Crisis Preparedness System, Crisis Experience and an Assessment Concerning the Characteristics of the Organisations: Evidence from Turkey

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Abstract
This study aims to analyse and compare crisis preparedness system, crisis experience and characteristics of 6 big companies that operate in different sectors in Turkey. For this reason, primarily crisis preparedness system is determined. In this regard, the main factors that determine crisis preparedness phases of the companies are (1) determining the dangers of crisis and crisis management team, (2) information and communication activities, (3) efficiency and innovation in the activities. As organization characteristics sector, foundation year, number of employees, the situation of being a public company, and fund ownership are taken into consideration. In this study using qualitative research methods, a thorough analysis of each organization is carried out. Among the results of the researches, it was observed that crisis preparedness phases of the companies that were examined change according to their characteristics. It was observed that the more the companies experience crises the further they are prepared for future crises. However, there was not a relation between the capacity of the companies and their preparedness for the crises. Considering the crises that the companies experienced, it was observed that they were much better at preparing for a time of crisis.

Key Words: Crisis Preparedness System, Crisis Experience, Organization Characteristics

1.1. Introduction
While some works of literature (Shirivastava, 1987; Harold, Marcus, Vallace, 1999; Weisath, Knudsen, Tonnessen, 2002, Jaidi and Thevenet, 2012) examined the causes and effects of the previous crises, others (Seeger and Ulmer, 2001; Simola 2003; Ulmer and Sellnow 2000) focused on how those outcomes would be prevented after crisis came out. But still, the emphasis put on crisis preparation activities is little.

It is acknowledged that crises might mainly create three dangers: (1) Public security, (2) Financial loss, (3) Fame loss (Coombs, 2007). It is generally deduced that because especially economic crises lead numerous employees temporarily or permanently to leave their works, crises bear adverse social consequences for people (Kuzgun, 2010, Kumpikaite et al., 2011). It is a well-known fact that regarding the effects of crises on companies, they have a severe impact on financial, physical and emotional structures of these companies. For instance, industrial accidents, environmental pollution, product defects and occupational diseases have serious damage to consumers, employees, public and environment (Shrivastava, Mitroff, Miller, Miglani, 1988, p286). Besides, in organisational crises the fact that the company loses trust and prestige lead a decrease in the rate of sharing information between and reconciliation with the workers, and their loyalty to the work (Dirks and Ferrin, 2001, 2002).

Due to the fact that today crises start to break out frequently and their effects cover large areas, companies concentrate on crisis preparation activities accordingly. Although Mitroff and Anagnos in 2001 stated that all the crises would send us a warning signal even if for a short period, some of the crises that we experienced such as Challenger disaster, natural disasters, Tylenol crisis, indicate that we might encounter crisis without any warning signal at all.

According to Paraskevas, even in the most severe crises the damage that the business will experience and the time to recover it depend on its crisis preparation phase and the efficiency of its response to crisis. It is necessary to employ more proactive strategies in order to provide efficient crisis management in companies. In order to provide this, it is important to create a crisis preparedness system.
Crisis preparedness system in companies means not only to prevent crisis but also to be able to overcome it with as little damage as possible in a potential crisis. For this reason, crisis preparation is an important factor in terms of building a system that will provide efficient crisis management. Thus, in the next chapters initially what crisis and crisis preparation system is, later methodology, the information obtained from the research and the discussion part will be covered.

1.2. Crisis and Crisis Preparedness System

The word crisis originates from Greek word “krisis”, which means judgement, choice or decision. In other words, crisis can be defined as a major occurrence with a potentially negative outcome affecting the organization, company, or industry as well as its publics, products, services, or good name (Banks, 2011, p3).

According to Tanase (2012) crisis is the result of environmental threats, coupled with the weaknesses within the organisation. Seeger, Sellnow and Ulmer (1998) define crisis as a specific, unexpected, and non-routine event or series of events that create high levels of uncertainty and threat or perceived threat to an organization’s high priority goals. According to Pearson and Clair, organisational crises are highly ambiguous events that necessitate a decision or judgement that will result in change for better or for worse. As it can be understood from the definitions of crisis given above, crisis comprises both positive and negative results in business world.

It is known that some conditions are necessary to be fulfilled so as to be able to indicate a sign of crisis in business management. One of these conditions is the fact that the entire system including the works in a company, the examination of the basic assumptions of operational and other employees must be disrupted. Secondly, there must be a serious threat to the survival of the company. It is acknowledged that in this case some adverse situations such as increase in disruptions inside the company, further degradation related to the attention of the authorities and media, interference with business relations in order, damage to the prestige of the managers/owners of the companies and damage to work performance might appear (Carmeli and Schaubroeck, 2008, p179).

The key factor is to be prepared for crises. This can be explained through providing the minimum level of latency between crisis signals and coherent company reaction (Gerçik, 2011, p59). The preparations comprise raising awareness of crisis among managers, building crisis management team and doing crisis tests.

Crisis preparedness can be defined as the activities done by the company to prevent crisis, to control it and to be protected from it (Kovoor et al., 2000, p44). Preventing crisis consists of the activities and phases that the company applied to avoid crises and their results. In this regard, it is stated that the company will overcome or prevent crises by determining the causes of potential crises proactively, installing protective warning system and learning constantly from the experiences (Kovoor et al., 2000, p44). According to Weick and Sutcliffe, the companies prepared for crisis are different from those which are prone to it. Mitroff and Alpaslan discovered that the companies prepared for crisis are financially better, more prestigious, and survive longer than those which are prone to crisis. Researchers also emphasize the importance of learning from crises. The companies that experienced crisis are better at improving crisis preparation phase and creating competitive power in the long run (Roux-Duford and Metaais, 1999).

1.3. Methodology

In this section case study, one of the qualitative research designs will be employed. Case study methodology was essential to gaining a richer understanding of the context and form of crisis preparedness in each of these six organizations. Yin (1984) emphasizes the importance of paying attention to some characteristics in order to increase the validity in research. One of the most significant among these is data enrichment so as to avoid subjective judgements. The data for qualitative analysis typically came from fieldwork. During fieldwork, the researcher spends time in the setting under study or whenever situations of importance to a study can be observed, people interviewed, and documents analyzed (Patton, 2002). As it was mentioned in the companies that were examined, some meetings were held with the executives of each company in order to obtain more diverse data. Apart from these meetings, other company news, websites and company activity reports were also examined. For instance, when the manager of the company said that they increased R&D expenses 4 times, the money spent over the years by R&D were checked. As the three of them were public companies, their activity reports, performance, sales were checked in the light of the information they provided. The sort of crisis preparedness system of the companies that were examined in the research, the characteristics of the companies and their crisis experiences were determined through analysing the responses of each executive about his/her company in the meetings and doing content analysis by means of coding schedule.
In large scale companies that were included in the scope of the research, six companies that agreed to meet face-to-face were taken as examples. For this reason, data was compiled with a method of convenience sampling. Numerous cases of crisis were examined in the research related to how and with which techniques the companies could recover successfully from crises. As a result of this examination, it is determined by the researchers that the activities might include mainly three areas in terms of indicating crisis preparation phases. These areas including the works showing crisis preparedness system and the approaches to crisis preparation and the main factors determining crisis preparation phase questions that are addressed to the executives are as follows:

**Main and Sub Factors Determining Crisis Preparedness System**

1. **Determining the dangers of crisis and crisis management team**
   - Determining the potential dangers that the company might encounter
   - Determining the preparations that will affect the dangers that the company might encounter
   - Determining the researches done related to the inner/outer problems that the company might encounter
   - Determining the availability of crisis management team in the company and by whom the team is comprised

2. **Information and communication activities**
   - Determining the structure and the usage of the system which is built to satisfy potential customer complaints
   - Determining the company’s usage of social media in information and communication activities
   - Determining the approaches and the relationships related to the potential negative news and gossips that might be spread by the company employees

3. **Efficiency and innovation in the activities**
   - Determining the precautions taken for the protection of the company’s important information
   - Determining the cost control mechanism and the works related to it while the company is dealing with inner/outer tasks
   - Determining the company’s way of following the sectoral innovations

**The Characteristics of the Companies in the Research, Their Crisis Preparedness Systems and Experiences**

**The First Company:** The first one is the textile company. The number of its employees is 350, but as it also employs a lot of contract employees the number of them reaches to 1,000. The company was established in 1984. It is an export-oriented company. It exports 85 percent of its total production. It exports to 15 different countries. It cooperates with other five companies. The largest shareholder owns 77 percent of the company’s share.

1. The company indicated not only the potential dangers it might encounter such as information technologies and economic crises but the precautions taken for these dangers as well. It does not do any research about the potential dangers that the company might encounter. The company only follows consumer liking, economic condition and laws in its overseas activities. There is not any crisis management team in the company.

2. Substitute suppliers and employees attempt in order to solve the customer complaints. There is not a communication and information activity of the company through social media yet. Looking at their loyalty and reliability, the company works with a skeleton crew for a long period of time.

3. Only particular people are allowed to enter the room in which the collection is done. The designers have to lock their room. The cost of the raw materials which are used in production process is determined by different countries. There is R&D department for following the innovations in the company. Moreover, the employees can follow other sectoral innovations by going to the fair shops. It is observed that when it is controlled, the company’s budget for the R&D department has increased 2.5 times in the last 4 years.

**The company’s condition in the financial crisis of 2008:** It did not lay off any of its employees nor cut their pay in that global crisis.

**Other crisis experiences:** A crisis broke out because hackers invaded the servers of the company. Thus, the company has had difficulty in reaching the system which includes all the information about the products, stocks, prices, etc. for 2 months.

**The Second Company:** The second one is the building company. It was established in 1993. The company continues to invest in more than ten countries. It builds big shopping malls. The number of its employees is 24,000.
1. The company does not follow the political risks in the countries it make investments beforehand knowing the fact that the potential dangers are only the political risks of these countries. It just invests in different countries. The company does not do any research concerning the inner/outer problems of its company. It just looks at the company reports through making risk analysis and tries to bring the risks under control. There is not any crisis management team in the company. The executives intervene in a time of crisis.

2. There is not any system constructed for solving the customer problems. There is not a communication and information activity of the company through social media. The company clarified the conditions about career opportunities and expectations to enable its employees to have positive attitudes.

3. The authorisations inside the company and those who see the information through information technologies department are brought under control. The company controls in/external costs only through tracking mechanism. The company has no special effort to make innovations.

**The effects of the financial crisis of 2008 and the efforts:** The company shrank in that global crisis and the works that had to be completed were delayed for another time. The company used strategies of reducing the number of its employees and costs in that crisis. However, although having been substantially affected by the crisis, the company could recover from it.

**Other crisis experiences of the company:** Due to the effects of the Arab Spring upheavals, the investments made in Libya were stopped and the employees were laid off.

**The Third Company:** The third one is the chemical company. It was established in 2002. The number of its employees is 2,000. It is a constituent company. The employee turnover rate in the company is 20 percent among the blue collars. The employees are dissatisfied with the salaries.

1. The potential dangers for the company are new rivals in business, political and economic crises, and crises in the countries they export, administrative crises or crises that might break out inside the company. The company takes precautions against the potential dangers by using the stock tracking system and the strategy of short-term sales, buying less raw material, and avoiding foreign exchange borrowing. The company does not employ union workers. It does not do any research concerning the inner/outer problems that the company might encounter. Besides, there is not any crisis management team in the company.

2. Product change is possible after informing the R&D department about the customer complaints. The company has no communication activity through social media. It is stated that there are often communication problems among the employees of the company.

3. To protect important information, the company has white collars who know how to compile bills of materials sign secrecy and non-compete agreements. Besides, according to the agreement those who leave the work cannot start to work in the same sector for 2 years. The company does not have a systematic order about cost reduction; however, there is not salary increases and cash sales are made in a time of crisis. Following the rivals in the sector, the company develops new products. Moreover, it diversifies its products for different markets. For instance, in addition to the products in detergent industry, the company produces yacht varnish and other yacht cleaning products.

**The effects of the financial crisis of 2008 and the efforts:** The company was affected by the crisis negatively; it laid off several workers and reduced its capacity. It experienced a serious cash flow problem and so it could not pay official organisations and its employees for three months.

**The Fourth Company:** The fourth one is the telecommunication company. The company has both Turkish and foreign shareholders. The number of its employees is 300,000. It is a public company.

1. The potential dangers that the company might encounter are natural disasters, position of the rival companies, amendments, union activities and market loss. There is an emergency action plan for natural disasters as a precaution. The strategy unit makes researches in the marketplace about the position of the rival companies; it launches new products as an alternative to the products of the rivals. The company takes precautions according to the amendments. It is stated that the company employs a few people who will not be affected by the strikes for union activities. Developing constantly scenarios against the potential inner/outer dangers the company might encounter, the company is aware of what to do according to each scenario. There is a crisis management team in the company. This team comprises a CEO and all other departments.

2. ISO 10002:2004 provides guidance on the process of evaluating the customer complaints. The company uses social media actively for informing, advertisement and responding to complaints. The company prevents negative news and gossips by behaving in an egalitarian way towards its employees.
3. The important information about the company is secured in information systems and cannot be shared with a third person. Even the authorities can have an idea about the information to the extent of their realm of authority. The company developed performance criteria to reduce costs. The unit developed for following the innovations inside the company follows the innovations outside the company as well.

**The effects of the financial crisis of 2008 and the efforts:** The company was not affected by the crisis. However, the expenses were reduced as a precaution. The debts of the customers were split into instalments. The employees who increased the cost of the company were laid off.

**Other crisis experiences of the company:** Since a product of the company did not catch on, the company experienced a crisis. The company made a loss after the education and equipment investments for that product. Thus, the company fired the staff launching that product.

**The Fifth Company:** The fifth one is the informatics company. The number of its employees is 550. It was established in 1989. It is a public company. With procurement of domestic and foreign products, the company is doing a wholesale business in the informatics industry.

1. The potential dangers that the company might encounter are exchange differences, stocks, assets, and the production companies’ selling directly without using any intermediary. For exchange differences, selling the products by changing their billing currency to dollars and for stocks, applying a system which is constantly controlled by a stock control manager are precautions taken against each one of them. The company made the process easier to determine the risks by grouping assets. The company employs a staff following the potential inner/outer dangers that the company might encounter. The company has a crisis management team. It comprises the chairman of the executive board and other managers.

2. The company has technical services to solve the customer complaints. It uses social media as an information tool. It chooses to inform the staff directly about the negative news which reduces the motivation of the employees in the company.

3. The information technology department deals with the process of backing up the information on a safe server through coding system. Concerning the employee privacy, the company has the employees sign confidentiality agreement and affirmative covenant. The jobs in the company can be divided into two: Sales/marketing and finance/logistics. With such a classification, the costs of the activities are collected centrally. Thus, the aim is to be able to reduce the costs of all the activities. Big brands inside the company have three product managers. They follow the innovations about the products and the latest technology developments. The company holds meetings each week. Besides, it holds meetings with the retail companies every month. They are working on new products, profits, prices, and distribution.

**The effects of the financial crisis of 2008 and the efforts:** The company was partly affected by the crisis. As a result, it managed to recover from crisis by reducing the stocks and expenses of the company by 20 percent.

**Other crisis experiences of the company:** The company had its assets insured. However, because the company could not receive assets from one of the companies in the financial crisis of 2008, it applied to the insurance company. The insurance company stated that they could not cover the costs. Then thanks to the correspondence with the central office of the insurance company in Germany, the costs could be covered.

**The Sixth Company:** The sixth one is the insurance company. The number of its employees is 550. It is a public company. It is a foreign-invested company.

1. Economic crises, inadequacy of damage analysis, encountering high loss settlement, and legal failure arising from incorrect agreements are among the potential dangers that the company might encounter. The company abstains from high risk securities insurance as a precaution by providing careful risk analysis which is made by risk engineers and experts. There is not any research about the potential inner/outer problems that the company might encounter. There is a crisis management team. The team decides what to do in a time of crisis.

2. There are services to solve the customer complaints and to satisfy their needs in another unit of the call centre. The company is aware of the importance of social media and it often uses social media for communication, administration, etc. There is disciplinary or corrective action for the employees with unacceptable behaviours and performance in the company. Those who continue to behave inappropriately despite the warnings are discharged.

3. The important information of the company comprising the customer data is secured in servers and cannot be shared with a third person. The costs of the company are evaluated at particular times. The innovations and the decisions arising from the density in legal and social developments in the sector are followed. The distribution channels are informed about these developments.
The effects of the financial crisis of 2008 and the efforts: The company was affected by the crisis. It shrunk to a certain extent. A number of activities were rearranged to reduce the costs.

Other crisis experiences of the company: A crisis broke out because the loss ratio rules were not arranged well. Thus, the company had to cover the costs when the risk occurred. For this reason, the operations to arrange the loss ratio rules are proceeding.

The characteristics and crisis preparation phases of the organisations which are examined above in detail are illustrated below in Table 1 as a whole.

<table>
<thead>
<tr>
<th>Organisations</th>
<th>The Characteristics (Sector, Company publicly or privately, Number of employees, foundation year, Capital distribution)</th>
<th>Determining the Potential Dangers of Crisis and Crisis Management Team</th>
<th>Information and Communication Activities</th>
<th>Efficiency and Innovation in the Activities</th>
<th>The Effects of the Financial Crisis of 2008</th>
<th>Other Crisis Experiences</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Company</td>
<td>Textile Privately-held company 1,000 employees Established in 1985 Domestic</td>
<td>+ + - -</td>
<td>+--</td>
<td>+++</td>
<td>Was not affected</td>
<td>Hackers invaded the servers of the company</td>
</tr>
<tr>
<td>2nd Company</td>
<td>Building Privately-held company 24,000 employees Established in 1993 Domestic</td>
<td>---</td>
<td>--</td>
<td>++</td>
<td>Was affected (Shrinking, Suspension of works, Reduction in employees and costs)</td>
<td>Due to the upheavals in Libya, the investments were stopped</td>
</tr>
<tr>
<td>3rd Company</td>
<td>Chemistry Privately-held company 2,000 employees Established in 2002 Domestic</td>
<td>+---</td>
<td>+--</td>
<td>++</td>
<td>Was affected (Shrinking, Reduced its capacity, Reduction in employees, It has not paid official organisations and its employees for three months)</td>
<td>-</td>
</tr>
<tr>
<td>4th Company</td>
<td>Telecommunication Publicly held company 30,000 employees Established before 1990 Turkish-Foreign shareholders</td>
<td>+++</td>
<td>++</td>
<td>+++</td>
<td>Was not affected</td>
<td>A product did not catch on and the company fired the staff</td>
</tr>
<tr>
<td>5th Company</td>
<td>Informatics (IT industry) Publicly -held company 550 employees Established in 1989 Domestic</td>
<td>+++</td>
<td>+--</td>
<td>+++</td>
<td>Was partly affected</td>
<td>A crisis broke out as one of the companies did not stick to the agreement</td>
</tr>
<tr>
<td>6th Company</td>
<td>Insurance Publicly-held company 550 employees Established before 1990 Foreign-invested company-20% domestic investment</td>
<td>+++</td>
<td>+--</td>
<td>++</td>
<td>Was affected (Shrinking, Reduction in the costs of the activities).</td>
<td>The loss is because the company had to cover the costs when the risk occurred (the loss ratio rules were not arranged well)</td>
</tr>
</tbody>
</table>

Note: In the Table 1 the symbols with (+) represent the positive activities done for preparing a crisis while the symbols with (−) represent the negative activities. Therefore, the companies with more (+) indicate that they are prepared better for a time of crisis.
1.5. Conclusion

Some differences are observed upon looking at the companies’ characteristics and their crisis preparedness systems. Comparing the 1st, 4th, 5th, and 6th companies which were established before 1990 with the 2nd and 3rd companies which were established after 1990, it is deduced that the companies established before 1990 have better crisis preparedness systems as it is observed in the Table 1. We can say that their crisis preparation phase is better than the others. It is again understood from the Table 1 that there are also differences between the public companies and others in terms of crisis preparation phase. We can say that the public-held companies are better in terms of crisis preparation phase. There are significant differences between the privately-held companies and the public ones in terms of crisis preparedness. It can be observed from the Table 1 that there is not any relation between the number of the employees and the crisis preparation phase.

The effects of the financial crisis of 2008 on each of the companies were detected in our research. As it is seen in the Table 1, in terms of crisis preparedness the companies with the positive (+) symbols were either not affected or partly affected by the crisis. Only the 1st company was not affected by the crisis although its crisis preparation phase was inadequate. Although the 1st company was not affected by the crisis, its crisis preparation phase is not good enough in the first two parts unlike “Efficiency and Innovation in the Activities” part which is totally positive. Moreover, during the interviews with the executive of the company it was emphasized that the company attached great importance to the innovations and that they constantly made researches about them. It is believed that the company’s emphasis on making innovations makes the company overcome the crisis of 2008 without being affected by it at all although it crisis preparedness activities are inadequate in other parts.

The companies were questioned about whether they had other crisis experiences or not in the research. Each company stated these experiences by which each of them was affected separately. Comparing all the effects of these crises with their crisis preparation activities, the 1st, 4th, 5th, and 6th companies stated that they attached great importance to warning signals of crisis preparedness systems to be able to prevent those crises. It can be said that the more the companies experience and learn from crises the further they become prepared for activities concerning the crises.

This research demonstrates what the six organisations have/have not done to prevent or prepare for crises. These activities will provide guidance on other companies and researchers. However, there is a point should be noted that these results are not valid for all other companies; more companies have to be employed in the scope of the research. The research demonstrates that the companies which will both attach great importance to crisis preparedness system and follow the innovations will make a difference in business world. Especially the experienced companies seem to have a better crisis preparedness system. More experience will lead to more learning, that’s why it is thought that paying more attention to learning and innovations will increase the chance of success in new and developing companies.
References


