, which will use the innovation embedded in a crisis, looks unpromising at first glance. However, for many companies, it is a quite suitable choice of activities. This refers to the companies in which the crisis has come as a result of emergency situations of natural, technogenic social or military nature. Innovative activities of crisis management in these enterprises will be aimed at increasing the sustainability of enterprises in certain emergency situations. Innovation, in this case, may concern:
 - change of the location of the enterprise. The company may be moved to a different place which will be safer. Enterprises may be placed in many locations, regions or countries.
 - changes relating to the security of the process, equipment, buildings and structures.

Crisis management in an innovative activity is aimed at the introduction of new, safer technologies and equipment. At the same time, production of the enterprise cannot be changed. The improvement of buildings and facilities, including a system of interaction with the environment, will be important for some businesses, e.g. the introduction of new treatment systems or occurrence of waste disposal companies can be the most important task of innovation after the onset of the crisis, which has been linked to pollution of the environment.

- improvement of the management structure of the enterprise. Improvement of the competence of employees. Implementation of an enterprise risk management department or crisis management, which will operate on a permanent basis.
- assurance of the energy structure. The introduction of dual (redundant) power supply systems. Replacing traditional energy with new one, for instance, replacing oil products with natural gas. Implementation of know-how to provide an independent energy supply. For example, the introduction of solar or wind power generators.
- innovations in logistics. Ensuring uninterrupted delivery of products and raw materials.
- changes in the insurance activity of the enterprise. It is advisable to ensure the activity of the company against certain risks.
- access to new markets.
- the search for new suppliers of raw materials and components which enable changes in the amount of raw materials and products at the enterprise stock, etc.

The introduction of such innovations is primarily aimed at the renewal and stabilization of the enterprise and does not apply to its further development strategy. After the restoration of a stable operation, crisis management of the enterprise may be completed.

Some companies, especially these which are in a crisis due to economic reasons, may switch to an innovative type of development. An innovative type of development imposes a special mark on the management, its objectives, functions, forms and methods, sources of capital, structure, forming in its composition standalone core -

Innovation Management, that directs and governs the totality of the innovation and investment processes in the economic system, provides sophisticated integration of science, production, and market. An innovative way of development of the company requires the implementation of crisis management or risk management on an ongoing basis. The analysis of possible risks in innovation is one of the main tasks at the stage of development and adoption of the innovative project.

Most authors considering the crisis management write about saving the organization (in some cases at any cost). It should be added that some crises are so devastating that it is impossible to save the company. In such a case, other tasks may be assigned to a crisis manager: liquidation of the enterprise, the rebirth of the enterprise; the revival of the updated enterprise; carrying out bankruptcy procedures; creation of an enterprise which is not related to the previous one.

5 CRISIS MANAGEMENT AT THE STATE LEVEL

The bulk of publications and textbooks are devoted to crisis management activities of enterprises and their associations. However, crisis management can be successfully used in the management of a national scale. Its application for the removal of the country (e.g. Ukraine) of the crisis is more than justified.

One type of a large-scale state of crisis is a war. The war can be seen not only as a state of crisis but also as a special condition of the state. For example, one of the key theses of David Keen, in his work entitled "The Economic Functions of Violence in Civil Wars" is a definition that war is not just a rejection of the existing system, but rather the creation of an alternative way of making a profit, power, and protection of interests (Keen,

1998, pp. 71-72). In the study of long-term conflicts D. Keen concludes that in many cases, a specific mechanism was created when the warring parties tried to achieve short-term benefits but did not want to end the war and defeat the enemy. This mechanism is called the term "war economy" and it has been used to explain several different events – rebellions or collapses of state institutions. (Collier & Hoeffler, 2004), (Collier & Hoeffler, 2002).

The war is a crisis for most residents of the state due to the negative economic, humanitarian, social and political consequences of the armed conflict. The war in this sense is characterized as a very negative impact on all aspects of life and all reasonable efforts should be used to its completion. The aim of the international community (UN, NGOs, etc.) is to promote the rapid recovery of the country or countries after the war and to develop constitutional and democratic principles as the other states have an interest in it (Kazans'kiy & Zaplatins'kiy, 2012). Thus, the international community is engaged in crisis management. Opportunities and types of innovations in crisis management at the macro level differ from innovations at the enterprise level.

6 CONCLUSION

Innovative activities in crisis management may relate to various aspects of the company or the state structure. First, the types of innovations in crisis management depend on the reasons that caused the crisis. Secondly, innovations depend on its depth. What is more, they depend on the desires and goals of the owner (owners) of the enterprise or public policy (for government agencies). The issues of innovation in crisis management are not developed enough and require serious scientific research, which is particularly important in terms of increasing the number of risks and crises.

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Received for publication: 22.04.2016
Revision received: 31.08.2016
Accepted for publication: 12.12.2016

How to cite this article?

Style – **APA Sixth Edition**:

Gajda, W., & Zaplatynskiy, V. (2017, Jan 15). Innovations in crisis management. (Z. Cekerevac, Ed.) *MEST Journal*, 5(1), 32-39. doi:10.12709/mest.05.05.01.04

Style – **Chicago Sixteenth Edition:**

Gajda, Waldemar, and Vasyl Zaplatynskiy. "Innovations in crisis management." Edited by Zoran Cekerevac. *MEST Journal* (MESTE) 5, no. 1 (Jan 2017): 32-39. doi:10.12709/mest.05.05.01.04

Style – **GOST Name Sort:**

Gajda Waldemar and Zaplatynskiy Vasyl *Innovations in crisis management* [Journal] // *MEST Journal* / ed. Cekerevac Zoran. - Belgrade - Toronto : MESTE, Jan 15, 2017. - 1 : Vol. 5. - pp. 32-39.

Style – **Harvard Anglia:**

Gajda, W. & Zaplatynskiy, V., 2017. *Innovations in crisis management*. *MEST Journal*, 15 Jan, 5(1), pp. 32-39.

Style – **ISO 690 Numerical Reference:**

Innovations in crisis management. **Gajda, Waldemar and Zaplatynskiy, Vasyl**. [ed.] Zoran Cekerevac. 1, Belgrade - Toronto : MESTE, Jan 15, 2017, *MEST Journal*, Vol. 5, pp. 32-39