

Crisis management - praxeological aspects

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Introduction

Managing a company in crisis conditions is undoubtedly one of the most difficult and demanding situations in which you can find yourself. In the course of its development, each company encounters various crises related to its operations. This is one of those things that (like taxes) is rather unavoidable. It depends on the experience of managers whether the company will survive the crisis and come out of it stronger, or will cease to function on the market.

The use of the achievements of praxeology in crisis management can and should improve and accelerate this process; which is also related to the optimization of the costs of restructuring the company in a crisis.

The aim of the article is to analyze the possibility and legitimacy of the use of praxeological criteria in the activities of managers regarding crisis management in the enterprise.

1. Praxeological criteria

A crisis in a company is a situation which, if tolerated, leads to the collapse of the company. The inability to perform basic functions and goals is usually manifested by: a relative increase in costs, limitation of new ventures or too much debt. In the phenomenon of crisis, three basic phases can be distinguished: potential, hidden and explicit. The first one concerns all enterprises, it is difficult to notice, the degree of danger can be determined by means of early warning systems. The hidden phase (contrary to its name) is completely visible to people observing the company, due to the possibility of a crisis. The last overt phase of the phenomenon occurs when we are dealing with the disorganization of the company, decision-making and competence chaos.

The issues raised by praxeology are important in crisis management in several basic areas of science: in the theory of organization and management (including the theory of decision-

making), economics, sociology, psychology, theory of war, design methodology, theory of exploitation, and others.

Praxeology deals with the improvement of individual, collective (where more than one person acts independently of each other) and team action. The basic praxeological criteria include: efficiency, effectiveness, effectiveness, punctuality and ethics¹. Some researchers also mention the rationality of action, but it is included in the above criteria. They can and should apply to crisis management and the recovery restructuring process.

In D. Staszak's opinion, two issues are important in crisis management, f.eg.:²

1) preparation of the operation of the crisis management team management subsystem. This value, which characterizes the effectiveness of crisis management teams, does not require extensive discussion. The reason is its obviousness. Not only logic, but also regulations require that the management subsystem of crisis management organizational teams is prepared for operation. (This process is described in the literature, so there is no need to characterize it here). The operation of the subsystem of managing organizational teams of crisis management can be considered ready (in the praxeological sense) when it is carried out in accordance with the required procedure;

2) rationality of the operation of the crisis management team management subsystem. Rationality is a category of "dual" use: on the one hand, it denotes a quality of thinking or acting, and on the other hand, it is used to evaluate a given action. Bearing this in mind, it should be assumed that it is rational to operate the subsystem of managing organizational teams of crisis management in such a way, which is carried out according to a specific model of organization management. Due to the fact that the above-mentioned management models are influenced by data, information and ways of responding to crisis situations, it should not be difficult to assess the rationality of their operation.

According to the authors of this monograph, temporal and ethical criteria are important in praxeological analysis (although underestimated in practice).³

¹ P. Masiukiewicz, *Sprawność jako kryterium oceny zarządzania*, „Prakseologia i Zarządzanie” 2017, nr 2.

² D. Staszak, *Praxeological analysis of the efficiency of managing the crisis management teams in safety threat situations at self-government level – conclusions from defence-related exercises and training in the years 2008–2016*, "Toruń Social Science Review" 2017, no. 1.

³ P. Masiukiewicz, *Appropriation Economics versus Managers' Ethics*, Journal of Applied Management and Investments 2018, no. 3.

2. Temporal criterion in crisis management

It is obvious that every action; including making and implementing managerial decisions, is time-bound and takes some time. Nowadays, time is a basic and important praxeological component; next to efficiency, effectiveness and effectiveness as well as ethics of action. Various theoretical approaches can be used to analyze the phenomenon of time, including psychological, sociological, economic, legal and philosophical ipraxeological approaches.

According to M. Łagosz, "However, in capitalism, which is profit-oriented, which is realized, among other things, in exchange, time plays an exceptional role. Capitalist production and the capitalist mode of distributing goods are temporally subordinated, which is also reflected in the sphere of non-economic interpersonal relations."⁴ It should be noted here that the entire economic analysis of enterprises (including the analysis of profits and losses) is located in specific periods of time.

In the theory of crisis management, time management and the attitudes and behaviors of managers are considered to be particularly important. Butcher and Clarke define a crisis as the occurrence of three components, i.e. time pressure, significant threat and surprise (primarily for managers) and the circumstances in which a given threat occurs. Many authors point to the short decision-making time as an important component of crisis management.

A crisis means threatening the core values that underpin action.⁵

The work of management theorists was the basis for the creation of the principles of time management. These rules are as follows:

- 1/ the principle of time planning (scheduling and controlling),
- 2/ the principle of concentration of activities,
- 3/ the principle of estimating (predicting) the time necessary for a given action,
- 4/ Occam's razor principle,
- 5/ selection of tasks according to the criterion of urgency and preparation of decisions (justification of urgency, access to information and analysis, etc.), including the Eisenhower method (decision matrix: priorities: urgency, importance, urgency with importance),
- 6/ selection of activities according to the adopted main goal (the principle of purposefulness of activities).

In general, the basic factor of the quality of decisions made in management is the time of decisions (in static and dynamic terms); including managers' response time. It means the

⁴ Łagosz M. *Marks. Praca i czas. Wartość czasu w ekonomii i moralności*, Wydawnictwo Naukowe PWN, Warszawa, 2012, s. 453.

⁵ Butcher D., Clarke M. *Smart Management*, ed. 2, Palgrave Macmillan, UK, 2008.

number of time units elapsing between the receipt of an impulse by a given system (enterprise) and its reaction; However, it is usually more difficult to determine the reaction time of one that is determined by a series of impulses acting on the company.⁶

3. Ethical aspects of restructuring

According to A. Smith, the market economy is a place of influence not only of the invisible hand of the market, but also of the visible hand of the state and law, which is to prevent monopolistic and speculative activities and dishonest (unethical) business in the economy.

The classics of economics took up the problem of moral business in their works. According to J. Keynes, "when the accumulation of wealth no longer has much social significance, there will be great changes in the moral code. We will be able to rid ourselves of many of the pseudo-moral principles that have plagued us for two hundred years, which have elevated some of the most repulsive human qualities to the position of the highest virtues. We will be able to afford to boldly face the monetary motive. The love of money as an object of possession—as opposed to the love of money as a necessary means of life—will be regarded as a rather abhorrent affliction, one of those semi-criminal, pathological tendencies that we shudder at and entrust to mental health specialists. We will finally be able to reject all kinds of social customs and practices affecting the distribution of wealth [...]"⁷.

The ethical dimension of crisis management is important, along with praxeological and other dimensions of crisis management, because, as I.I. Mitroff and C. Pearson write, the goal of crisis management is not only to return to normality as quickly as possible. The essence of this type of management is to force the organization to become aware of its moral and social responsibility towards internal and external stakeholders⁸.

The concept of organizational morality was introduced to the theory of the enterprise by P. Preisendorfer and T. Voss⁹. They were also developed by the theory of business ethics (including Polish authors: W. Gasparski, A. Lewicka-Strzańska, B. Rok).

Nowadays, more and more attention is paid to the problems of ethics in information technologies and in the area of artificial intelligence¹⁰.

⁶ Masiukiewicz P. *Time component in praxeology*, Praxeologia i Zarządzanie, No. 2/2023.

⁷ Keynes J.M., *Ekonomiczne perspektywy dla naszych wnuków (1930 r.)*, „Biuletyn Polskiego Towarzystwa Ekonomicznego” 2020, nr 4, s. 10.

⁸ Mitroff I., Pearson C. *Zarządzanie sytuacją kryzysową*, Businessman Book, Warszawa, 1998.

⁹ Preisendorfer P., Voss T. *Organizational Morality of Small Firms: The Effects of Entrepreneurial Age and Human Capital*, Organizational Studies, no. 11/1990

¹⁰ Ammanath B., Bannister C. *Trustworthy and Ethical Tech: The Leadership Challenge*, 20.09.2021 <https://sloanreview.mit.edu/mitsmr-connections/trustworthy-and-ethical-tech-the-leadership-challenge/> (access:1.01.2024).

The principles of ethics should be observed in the crisis management process, at least in the basic areas of managers' decisions; where they are most often violated. These areas are shown in Table 1.

Table 1. Ethics in the basic areas of managers' decisions

Lp.	Financial areas	Lp.	Areas of organization and management
1	Repayment of trade liabilities on time	1	Restructuring changes in the organization
2	Settling public law liabilities on time		
3	Fair and correct reporting and accounting	2	Human Capital Management
4	Commercial relations (contractual)	3	Internal and external information system
5	Raising share capital	4	Marketing (advertising, pricing, customer relations, etc.)
6	Anti-corruption and insider trading	5	Corporate Social Responsibility
		6	Responsible and legal restructuring or bankruptcy applications
		7	ESG Compliance

Source: own study.

The most important areas of unethical behavior in the restructuring and bankruptcy processes of enterprises are, m.in, among others:

- simulated (staged) bankruptcies,
- deliberate actions to reduce the value of the company's shares for the purpose of buyout,
- hostile takeovers of restructured enterprises,
- creative accounting,
- failure to pay financial liabilities,
- unlawful transfer of assets (financial and fixed assets) from the restructured enterprise,
- preference for repayments of selected creditors,
- uneven distribution of the burden of crisis costs in the company (e.g. reduction of salaries of employees, but not members of the management board),
- unethical sources of capital in the company,
- unethical pricing (which can also cause a crisis in the company),
- manipulation of information and advertising,

- excessive prolongation of the restructuring or bankruptcy process, e.g. by the administrator or the court administrator.

As a classic example of unethical prolongation of bankruptcy in time, the trial of Bank Staropolski in Poznań is cited, which lasted over 14 years, despite the fact that the bank was very small (it had only two branches).

The problem of ethics of capital used for the company's operations has again become a subject of discussion in the light of the concept of sustainable development of the economy and companies, the concept of *circular economy* and ESG – which the European Commission is working on.

The sustainable development of the social market economy (the ESG concept implemented in the EU) places greater demands on business ethics. On the other hand, the theory of value for stakeholders is the dominant theoretical approach to the study of issues related to corporate social responsibility (CSR, a component of the ESG concept). According to this theory, in the long run, companies benefit from meeting the needs of their stakeholders through improved reputation, creditworthiness and trust, which lead to competitive advantages¹¹.

When a crisis occurs, companies with CSR strategies achieve higher financial results than others. It has also been found that having a CSR strategy affects the stock and bond prices of companies, as it can protect investors from losses to some extent. Stakeholder relationship management also comes with numerous benefits that can be useful in crisis situations, such as agility, maintaining a level of trust and collaboration, information sharing, and social legitimacy¹².

In the light of the theory of business ethics, the issues of ethics of raising and using capital in an enterprise should be considered. The acquisition of capital can be viewed from the perspective of the theory of value growth and the economics of appropriation – as a concept of contemporary corporate activities aimed at increasing value at all costs; sometimes also on the borderline of the law or outside the law¹³. This problem has sporadically appeared in research and publications in recent years; with the exception of child labour and the creation of profits for enterprises. However, there were numerous case studies; showing unethical profits of entrepreneurs and the creation of equity and high salaries of managers from them. Practice

¹¹ C. Fox, P. Davis, M. Baucus, *Corporate social responsibility during unprecedented crises: the role of authentic leadership and business model flexibility*, Management Decision 2020, vol. 58.

¹² C. Fox, P. Davis, M. Baucus, *Corporate...*

¹³ P. Masiukiewicz, *Appropriation Economics versus Managers' Ethics*, Journal of Applied Management and Investments, vol. 7, no. 3/2018.

shows that sometimes corporate owners and customers are not aware of how capital is raised to ensure rapid development and increase in the value of these corporations.

One of the respondents to a survey conducted among managers of large state-owned companies during the COVID-19 pandemic stated that "the principles that guide him in business are certainly the ethical layer and the one resulting from his faith and the code that determines his entire life. The interlocutor tried to translate the values he believes in into the way he does business. The elementary determinant is commercial honesty, loyalty and transparency. Especially in situations where there is a risk on both sides. It is extremely important to have an honest and open approach, showing the problem and, through an open attitude, trying to find a solution. What is treated as sin, i.e. excessive greed or dishonesty, must be tamed and fought. This is the only way to survive this crisis"¹⁴.

Wojciech Gasparski was critical of the ethics of decision-making by entrepreneurs. He believed that moral imagination, sensitivity, reliability were desirable – which could reduce the risk of the intended undertaking. But he also justified: „There are also entrepreneurs who are excessively confident in success, which means that they can be used by more opportunistic market actors. Entrepreneurs are inclined to act rather than reflect, which means that they do not think carefully enough, if at all, about ethical aspects." "Once again it turned out [writes W. Gasparski] that the indispensable task of decision-makers is to think about unthinkable things. It is true that in response to a crisis situation one has to improvise, but we must remember the paradox of improvisation formulated by Tadeusz Kotarbiński, who said that 'good improvisation is a well-prepared improvisation'"¹⁵.

The study of ethics and values in management, carried out at the Warsaw School of Economics, indicated that ethical standards are an important value for only 50% of managers (see Table 2).

CNN's new Business Fear & Greed Index shows the impact of emotions and ethics on market behavior. The Fear and Greed Index is a method of assessing stock market movements and whether or not stocks are fairly valued. This method is based on the logic that excessive fear tends to drive down stock prices, and too much greed has the opposite effect¹⁶.

¹⁴ T. Gigol, K. Kreczmańska-Gigol, *Kryzys COVID-19 a zachowania spółek skarbu państwa*, Polskie Towarzystwo Ekonomiczne, Warszawa 2021, s. 187.

¹⁵ W. Gasparski, *Etyczna infrastruktura działalności gospodarczej*, w: *Etyka i ekonomia*, red. B. Klimczak, E. Mączyńska, Wydawnictwo PTE, Warszawa 2007.

¹⁶ *Fear & Greed Index*, <https://edition.cnn.com/markets/fear-and-greed> (accessed: 1.05.2024).

Table 2. Ranks of individual value groups depending on the type of organization

Lp.	The importance of a given value group	Answers in percent			
		Joint-stock companies	Other companies	Przeds. public sector	Total
1	Economic values are the most important, along with respecting the law	35,8	32,5	24,5	32,6
2	Economic values are of key importance to us; Respect for the law, ethical norms and good manners is also of key importance	57,5	56,8	51,0	56,4
3	Non-economic values – ethical, cultural, civic, related to development, ecology – are considered equally important in our country; None of the value groups is prioritized	6,0	10,3	20,4	10,2
4	Other Answers	0,7	0,3	4,1	0,8
	Together	100,0	100,0	100,0	100,0

Source: *Zarządzanie respektujące wartości*, red. A. Herman, T. Oleksyn, I. Stańczyk, Difin, Warszawa, 2016.

An index is a compilation of seven different indicators that measure some aspect of stock market behavior. These are: market dynamics, stock price strength, stock price breadth, put and call options, junk bond demand, market volatility, and safe-haven demand. The index tracks how much these individual indicators deviate from their averages. The index gives each indicator an equal weight, when calculating a score from 0 to 100, where 100 indicates maximum greed and 0 signals maximum fear. Indicators can alert investors to their own emotions and biases that can influence their decisions. Such an indicator could be developed for the behavior of managers in a crisis.

To sum up, due to the vague recognition of the issue of bankruptcy, unethical behavior and abuse of the law are not uncommon; which was pointed out by E. Mączyńska. The research carried out at the Warsaw School of Economics showed that irregularities in reorganization and

bankruptcy proceedings were often rooted in unethical behaviour of various stakeholder groups. Bankruptcy often occurs as a result of several consecutive decisions that either take assets out of the company or suddenly cut off sources of financing, and material investments rapidly lose value¹⁷.

Summary

The conditions and barriers of crisis management in enterprises require high efficiency, effectiveness, effectiveness and temporal rationalization. They also require business ethics. Support in this area can be provided by the use of the achievements of praxeology, including the above-mentioned management criteria.

It depends on the experience of managers whether the company will survive the crisis and come out of it stronger, or will cease to function on the market. Undoubtedly, in addition to efficient management, it is necessary to obtain financial leverage (capital for survival) in a crisis.¹⁸

Crises cannot be ruled out, so we need to prepare well for them.

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