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A Bird's-Eye View
of Crisis Management

WHAT TO DO WHEN A CRISIS HITS

This book has one overriding purpose, to present to executives the essentials of crisis management (CM) so that they and the organizations they manage can successfully weather a crisis. The book is also guided by the assumption that in today's world, it is not a question of if or whether an organization will experience a crisis; it is only a matter of what type of crisis will occur, what form it will take, and how and when it will happen.

Consider, for instance, 1993, a banner year for organizational crises: the shoot-out in Waco, Texas; the bombing of the World Trade Center in New York City; allegations of syringes in cans of Pepsi; deaths due to the consumption of Jack-in-the-Box burgers; kickbacks from Honda dealers to corporate executives; racial discrimination by Denny's restaurants. On and on it goes. It seems that hardly a day goes by without an organizational crisis occurring somewhere.

Some crises are inevitable no matter how well prepared an organization is, and indeed, complete prevention is not necessarily a goal of CM. In addition, as both a field of research and a corporate function, CM is still new and, as a result, is neither completely understood nor widely accepted at this point. Although more advanced and developed CM programs would not necessarily prevent all organizational crises from occurring, there is evidence that effective CM would enable most organizations to recover much faster and learn more from past crises.¹

Based on our academic research and professional consultations,² we found the critical factor in determining how well an organization will perform during a crisis is how well prepared it is before the crisis occurs. For this reason, we cannot emphasize too strongly the importance of advance preparation.

One of the best ways to understand what you need to do before a crisis takes place is to understand what you need to do during its occurrence. Thus, even though effective performance during a crisis requires preparation before its occurrence, we will explain first what needs to be done during a crisis and then discuss what needs to be done beforehand. We will also talk about what needs to be done after a crisis has occurred so that you will be better prepared to handle future crises. (Make no mistake: Just as it is not a question of whether an organization will have

a crisis, there is also little doubt that it will experience subsequent ones as well.)

There is another advantage to reversing the order of discussion. By first explaining what executives, managers, and organizations as a whole must do well during a crisis, we will better understand the capabilities that every organization should have in order to perform effectively. In other words, the best-formulated crisis plans, as well as the best abilities to “ad hoc it,” will be useless if an organization does not have the capabilities required to handle a crisis. Indeed, an organization may actually be worse off if it substitutes a set of crisis plans and/or the ability to “think on its feet” for a competency in CM. Although plans and the ability to think and act quickly are certainly necessary and desirable qualities, neither is sufficient without the capability to carry it out. Such plans and ability also provide no assurance that an organization will perform well on all the aspects of CM.

WHAT IS A CRISIS?

There is no single, universally accepted, definition of a crisis, although there is general agreement that a crisis is an event that can destroy or affect an entire organization.³ Accordingly, if something affects merely

a part or one unit of an organization, it may or may not be, or lead to, a crisis.

A crisis can affect the very existence of an organization, a major product line, a business unit, or the like. A crisis also can damage, perhaps severely, an organization's financial performance. A crisis can also harm the health and well-being of consumers, employees, the surrounding community, and the environment itself. Finally, a crisis can destroy the public's basic trust or belief in an organization, its reputation, and its image.

A BIRD'S-EYE VIEW OF CM

We use diagrams frequently in this book to illustrate the CM skills and capabilities an organization needs in order to perform effectively. The diagrams are intended (1) to show the various actions, capabilities, and skills that effective CM requires; (2) to describe the components of these actions, capabilities, and skills; and (3) to relate them to one another so that as a particular action is performed, others can be anticipated. The diagrams thus are intended to give both "the big picture" and the details of CM. Some of the diagrams do one of the two, and others do both.

The Big Picture

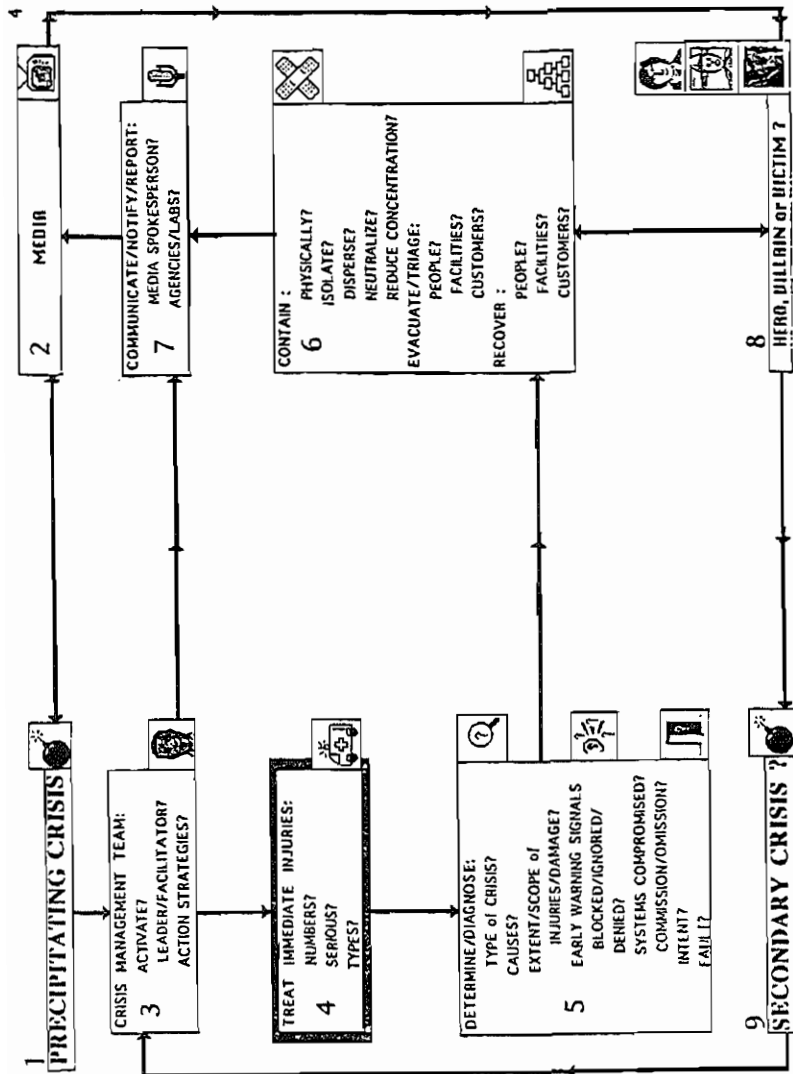
Figure 1.1 is an overview of the actions and decisions that organizations must take during a crisis. It is not necessary at this point to understand in detail every part of Figure 1.1, but by the end of the chapter you should have a general understanding of it.

Box 1: The Precipitating Crisis

Regardless of the way in which its occurrence has come to your attention, your organization has been hit by a crisis, as shown in Box 1 of Figure 1.1. The crisis may be a major (1) threat to your organization's credibility, identity, or reputation; (2) financial disaster; (3) health threat to consumers, employees, or surrounding community; (4) class-action suit; (5) sabotage attempt; (6) product defect; (7) tampering incident; or (fill in the blank).

Box 2: Anticipating and Managing the Media

A crisis sets in motion two distinct activities that must be managed simultaneously: responding to the crisis itself and responding to the media. If the crisis is se-



rious, the media will be involved in its coverage from the very beginning. In some cases, media coverage may even escalate the crisis itself. (For this reason, there is an arrow from the media, Box 2, to the precipitating crisis, Box 1.)

The media will certainly be interested and involved in the unfolding and handling of a crisis. Thus, from the start, you must have a strategy and a capability for managing the issues that the media will invariably raise. This does not mean that crisis communications are thereby the principal or the most essential aspect of CM, as many PR (public relations) consultants would have managers believe. Of course, the ability to anticipate and respond effectively to the media is a very important aspect of all crises; in some cases, it is the most important aspect. But effective crisis communications are not the only important aspect of all crises. Other skills and capabilities are necessary to manage a crisis.

The questions that the media will ask during a crisis probably will include the following:

1. Is the crisis your organization's fault, and if not, how do you know that it is not?
2. What is your organization doing about the situation, whether or not it is at fault, and especially if it is?

Figure 1.1. A bird's-eye view of crisis management.

3. When did your organization first learn about the situation, and what did it then do?
4. Were there any warning signals that such a crisis might occur, and if there were, what actions did your organization take when it first learned about the situation, to prevent it from occurring?
5. If warning signals were not detected or if the organization did not take any actions, why not?

Box 3: Should Your Organization's Crisis Management Team Be Activated?

If a crisis is indeed serious or appears to be, then the company's crisis management team (CMT) should be activated immediately. This recommendation assumes, of course, that the company has a CMT and, furthermore, that it is well trained and prepared.

Ideally, a CMT should be made up of executives and managers with various backgrounds and roles. In short, the team needs the skills and training to handle the multiple concerns and problems that every crisis creates. Most CMTs have representatives from the following departments: (1) legal, (2) finance, (3) operations, (4) security, (5) public affairs or public relations, (6) health and safety, and (7) human

relations. Other functions and skills can be brought in as needed to manage the particular crisis at hand.

One thing is clear: Given the diverse makeup that a CMT requires, advance training is necessary so that team members can learn to balance and integrate their various perspectives. For instance, lawyers typically want to say as little as possible during a crisis in order to avoid or minimize legal liability. Marketing, public affairs, and public relations executives, on the other hand, want to share information more broadly as a means of retaining or recovering consumer confidence and hence safeguarding their business. Dissent and interpersonal tension can result from such fundamentally different views. A crisis, furthermore, is one of the worst possible times to iron out these inevitable disagreements among different roles and perspectives.

Box 4: Helping the Injured Is Priority Number One

If we had to choose the number-one priority in all crises, it would be the prompt treatment of injuries to humans, animals, and the environment. This necessitates knowing the numbers and types of injuries or damages, if any. It certainly is not acceptable to respond with either arrogance or contempt, as the

chairman of Exxon, Lawrence Rawl, did regarding the oil spill in Prince William Sound, near Valdez, Alaska:

I've been with Exxon for thirty-eight years, and the thing that has bothered me most is not the castigation, the difficulties or the long hours; it's been the embarrassment. I hate to be embarrassed, and I am. Our safety practices have been excellent, and we have drilled them and drilled them into our employees over the decades. There is a lot of pride inside Exxon all over the world, and that pride is being challenged. We'll win it back, but we are not going to do it by debating on TV with some guy who says, "You know, you killed a number of birds." And we say, "We're sorry, we're doing all we can." There were thirty million birds that went through the sound last summer, and only 30,000 carcasses have been recovered. Just look at how many ducks are killed in the Mississippi delta in one hunting day in December! People have come up to me and said, "This is worse than Bhopal." I say, "Hell, Bhopal killed more than three thousand people and injured two hundred thousand others!" Then they say, "Well, if you leave the people out, it was worse than Bhopal."⁴

An article in *Fortune* put the matter even more bluntly in criticizing Rawl: —

Where Exxon looks chiefly vulnerable is in leadership. Rawl and his team appear to lack the ability to understand people and to inspire them. Management has repeatedly underestimated public reaction to the spill and contrives to talk as though the public has nothing at stake. Rawl says he didn't go to Alaska at once because the clean-up was in capable hands and he had "many other things to do." An interesting point here: the earnings of his U.S. operations were going down the drain in Prince William Sound, yet he didn't rush to the site.

By going to Alaska and acquitting himself while in the spotlight, Rawl would have accomplished two purposes: He would have reassured the public that the people who run Exxon acknowledge their misdeed and would make amends. And he might have salvaged the pride that Exxon workers once had in their company. Says one manager: "Wherever I travel now, I feel like I have a target painted on my chest. Employees are confused, embarrassed, and betrayed. Says an executive working in New Jersey: "The company is in turmoil. It is hard to get decisions. Everyone is studying safety in addition to his normal responsibilities."⁵

We cannot emphasize too strongly that an organization's primary concern should not be merely the establishment of the numbers and extent of injuries but a prompt, effective, and humane response. This,

in turn, requires that an organization be able either to send emergency medical response teams immediately to any site worldwide or to activate local, on-site teams.

If we have learned anything from studying countless crises,⁶ it is that the inability to handle well the initial crisis can set off a chain reaction of additional crises far worse than the first one. The key to whether an organization will be perceived (Box 8) as a hero, victim, or villain is its ability to respond quickly with genuine care and concern. We are the first to admit that this is often easier to say than to do, even if your organization is caring and wants to do the right thing. The difficulty is that a paradox is often associated with prompt and effective caring treatment. That is, prompt treatment can sometimes be ineffective, even wrong, and effective treatment sometimes means delayed treatment.

Box 5: What Is the Crisis?

You may well assume that an organization would “know” what the initial precipitating crisis is, but more often than not, it does not. In many situations, what the organization “knows” is what someone “thinks” the initial or precipitating crisis is. Box 5 lists several *detective actions* designed to identify the precise nature

of the crisis, including (1) the exact nature or type of the crisis, (2) whether there were any early warning signals associated with the crisis, and (3) the causes of the crisis. The knowledge gained from such detective actions is invaluable in treating the crisis.

Box 6: Containing the Damage and Recovering

The containment activities show in Box 6 extend the set of treatment actions. Two activities are especially important here: damage containment and recovery. Damage containment means putting into action specific mechanisms designed to keep a particular crisis from spreading or contaminating other, unaffected parts of an organization. For example, firewalls help keep a fire in one part of a building from spreading to other parts. One reason that we need to know the precise type of a particular crisis is that different crises require different damage containment mechanisms and procedures. For example, damage mechanisms to contain a product-tampering incident generally differ from those needed to contain a toxic chemical spill or damage to a corporation's reputation.

In the same way, different crises also call for different business recovery strategies. For instance, can you safely resume producing a damaged brand? Is it safe to reenter buildings or to allow citizens to return

to their community? Can you recover manufacturing operations, distribution channels, and the like? Can an organization's reputation be reinstated? Do you have backup computers to safeguard key information? Do you have backup manufacturing and management sites? These are only a few of the critical issues associated with business recovery.

*Box 7: Communicating to the Media
and the Authorities*

What you have learned about the nature of the crisis, its treatment, and its recovery will affect what you can communicate to the media and the appropriate governmental, health, and police agencies. Even though you must start communicating immediately with the media (as represented by the horizontal line to the right of Box 1), you must also update and revise what you say in light of ongoing investigations and treatment.

CM is a dynamic process. Honest and open communication with the authorities and the media does not require perfect, instantaneous knowledge. Furthermore, although every attempt should be made to ensure that communication is accurate, the spokesperson should avoid speculation. Initial statements and actions can be revised as more is learned. There

is nothing wrong with saying at the outset, "We don't know exactly what happened, but I promise we will get back to you as soon as we do know more."

*Boxes 8 and 9: Will Your Organization
Be a Hero, Victim, or Villain?*

How your organization performs on every aspect of the CM process outlined in Figure 1.1 will determine in the end whether the media and the public perceive the organization favorably as a hero or a victim or unfavorably as a villain. The mismanagement of a crisis is one of the surest ways in which to earn the label *villain*. If mismanaged, virtually all crises lead to a secondary, and potentially worse, crisis (Box 9) and usually result in long-term damage to the organization's reputation.

THE SYSTEMIC NATURE OF CM

Effective CM is systemic,⁷ which means that it is the product of or the interaction among all the critical activities represented in Figure 1.1. Effective CM is not a function of how well an organization does on one part of Figure 1.1 in isolation from the others, and it is not the sum of separate activities. In this

sense, $1 + 1 = 2$ does not apply to CM. Rather, effective CM is more akin to the product of 1×1 . If an organization does well on one critical activity (and thus earns a score of 1) but does poorly on some other activity (and thus scores 0), its overall performance will be represented by $1 \times 0 = 0$! In a crisis, poor performance in one area is not compensated by exceptional performance in another.

CONCLUDING REMARKS

Let us summarize what we have covered thus far, in the form of a series of questions that all executives and their organizations need to address. (These questions are listed in Table 1.1 for you to score with regard to your organization.) First, does your organization have the necessary abilities to assess the potential numbers and types of injuries that can be associated with any crisis? Does your organization have the capabilities required to treat whatever injuries might result? Does your organization's value system or culture give priority to treating injuries promptly? Or does it give priority to covering up or denying a crisis? Do legal considerations override ethical and human concerns? Does your organization have a trained crisis management team (CMT) that

can assemble quickly and make effective decisions? Does your organization have the capabilities to investigate and determine (1) the precise type or nature of the crises that could occur; (2) the early warning signals that precede each type of crisis; (3) whether such signals were blocked or ignored; and (4) the exact human, organizational, and technical causes of a potential crisis? Does your organization have properly designed, constantly maintained, and regularly tested damage containment systems in place? Does your organization have backup manufacturing sites and computers so that it can resume operations as quickly as possible? Does it have recovery mechanisms to restore full site and corporate operations? Does it have recovery mechanisms to restore the surrounding community and the environment? Does it have the capabilities to communicate effectively and notify the proper authorities, respond to the media, and reassure a wide array of stakeholders?

A helpful rule to bear in mind is that there are no secrets in CM. In the event of a crisis, your organization's responses to each of the preceding questions and issues not only will be discovered but also will most likely be publicized. As a result, your ability to respond will become the grounds on which your organization will be judged. In addition, your strengths and weaknesses will be investigated repeatedly and

TABLE 1.1. HOW WELL PREPARED IS YOUR ORGANIZATION FOR A CRISIS?

Statement	Yes	No
1. Our organization has the necessary abilities to assess the potential numbers and types of injuries associated with any crisis.	_____	_____
2. Our organization has the capabilities required to treat whatever injuries might result.	_____	_____
3. Our organization's value system or culture gives priority to treating injuries promptly.	_____	_____
4. Our organization gives priority to covering up or denying a crisis.	_____	_____
5. Legal considerations do not override ethical and human concerns.	_____	_____
6. Our organization has a trained crisis management team (CMT) that can assemble quickly and make effective decisions.	_____	_____
7. Our organization has the capabilities to investigate and determine		
a. the precise type or nature of whatever crisis could occur.	_____	_____
b. the early warning signals that precede each type of crisis.	_____	_____
c. whether such signals were blocked or ignored.	_____	_____

TABLE 1.1. (continued)

d. the exact human, organizational, and technical causes of a crisis.	_____	_____
8. Our organization has properly designed, constantly maintained, and regularly tested damage containment systems in place.	_____	_____
9. Our organization has backup manufacturing sites and computers so that it can resume operations as quickly as possible.	_____	_____
10. Our organization has recovery mechanisms to restore full site and corporate operations.	_____	_____
11. Our organization has recovery mechanisms to restore the surrounding community and the environment.	_____	_____
12. Our organization has the capabilities to communicate effectively, notify the proper authorities, respond to the media, and reassure a wide array of stakeholders.	_____	_____

If you answered no to two or more of these statements, it is likely not only that your organization will have a crisis but also that it will have difficulty handling it properly.

magnified for all to see, especially on the front pages of national newspapers and the opening minutes of national newscasts.

Notes

1. Thierry C. Pauchant and Ian I. Mitroff, *Transforming the Crisis Prone Organization* (San Francisco: Jossey-Bass, 1992).
2. Ibid.
3. Ibid. See also Charles Perrow, *Normal Accidents: Living with High Risk Technologies* (New York: Basic Books, 1984).
4. Quoted in Richard Behar, "Exxon Strikes Back," *Time*, March 26, 1990, p. 63.
5. Peter Nulty, "Exxon's Problem: Not What You Think, the Embattled Oil Giant Is in Good Enough Financial Shape That It Can Almost Shrug off the Cost of the Alaskan Clean Up. But Morale and Long Term Leadership Are Another Matter," *Fortune*, April 23, 1990, p. 204.
6. See Pauchant and Mitroff, *Transforming the Crisis Prone Organization*.
7. For an in-depth discussion of systems and systems thinking, see Ian I. Mitroff and Harold Linstone, *The Unbounded Mind* (New York: Oxford University Press, 1993); see also Russell L. Ackoff, *The Democratic Organization, a Radical Prescription Recreating Corporate America and Rediscovering Success* (New York: Oxford University Press, 1994).

TWO

What to Do During a Crisis

A DETAILED GUIDE

Chapter 1 presented an overview of the actions that executives need to take during a crisis, the issues they need to address, and the relationship among these activities and issues. This relationship is important because in a crisis they need not only to attend to those issues requiring immediate attention but also to anticipate how their immediate actions will affect future actions. All the activities and decisions listed in Figure 1.1 are tightly intertwined and hence affect one another. For this reason, we believe that effective CM depends on how well an organization performs all the activities in Figure 1.1, and not on just one or two of them in isolation.

In this chapter, we will explore in more detail each of the boxes in Figure 1.1. To do this, we will use other figures that seem different from Figure 1.1. As before, we will both examine the activities and decisions one at a time and show them in relationship to