



## SOLVING OF CRISIS SITUATIONS IN SLOVAK MUNICIPALITIES

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**Abstract:** *The crisis management is a summary of activities of competent institutions to monitor the risk factors, to analyse the security risks and threats, to plan, to organize, to conduct and to check the activities designed to create the conditions for the solution of crisis situations. The crisis situation is a situation which has the negative effects and therefore seriously disrupts or changes economic or social life of particular entity. This paper deals with the application of crisis management knowledge in preventing and responding to a crisis situation such as forced administration municipalities in the Slovak Republic. We will especially deal with the fundamental tools of crisis management, which are crisis minds, crisis management system, crisis planning and crisis communication.*

**Key words:** *crisis situation, municipality, crisis minds, crisis management system, crisis planning and crisis communication*

### 1. THEORETICAL BACKGROUND

No human activity is absolutely safe; therefore while managing it is necessary to think about possible risks and threats as well as about the possibility of a crisis situation emergence. The crisis is a part of our everyday life. It is an objective reality; therefore it is necessary to count with the emergence of crisis situations. First steps to solve the crisis are to understand the causes of crises' emergences as well as their consequences. To solve the crisis it is necessary to plan and to prepare procedures, methods and technologies before the emergence of the crisis, therefore, the risk management and the crisis management must be an integrated part of each managing activity, of decision-making processes as well as of developing programmes. The crisis and the crisis situations are subjects of the crisis management research and study.

As stated by Palaščáková, D. (2011) the crisis is generally considered as a difficult situation or extraordinary event when the balance among essential characteristics of the system, such as the mission, values, goals, functioning of the system on the one hand and attitudes (relations) of the neighbourhood on the other hand is significantly distorted. The crisis can also be defined as a series of events, usually unexpected, which form a very real potential for adverse or catastrophic consequences. Regardless of the legal aspect of each crisis situation the perception formed from the start to the end of the crisis may dramatically affect the reputation and financial position of the organization.

According to Filip, S.- Šimák, L. (2006) a crisis situation is such a situation, which by its nature, scope and negative effects seriously disrupt economic or social entity of a particular subject. It

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is a quirky or very difficult to predictable course of phenomena and activities after the disturbance of the balance of the social, natural and technological processes and systems that threaten the lives of people, the environment, the economy, the spiritual and material values of the state and its inhabitants.

Crisis management is in the literature defined as a process of continual and goal seeking guidance of the production, service and business activities through business resources aimed at the protection of human and economic values, for safe operation and maintenance of balance of the enterprise in all areas of its activities (Palaščáková, D., 2011).

A similar definition can be find by Míka, V.T. et al. (2009) where "the crisis management should be understood as a goal seeking and coordinated process aimed at the prevention, the eradication of course and the disposal of the consequences of the phenomena, that threat or may significantly threaten the security of the society, lives and health of people, their property and the environment."

As stated by Alexy, J. and Mečár, M. (2006) the crisis management forms a specific medium with aim- oriented set of knowledge on possible crises, their causes and consequences, as well as of the principles, methods and possibilities of their solutions. Crisis management is an interdisciplinary subject field and belongs to practise- oriented discipline and deals with the management of the people as a goal- oriented activity. Its task is to develop a methodology of management with emphasis on achieving the efficiency of managerial activities in relation to protection of society and material values against the effects of crises. According to the authors, the crisis management fulfils a coordination tasks, it unifies and directs the activities of specific positions within the enterprises which perform managerial tasks in particular – crisis environment.

Filip, S. - Šimák, L. (2006) define crisis management as a summary of the activities of the competent institutions intended to analyse security risks and threats, to monitor risk factors, to prevent crisis situations and to plan, to organize, to conduct and to control the activities of the creation of the conditions for the solution of crisis situations. It can thus be said that the crisis management is aimed at the prevention of crisis situations and for the solution of crisis situations.

Mura (2010) stresses that, even in a period of crisis situations, it is possible to find a starting point by using knowledge, because knowledge bear a great potential and therefore allow to solve different problems.

## **2. CRISIS MANAGEMENT IN SLOVAK MUNICIPALITIES**

With regard to various areas of social life, in which the crisis management may be applied, different types of entities, as well as various levels of management, it is possible to view the crisis management as follows (Míka, t. et al., 2009):

- crisis management as a system and a process of military-political measures;
- crisis management as a system of measures of the state, public authorities, business entities and other organizations aimed at prevention, reduction and elimination of crises sources, at disposal of consequences of natural disasters, technological and ecological accidents, health crises and humanitarian disasters;
- crisis management as a system of principles and measures of economic operators, in particular industrial enterprises, aimed at addressing situations that threaten prosperity and economic stability.

### **2.1 Crisis management of civil protection of the population**

The municipalities perform mainly activities included in the second group, especially the activities regarding the civil protection of the citizens. In accordance with the Act of the National Council of the Slovak Republic No. 42/1994 Coll. on civil protection of the population and its latest amendments the tasks of the municipalities are:

- to develop a plan for protection of the population and to learn on the emergency plans of the enterprises and companies on their territory;

- to inform the population and the public about the source of the threats, on possible scope of an extraordinary event and the consequences for the affected territory and the environment, on hazardous characteristics and labelling of substances and formulations, which could cause an extraordinary event, on the warning procedure of the population and rescuing, on tasks and measures taken after the occurrence of the extraordinary event, on place providing additional information related to the plan of protection of the population;
- to coordinate the execution of the tasks in cooperation with legal persons, entrepreneurs and other natural persons;
- to direct the rescue work;
- to store, to treat and to ensure the supply of civil protection material;
- to determine appropriate protective premises appropriate to conceal the population and ensure their necessary adjustments;
- to ensure permanent report service and information service of the civil protection;
- to provide necessary and immediate assistance in emergency, in particular shelters, food or other material assistance to the population of the municipality and other persons occurring in the territory of the municipality;
- to plan, to manage and to perform the evacuation and to provide emergency accommodation and supplies to the evacuated population;
- to create units of civil protection of the population and to ensure their operational capability;
- to arrange and to carry out the preparation of civil protection units of the municipality and in cooperation with public institutions to inform population on self-protection and mutual assistance;
- to announce and to repeal the emergency situation and to determine the regime in case of extraordinary event occurred;
- to keep a record of evacuated persons and a lists of persons subject to the national service,
- to manage the financial resources allocated from the state budget for civilian protection.

## **2.2 Crisis management before and after the introduction of official receiver of the municipality**

Although a third group of crisis management is specified for economic subjects, we can include the municipalities in this group, too. The municipalities are independently managing financial means, what can lead to the crisis situations threatening the prosperity and economic stability. Official receivership is such a crisis situation in the municipality. In case the municipality is not able to pay all the payments towards its creditors the official receivership will follow. The Ministry of Finance of the Slovak Republic takes the decision on receivership.

Comparing to the business entities where the owner of the company takes this decision alone, the municipalities are obliged to comply with the legislation, especially with the Act of the National Council of the Slovak Republic No. 583/2004 Coll. on financial regulation of the regional self-government and on amending certain laws and its latest amendments.

The recovery regime with all characteristic features of the crisis management has to be applied before the official receivership. A municipality is obliged to introduce the recovery regime, if the total amount of commitments after the maturity exceeds 15 per cent of actual ordinary incomes of the municipality of the previous financial year and the municipality is late with an obliged payment for more than 60 days. The introduction of the recovery regime includes the elaboration of recovery budget and measures to stabilise the financial management, including the time schedule of repayments. During the recovery regime the municipality can use its funds only in accordance with the approved recovery budget and each payment have to be agreed by main controller of the municipality in advance. The municipality can stay in recovery regime for 90 days. If during this time the municipal economy has improved and the amount of total liabilities has decreased, the Ministry of Finance may agree to extend the recovery regime for another 90 days as a maximum.

If during the recovery regime the economy of the municipality has not been improved the Ministry of Finance will start the procedure of official receivership. The municipality is obliged to

open a special bank account of official receivership within the seven days of receiving the decision on the official receivership and to transfer all funds of the municipality to this bank account. During the receivership all the incomes of the municipality have to be sent to this account and their use is possible only with the prior written consent of the official receiver. The official receiver is appointed by the Ministry of Finance. The rights and obligation of the official receiver and the commission paid by the municipality are determined in the contract agreed by the Ministry and the official receiver. The official receiver is obliged to ascertain the status of the municipality economy and based on the detected facts is entitled to demand from the municipal authorities to adopt a programme for the consolidation of municipal economy including organisational and personnel measures.

During the official receivership the municipality is obliged to draw up and to approve a crisis budget and a consolidation programme of the budget, including the time schedule of liabilities payments. Only necessary outcomes to cover the obligation of the municipality, to ensure the self-governmental functions of the municipality and delegated state administration powers may be planned in crisis budget. It is not possible to use the incomes for paying member contributions, fees to establish a legal person or to buy property as well as to plan funding in time of crisis budget.

Based on the above stated we can conclude that during the recovery regime the municipality will be managed by internal crisis manager and during the official receivership it is managed by external crisis manager. Of course, even in the case of the recovery regime the municipality may use external manager services. We consider determining the crisis management, which sets the strategy and tactics; prepare the instruments and the activities of the recovery of financial flows, as very appropriate.

We consider basic instruments of crisis management (crisis thinking, crisis management system, crisis planning, and crisis communication) used in the private sector as appropriate to use also in public administration.

The crisis thinking is one of the most important instruments of the crisis management. It understands the necessity to ensure the preventive measures to prevent crisis situations. It is essential to predict and to influence the negative situation before they turn to serious problems. The crisis thinking emphasises the importance of the crisis management for the society and build together with the crisis communication a functional interlink between the society and the crisis management. The crisis manager takes part at the shaping of crisis thinking. The crisis manager must predict, be able to analyse possible risks, must act quickly, effectively and ethically, must have the ability to lead a team and motivate people, be able to build up appropriate authority, and must be a strong personality able to cope with the stress. These are only some of the characteristics of the crisis manager. During the recovery regime the tasks of the crisis manager should be overtaken by the head of the municipal self-government or mayor. We would recommend that in small municipalities this role would be overtaken by an external manager. Since the fact that there is a need to implement the recovery regime is a proof of insufficient managerial abilities of the mayor who was not able to predict the crisis situation.

The system of crisis management is formed by horizontal and vertical structure of management and executive bodies, their functions and scope, relationships and mutual ties, performed activities, legal environment to support them as well as by instruments, technical and technological equipment. During the recovery regime or official receivership the competences and responsibilities must be clearly defined and the crisis manger is the main responsible authority. Even if the crisis manager (head of the municipal administration) delegates certain powers to the members of the crisis team (head of departments), it is necessary to determine clearly and precisely tasks and deadlines and to control them on regular basis and to draw up consequences in case of non-compliance. To achieve the most possible savings will be recommended to associate some performed activities and to reduce the staff but to keep the functioning of the municipalities and providing all legal services for the citizens.

The preparation to solve crisis is based on the crisis planning. The role of crisis planning is to summarize all needs and requirements and compare them with the available resources. The crisis plan modifies determined objectives and set up tasks to ensure the economic stability disrupted by the crisis situation. It is possible to apply the best practices of crisis planning used in private sector during the

recovery regime and the official receivership of the municipality. According to Alexy, J. and Mečár, M. (2006) the process of crisis planning may be divided into following stages:

1. definition of objectives aimed at protecting of economic balance,
2. processing of alternative options to achieve determined objectives,
3. assessment of the effectiveness of proposed alternatives on economic stability,
4. selection of optimal alternative,
5. implementation of crisis plan.

According to Rektořík, J. (2004) the communication allows to modify the behaviour, to achieve effective changes and to use efficiently the information. If we talk about crisis communication in public administration, we must mention that a part of the crisis communication is a system of warning and notification and communication and information system of crisis management. The task of the warning and notification system is to provide true and complete information on emergency preparations to citizens, as well as on the emergence of crisis phenomena and their course (this communication relates to civil protection of the population described in the chapter. 2.1.). In the private sector as well as in the municipalities the communication and information system should serve to identify necessary information, their organized acquisition and transfer, special processing and creative use. These are therefore resources to provide necessary analytical, decision-making and implementation processes of the crisis manager activities.

### 3. CONCLUSION

While implementing their goals the organisations are often meeting situations that undermine their balance. According to Rózsa, Z. (2008) the absence of market presence, the public interest, the need to take into account social aspects of decisions taken, impacts of extern factors, the need to maintain a democratic decision-making process and the fact that available resources are significantly limited makes from decision-making in public sector a very complex process. The management of crisis phenomena is therefore a complicated process that requires not only knowledge of the issue, but especially a strong person of the crisis manager who is able to think in terms of crisis, to develop a crisis plan, to use effective information and communication system and to lead the crisis team.

There are implemented in this paper the theoretical knowledge on crisis management in the municipality management during the crisis situation and particularly during the implementation of the recovery regime and the official receivership. This situation is as difficult as in private sector because the municipality is not able to satisfy its creditors. In this context, we consider necessary to underline the necessity of foresight and prevention, because „any negative situation that has not occurred is a solved situation“.

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