

## Crisis Management and Early Warning Systems in Enterprises

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### ABSTRACT

The crisis indicates negativity. This negativity can occur at different degrees and levels. For enterprises, the crisis includes every situation that can reduce the profitability of businesses and even threaten the existence of the business. Accordingly, conflicts within the enterprise, separation of the personnel from the enterprise, not finding new personnel, not finding raw materials, market losses, problems with suppliers or distributors, and most importantly, the political or economic problems that the country or the world may experience, and their negative effects on the business as crisis. It can be considered. Crises are time of danger, but they are also moments that can be turned into opportunities. Organizations can benefit from the crisis when they are ready for the crisis and implement the strategic goals they have developed rapidly. As a result, the crisis can be defined as the process during which organizations and administrations pass a good test. The purpose of this study is to define the concept of crisis, to reveal the crisis management issue in businesses, to evaluate the theories on this subject and to examine the situation in practice with a field study on the subject. The best way to deal with crises is to take precautions to ensure that crises never arise. In this regard, the concept of crisis has been defined in the first part of the study and detailed information about the crisis has been given. In this section, the internal and external factors of the crisis, the stages of its formation, possible positive and negative consequences are discussed in detail. In the second part, crisis management and how it is more effective and easier to get out of the crisis, the crisis management process, types and approaches are extensively studied. In the last section, Crisis exit strategies and early warning systems are evaluated.

**Keywords:** Crisis, Crisis Management, Early Warning Systems.

### İşletmelerde Kriz Yönetimi ve Erken Uyarı Sistemleri

#### ÖZET

Kriz, olumsuzluğu işaret eder. Bu olumsuzluk değişik derecelerde, düzeylerde ortaya çıkabilir. İşletmeler açısından kriz, işletmelerin karlılığını düşürebilen ve hatta işletmenin varlığını tehdit eden her durumu içerir. Buna göre işletme içindeki çatışmalar, personelin işletmeden ayrılması, yeni personel bulamama, ham madde



bulamama, pazar kayıpları, tedarikçiler ya da dağıtıcılarla ilgili yaşanan sorunlar ve en önemlisi de ülkenin ya da dünyanın yaşayabileceği siyasal ya da ekonomik sorunlar ve bunların işletme üzerindeki olumsuz etkileri kriz olarak nitelendirilebilir. Krizler tehlike zamanıdır, fakat aynı zamanda fırsata dönüştürülebilen anlardır. Örgütler krize hazır olduklarında ve geliştirdikleri stratejik hedefleri hızla uygulamaya aldıklarında krizden fayda sağlayabilmektedirler. Sonuç olarak kriz örgütlerin ve yönetimlerin iyi bir imtihandan geçtiği süreç olarak tanımlanabilmektedir. Bu çalışmanın amacı, kriz kavramını tanımlamak, işletmelerde kriz yönetimi konusunu ayrıntılarıyla ortaya koymak, bu konudaki kuramları değerlendirmek ve konuya ilişkin bir alan araştırmasıyla uygulamadaki durumu incelemektir. Bu çalışmanın kapsamında özellikle krizlerle başa çıkabilmenin en iyi yolu krizlerin hiç ortaya çıkmamasını sağlayacak önlemlerin alınmasıdır. Bu bakımdan çalışmanın birinci bölümünde kriz kavramı tanımlanmış, krizle ilgili ayrıntılı bilgi verilmiştir. Bu bölümde, yine krizin iç ve dış faktörleri, oluşum aşamaları, muhtemel olumlu ve olumsuz sonuçları ayrıntılarıyla ele alınmıştır. İkinci bölümde kriz yönetimi ve nasıl daha etkili olup krizden çıkmayı kolaylaştıracağı, kriz yönetim süreci, türleri ve yaklaşımları geniş şekilde irdelenmiştir. Son bölümde ise krizden çıkış stratejileri ve erken uyarı sistemleri değerlendirilmiştir.

**Anahtar Kelimeler:** Kriz, Kriz Yönetimi, Erken Uyarı Sistemleri

## INTRODUCTION

It is very difficult to define a generally accepted definition of the crisis in terms of business management. In business management literature, using different concepts such as anxiety, stress, disaster and panic instead of crisis has made it difficult to make a comprehensive definition. Some authors expressed the crisis as threats to the organization, while other authors stated that the crisis could create an opportunity for the businesses. Tension situations that are not expected as the definition of crisis generally used by businesses and which are not perceived before and leave them in a difficult situation are perceived as crisis. Crises are times of confusion and danger. Certainly, the crises that occur in businesses for various reasons do not adversely affect all businesses. Some can turn crises into an advantage. For this reason, some of the businesses benefit from the crisis, while others are negatively affected.

Operating and overcoming uncertainties is an integral part of managerial responsibility. Crises faced by businesses, their prevention and avoidance are unpredictable events that require special managerial attention. From this point of view, it is obvious that business executives and / or owners should attach the necessary importance to crisis and crisis management studies and establish necessary mechanisms in order to achieve their business objectives and ensure their continuity.



It is possible for companies that can fully understand the importance of crisis management, succeed in explaining how important it is to their employees and who can carry out their works in this direction, can successfully survive the crisis periods. They can even make the most of the opportunities that arise during times of crisis and make a profit. It can easily be considered that many of the very fast-growing businesses are those who take advantage of the opportunities.

The survival of businesses depends on whether they are protected from crisis or take advantage of opportunities. In order to achieve this, it is necessary to establish an effective crisis management system in enterprises. Crisis management primarily aims to reveal businesses that can detect crises, distinguish their types, take necessary precautions accordingly, learn new measures from them, and recover as soon as possible. Firms that have achieved a strategic perspective and use their strategic tactics in their management leave with less damage than firms that are operated with routine management in the crisis. Enterprises have to make important decisions that will determine their own destiny in an uncertain competitive environment. Early warning systems are of great importance in these strategies.

## **1. CRISES IN ENTERPRISES AND THE REASONS OF THE CRISIS**

### **1.1. Concept of Crisis**

In today's organizations operating in a dynamic environment, the environment is constantly changing, which leaves organizations with a wide range of dangers. Organizations that cannot find timely and timely solutions to these dangers are also less likely to survive. As a matter of fact, difficulties that could not be understood and understood beforehand confront organizations with the crisis situation. For this reason, businesses need to be organized as an open system in today's rapid change environment (Tekin and Zerenler, 2005: 3).

The concept of crisis has gained importance internationally in recent years and it has become a concept that societies are used frequently in daily life. The reason for this is that economic crises cause severe and deep negativities in national economies and social life. Because, as a result of crises, economic stability deteriorates, firm and business bankruptcies increase, income distribution deteriorates and many social problems occur. The crisis is often used in the social sciences as synonymous with words such as 'suddenly evolving bad situation', 'sudden deterioration', 'great distress', 'depression' and 'great hardship' (Aktan and Şen, 2002:

1225). For these reasons, the word crisis, which we frequently use in our daily lives, is also a very important concept in terms of organizational orientation.

In recent years, there have been significant increases in the number of crises faced by organizations due to a number of negative conditions that occur outside their control and the failure of their own methods and policies, and crises have become an important part of organizational life (Akçe, 2005: 7). Some measures that can be taken by the administration against crises will significantly reduce the damage that organizations may face.

To date, different forms have been identified by medicine, psychology, politics, economics and study sciences about the concept of crisis. Making different descriptions is due to the fact that the researchers interested in the subject are from different disciplines (Sütütemiz, Balaban and Okutan, 2009: 30). The following are different definitions of the crisis in terms of business.

The origin of the concept of crisis means "danger" in Greek. In Chinese, it emerges in terms of threat and opportunity (Tekin and Zerenler, 2005: 18). As stated above, it is known that different definitions have been made about the concept of crisis until today.

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In definitions from different disciplines, the medical and psychological sciences define the crisis as a marked deterioration or a turning point in the course of an illness or a personal development process (Ataman, 1992: 1). Political science, on the other hand, defines the crisis as the process in which the basic objectives of a decision unit are threatened (Ataman, 2001: 2). The concept of crisis in economics is used to describe the situation of economies that have difficulty maintaining themselves under the current conditions (Akyüz and Ertel, 1989: 20).

While one aspect of the crisis expresses a painful period that occurs suddenly due to an external variable, the other aspect is characterized as an opportunity for some sections or circles, a word with a dual meaning that emerges as an opportunity for restructuring. The two definitions of the concept complement each other. The political and economic crisis that occurs when the crisis arises means "collapse and crisis" for one segment, while it means an opportunity for other segments to emerge more strongly than before (Keskin, 2004: 7).

It is very difficult to define a generally accepted definition of the crisis in terms of business management. In business management literature, using different concepts such as anxiety, stress, disaster and panic instead of crisis has made it difficult to make a comprehensive



definition (Dinçer, 1998: 383). Kernisky (1997: 843) defined the concept of crisis as “big mismatch between an organization's expectations and its environment”.

Business crises are generally the crises that occur within the companies. Business crises refer to situations where there is a life-threatening surprise development in businesses and where the business cannot provide the necessary answer, the cost of which will be high (Dutton, 1986: 501).

The biggest feature that distinguishes the crisis from routine situations is the obligation to respond urgently. It is imperative to both respond and act quickly against the crisis. In this respect, crisis situation can be defined as “changes that require quick and urgent adaptation”. Since there is not much abundance of time to make situation analyzes, alternatives should be evaluated and decisions should be made in a short time (Akçe, 2005: 6-7).

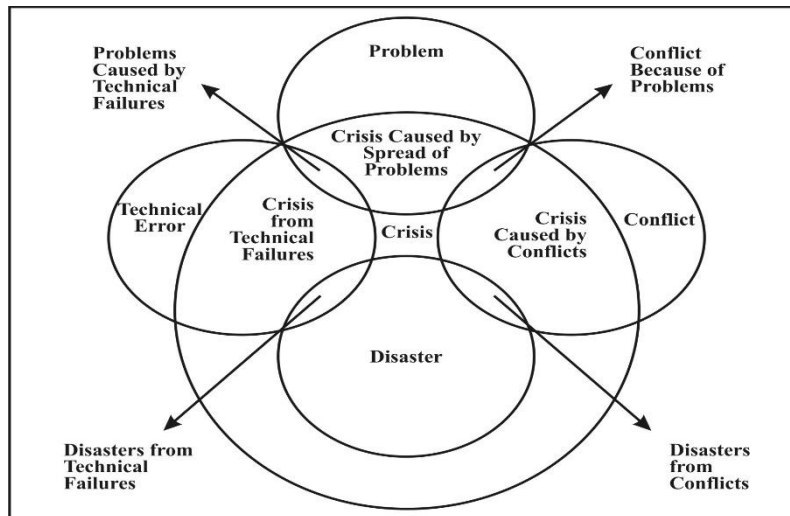
In another definition, the crisis involves limited time, threatening the values, goals and resources of the organization, leaving the entire organization alone with the danger of not being able to survive, creating tension among the members of the organization due to uncertainty and time pressure, and eliminating the necessary measures in time or minimizing their negative effects. It is expressed as an unplanned change process (Ataman, 2001: 231).

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The last definition in the literature on the crisis of the last “taken difficulty in understanding that cannot be detected in advance, the organization's priority goals and the survival of severely threatened and requires urgent measures to be solved, the organization of prevention and adaptation mechanisms are inadequate is a condition that creates pressure and stress on the staff of the organization (Genç and Demirdöğen, 1994: 126).

The changes and developments that have taken place must seriously threaten the vital state of the organization. It would not be right to call a crisis every conflict or adversity that does not endanger the life of the organization and does not upset the balance. Not every deviation from the stated objectives or any disruption in the development of the organization should be treated as a crisis.



**Figure 1.** The Relationship between the Crisis and the Crisis and Other Similar Concepts

**Source:** Ataman, 1992: 129

The concept of crisis is often confused with some concepts such as problem, conflict, technical failure and disaster. These concepts include only part of the word crisis or its causes.

- **Problem:** It is the difference between expected situations or consequences and realized situations or results. While the crisis threatened the existence of the organization; the problem only leads to a decrease in effectiveness and does not threaten the existence of the organization. However, problems occurring in the internal and external environment of the organization may present dangerous unrest from time to time. Therefore, one or more problems that need to be solved endanger the life of the organization (Genç and Demirdöğen, 1994: 191). Failure to solve these problems, which are the harbingers of a crisis, in a short time causes the organization to be exposed to the crisis.

- **Conflict:** Conflicts between two or more individuals or groups arising from various reasons such as the goal, desire, purpose or motives process are basically incompatible with each other. The main elements of the conflict include disagreement, opposition, incompatibility and inversion. In cases where these elements are essential, the parties will want to impose their own wishes or their own interests (Koçel, 2001: 534). Since organizations continue their activities as open systems, conflict inevitably confronts organizations in such systems.

- **Technical Failure:** Functional occurring in the technical equipment of the enterprise They are disorders. While technical malfunction causes disruptions in the functioning of the

organization, it does not make it impossible to realize its main goals. However, technical failures in case of not being noticed in time and necessary measures are not taken, crisis occurs (Tosun, 2002: 1).

- Disaster: Disasters are crisis that cannot be prevented. While the organization may have a chance to survive in times of crisis, the organization may not have a chance to survive in the event of disaster (Ataman, 2001: 232).

## 1.2. KEY FEATURES OF THE CRISIS

The crisis can be considered as a composite perception based on different dimensions of a subject. In particular, it contributes to perceiving a problem perceived as a threat as important, urgency and uncertainty as a whole problem (Duttun, 1986: 502). However, the degree of “crisis” of the current situation or the events faced can vary from person to person (Aktan and Şen, 2002: 1225). For this reason, the crisis exhibits certain features.

Haşit (1999: 9-10) listed his unique characteristics that distinguish crises from normal situations as follows:

- The crisis is unusual. Crisis situations may make it necessary to make significant changes to the extent that they can replace the entire management in the business and replace it with a new perspective. This situation causes the top management of the enterprise to be reluctant to the innovations that may require crisis management.
- Crises arise from many interconnected events that occur in different places and at different times. Each event creates and increases steps to another as a chain reaction.
- The crisis is a sensitive and critical situation; wrong practices can put the business at risk of extinction. In crisis situations, the time to diagnose and apply the problem is limited. The answer to the crisis should be effective, restrained, strong and fast.
- Crises disrupt the perception abilities of the organizations, and lead the organizations to do nothing or act improperly in the face of emerging problems.
- Crises are times of danger, but also times of opportunity. Organizations can benefit from crises if they realize the opportunities provided to them by crisis periods and struggle boldly and eagerly. Whether organizations can do this depends mostly on senior executives. Senior executives can successfully shape crisis periods that offer opportunities.

- While crises are unpredictable in some cases, most of them can be predicted. The top management of the business plays a major role in the unpredictability of the crises. They send direct and indirect signals to organizations before crises occur fully and show their effects. Business senior management, on the other hand, does not investigate some of these signals, does not take care of others sufficiently or completely ignores them, as a result of which they face a crisis situation.
- The four important characteristics at the core of crises lead to their qualification as a dangerous formation. These features are; uncertainty, complexity, conflict of interest and the possibility that the emotional approach will affect the decision to be made.
- The crisis is like a serious illness, and major and drastic measures are required to resolve it. Narrow and superficial measures are insufficient to solve the problem from the root.
- Crises threaten the general goals of organizations and the strategic goals they plan to achieve in the long run. Resolving the crisis during crisis periods and ensuring continuity emerges as a primary goal.
- There are differences in the time between the occurrence of crises and their effects. Some crises take a long time to appear, while others may appear suddenly. In general, the results of both are similar, but sudden crises are more dangerous for organizations.
- Any situation that causes stress on the organization should not be considered as a crisis. Because, in times when the environment is very variable, organizations may face negative situations such as many problems and pressures. The opinions and abilities of the organization may be sufficient to solve these pressures and troubles, which are simpler and ineffective. However, the most important feature that distinguishes the crisis periods from normal situations is that the opinions and abilities of the organization are insufficient in the face of developing problems and that new solutions come up as a necessity.
- Crises can jeopardize the positive image created by organizations in society, and bring enormous losses to the organization, managers, shareholders, lenders, tax payers and the government.
- Although there are some different features between crises, common features are found in the core, consequences and remedies of crises. The important issue here; to determine the crisis correctly and to produce the right solutions.



- Crises are critical and organizational situations that need to be tackled. It creates negative situations on organizations such as pressure, stress, insecurity, panic and confusion.
- In the decisions to be taken regarding the solution of the problems affecting the organization in times of crisis; it is seen that the personal feelings and interests of the groups (Shareholders, state, social security institutions, media etc.) that put pressure on the organization are effective. For this reason, the decisions taken in times of crisis differ from daily routine decisions.
- It does not mean that if crises are resolved, they will not reappear. A crisis can reappear at any time.

Tağraf and Arslan (2003: 150-151) listed the main features of the crisis as follows;

- The crisis situation is not generally predicted.
- The organization's forecasting and crisis prevention mechanisms remain inadequate.
- The crisis threatens the organization's purpose and existence.
- There is not enough information and time to overcome the crisis and to decide the paths to be followed.
- The crisis causes tension in decision makers.
- The crisis requires urgent intervention. Managers cannot respond to the crisis with the standard decision mechanisms they apply.
- The change that threatens the continuity of the organization seriously.

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Consequently, when looking at the crisis as a management problem, every problem that does not jeopardize the life and balance of the organization cannot be called a crisis. Crises exhibit features close to the concepts expressed in their definitions. In this respect, the factors that cause the crisis come to the fore. In this respect, as will be seen below, the causes of the crisis are of great importance as well as their characteristics.

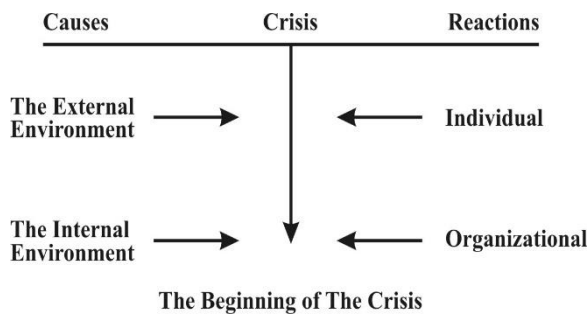
### 1.3. THE REASONS OF THE CRISIS

When we examine the causes of crises, rapid environmental changes, insufficient information resources of the organization, outdated information, unnecessary information, inadequate communication and coordination, unplanned and organizational conflicts can cause a crisis in organizations.



Crises occur suddenly or by sending signals before. Regardless of the form, the main reason that businesses face the crisis; the lag behind the ruthless conditions of competition and the mismatch between the organization and its environment. Factors that play a role in organizations facing the crisis can be evaluated in three groups. These are: external factors, internal factors, and finally the interaction of internal and external factors (Tüz, 2001: 4).

**Figure 2.** Leading Factors to Face the Crisis



**Source:** Tüz, 2001: 4

**1.3.1. External Environmental Factors**

The external environmental factors that caused the crisis are the factors that are out of the business and cannot be fully controlled. As an outcome of being an open system, the environment of the organization is dynamic and in constant change. As the environment becomes increasingly obscure and complex in the face of constant changes, it becomes impossible to anticipate the events and prepares the ground for the crisis in the enterprises. Non-business environmental factors that because crisis are macro factors that are outside the control of the business. The rapid change of environmental factors obliges businesses to adapt quickly to this change. Failure to adapt to change causes the severity of the crisis to increase (Öncül and at al, 2003: 100).

More specifically, as uncertainty and complexity increase, the probability of crisis increases. The dynamic nature of the crisis and the imperative to respond to it cause management to get caught up in the first crisis factor and fail to follow or stay behind other environmental developments that will cause the crisis. Thus, it also increases the probability of the crisis getting worse. However, it can be said that the dependence of the enterprise on the environment and the low or high control of the environment on the enterprise have an important share in the origin of the crisis. Environmental factors that will cause crises in all organizations can be listed as follows (Can, 1997: 298).

### 1.3.1.1. Natural Factors

Crises caused by natural factors such as fire, flood and earthquake are crises that cannot be controlled by the management and occur suddenly. Many unexpected disasters and many factors related to the natural environment (soil, water, climate) can bring businesses to crisis (Dinçer, 1998 :386).

The supply / demand status of the enterprise's products, market factors, the change of the country's economy in terms of monetary, financial and general business conditions, the growth and health of the economy, GDP and available personal income, major changes in demand and foreign competition are the economic factors that affect businesses closely. It covers the government's approach in matters such as legal structure, political intervention, financial support, foreign competition (Öncül and at al, 2003: 100).

As a result, the most important feature that distinguishes the crisis caused by natural disasters from other factors is that there are no symptoms of such disasters and therefore the early warning systems and prevention mechanisms of the organizations do not work very much. For this reason, it is a fact that the companies that are prepared for this situation can significantly reduce the losses.

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### 1.3.1.2. General Economic Uncertainties and Fluctuations

Financial instability has become the most prominent feature of the world economy in the past decade. The crises that occur at short intervals and follow each other often have permanent effects on the real economies of developing countries. Economic uncertainties and fluctuations significantly affect businesses and their activities. Starting in 1997, the South East Asian countries and then growing global crisis has also affected Russia crisis with Turkey (Dinçer, 1998: 386).

In subsequent years, Turkey experienced two consecutive crises in November 2000 and then in February 2001 before rising interest rates and the consequences thereof, failing banks, fixed the real economy and the financial system has locked a major blow to the Turkish economy (Uzay, 2001: 342). Negative developments resulting from economic instability do not affect every business equally. While these developments are a factor that creates a crisis for some businesses, there may be times of opportunity for others to have high profits.



### 1.3.1.3. Technological Developments and Innovations

Adapting to technological changes is a need for businesses that have to maintain and improve their existence. The new technologies developed today cause significant changes in consumer demands, making the use of new raw materials, the creation of new production processes, and the production of new goods and services mandatory. Today, adapting to technological changes is a need for businesses that have to survive and develop. However, while there is a rapid development in the technologies and methods used by organizations, if the organization cannot follow these developments in a timely manner, this situation will cause the organization to go to crisis (Tosun, 2002: 24).

The rate of technological changes, the adaptation process and the rate of dependence on technology will have a significant impact on the emergence of the crisis (Dinçer, 1998: 386). If the developing technology has revealed new products and fields of activity to replace the goods and services offered by the enterprise, the crisis will be inevitable for the organization. For example; The emergence of video-cd (vcd), vcd-player and widescreen plasma televisions, a product of developing technology, seriously threatens the lives of movie theaters and filmmaking enterprises. Likewise, as a result of the technological developments in the chemical industry, the emergence of new products that substitute substances such as soap and soap powder caused a crisis in enterprises that produce traditional cleaning agents (Yiğitoğlu, 2003: 18).

### 1.3.1.4. Legal and Political Regulations

The new decisions to be taken by the government in both economic and other fields and the provisions that bring new obligations to businesses present important opportunities to some of the enterprises, while others face the crisis. For governments to survive some businesses or branches of industry; It provides supports such as providing tax deductions, meeting education expenses, giving cheap loans and purchasing shares of businesses going to bankruptcy (Dinçer, 1998: 387).

It is possible for organizations to respond to legal changes immediately with democratic organizational models that allow flexible and initiative use. Now, businesses have to give up the idea of "what we produce and sell" (Pala, 1996: 38). As a matter of fact, the legal regulations made for the protection of the consumer brought some obligations to the organizations. These obligations are (Hatipoğlu, 1996: 53-54);

- Production of goods and services in accordance with the standards,
- Complying with specified warranties,
- Avoiding deceptive advertisements,
- Realization of after-sales services,
- There are identifying labels on the goods.

In addition, the state's legal regulations on wages and prices related to control, occupational safety, working conditions and environmental protection have an impact on the lives of organizations. Because changes in state policy can also lead to a crisis. As a result, both legal and political regulations affect the organizational and managerial activities of businesses positively or negatively. The crisis may arise if the organizations do not fulfill the requirements of new contracts that will be taken in legal, economic, social and political fields (Tosun, 2002: 24).

#### **1.3.1.5. Socio-Cultural Factors**

The factors that make up the socio-cultural environment such as the value judgments of the society, the composition of the population, the cultural level and the sense of fashion present some threats and opportunities to the organization. If these are not analyzed sufficiently, a crisis occurs. Cultures give a certain form to the rules, theories, processes, relationships, and therefore their structures, of the communities to which they belong. It is the technological, sociological, ideological, emotional and aesthetic elements that give meaning to culture that has material and spiritual aspects. Significant changes in these elements arise only as a result of uncommon situations such as war and times of confusion, and the value, expectation, and “radical changes” in lifestyle are among the factors that bring out the crisis (Tutar, 2000: 28).

In parallel with the changing value judgments of the society, the demands of the employees in the organization, such as improving working conditions, increasing the social activities within the organization and reducing the control, forced the structure of the organization to change. In addition, changing the value values of the society, decreasing the interest of the customers, social confusion and unrest may lead the businesses to the crisis (Dinçer, 1998: 387).

The change of the socio-cultural environment covers a longer process than the economic, technological, legal and political environments. In this respect, it will be easier for the

organization to prevent the crisis caused by socio-cultural factors by following the changes and taking the necessary measures.

### **1.3.2. Internal Environmental Factors**

The first factor that increases the effects of the crisis on the managerial and organizational structure of the enterprises is the internal factors. When managerial and organizational structure is mentioned, issues such as management and leadership styles of business managers, powers and responsibilities, subordinate relations, formal and informal communication within the organization, decision making, and centrality of management should be understood (Özdecioğlu, 2002: 95). If the organizational structure is established in a structure that is too rigid to adapt to environmental changes and the communication system is established in a structure that does not allow the people and groups closest to the problems to reach the top management quickly, the organization will be more likely to face the crisis. On the other hand, the probability of overcoming the crisis is reduced (Akçe, 2005: 20). Internal environmental factors that may cause a crisis are:

#### **1.3.2.1. Role of the Top Managers**

The importance of the manager's role in the success of the organizations is also the role of the manager in the crisis. Crisis management, on the other hand, covers the process of identifying and implementing the necessary actions for the detection of warning signals to prevent a possible crisis, the establishment of protection and prevention mechanisms, and the organization to eliminate the crisis completely or to survive with the least loss (Can, 1997: 317-318). In this process, the biggest responsibility belongs to the top managers.

If the manager's approach to today's problems in businesses is old-fashioned, the manager himself can be a source of crisis in the organization. The manager's inability to perceive the problem in front of him as a crisis or to ignore him is an attitude that can be observed in an inadequate manager (Tutar, 2000: 44). Indeed, no problem can be resolved by ignoring it.

As a result, if the organizational structure is too strict to adapt to environmental changes, if the communication system is in a structure that does not allow the people and groups closest to the problems to reach the top management quickly, the possibility of the organization to overcome the crisis decreases. In addition, the quality of management is an important reason for organizations to fall into crisis situations. The inexperience and inadequacy of top managers in monitoring environmental changes, collecting data, interpreting and evaluating

the change may cause the organization to experience a crisis (Sezgin, 2003: 188). In this respect, in order to be prepared for the crisis today, administrators should have a leading role that learns and makes learning more a group behavior.

### **1.3.2.2. Business Past and Experiences**

Organizations that fail to follow the change often cause a crisis by advocating and preserving old structures and processes. Managers have brought existing structures and processes to their positions within the organization. Therefore, the greatest resistance to change in having new skills comes from this segment. The decisions taken in such cases are political and emotional rather than economic and rational.

### **1.3.2.3. Life Phase of Businesses**

All social and biological systems experience and eliminate four different phases. These; birth, development, maturity and decline. Organizations have both opportunity and threat crises in their stages of birth, development and maturity; in the decline stage, they face only threat crises (Ataman, 2001: 242). Regardless of the field of activity of the institution, the most encountered crisis phase is the development phase. The desire to benefit from environmental opportunities and opportunities will reveal all kinds of resources (physical, financial, human) needs in organizations. If this cannot be met, the crisis is inevitable.

Maturity stage; It is a phase that requires businesses to follow developments closely and behave meticulously. In case the changes are not followed and various differences are not made according to consumer demands, there may be a crisis in the enterprise. The maturity stage requires the organization to examine the developments closely and meticulously. During the decline phase more fear and loss crises arise and often threaten the continuity of the business. While the adaptation forces of the enterprise in the development phase remain weak in the face of the new situation, especially the inadequate managers and the excess of other human powers can be counted as factors that aggravate the crisis (Ataman, 2001: 242).

### **1.3.2.4. Inadequate Communication and Information**

Often, the lack of awareness of threats related to negative developments around the organization leads to crises. This is the result of not communicating well, gathering information or inexperience. However, noticing the changes in time and not taking the necessary measures are related to the pressure of the top managers as well as the pressures

they face in this regard. Top managers' attempts to investigate or detect threat factors are often considered pessimistic. Another reason for the managers noticing the threats and not responding to these threats in a timely manner; It is the fear whether the situations threatening the business can be confused with their own insufficiency. Therefore, it is possible for talented managers who have high predictive and intuitive power to ignore the dangers and threats and take no precautions in this regard (Ataman, 2001: 27).

If the crisis is caught, the manager's ability and ability to access information becomes more important. The manager should use the knowledge and experience of the consultants in order to reach real and sound information, and obtain support services to be provided from outside as soon as possible (Türkel, 2001).

#### **1.3.2.5. Other Features of the Business**

Apart from these factors, computer malfunctions, incomplete or incorrect operator training, sexual harassment, wrong personnel selection, sabotage from the personnel, illegal business activities, deceptive advertisements, insufficient emergency plans and cost pressures that reduce security, and high rate of technological change in the area where the business operates, continuous production is required, coordination, control and communication are insufficient during the growth of organizations, the organization is not flexible enough to adapt to changing internal and external conditions, the degree of centralization of management is excessive enough to prevent employees from using their initiatives in making decisions and change the organizational culture. Factors such as have an important role in facing the crisis (Ataman, 2001: 243-244).

#### **1.3.3. Other Factors**

In addition to the basic external environmental factors described above, there are some other external environmental factors that can cause a crisis environment in enterprises (Yiğitoğlu, 2003: 20). These can be listed as follows:

- Strong Competition Conditions: Sustainability, growth and development of businesses are closely related to competition conditions. The entry of new competitors and / or the production of substitute goods in the area in which a business operates may endanger the market share of that business, causing a crisis. The fact that businesses try to increase their market shares by differentiating the products of big and strong competitors and by using the advantages of technological innovations (Dinçer, 1998: 387), or watching only the changes





that occur in the current competitors and the sector in which they operate (Özdevecioğlu, 2002: 95), are also important factors that may put the businesses in crisis.

- Difficulties Encountered in Providing Resources: Businesses facing various problems related to resources such as difficulties in raw material supply used by enterprises, increases in raw material costs and inadequate energy resources may be exposed to crisis.

- Changes Occurring in International Environmental Conditions: Multinational companies may be exposed to crisis due to uncertainties in the conditions abroad, economic and political risks in the countries where they operate, terrorism and war. For example; Due to the increase in oil prices in 1973 and the 1990 Gulf Crisis businesses operating in Turkey has been facing crisis (Tüz, 2001: 26-27).

#### **1.3.4. Interactions of Internal and External Environmental Factors**

The interaction of internal and external environmental factors plays an important role in the crisis and severity of the enterprises. This interaction can be handled in 3 ways (Yiğitoğlu, 2003: 27).

##### **a- Dependency Degree Between Organization and Environment**

Businesses have two types of systems; open systems and closed systems. Having an open system, the enterprise is more sensitive to environmental changes since its environmental interaction is high. However, when the system is closed, the sensitivity of the enterprise to environmental changes will decrease. Increasing and decreasing sensitivity will be determinative in crisis situations caused by environmental changes.

##### **b- Positive or Negative Perception of the Crisis Status**

Each crisis can be seen as an opportunity in achieving goals, setting new goals or restructuring, or it can be seen as an obstacle or a threat that consumes its resources. It is the mission of the manager to turn the threat into an opportunity (Tutar, 2000: 48). The first thing that can be done in this regard is; to develop permanent mechanisms in crisis management.

##### **c- Organizational Sensitivity to Changes**

The fact that the organization shows high sensitivity to the changes indicates that the probability of getting a crisis increases, while the sensitivity rate is low, the probability is low.

Accordingly, given the three dimensions mentioned above; It is possible to make some generalizations about the severity of the crisis and how the organization should respond effectively to the crisis (Dinçer, 1998: 390).

- If the harmony between the aims and needs of the organization and the conditions provided by the external environment for the enterprise is high, the risk of the organization facing the crisis will decrease.
- If the organization's control over the external environment is insufficient and its sensitivity is low, the need for harmony between the organization and the environment will decrease.
- As the severity of the crisis increases, the possibility of the organization to respond to the crisis will become uncertain.
- In order to be successful in combating the crisis, the flexibility of the organization and the integrity in decision-making have to be maintained.

#### **1.4. FORMATION STAGES OF THE CRISIS PROCESS**

Crises in businesses occur after going through some identifiable stages. For many businesses, severe crisis situations do not develop in one day or one evening, but occur within identifiable stages. Each of the stages that make up the crisis process has its own symptoms. While businesses that can detect these symptoms in a timely manner have the chance to prevent the crisis in a short time, if the impending crisis signals are received, interpreted, evaluated and necessary measures are not taken, they are entered into the crisis period. The emergence of the strategic openness and the crisis manifestation process can be divided into five main stages (Dinçer, 1998: 393-397).

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##### **1.4.1. Failure to notice internal and external changes (blindness)**

The first stage of the crisis process is organizational blinding or hidden crisis stage. This phase starts with the organization not being aware of the changes and developments occurring in its external environment or its inadequacy in diagnosis and identification. There are no concrete signs of not being aware of changes and developments. However, some problems pointing to the crisis begin to appear. These problems are as follows;

The first stage of the crisis process is organizational blinding or hidden crisis stage. This phase starts with the organization not being aware of the changes and developments occurring in its external environment or its inadequacy in diagnosis and identification. There are no

concrete signs of not being aware of changes and developments. However, some problems pointing to the crisis begin to appear. These problems are as follows;

- Excessive staff,
- Insufficient staff to be tolerated,
- Non innovative management approach,
- Displacement of the principle with the shape,
- Loss of effective communication,
- Loss of the organizational structure,
- Imbalances in personnel forces and powers,
- Decreases in the number of clearly defined goals.

The effects of the negative results in the first stage of the crisis process are not yet seen in the financial reports of the enterprise. The main reason for this is; The fact that there are not enough resources in the organization and the negative effects do not affect the sales and production yet. The negativities that arise at this stage of the crisis are mostly the changes in the expectations of the society, consumer attitudes towards the goods and services of the enterprise or technology as a result of the failure of the business to recognize the environment. At this stage, horizontal and vertical communication within the organization is also disrupted. Impaired communication between functional areas leads to observable errors, organizational delay, or coordination impairment. Business executives have the chance to prevent the crisis to the extent that they understand these negative developments in a timely manner and take measures on the spot, otherwise the business will go to the second stage of the crisis process (Haşit, 1999: 59).

#### **1.4.2. Inaction (Inertia) and Crisis Declination**

When the crisis arises, although changes should be made in the type and nature of the activities underway, management's routine behavior in organizational and managerial activities can be seen as inactivity. Because sustaining previous behaviors means nothing in terms of the new situation. Organizations carry out such inactivity with "wait and see" policies. There are three important reasons for this (Akçe, 2005: 43);

- Managers are reluctant to change, with the concern that each change requires additional effort, skill, cost, and disrupts balance.
- The "wait and see" policy looks attractive with the thought that the danger and opportunity that may arise may be temporary
- Managers' tendency to stick to current activities due to past successes with current policies and practices.

As a result, as the effects of the crisis increase and become visible in the enterprise, the crisis starts to be denied by the senior management of the enterprise. The view is that managers do not need to accept the existence of the crisis or at least take a precaution. Although the managers believe that they are on the right path with these behaviors, their strategies are wrong. Refusing the crisis stems from management's desire to protect itself from accusations. Managers think that only they will be blamed and lose their jobs upon the understanding that the precautions they have taken are wrong, therefore they refute their crisis (Haşit, 1999: 52-53). However, as time goes on, the enterprise starts to struggle and fall into tension due to changes in the environment. These difficulties gradually become measurable, such as increased costs, insufficient resources, and reduced realization of objectives.

#### **1.4.3. Incorrect Measure Phase (Organization's Partitioning Phase)**

In the third phase of the crisis process, business management now sees that there is a crisis, but uncertainties in the interpretation of environmental changes and interpretation of internal problems make it difficult to reach a common view on the direction and extent of behavior that management must do. At this stage, enterprises lack capital; decrease in market share and profitability, gradual decrease of qualified personnel; intra-organizational decision groups tend to shrink due to increased centralization and the need for confidentiality; In parallel with the tension and stress experienced, it may encounter serious problems such as making wrong decisions and not taking care of the complaints and warnings from the lower levels (Akçe, 2005: 43-44).

#### **1.4.4. Crisis Stage**

If the business fails to provide the developments that will prevent the crisis in the first three stages and cannot adapt to the changes, it faces a crisis situation. Physical, financial and psychological problems felt by the business and its environment come to the extreme and



increase the complexity and tension. Usually planning is seen as unnecessary and daily activities become important and creativity is avoided. The tension in the enterprise spreads to the lower levels. The severity of the crisis decreases in this period; but it does not end. With a successful crisis management, this stage can be shortened and the crisis can be ended. Enterprises that have come to the crisis stage should undergo a comprehensive reorganization and make revolutionary changes in their personnel, structure, process, goals and strategies; They should review the current values, goals and assumptions of the business (Tüz, 2001: 18).

#### **1.4.5. Disintegration Stage (Collapse Stage of the Organization)**

This stage is the last chance for the company to survive the crisis it has faced. Managers should choose the appropriate strategy, establish their goals and initiate change. If the problems from the initial stage to the crisis situation become unsolvable at every stage, these problems will grow and deepen. If appropriate answers are not given to the crisis, the collapse becomes inevitable for the enterprise (Tüz, 2001: 19).

At this stage, the relationship of the enterprise with its environment deteriorates, consumer complaints increase, credit resources are limited, capital decreases, market share decreases, skilled and experienced personnel leave the business. In addition to these serious and concrete problems; Conflict within the business becomes too complicated to be resolved easily. Although the top executives in the enterprise have been changed, the scarcity of internal resources and the inexperience of newly recruited managers further increase the failure. The biggest success of the enterprises that come to this stage of the crisis process is to be able to realize their liquidation effectively (Haşit, 1999: 57-58).

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### **1.5. POSITIVE AND NEGATIVE RESULTS OF THE CRISIS**

Whether the crisis is perceived as positive or negative, it refers to an unplanned change in the organization. Unexpected changes in the internal and external environment force the business to go beyond the existing methods and experiences.

The crisis process may have negative consequences for businesses and employees, as well as positive consequences:

#### **1.5.1. Positive Results of the Crisis Process**

As we mentioned at the beginning, the crisis consists of two words in Chinese: Wei-Ji. “Wei” means danger, and “ji” means opportunity (Tekin and Zerenler, 2005:3). Despite all the

problems encountered during and after the crisis, if a successful crisis management is carried out, many positive results of the crisis can be mentioned. So, dangers can be turned into opportunities.

a- Emergence of organizational weaknesses

Organizations often do not try to review their activities when everything is in order. Instead of going over the noticed problems, they get used to these problems over time. At the same time, organizations are constantly changing as they are a whole consisting of many sub-systems operating in a specific environment. These changes are both the cause and the result of rapidly developing information and technology. Rapid change undermines the existing organizational structure and this becomes more evident in times of crisis (Gümüş, 1999: 169). In this case, the crisis reveals such problems and weaknesses.

b- Change of Traditional Management Tools

The elimination of the crisis largely depends on the early detection of the threatening situation for the organization and the identification of real causes rather than symptoms. However, traditional management tools are not sufficient in carrying out these activities.

Traditional management tools will not be sufficient for the organization to eliminate the crisis in many cases with the real causes of the crisis. In this respect, the crisis can change the traditional management tools and reduce the possibility of encountering a new crisis, as well as help minimize the effects of the crisis.

c- Discovering Team Spirit and New Talents

The common effort to create team spirit within the organization and to develop new talents also has positive results during times of crisis. With the realization of a healthy crisis management, the employees of the organization, especially middle and lower level managers, undertake extraordinary duties in the event of a crisis, enabling them to progress professionally and also benefit from the new capabilities of the organization. In addition, the employees of the organization should be allowed to make many ideas regardless of their logic or validity, managers should not tell anyone that they do not like their opinions, and everyone should be free to express their opinions unless they affect the business negatively.

#### d- New Effective Strategies

Emergence of organizational problems and weaknesses, an early warning system is established, and threats and opportunities in the external environment are noticed in a timely manner, thereby enabling effective strategies to be developed. In this way, it will be easier for the organization to survive, grow and develop (Şıklaroğlu, 1997: 22).

### 1.5.2. Negative Results of the Crisis

Organizations may encounter a number of negative consequences when exposed to the crisis. The negative consequences of the crisis can be listed as follows:

#### a- obligatory situation to quick decision making

Organizations are unable to gather sufficient information due to their urgent decision-making requirements during times of crisis. For an appropriate decision; enough time is needed to gather enough information, analyze it, identify alternatives and choose appropriate strategies. Urgent decisions require rapid information flow, inter-departmental relations, horizontal and cross-communication. However, this need is mostly not met within the traditional organizational structure. Therefore, negative results can be encountered by making decisions with missing information or wrong and conflicting data. The need for rapid information flow and multi-directional communication renders the existing organizational structure inadequate, causing deterioration in the quality of informal relations between individuals and groups, and distrust and dispute, thus preventing the necessary cooperation for the information flow.

#### b- Centralization Tendency in Decisions

In times of crisis, business management is in a more centralized practice, both in its decisions and in providing control. Since a failure that may arise in the prevention of crises can endanger the continuity of the business, the top managers of the business want to collect all the decisions in order to avoid failure. In the crisis environment, participation in the decision process is decreasing, and those who have gained the trust of the top management and those who are at the highest level participate in the decisions. In this way, they believe that they can make decisions more quickly and effectively by centralizing decision making. This limits the emergence of new ideas within the enterprise, leading to weaker decisions (Dinçer, 1998: 398).

### c- Fear and Unrest Tendency on Business Personnel

The existence of a time pressure and struggle with limited resources in the organizations' responses to the crisis creates a great tension and unrest on the business management and personnel. Organizations' increasing strict and limiting attitudes and controls in crises can create negative effects on employees such as excitement, anxiety, fear, threat, dissatisfaction, frustration and anger. The employees of the organization, who are prevented from participating in the decisions and kept under control, are starting to experience more fear and panic with the uncertainty of their situation. While a small part of the operating staff is involved in the decision process during times of crisis, a gap exists among other employees who are forced to implement the decisions under strict control (Dinçer, 1998: 398). As a result, conflicts within the organization increase and employees move away from the organizational goals.

On the other hand, crises can also lead to increased division or loyalty on groups within the organization. While the division is more intense in crises originating from the internal environment of the organization, organizational commitment increases in crises originating from the external environment (Haşit, 1999: 60).

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### d- Weakening of Mental Processes and Deterioration of Decisions

In times of crisis, big mistakes can be made in processes such as decision making, analysis and estimation (account errors, not emphasizing creative opinions, not considering other factors by focusing on a particular subject, etc.). Severe crises in particular prevent managers from making the right decisions. The fact that business executives turn to the solutions that everyone will accept in order to distribute responsibility for the failures they may encounter in responding to the crisis and to decrease the conflicts within the organization causes the quality of the decisions taken.

## 2. CRISIS MANAGEMENT AND EARLY WARNING SYSTEMS

### 2.1. Crisis Management Definition Objectives and Features

#### 2.1.1. Definition of Crisis Management

There have been significant increases in the number of crises that have occurred in recent years and the amount of losses caused by these crises. The great damage of the crisis on organizations and societies also increases the importance of this issue. Especially after the





Asian Crisis, which started in Thailand and became regional in a few months and the effects of which were felt all over the world, the studies on the crisis were emphasized. Increasing frequency and intensity of crises in industrializing countries after 1990s; It has given priority to issues related to the crisis, such as the causes of the crises and the factors leading to their spread (Başoğlu, 2019).

It is very difficult to define a standard definition for crisis management. Crisis management refers to the sum of many pre-planned factors to combat the crisis and tries to reduce the damage that the crisis can cause. In other words; Crisis management is exploring ways to reduce or prevent the negative consequences of the crisis (Akçe, 2005: 44). However, crisis management is considered as a process in which the manager encounters a cost that can control his own objectives in possible danger situations (Dinçer, 1998: 285).

Crisis management is the process of taking and implementing the necessary measures to take the crisis signals in response to the possible crisis situation and to evaluate the organization's crisis situation with the least loss. The main purpose of crisis management is to prepare the organization for the crisis situationbv (Öncer, 2000:44).

Generally, crisis management is the process of determining and implementing the necessary actions to detect warning signals, to establish protection and prevention mechanisms, and to eliminate the crisis completely or with the least loss in order to prevent a possible crisis (Kutlu and Safran, 2004: 52).

It is possible to come across different definitions related to crisis management. A writer interested in the subject, discusses crisis management; It is defined as determining the warning signals, preparing and protecting against a possible crisis, and determining and implementing the necessary measures in case of a real crisis (Can, 1997: 271).

There are different definitions in the literature regarding Crisis Management. Some of these definitions are (Haşit, 1999: 59-60);

- Crisis management defines a manager's process of trying to meet his goals at an acceptable cost in the event of possible danger.
- Defines crisis management as taking the situation under control by eliminating risk and uncertainty.

- Crisis management is a series of interconnected assessments and audits carried out by the enterprise in order to prevent crises that may pose serious hazards to the basic product, service, production process, personnel, environment and society.
- Crisis management is a process that includes a series of activities such as predicting, preventing, preparing, determining its characteristics, planning, rescheduling and implementing mechanisms of recovery.
- Crisis management is the whole of activities carried out to understand and deal with crises.

Generally, crisis management is the process of taking and implementing necessary measures to take the crisis signals, to evaluate and to overcome the crisis situation with the least loss, in response to the possible crisis situation. The main purpose of crisis management is to prepare the organization for the crisis situation (Akat, 1994: 343).

Some unexpected events or series of events that prevent the enterprise from achieving its primary goals, with a high level of uncertainty and are called organizational crisis. It is a difficult situation that requires a lot of effort to try to manage these events, which affect the business with increasing frequency and dimension, and to define the crisis process and resources with a successful program, namely “crisis management” (Akçe, 2005: 44).

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### **2.1.2. Aims of Crisis Management**

As is known, the crisis is a state of tension that is unexpected, unpredictable, needs to be answered quickly, which threatens the existing values, functioning procedures and objectives by making the prevention and adaptation mechanisms of the organization inadequate (Dinçer, 1998: 270). Based on this situation, the objectives of crisis management can be listed as follows (Özgen and Türk, 1998: 20).

- Providing information to managers about the variety of crisis types that may affect the decision maker and the phase of the crisis.
- To give managers the ability to recognize and evaluate the crisis
- To provide managers with various techniques in developing crisis avoidance plans,
- To provide the managers with the skills necessary to manage the crisis in the best possible way.



On the other hand, crisis management has certain principles. It is possible to list these principles as follows (Çelik, 1995: 81):

- Crisis management is a planning event.
- Crisis management is about strategic management.
- Crisis management is related to marketing and public relations.
- Crisis management may include risk management.
- Crisis management requires both employing crisis specialists in the enterprise and obtaining information from relevant institutions or institutes.
- Crisis management may include educational programs.
- Crisis management may require effective communication and coordination.

Consequently, crisis management is the process of taking and implementing the necessary measures to get the crisis signals, to evaluate and to survive the crisis situation with the least loss, in case of possible crisis situation. The main purpose of crisis management is to prepare the organization for crisis situations. To put it more precisely, the main purpose of crisis management is to create organizations that can anticipate crises, differentiate their types, take some precautions against the crisis, learn new things from them in many areas and gather themselves quickly (Pearson and Mitroff, 1993: 49).

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### **2.1.3. Features of Crisis Management**

Crisis management assists managers in eliminating or preventing certain types of crises of various types. The characteristics that can be deduced from the definitions and objectives related to crisis management are as follows (Akçe, 2005:45-46):

- Crisis management is a process consisting of multiple stages: Crisis management is a process that includes determining and implementing the necessary measures to prevent a possible crisis or to eliminate an existing crisis situation.
- The main purpose of crisis management; to prepare the organization for the crisis situation: When the crisis is predicted, necessary measures can be taken and plans can be prepared to prevent possible situations. The preparation of these plans increases employees' self-confidence in dealing with problems. However, the time pressure associated with answering is



reduced. Thanks to an effective crisis management, organizations can anticipate the crisis and take the necessary measures.

- Crisis management ensures that an existing crisis situation is overcome with minimal damage: Taking control of the crisis quickly with an effective crisis management; while ensuring that the organization is stabilized, losses are limited before they become large.

- The principles of crisis management are similar to those of strategic management: It includes the activities of analyzing the external environment in accordance with the determined objectives, determining the resources and capabilities of the organization, choosing the appropriate strategies, establishing the necessary structure for their implementation and checking whether the strategies are achieving the objectives.

- Crisis management imposes additional costs to the organization: As crisis management requires separate expertise, it brings additional costs to the organization.

- Crisis management is about situations that can threaten the existence of the organization and eventually lead to its disappearance: the crisis, its current objectives, values, etc. threatening such factors, it puts the whole organization at risk of failing to survive. Crisis management can overcome this by preparing countermeasures.

- Crisis management is directed towards systematic thinking: Managing the crisis depends on recognizing the system. The ability to evaluate the organization, technology, people and habits, corporate culture and managerial behaviors as a whole form the basis of crisis management.

- Crisis management is a continuous process with no beginning or end: Plans prepared for predictable crises need to be constantly tested and reviewed over and over again.

- The reward for success in crisis management can be huge: When the crisis is successfully managed, managers' confidence and morale increases.

On the other hand, Haşit (1999: 65) listed some of its characteristics different from the classical management approach in crisis management as follows;

- The main purpose of crisis management is to create businesses that can anticipate crises, differentiate their types, take some measures against them, learn new things from them in many areas and recover in the fastest way.

- The perception structures of decision makers have an important place in crisis management. Success in preventing crises can vary depending on how managers perceive crises. When crises are perceived as threatening by managers, the chances of success in preventing them can increase.
- Crisis management is a continuous process; it has no beginning and no end. Plans prepared for the predictable crises need to be constantly tried and reviewed over and over again.
- Crisis management is shaped in accordance with the types of crises. Each type of crisis has its own signs and solutions. The strategy used to prevent a different crisis may not be successful in a new crisis.
- When success in crisis management is achieved, managers will seek confidence in themselves and their morale will increase. In addition to not losing their duties, these managers have successfully passed an important stage in their careers.
- Crisis management is an important, necessary, difficult and complex process. Crises can take a long time to resolve. Resolving the crisis requires being flexible, creative, objective, courageous, fond of group work, ready for action, open to innovation, and ready for the unknown or undesirable in unexpected situations. Preventing crises can also entail important sacrifices.
- Factors such as communication regulation, control, cost, culture, contingency planning, complexity and interconnectedness of systems are important in crisis management. These factors constitute the crisis recipe of the enterprise as a whole and are of great importance in guiding the crisis in line with organizational values and beliefs.

In addition to the items listed above, it is necessary to re-establish the organizational goals that have become meaningless in the face of new developments, to obtain the required information effectively and to go through the decision-making process very quickly (Çelik, 1995: 83).

The harmonious operation of the system during the crisis depends on the sensitivity and skill of the manager in this regard. The need for coordination intensifies even more during a crisis. For this reason, the demand for information increases and, when necessary, the system tries to meet the coordination needs of the management by making changes. In particular, the

struggles that arise due to other reasons are delayed for a while and all kinds of negativities that will prevent coordination are tried to be eliminated (Türkel, 2001).

## 2.2. Stages of the Crisis Management Process

Crisis management is the process of taking and implementing the necessary measures to take the crisis signals against the possible crisis situation, to evaluate them and to overcome the organization with the least loss. The crisis management process, the main purpose of which is to prepare the organization for the crisis situation, can be addressed in five stages.

- Detection of crisis related signals
- Crisis preparation and prevention
- Limiting the damage caused by the crisis
- Healing (return to normal)
- Learning and assessment

### 2.2.1. Reception of Crisis-Related Signals

Before crisis situations emerge with all its severity, it sends some signals to businesses. These signals are very important as they reflect information about the presence of the coming crisis. In order to catch crisis signals, various early warning systems that can receive different signals need to be installed and operated. This stage of the crisis management process covers the work on the establishment of these systems. They send some signals to businesses before crisis situations emerge with all their severity. Some of these signals come from within the business and some from outside the business. Although these signals coming from inside and outside the company show different characteristics in terms of their qualities, they show similar characteristics in terms of the results they produce. These signals reflect information about the presence of the coming crisis; therefore, they are very important. These signals cause the crisis to become widespread and the vital activities of the business to be interrupted in businesses that do not have a crisis management plan and do not constantly analyze internal and external environment (Haşit, 1999: 73).

It is possible to list some of these warning signals as follows (Türk, 1995: 39):

- Incorrect applications in the service sector that control the country's cash money,



- Significant increases in per capita savings,
- Increasing sanctions of foreign investments on the national economy,
- Securing the economic actions of the private sector that result negatively, by the government,
- The economic situation has deteriorated due to the shrinking of the market and excessive interest rates.
- Significant problems in the sales and / or financial situation of the business
- Starting to experience very serious problems around the external and internal organization,

Crisis-prepared organizations obtain warning signals about potential crises by regularly monitoring their operations and management structures and creating checkpoints related to the crisis, especially by training their managers and managers to see the signals of a developing crisis (Sucu, 1992: 492)

As a result, all crises, with a few exceptions, send warning signals in advance. Here, a difficulty is experienced, even in the best cases, all businesses are bombarded with all kinds of signals. It is difficult to learn to distinguish signals that indicate a crisis that may appear from unnecessary interference (Baraz, 1998: 20).

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### 2.2.2. Crisis Preparing and Prevention

It is the second part of the crisis management process. At this stage, under the light of the information determined by the early warning system, efforts are made to establish prevention and protection mechanisms (crisis controls, emergency planning, employee training, security policies, maintenance procedures, etc.) to be used in the crisis (Akçe, 2005: 48). Includes activities to protect the organization's units, departments, or the environment from the effects of the damage caused by the deterioration, in order to prevent damage caused by the crisis. The ability of the manager to manage the crisis is closely related to the measures to be taken against the symptoms of the crisis and the degree of hitting in his predictions (Tutar, 2000: 91).

The crisis management team should focus more on some issues (Patan, 2009: 45);

- To give business managers the ability to recognize crises and take appropriate measures,
- To give managers the ability to manage the crisis in the most optimal way,



- To provide managers with technical skills in developing plans so that businesses do not go into crisis,
- To inform managers about the phase of the crisis in case of a crisis.

Crisis preparation and protection; in a way, to avoid potential crisis situations. In order to avoid the crisis, it is necessary to constantly monitor and analyze the external environment. Analysis of the external environment; it requires an investigation into whether the organization's resources meet environmental requirements. To do this, first of all, it is necessary to determine the state of the organization's resources against the factors affecting the organization from the outside by making an internal analysis. One of the most effective ways to avoid the crisis is to ensure the organization's compliance with stable balance policies and environmental conditions. This can only be achieved by organizing as an open system with an organizational structure that facilitates the necessary input-output flow (Tutar, 2000: 92).

As a result, the establishment of early warning systems is not sufficient in itself to determine warning signals and prevent the occurrence of the crisis. These signals need to be evaluated as well as determined by monitoring them. The evaluation of warning signals depends on the establishment of the organization's necessary preparation and protection mechanisms. However, these mechanisms will not function properly if early warning signals are not systematically monitored. In this regard, preventing the crisis requires the common functioning of early warning systems and prevention and protection mechanisms (Ataman, 2001: 46-47).

### **2.2.3. Limitation of the Damage Caused by the Crisis**

In the first two stages of crisis management, the crisis occurs with all its severity as a result of neglecting the activities or not performing them properly. At this stage, instead of a possible crisis, a real crisis is mentioned. Crisis management focuses on efforts to eliminate the crisis or minimize losses by taking the necessary measures (Can, 1997: 338). Crisis signals captured by the enterprise through early warning systems activate crisis prevention and preparedness mechanisms. The purpose of limiting the damage; to prevent the effects of the crisis from reaching larger levels (Akçe, 2005: 48-49).

It will be beneficial for business managers in crisis to apply the following approaches to control the crisis (Can, 1997: 339).



- Most importantly, self-confidence should be felt and belief in overcoming the crisis should be strengthened
- Alternative action plans for possible development or difficulties should be developed.
- Organizational structure and production processes should be reorganized through a comprehensive study.
- The image of the organization should be strengthened.
- Employee communication should be given importance and they should be informed about developments.
- Cooperation and morale management should be given importance in team work.

As a result of the activities that should be carried out in the first two stages of crisis management are not considered important or are not carried out in an appropriate way, the crisis occurs with all its severity. In some cases, although early warning, prevention and preparedness mechanisms work effectively, it may not be possible to get rid of crisis situations. At this stage, the existence of a real crisis is mentioned instead of a possible crisis. This time, crisis management focuses on efforts to eliminate the crisis or to minimize losses and losses by taking the necessary measures (Ataman, 2001: 48).

As a result, businesses trigger crisis signals, crisis prevention and preparedness mechanisms that they capture with the early warning system. In some cases, even if the early warning, prevention and preparation mechanisms work effectively, it is not possible to get rid of some crisis situations. Therefore, the aim of limiting the damage prevents the effects of the crisis to reach larger levels (Demirtaş, 2000: 363-364).

#### **2.2.4. Recovery (Return to Normal Status)**

After the crisis is brought under control and overcome, the organization must be brought to balance. The ties between the organization's subsystems may have weakened and the organizational order may have been disturbed during the crisis. Accordingly, the organizational structure should be arranged in accordance with the changing environmental conditions. Factors that prevent efficient work should be eliminated in order to eliminate negative effects such as fear, insecurity, exhaustion, overreaction and increased self-defense and return to the normal state of the organization, and the goals of the organization should be determined again and higher than before (Akçe, 2005: 49). The company is expected to return

to its normal activities before the crisis as soon as possible by limiting the damage caused by the crisis and overcoming the crisis. There are significant disruptions in the organizational system during times of crisis. All necessary work to correct these distortions is carried out at this stage of the crisis management process (Demirtaş, 2000: 364).

In order to eliminate the negativities caused by the crisis in the organization after the crisis and to follow a new development process in the organization, the following activities should be carried out (Tosun, 2002: 99-100):

- Training plans for training requirements are reviewed, covering all staff, and a systematic training process is initiated.
- Development program is made for leaders.
- Working environment is improved, benchmarking is done between departments.
- Successful staff are rewarded for their performance.
- Multidimensional evaluations are made in the meetings regarding the crisis process.
- Crisis resolution teams are transformed into organization development groups and their training is continued.
- It is ensured that skills at the level of employees are developed and given the opportunity to use these skills.
- Vision and mission statements are prepared for the long-term efficiency and effectiveness program.

As a result, the organization should be brought to a stable state after the crisis is controlled and overcome. During the crisis, the links between the organization's subsystems may have weakened, organizational climate and order may have been disrupted. The organization should be restructured and efforts should be made to adapt to changing environmental conditions and to eliminate the negative effects created by the crisis (Can, 1997: 340).

### **2.2.5. Learning and Evaluation**

After the crisis is overcome and the negative effects on the organization are removed, the learning and evaluation phase is reached. In this last phase of the crisis management process, the activities carried out so far are evaluated and future lessons are learned. In the model created according to this situation, the first stage starts with research and the later stages

proceed clockwise. The functioning of the model may change according to the sensitivity of the businesses to crisis management. Businesses that show high sensitivity to crisis management; they are starting the research and preparation activities related to the crisis long before the crisis by taking place on the left side of the model. Businesses that show low sensitivity to crisis management; They are located on the right side of the model and initiate the work on the crisis after the crisis occurs (Akçe, 2005:49).

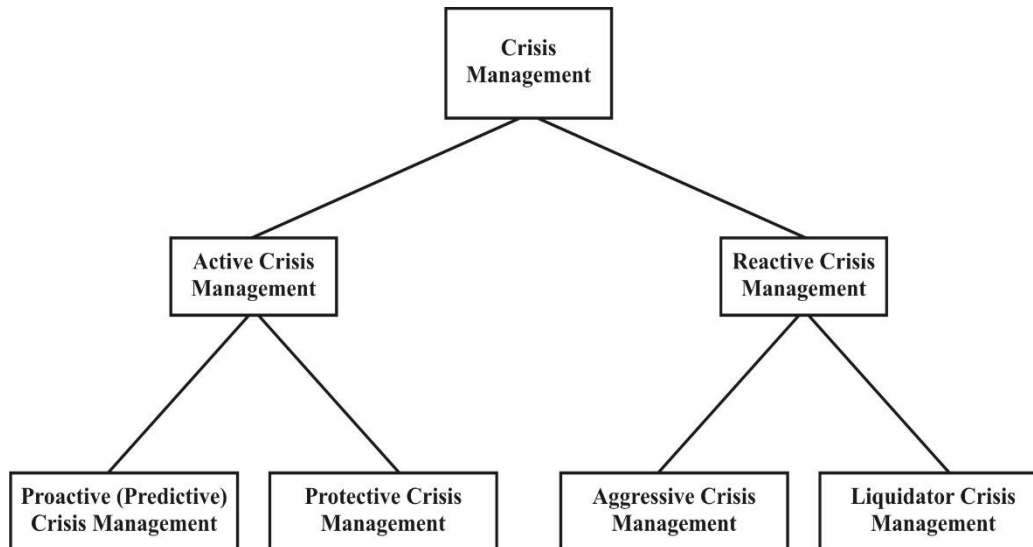
Within the scope of crisis-based learning and evaluation, the idea that the crisis has never been completely overcome or will not be in question should not be reached and precautions should not be left against possible developments (Tosun, 2002: 75).

The aim of learning and evaluation, which constitutes the last stage of the crisis management process, is to evaluate the decisions and measures taken during the crisis periods and to combat the future crises better. It is possible to name the studies at this stage as error-free learning efforts. Even if crises cause some damage to the organization, they can be given significant experience to senior management when they can be evaluated well, and ultimately, they can be turned into a utility crisis (Şimşek and Çelik, 2010: 333). Crisis management is a rather complicated process. In order for the organization to overcome the crisis with the least loss, it would be beneficial for the management to remain calm during the crisis periods, to prepare plans for crisis situations even if the crisis situation did not arise, to deal directly with the essence of the crisis rather than to deal with the details, to work disciplined and courageously (Can, 1997:340).

### 2.3. Types of Crisis Management

Crisis management, size of enterprises, causes of crisis, types of crisis, frequency of experiences (experiences) of companies, crisis preparation levels of enterprises, areas in which they are prepared for crisis, qualifications of business managers (experience, education level, gender, age), qualities of parties to crisis and behavior depending on their shape, they will have different appearances and will be realized in different ways (Sucu, 2000: 49). Businesses apply these two different types of crisis management in times of crisis. These types of management are active crisis management and reactive crisis management.

#### Figure 3: Types of Crisis Management



**Source:** Ataman, 2001: 300

### 2.3.1. Active Crisis Management

Active crisis management can be summarized as considering alternative possibilities of exit points and sharing them to each level by always considering this possibility before the crisis occurs. Thanks to the precautions taken, companies that adapt their production and marketing activities to new conditions arising from the crisis may succeed in getting out of the crisis when their competitors are in panic. Active crisis management can also be divided into two, namely Predictive Crisis Management and Protective Crisis Management. While Predictive Crisis Management is gaining importance in the potential crisis phase, protective crisis management is aimed at the hidden crisis phase and serves to take protective measures by recognizing these crises early (Ataman, 2001: 258).

It has an aggressive character and is carried out for the stages of the potential crisis (the emergence of the strategic openness) and the hidden crisis (the notion of the strategic openness), in which the crisis has not yet been manifested. Active crisis management is among themselves; It can be divided into two as predictive and protective crisis management. Predictive crisis management; While the crisis is gaining importance in the crisis phase, the protective crisis management is for the hidden crisis phase and serves to take protective measures by recognizing these crises early (Yücel, 2010: 2171).

### 2.3.2. Reactive Crisis Management

Reactive Crisis management, which exists in the general management style of the companies and is evident in the crisis situation, "What should we do now?" It is a type of approach that urgently seeks the answer to the question. Organizations that adopt this approach form immediately gather the board of directors at the time of the crisis and decide what to do at that moment and decide. Mostly, they go for daily solutions such as unplanned-unscheduled contraction or withdrawal of products damaged by the crisis. This quest often reveals behaviors such as salary cuts, unpaid leave, restrictions on additional opportunities or layoffs (Oğuz and Özkay, 2001: 26).

Unlike active crisis management, it has a defensive character. This type of management gains importance in the controllable (inactivity) and uncontrollable crisis (wrong decisions and actions-collapse) phases where the crisis clearly emerges. The role of reactive crisis management may be to eliminate the evident crises or to minimize their negative effects. Reactive crisis management, like active crisis management, is among themselves; aggressive and liquidator can be examined as crisis management (Yücel, 2010: 2171).

As a result, reactive crisis management has a different defensive character in active crisis management. Reactive crisis management gains importance in the controllable crisis and the uncontrollable crisis phases where the crisis clearly emerges. If the crisis has become uncontrollable as a result of wrong decisions and activities, and according to the analysis and forecasts made, if the organization has no medium and long term "chance to live", the referral crisis management is applied. The role of the advocacy crisis management; It is the realization of a planned and systematic liquidation and a conscious retreat to protect the business owners, personnel, customers and groups that have a direct or indirect relationship with the other business from greater losses (Ataman, 2001: 259).

## **2.4. Crisis Management Approaches**

In order to manage the crisis effectively, two important approaches can be mentioned under the heading of avoiding and resolving the crisis.

### **2.4.1. Crisis Avoiding Approach**

Avoiding approach in crisis management includes strategies to alleviate undesired situations or to avoid. This is an ideal situation for the business, but it helps to maintain the balance

situation, especially in hazardous crises. However, the same approach will create an alternative loss in opportunity crises. If the manager can predict the future situation and urgency well, he can avoid it altogether. Managers should be able to predict long-term situations to avoid future crises. While short-term situations are well predicted in most organizations, long-term situations are ignored (Akçe, 2005: 50). In order to escape from the crisis, it is necessary to constantly follow the external environment and develop estimation methods for future quantity and quality. In the approach of escaping from the crisis, management should constantly examine the internal and external environment, and especially in the analysis of the internal environment, scales should be developed to measure the situation and where the business is going. It should also try to reduce tension sources during the crisis (Dinçer, 1998: 400-401).

In order for businesses to be advantageous in crisis conditions, they must first acquire the purpose of sustaining their lives. However, there should be an optimum balance between the goals such as increase in value, profitability and stability, and the purpose of sustaining life. To prevent the crisis; First of all, it is necessary to define the needs of the business and the values of the management. It is necessary to take these needs and values into account in the goals to be determined. Knowing where the business is going, sharing information and values in the key areas of management, and understanding the philosophy of management are crucial to avoid the crisis (Şıklaroğlu, 1997: 28).

#### **2.4.2. Crisis Resolving Approach**

The crisis is actually undesirable. However, it also has positive functions in terms of putting pressure on management for change and development and revealing the weaknesses of the business. Based on these positive functions, management can become useful for operating the crisis. Transforming the crisis into success, which is ideal in crisis management, requires active intervention by the management. The approach to resolving the crisis depends on both predicting the pre-crisis situation and taking action at the appropriate time for the solution of the problems. First of all, plans should be developed to receive crisis signals and early warning systems should be established. In the event of a crisis, the situation must be properly perceived and diagnosed, and taken in a realistic and calm manner (Dinçer, 1998: 401).

Ideal in crisis management is to turn the crisis into success. The approach to resolving the crisis depends on both analyzing the pre-crisis situation and taking action at the appropriate

time for the solution of the problems. To do this, plans to receive crisis signals should be developed first and early warning systems should be established. At the time of the crisis, the situation should be perceived and diagnosed correctly, and efforts should be made to systematize information gathering, to distribute opportunities for employees at different hierarchical levels, to reduce the pressure of time and to identify the sources of the crisis in detail (Şıklaroğlu, 1997: 29).

### 3. EXIT STRATEGIES FROM CRISIS

Today, the competitive conditions of the organization are changing rapidly, and competition is increasing, and as a result, it becomes more difficult for organizations to survive and succeed. Sometimes this process can be so long and effective that it is evaluated in terms of crisis. It is only with an effective “crisis management” to take effective measures against the crisis during crisis periods, to get out of the existing dangers and threats with the least damage and to turn the developments in the crisis environment into opportunities. Crisis management, as the name implies, refers to the measures to be taken by organizations (state and also companies) against the crisis (Tüz, 2001: 43).

For this reason, while companies are trying to survive and maintain their existence, they can change their management, communication, coordination and structuring methods with various strategies. These strategies such as benchmarking, savings and liquidation strategies, balance (continuity) strategies, emphasis on working capital management, strengthening the capital structure and organizational downsizing. The main change engineering and total quality management techniques that can be applied in crisis management are (Aktan, 2002: 34-35):

- Benchmarking: Studies should be carried out to find and adapt “best practices” to the organization by comparing the strategies, system and organizational structure, processes and all other practices in the organization with other organizations.
- Downsizing: Institutions have a very strange aspect. They change over time. Sometimes they are obliged to grow, sometimes it is not wrong to say that the size of the institutional size is moving towards the downsizing.
- Delaying: The management levels in the organization should be reduced; The steps between the decision maker and the practitioner should be eliminated to the extent possible. A concept closely related to the downsizing phenomenon is the step reduction practices. Step

reduction is the process of shortening the distance between the lowest and the highest levels of the enterprise.

- Rightsizing: (1) optimal size should be determined in production. (2) Instead of "work by man", "suitable staff" should be found and employed. (3) employees should be employed in the most appropriate positions, taking into account their knowledge and skills.

- Outsourcing: (1) the organization should have the works outside the main field of activity done by external companies, instead of doing every job itself. (2) the knowledge and experience of consultants outside the organization should be used.

- Flexible Production Model: Instead of mass production, production of a product at the desired time and in the desired amount (just in time production: JIT) technique should be applied.

- Lean Organization Model: the organizational structure should be simplified; Horizontal organizational structure should be created instead of vertical organizational structure; Steps, functions and processes that are unnecessary and anything that do not create value should be removed.

- Empowerment: Empowerment and responsibility should be transferred to employees; Employees should be encouraged to participate in the decision-making process and emphasis should be placed on teamwork; measures should be taken to motivate and reward employees; Practices should be made to ensure that employees have a share in the organization.

- Statistical Process Control: statistical process control techniques (pareto diagram; process flow diagram, decision flow diagram, information flow diagram, cause-effect diagram, etc.) should be used to improve the organization's continuous improvement and quality.

- Quality in Design: In order to make it right for the first time and to achieve zero error ideal, the technique known as quality function deployment should be applied in the organization to ensure quality at all stages starting from the first design of the product.

- Automation: It should be ensured that routine works are carried out in robots and computerized machines as much as possible in the organization.

- Continuing Training: Should not be contented with recruiting trained and knowledgeable staff; importance should be got to continuing education, knowledge and skills.



- Auto control: to care multi-functional team work in the organization, it is necessary to turn the controls into the way that the employees in the team control each other, and the audit staff should not be overrated.

- Total Efficient Maintenance: In order to eliminate losses related to materials, energy, equipment and personnel in the organization, maintenance and repair work should be done in a planned and organized manner. It is important to adopt the principles that the Japanese call 5-S for total efficient maintenance. The principles called 5-S are: SEIRI (classification), SEITON (order), SEISO (cleanliness), SEITKETSU (standardization), SHITSUKE (discipline).

The preparation of these strategies is actually a predictive skill. Preparing for the crisis is hardly considered, while everything continues in its usual course. Especially if an enterprise that has not been in a crisis before is also receiving false signals from the market, it will be caught off guard unprepared (Silver, 1990: 13).

The urgent problem that businesses need to solve in times of crisis is to continue their lives and get out of the crisis without losing their business. Making the highest profit or even making a profit is second importance (Sarıkamış, 1999: 12). Although it is beneficial to complete the ongoing investments, even the investments made according to the situation of the enterprise and the market can be stopped.

Consequently, before the crisis formation process begins, the enterprises should make preparations that can come out advantageously from this. If the business sees it moving towards an environment of uncertainty, the best action to be taken for a business that is not caught in the blindness period, which is usually the first of the crisis formation stages, is to be prepared for a crisis. Managers should prepare their companies spiritually and materially to respond to this crisis as quickly as possible. It should not be forgotten that not only companies that are prepared for the crisis survive, but also grow and find strength from the crisis. In order to be ready for the crisis, it is necessary to constantly and carefully monitor the internal factors and the external environment of the business and to carefully analyze the received signals as we will see below (Tağraf, 2003: 155).

### **3.1. Early Warning Systems and Its Significance as a Way-Out Strategy**

They send important signals to businesses before crises occur. Some of the crisis signals come from within the business and some from outside the business. When the signals from both



environments are not taken into account, they have the potential to create a crisis. In order for the business management to identify a possible crisis situation, it must seriously evaluate the signals from the two circles. Here, every sign, application, behavior, intuition or prediction, experience and decision that show that the crisis environment is approaching is part of the early warning system (Çelik, 1995: 130-132). Thanks to the early warning systems, the presence, severity and intensity of the crisis can be determined. In this way, it is possible to maintain the existence of the enterprise in a stable manner (Yeniçeri, 1993: 224).

Since crisis signals contain information about the existence and severity of the coming crisis, managers should be sensitive to these signals. The crisis arises as a result of not following these signals or evaluating them correctly. The ability to receive crisis signals depends on the establishment and operation of various early warning systems that can receive different signals in the organization. Organizations need to establish mechanisms that help them take preparedness and measures against the crisis, using the data they capture through early warning systems. The prevention and protection mechanisms to be established process the information from the early warning system and inform the management about the measures to be taken regarding a possible crisis. Effective monitoring of early warning systems is essential for the crisis preparedness and prevention mechanisms to function properly (Kaya, 2009: 35).

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Warning messages sent by the operating personnel have an important place in the detection of these signals. Establishing an open communication system in order to receive early warning signals in the enterprise will provide important benefits. Some of the features that business management should have in an open communication system to monitor negative developments within the business are as follows (Haşit, 1999: 74):

- There are communication channels through which all personnel working in the facility can transmit written and verbal warning messages,
- Establishing horizontal, vertical and cross communication channels in communication within the enterprise,
- Providing back flow of information to the personnel, who sent warning messages about developments that may cause crises
- If necessary, it is necessary to ensure that more messages are received by using more than one communication channel.



In order to determine warning signals, early warning systems must be established in the organization. It can be stated that the early warning systems are capable of detecting different signals sent by different crises. The objectives of the early warning system are (Bozkurt, 1998: 2):

- Capturing changes in the environment before they become clear,
- Determining the speed and direction of the change and reflecting it to the future,
- Determining the importance of changes,
- Detecting deviations and receiving signals,
- Detection of possible responses in line with priority deviations,
- Examine the interaction of factors causing change.

The early warning system is generally based on four main processes. These; environmental analysis, comparison of plan and financial rates, evaluation of early warning signals and determination of response strategies. The implementation of these four operations is briefly as follows (Keskin and Çzselçuk, 1984: 6);

- Businesses in the same sector are grouped to be successful or unsuccessful.
- By looking at the developments in the financial ratios of the selected companies on the balance sheet and profit and loss tables, the rates of successful companies that are selected both unsuccessful and equivalent are determined separately for 3-5 years starting from the year of failure.
- The rate averages of successful and unsuccessful businesses for each year are graphed, and how each rate shows improvement for successful and unsuccessful businesses. As a result of the comparison made in this way, it is determined from which year it started to differentiate between successful and unsuccessful enterprises before the year of failure.
- The reasons of these differentiations are examined in detail and interpreted in what direction the business has developed. This interpretation can notify the future crisis in advance, it will reveal whether new opportunities can be answered and will help to determine which strategies to apply.

If it is need to examine the above analysis processes in more detail, an analysis of the companies in the same field of activity is done in the environment analysis and they are



grouped as successful and unsuccessful. In the next stage, the financial ratios of the selected companies are calculated from the balance sheet and profit and loss tables. By looking at the developments in financial ratios, it is tried to predict the situation of the business in the near future. Then, the average of the rate of successful and unsuccessful businesses for each year is put into a graph, and how the rate of each rate shows for successful and unsuccessful enterprises is revealed. Finally, the reasons for these differences are examined in detail and interpreted in what direction the business has developed. With the comprehensive comparative data obtained, it is understood whether a crisis is entered on a sectoral basis and whether the enterprise is going towards a crisis with its current resource use and management. Thus, there is also a chance to turn an emerging crisis into an opportunity for the enterprise (Dinçer, 1998: 339).

In order for small problems not to turn into big crises, it is necessary to consider it as a result of an early warning system and eliminate it immediately, regardless of the size of the problem. If a minor problem is not resolved, there is an ancient American civil war rhyme, which nicely describes what caused major crises and defeats (Allan, 1999: 84);

A horseshoe was lost from the absence of nails.

A horse was lost from a lack of horseshoes.

A horse keeper was lost from a horse's absence.

A battle was lost from a lack of horse keeper.

A war was lost because of a battle,

and they were all lost from the absence of a horseshoe nail.

If the absence of the nail was detected or its absence could be perceived as an early warning, this could serve as a support for the organization. However, it was necessary to establish an early warning system to detect this, this was an important task, and no one looked at it. Changes occurring in the external environment provide some opportunities for the organization, as well as being a source of some dangers and difficulties. With systematic environmental analyzes, the organization has the opportunity to learn about opportunities in advance and make strategic choices. In addition, thanks to the early warning system developed, it can develop strategies to prevent hazards in a timely manner or to turn them in favor of the organization (Eren, 2005: 173-174).

Consequently, after the success and failure criteria of the companies are determined, the early warning system is the process of determining the techniques that will be used to analyze them. The early warning system is the process of evaluating the rates in successful or unsuccessful business groups instead of considering the rates individually in order to estimate the success of the organization based on financial rates. Before using the early warning analysis technique, the number of groups is determined. After the number of groups is determined, an analysis of the organizations in the same branch of activity is made and these are grouped to be successful or unsuccessful. Then the financial ratios of companies are calculated from profit and loss tables. As a result of the parsing made in this way, comments are made about the enterprise (Kaya, 2009: 41).

### CONCLUSION AND GENERAL EVALUATION

The crisis is an emergency that generally affects the normal functioning of businesses. It can be caused by the insufficiencies in the system of the enterprise, or the death of the owner or senior manager may be caused by natural disasters, changes in the economy, laws, technological and cultural changes. Whatever the reason, a good business management can anticipate and manage the crisis.

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The constant change of the world at a dizzying pace and the failure of business administrations to keep up with the environment in an environment where global competition conditions are getting more severe, increases the gap between the business and its environment and causes a crisis. The crisis is an unexpected situation, threatening important values, and needs to be answered in a short time. During the crisis, businesses experience losses depending on the crisis conditions. During the crisis, customers are becoming more and more important to businesses than ever. When customers give up consumption or postpone consumption during the crisis, companies are directed to take special measures. Emphasis was placed on strengthening staff closely related to the customer, increasing customer interest and information, gaining and maintaining trust, and developing solutions for the customer's economy.

The purpose of the business management is to take measures to eliminate these losses, to organize the organizational structure that will help to recover the losses and to carry out change management. In business structures, the central structure during the crisis should be changed, decentralized management and participation in decisions should be ensured. At the

same time, flexibility and productivity should be strengthened. The first issue that stands out after the crisis periods are the businesses that are closed with the crisis or damaged. Every business will face a crisis at a certain point. Those who are best prepared for the crisis will get rid of the crisis and perhaps new opportunities may arise due to this crisis. On the other hand, businesses that are not ready for the crisis will be doomed to disappear. When enterprises enter the crisis period, following the crisis formation process, they try to remove the business from this crisis with an intense working tempo. In this process, as a result of the intensification of fast decision making and implementation efforts, it is seen that the crisis has deepened with wrong practices.

Even if the methods used in crisis management are successful, the enterprise suffers significant losses and it takes a long time to get rid of the shake. Crisis management covers a long process. In addition, a common point can be stated as reaching the equilibrium state at a low cost. The most important factor is to predict the events that will threaten businesses and to eliminate them. Businesses face crises that arise as a result of not taking precautions against risks that may arise continuously starting from the establishment process and not evaluating these risks correctly. Proactive techniques and strategies developed for preventing crises before entering the crisis period can prevent entering the crisis process, as well as enabling it to gain power from a possible crisis.

All the plans that the company has developed with the thought of continuing its life, which is its main purpose, and implemented, even though there are no signs of crisis, as strategies developed to prevent the crisis. Because it is possible to turn this into an advantage with the right management, even if there will be any threat outside the enterprise thanks to the right decisions and implementation. In this respect, although some techniques and strategies have been specified, successful practices of the business from the establishment phase to the maturity and decline periods can be seen as activities aimed at preventing crisis. These activities can be evaluated as a complete crisis prevention study, whether it is intentionally carried out as activities aimed at preventing the crisis or the practices carried out without bringing the concept of crisis to the agenda at all. According to the approach to solve the crisis, crisis management; is the process of taking and implementing the necessary measures in order to capture and evaluate the crisis signals and to survive the crisis situation with the least loss, in case of a possible crisis situation.

As a result, a well-designed order sends early warning signals before the crisis situation in the enterprises emerges with all its severity. Since crisis signals contain information about the presence and severity of the coming crisis, managers need to be extremely sensitive to these signals. The crisis arises as a result of the failure to follow these signals and evaluate them correctly. In order to catch crisis signals, it is necessary to establish and operate various early warning systems that can receive different signals in the organization. In this way, with the early warning systems, the crisis will be overcome with the least loss.

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