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## THE CONCEPT, CAUSES OF OCCURRENCE AND THE TYPES OF CRISIS IN MODERN ECONOMY

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*The article deals with the term "organizational crisis". A definition of organizational crisis on the ground of the theoretical research is given. The importance of definition of the main approach to the term "organizational crisis" is emphasized. The main causes, symptoms and factors of crisis are discussed. Great importance is given to the organizational crisis classification.*

**Introduction.** Impressive improvements experienced in information, communication and transportation technologies today have almost eliminated distances. Goods and services generated at different locations of the World are immediately served to all consumers in the World. Organizations compete with each other to give more qualified, cheaper and faster service to their customers in order to sustain their existence. If business is disrupted, an organization will usually suffer financial losses (e.g., lost productivity, a drop in earnings). Crisis damage extends beyond financial loss, however, to include injuries or deaths to stakeholders, structural or property damage (on and off site), tarnishing of a reputation, damage to a brand, and environmental harm. There are a lot of books written about crisis management, but there is no one accepted definition of a crisis. Having a specific definition is important because how a subject is defined indicates how it is approached [Coombs T., 2015].

**Task formulation.** The aim of the research is to analyze the theoretical basis of crisis management, especially in how the "organizational crisis" is defined.

**Methods of research.** Dialectic and system approach, analysis, synthesis, deduction, analogy, classification.

**Results and their discussion.** The basis of any scientific study is a conceptual framework used in the process of studying the subject area. The formation of a crisis management system in the organization is impossible without a clear understanding of the term "crisis". This topic is basic.

The roots of the notion of "crisis" come from the Greek language. The expression "krisis" originates from the verb "krino", which meant to separate, select and take a decision between two opposing options, life or death, success or failure. The word "krisis" refers to a dangerous situation, heavy decisive and fundamental moment in which the question (about the result, the subsequent existence of subsequent development), minute, in which people feel uncertainty, confusion and difficulty [1].

The word crisis has a broad sense. It is used both in daily life and in various specialized scientific fields such as political science, sociology, economics, medicine, psychology, etc. This work considers a narrower concept of crisis of the organization from the perspective of contemporary approaches of economics.

Currently, crisis management theorists have no clear common definition of "organizational crisis". Various scholars consider this term with the positions of their subjective understanding of the importance of individual characteristics, effects, reflected the term.

There were in the Table 1 systematized the basic views of scientists involved in the development of the theory of crisis management, on the definition of "organizational crisis".

Having examined the views of the Belarusian and foreign scientists, the following characteristic of crisis of the organization can be defined:

- the crisis is a situation, event, time;
- the crisis is subjectively perceived;
- the crisis is closely linked to the point of fracture, changes from one system state to another;
- the beginning of the crisis is hard to predict;
- the crisis threatens the viability of the organization, i.e., there is a risk of bankruptcy;
- the difficulty of predicting the impact of the crisis;
- crisis calls for urgent solutions.

Thus, in this research the organization's crisis refers to unexpected pivotal situation, threatening the viability of the organization, subjectively perceived by each party, and requires urgent solutions.

According to Korotkov, any form of socio-economic system has two trends of its existence: functioning and development.

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The functioning is understood like an organizational survival that determines its integrity, quality and essential characteristics [3].

Table 1 – Systematization of the modern definitions of “organizational crisis”

Author	Definition
Jarkovskaia, Brodsky [2]	Crisis is an extreme aggravation of the industrial and socio-economic relations, as well as the environmental relations.
Korotkov [3]	Crisis is an extreme aggravation of contradictions in the socio-economic system (organization), threatening its viability to the environment.
Baldin [4]	
Zub [5]	Crisis is an extremely unlikely event, able to threaten the vital functions of the organization, characterized by uncertain reasons and complexity of prediction the consequences, and calling for immediate solutions.
Popov [6]	Under crisis (in the broad sense of the term) the state of the organization is commonly understood, which preceded its transition into a different quality.
Fajnshtmidt [7]	Organizational crisis is the process of losing its stability or transition to a new state of sustainability, and signs of this process are the loss of the organization's ability to meet its mission and goals or loss of vitality the organization.
Bainev [8]	The crisis is a limit aggravation of contradiction between the functioning and development of the socio-economic system (organization), threatening its viability and survival in the environment.
Coombs [9]	An organizational crisis is a low-probability, high-impact event that threatens the viability of the organization and is characterized by ambiguity of cause, effect, and means of resolution, as well as by a belief that decisions must be made swiftly.

The development is an acquisition of a new quality, strengthening livelihoods in the face of changing environment [3].

Arising contradictions in the functioning and development of socio-economic system need manifest themselves to crisis.

The cause of occurrence of the crisis is an event or phenomenon, the result of which leads the symptoms and factors of further crisis [2].

Thus, the stages of the crisis can be represented in Figure 1.

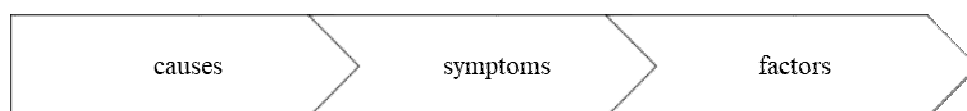


Fig. 1. Stages of a crisis

The causes of the crisis may be different. Both Russian (Jarkovskaia, Korotkov, Popov, Baldin, etc.) and foreign scholars agree on a division of the causes of internal and external crises.

Korotkov also provides objective reasons associated with cyclical needs of modernization and restructuring, and subjective, reflective errors and voluntarism in management, as well as natural, characterizing climate phenomena, earthquakes, etc. [3].

Along with the general division of the causes of the crisis, there are private concepts, concentrating attention on one side of the crisis. They include socio-political and structural-technological approaches.

From the perspective of socio-political approach, the causes of the crisis lie in the sphere of the culture of the organization and corporate ideology. Crisis in the organization occurs when staff expresses different views on the objectives of the organization and the means to achieve them-the so-called “crisis of rationality” [5].

In terms of structural-technological approach the causes of the crisis is the lack of flexibility of technologies, their inability to adapt to changing organizational environment [5].

As noted by Fajnshtmidt in foreign practice crisis management distinguish sudden and smoldering crises. A sudden crisis is defined as “an unexpected and sudden violation of business”. “Smoldering crisis” is a serious problem, which hidden existed and developed in organization until being identified was not known either inside

the company, nor out of it, and that can lead to exceeding all sorts of expected costs, dimensions losses and other troubles [7].

In accordance with this division, let's determine the causes of the organizational crises.

Any unforeseeable events can be the causes of sudden crises. Among them are [10]:

- disaster or accident;
- problems in the information systems organization;
- discussion of negative events (real or fictional) in the media and among stakeholders.

At the smoldering crises there are three reasons:

- the leadership of the organization;
- the staff of the organization;
- others.

In order to conduct effective crisis management there should be a systematization of organizational crisis causes. After reviewing scientific papers, the author defined the following classification of them, see in table 2.

This classification can be used to give a qualitative assessment of the crisis in the organization.

Table 2 – Classification of organizational crisis

Source	Sign	Types of crises
[8, 11]	scale	<ul style="list-style-type: none"> <li>– local;</li> <li>– overall;</li> <li>– system;</li> <li>– partial.</li> </ul>
[1, 3]	perspective	<ul style="list-style-type: none"> <li>– financial-economic (sharp contradictions in economic status);</li> <li>– social (clash of interests of different social groups or entities);</li> <li>– organizational (crises of separation and integration activities, distribution functions, regulate the activities of individual units, as administrative units, etc.);</li> <li>– psychological (mental crises the human condition),</li> <li>– information (information organization received reality mismatch)</li> <li>– technological (the crisis of new technological ideas in terms of a clear need for new technologies).</li> </ul>
[3, 8, 11]	severity of manifestations	<ul style="list-style-type: none"> <li>– deep,</li> <li>– light.</li> </ul>
[3, 4, 8]	predict probability	<ul style="list-style-type: none"> <li>– predictable (natural)-for example a cyclical,</li> <li>– unexpected (random).</li> </ul>
[3, 8, 11]	degree of manifestation	<ul style="list-style-type: none"> <li>– explicit,</li> <li>– hidden.</li> </ul>
[3, 8, 11]	the lifetime of the	<ul style="list-style-type: none"> <li>– lingering,</li> <li>– intermittent.</li> </ul>
[3, 8, 11]	the ability to manage	<ul style="list-style-type: none"> <li>– managed,</li> <li>– unmanaged.</li> </ul>

**Conclusion.** A crisis is the perception of an unpredictable event that threatens important expectancies of stakeholders related to health, safety, environmental, and economic issues, and can seriously impact an organization's performance and generate negative outcomes.

As the potential for crises increases, so does the potential for negative outcomes. Organizations are playing for high stakes when confronting crises. The reviewed developments demonstrate that the need for crisis management is increasing, not decreasing.

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