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A Model of Crisis Prevention (Based on managing change, quality management and risk management)

Prevention is better than cure.
(An old saying)

Abstract: The main task of this research is to create a model that enables an organization to effectively and efficiently resolve its everyday problems and potential incidents in time to prevent them from turning into a crisis. For solving problems, ad hoc measures and activities are often applicable, while incidents can be resolved by applying appropriate, predefined procedures and planned resources. On the other hand, crises are rarely resolvable through the application of any predefined procedures and plans. They demand changes and innovations, as well as a flexible, creative, strategic and sustained response. Therefore, it follows that it is incomparably better to adequately resolve problems and incidents on time, rather than to grapple with a crisis and all the complexity, uncertainty and anxiety that it brings with it. The Model of Crisis prevention presented in this research is based on effectively managing change and conflict, as well as on the synergy of Quality Management Principles and Risk Management Principles.

Keywords: Problems, Incidents, Crisis, Quality Management Principles, Risk Management Principles, Change Management, a Model of Crisis Prevention

JEL Classification: M10, M12, M54
Introduction

Every organization that strives to survive, to develop and to be sustainable, must be ready to face all the challenges that today’s turbulent and uncertain times carry with them. Organizations of all types and sizes are faced by external and internal factors and influences that make it uncertain whether they will achieve their objectives. The almost unimaginable pace of technical and technological progress, the dramatic acceleration of changes in all spheres of life, as well as the general feelings of uncertainty, have prompted organizations to make serious efforts to both timely and adequately address their ongoing problems and incidents, so that they would not grow into a crisis.

Organizations, therefore, must comprehensively investigate the causes of the problems they face on a daily basis, which means that they thoroughly analyze whether they are simply the result of any mistakes made, or are in fact the result of inadequate and unsuccessful processes. Many studies have shown that the majority of problems stem from inadequate and unsuccessful processes undertaken within the organization, rather than from individual errors. Instead of simply dealing with mistakes, it is necessary to continually review and improve the processes that make up the underlying causes of the problems, so that they do not reappear. The timely and adequate resolution of the root causes of problems and incidents is the best method of preventing the emergence of a crisis. The challenges and consequences that can arise when a crisis has not been successfully prevented, could be clearly seen through numerous examples from the recent global financial and banking crisis. The prevention of the crisis must be systemic and based on the development of a coherent, consistent and effective model, in which change management, quality management and risk management all play a key role. The main task of research into this very current, interesting and complex topic, both from a theoretical and practical standpoint, is to create such a model.

1 For more see Fabris, N. (2018).
1. Problems, Incidents and Crises - key characteristics and distinctions

Bearing in mind the basic starting point of this research, it is important to briefly define problems, incidents and crises, as well as, to describe their key characteristics and distinctions. What are problems? Problems are visible and invisible hurdles encountered on the way to achieving goals. Figuratively, a problem within an organization plays a similar role as pain does within the human body. Both the problem and the pain signal that something is not right (in either the organization or the body) and that this has to be recognized and diagnosed in time for the application of appropriate treatment. Problems, just like illnesses have to be dealt with in a timely way and not “swept under the carpet” and ignored.

Incidents are, however, the consequences of problems that have not been resolved in a timely and adequate manner. What then is a crisis? Simply put, a crisis is most often the result of accumulated problems and incidents that have not been successfully resolved in such a timely manner. British Standard 11200, Crisis management – Guidance and good practice, defines a crisis as an “abnormal and unstable situation that threatens the organization’s strategic objectives, reputation or viability“ (BS 11200:2014, p. 2).

A crisis calls into question the overall sustainability of the organization, the fate of its employees, the competitiveness of its processes, products and services, and in particular, its reputation. Therefore, it is essential that preventive action on problems and incidents are undertaken before they grow into a crisis. In order to achieve this, it is important, among other things, to understand the conceptual and practical relationship between problems, incidents and crises, as well as their key characteristics.
As shown in Figure 1, six basic characteristics of problems, incidents and crises have been analyzed, with a particular focus on their key distinctions, which are significant for preventive action. When it comes to **Predictability**, it can be seen that problems are foreseeable, incidents are usually foreseeable, while crises are unique, rare, and usually unforeseen. At their **Onset**, problems are manifesta-
tions of ongoing hurdles, incidents are gradual failures with warning signs and are caused by unresolved problems. Crises, however, can be sudden and with no notice and they are often an escalation of existing incidents. When we take a look at Urgency and Duration, problems are mainly urgent and short term, incidents are usually urgent and of limited term, while crises are of great urgency and followed by long term uncertainty.

In regards to the characteristic of Understanding and Impact, problems are well understood and their impact is limited. Incidents are usually understood and can be applied to predefined responses, although their impact can potentially be widespread. A crisis is different because of its complexity and its impact maybe difficult to assess and fully comprehend. It may also affect the entire organization. When it comes to Media Coverage, problems are not generally covered by the media, and incidents attract little media attention. A crisis attracts significant public and media interest. It is important, however, to keep in mind that some of the coverage in the media and on social networks might be partly inaccurate and this could rapidly deepen the crisis.

The characteristic of Manageability through established plans and procedures, is the very essence of successful crisis prevention. For solving problems, ad hoc measures and activities are often applicable, while incidents can be resolved by applying appropriate, predefined procedures and planned resources. On the other hand, crises are rarely resolvable through the application of any predefined procedures and plans. They demand changes and innovations, as well as a flexible, creative, strategic and sustained response. From all of the above, it follows that it is incomparably better to adequately resolve problems and incidents on time, rather than to grapple with a crisis and all the complexity, uncertainty and anxiety that it brings with it.

2. Quality Management Principles and Crisis Prevention

According to the international standard ISO 9000:2015, Quality management systems – Fundamentals and vocabulary, quality management is based on seven principles, as shown in Figure 2: Customer Focus, Leadership, Engagement of People, Process Approach, Improvement, Evidence-based Decision Making, and Relationship Management (ISO 9000:2015, pp. 3-9).2

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2 For more about Quality Management Principles and their benefits, see Luburić, R. (2015).
Customer Focus is the first principle of Quality Management and one of the key factors for business success. Turning full attention to customers, as well as their demands, needs and expectations, unites the efforts of employees and other relevant stakeholders. Understanding the current and future needs of customers contributes to overall success as they are the best interpreters and followers of the mission and vision of the organization.3

The principle of Quality Management, Leadership, is key to the successful management of change, the prevention of a crisis and the achievement of the sustainable success of each organization. The role of the leader in achieving success is also highlighted by the ISO 9000:2015 standard, which states that, „leaders at all levels

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3 How new technologies have enabled customers and what kind of changes they have caused, for more see Siggelkow, N. and Terwiesch, C. (2019).
establish unity of purpose and direction and create conditions in which people are engaged in achieving the organization’s quality objectives“ (ISO 9000:2015, p. 4). Leaders make it possible to adequately take into account the external and internal context of the organization, to always be aware of the situation in which it is located, to balance and effect its policies, goals, strategies, processes and resources, which is of particular importance for crisis prevention and achieving sustainable success.

The principle Engagement of People, rightly emphasizes that people are the most important factor for achieving success and the very essence of an organization itself. Only the full engagement of employees guarantees a safe path to achieving sustainable success. The task of the organization’s management is to find ways to adequately involve its employees in making the most important decisions, because if they accept them as their own, they will feel a greater responsibility and obligation to fully implement them. According to ISO 9000:2015, „competent, empowered and engaged people at all levels throughout the organization are essential to enhance the organization’s capability to create and deliver value“ (ISO 9000:2015, p.5). It is therefore essential that employees possess the knowledge required to be competent, and that they are empowered to make decisions and organize themselves to solve problems. This approach is based on the logic that employees not only live with problems, but also with the opportunities for improvement. They are in the best possible position to not only identify the causes of the problem, but also to find the best solutions and ways to improve, which is crucial for the prevention of a crisis.

The principle, Process Approach, is based on the concept that „consistent and predictable results are achieved more effectively and efficiently when activities are understood and managed as interrelated processes that function as a coherent system“ (ISO 9000:2015, p. 6). These interconnected processes are how an organization produces results and enables it to optimize its performance. Process and system management as a whole can be achieved by using the „Plan - Do - Check - Act (PDCA) cycle“, with special focus on „risk-based thinking“ in order to take advantage of opportunities and prevent undesirable results, which is key to preventing a crisis (ISO 9001:2015, p. vii).

A special place and role in management is rightly given to the principle Improvement, because there can be no achievement of sustainable success without continual improvement. In the international standard ISO 9000:2015, it is stated that „successful organizations have an ongoing focus on improvement“, which is explained by the rationale that continual improvement is „essential for an organization
to maintain current levels of performance, to react to changes in its internal and external conditions and to create new opportunities” (ISO 9000:2015, pp. 6-7). In order for the organization to be sustainably successful and to effectively and efficiently be able to prevent a crisis, it is necessary to continually review, improve and innovate its processes, products and services.

As we have already said, the ISO 9001:2015, international standard, which promotes the process approach, includes the PDCA cycle. This approach to improvement is particularly important because it enables the organization to properly manage the processes, to determine the improvement opportunities and to act accordingly. PDCA methodology is a universal approach, suitable for all domains of work, both from the real economy and the public sector. This methodology has the basic attributes of the quality management philosophy and a scientific approach to understanding and improving the processes. PDCA cycles relate to all the processes in the organization. If applied, this methodology clearly speaks about the commitment of management to its basic role – continual improvement, which is the best way to help prevent the escalation of problems and incidents and strengthens the organization’s resilience to crisis.

The principle of Evidence-based Decision Making, is explained in the standard as „decisions based on the analysis and evaluation of data and information are more likely to produce desired results” (ISO 9000:2015, p. 7). This statement is explained by the fact that decision-making can be a complex process and it always involves some uncertainty and subjectivity. It is important to take into account cause and effect relationships and potential unintended consequences. Facts, evidence and data analysis lead to greater objectivity and confidence in decision making. Decisions that are neither well understood nor accepted as correct often lead to destructive conflict. Evidence-based decision making and its objectivity greatly assist in the process of change and conflict management and preventing a crisis.

Relationship Management, as a principle of management implies that the building of mutual trust and mutual respect not only between the employees in the organization, but also with all partners, is a precondition for the successful management of changes and conflicts. Crisis prevention and sustained success are better achieved when the organization effectively manages its relationships with all interested parties. In the international standard ISO 9000:2015, it states that „for sustained success, organizations manage their relationships with relevant
interested parties, such as providers⁴, because they significantly influence the optimization of the performance of the organization (ISO 9000:2015, p. 8).⁴

All the aforementioned principles of Quality Management, both individually, and in total, significantly contribute to the prevention of crisis. They form the basis for creating a model of crisis prevention and their effectiveness significantly contributes to improving the overall performance of organizations.

3. Risk Management Principles and Crisis Prevention

The international standard, ISO 31000:2018, *Risk management – Guidelines*, explains that the purpose of risk management is “the creation and protection of value”, and that means it continually improves the performance of the organization, encourages innovation and supports the achievement of objectives (ISO 31000:2018, p. 2). According to this standard, Risk Management is based on eight guiding principles: *Integrated, Structured and Comprehensive, Customized, Inclusive, Dynamic, Best Available Information, Human and Cultural Factors, and Continual Improvement* (ISO 31000:2018, pp. 3-4).⁵ These principles are fundamental for effective and efficient risk management. Risk Management Principles enable an organization to manage the effects of uncertainty on its objectives, which is of particular importance in preventing crisis.

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⁴ For more about achieving sustained success, see: ISO 9004:2018, *Quality management – Quality of an organization – Guidance to achieve sustained success*. This international standard provides guidance for organizations to achieve sustained success in a complex, demanding and ever-changing environment, with reference to the quality management principles described in ISO 9000:2015.

All the principles shown in Figure 3, both individually, and in total, play their own role and have significant impact on the timely and adequate prevention of a crisis. The principle **Integrated**, explains that risk management is an integral part of all organizational activities that enables the timely and adequate solving of the causes of problems and incidents, which is crucial in the processes of crisis prevention. The principle **Structured and Comprehensive**, is an approach to risk management that contributes to consistent and comparable results, that plays a significant role in solving problems and incidents, as well as in the prevention of a crisis, by systemically dealing with its causes. The principle **Customized**, points to the importance that Risk management adapts to each particular case and that it is aligned with the external and internal context of the organization, in order to timely and adequately affect the causes of problems and incidents. The principle **Inclusive**, implies the appropriate and timely involvement of stakeholders and enables their thinking, attitudes and perceptions to be considered, which improves awareness and better informed risk management, and thus help prevent the escalation of problems and incidents.
The principle *Dynamic*, indicates that risks can appear, alter or disappear as the external or internal contexts change. Risk management has to anticipate, detect and respond to these changes in a timely and appropriate manner, which can greatly minimize the potential impact of problems and incidents. The principle *Best Available Information*, indicates that risk management explicitly takes into account all the limitations and uncertainties associated with information and expectations. It helps to ensure that all this information should be timely, clear and available to all relevant stakeholders, which is essential for the resolution of problems and incidents, as well as for the prevention of a crisis.

The principle *Human and Cultural Factors*, indicates that human behavior, culture and the development of a risk culture significantly influence the effectiveness of the risk management process at all levels of the organisation. It greatly influences the nature of the decisions made in order to successfully solve problems and incidents and the timely prevention of a crisis. The international standard, ISO 31000:2018, explains the principle *Continual Improvement*, in the following way, „Risk management is continually improved through learning and experience“ (ISO 31000:2018, p. 4). This is based on the idea that through learning and experience a culture of improvement is developed that then becomes a generator of effective crisis prevention.

All of the aforementioned principles of Risk Management significantly contribute to the prevention of crisis. In conjunction with the principles of quality management, they are the basis for formulating a model of crisis prevention, and their effectiveness significantly contributes to the creation and protection of value, as well as the improvement of the overall performance of the organization.


In the previous sections, the key aspects that influence the timely and adequate resolution of problems and incidents have been analyzed, which are a prerequisite for the successful prevention of a crisis. In order for organizations to timely and adequately solve problems and incidents, and thus prevent a crisis, effective and efficient change management, quality management and risk management are essential, as well as a mastery of the necessary knowledge and skills, which is neither simple nor easy. These complex factors, integrated in a coherent and consistent system, form the basis for creating a model of crisis prevention, as shown in Figure 4.
Figure 4 – The Model of Crisis Prevention

[Diagram showing the model of crisis prevention with various interconnected points such as Organization, Mission, Vision, Policy, Goals, Crisis Prevention, Quality Management Principles, Risk Management Principles, Actions (Act, Plan, Check, Do), Changes (Culture of Dialogue, Constructive Conflicts, Destructive Conflicts), People (Competence and Personal Integrity), Processes and Resources (Effectiveness, Efficiency), Continual Improvement (Review, Innovation), and the outcomes of stabilizing changes and strengthening organizational resilience to crisis.]

Stabilize change, integration into the system and strengthening organizational resilience to crisis

New cycle of changes in terms of crisis prevention
Top management bears the greatest responsibility for all the successes and failures of the organization. Its task is to continually monitor and analyse the external and internal context of the organization, in order to ensure success. Management must create the necessary conditions that enable employees to solve the causes of problems and incidents in a timely and adequate manner, to prevent the emergence of a potential crisis.

All the employees in the organization have to thoroughly analyse whether the problems they face are the result of mistakes that have been made, or are the result of inadequate and unsuccessful processes. Many studies have shown that most problems actually arise from such processes rather than from any individual errors. Instead of ineffective and exhausting efforts to deal with errors individually, it is essential to constantly review and improve the processes that constitute the root causes of the problem, so that they are not repeated.

In this model, Quality Management Principles and Risk Management Principles work in tune, harmoniously, synchronously and synergistically. The application of these principles not only contributes to the more effective and efficient achievement of its mission, vision, policy and goals, but also significantly raises awareness about the opportunities opened up by their full implementation within the organization itself. As we have already seen, there are many synergistic effects that the implementation of these principles brings to organizations to assist in the prevention of a crisis. Of particular importance is their great influence in changing the way of thinking among all stakeholders. This new way of thinking creates new behaviours and an improved business culture which is more able to successfully prevent a crisis and achieve sustainable success.

The Quality Management Principles can not be fully effective and efficient without a developed quality culture and “risk-based thinking”. In the same way, the Risk Management Principles require a developed risk culture and the timely anticipation and detection of risks. A developed quality culture and risk culture are a great source of strength for the organization, just as it can be a major cause of weakness to be without them.

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6 For more see Luburić, R. (2010), pp. 213-221.
7 About the practical aspects of applying this within the context of the organization, see Raković, R. (2018).
8 For more see Luburić, R. (2018a).
A short version of this text has been published in Serbian: Luburić, R. (2018b).
There can not be successful crisis prevention without the successful management of change and conflict. Changes must first be successfully implemented under stable conditions in order that they can be successfully implemented in situations of the potential escalation of problems and incidents.\textsuperscript{10} There can not be successful change management without a developed culture of dialogue and this can not exist without mutual respect and mutual trust within the organization. A culture of dialogue actually encourages constructive conflicts that have an integrative character and are desirable for any organization, unlike destructive conflicts that spur disintegration. In all of the above, the role of top management and the decisions it makes are of crucial importance. Effective decision making and their efficient implementation requires the work of a complementary team that shares common interests, not only in the short term, but also in the longer term.\textsuperscript{11}

The three central pillars of the model of crisis prevention are people, processes and resources, and continual improvement. For the successful management of any organization, and consequently for the successful prevention of a crisis, the employees play the most important role and they must not only be competent to carry out their tasks, but must also have personal integrity. The competence of employees is measured by their training, their knowledge, skills and experience, and personal integrity by their professional and human honesty.\textsuperscript{12}

After the implementation of any changes, it is essential to stabilize them and then integrate them into the system, all with the aim of strengthening the organizational resilience to a crisis. However, this process does not end there, it leads to a new cycle of changes with further review, followed by new improvements and new innovations. It is a cycle that has no end, and which never ends, because all improved processes can always be better.

The model of crisis prevention created in this research is conceptually original, functional, flexible, comprehensive, and universal. It is applicable in all organizations and is open to further improvements and upgrades, which gives it a special strength and value.

\textsuperscript{10} For more see Luburić, R. (2013).


\textsuperscript{12} For more about the competences and concepts of human resources management, see: Buntak, K., Sesar V., Droždek, I. (2014).

For more about the new approach to employee training and the development of competences, see Bešker, A. (2019).
Conclusion

In the turbulent and uncertain environment of today, characterized by almost unimaginable technical and technological advances, as well as ever-accelerating changes in all spheres of life, it is not simple for organizations to be able to survive, thrive and develop sustainably. This often causes problems that, if not solved and if they accumulate, can turn into incidents and later escalate into a crisis. Nothing can “shake” an organization as much as the challenges arising from accelerated changes for which top management is not prepared and for which it has no timely and adequate response.

This research has created a model that enables an organization to both effectively and efficiently resolve its everyday problems and potential incidents in time to prevent them from turning into a crisis. For solving problems, ad hoc measures and activities are often applicable, while incidents can be resolved by applying appropriate, predefined procedures and planned resources. On the other hand, crises are rarely resolvable through the application of any predefined procedures and plans. They demand changes and innovations, as well as a flexible, creative, strategic and sustained response. A crisis calls into question the overall sustainability of the organization itself, the fate of its employees, the competitiveness of its processes, products and services, and in particular, its reputation. Therefore, it is essential that preventive action on problems and incidents are undertaken before they grow into a crisis. In any case, it is incomparably better to adequately resolve problems and incidents on time, rather than to grapple with a crisis and all the complexity, uncertainty and anxiety that it brings with it.

If organisations are run on Quality Management Principles and Risk Management Principles, they will be able to successfully manage crisis situations. This requires continual and comprehensive improvements as well as innovations to the framework of systems and processes, together with the engagement and full commitment of both management and employees. When Quality Management Principles and Risk Management Principles are complementary and work together in full harmony, synchronicity and synergy, they have a beneficial influence on all management processes. The essence of the philosophy of change management, as well as that of risk management, are primarily focused on preventive action. In every way, it is clear that prevention is better than cure and that this may be made possible to a great extent by the successful application of the model presented in this research.
References