Research Paper Management

Crisis Management Model

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ABSTRACT

Any situation that is threatening or could threaten to harm people or property, seriously interrupt business, damage reputation and/or negatively impact the bottom line. Crisis management can be defined as a, "Holistic management process that identifies potential impacts that threaten an organization and provides a framework for building resilience, with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand, and value-creating activities-as well as effectively restoring operational capabilities."

Keywords : Crisis, Communication, Leadership, Management, Capability

Introduction

Crisis management consists of different aspects including;

- Methods used to respond to both the reality and perception of crises.
- Establishing metrics to define what scenarios constitute a crisis and should consequently trigger the necessary response mechanisms.
- Communication that occurs within the response phase of emergency management scenarios.

Crisis management methods of a business or an organization are called Crisis Management Plan.

Crisis management is occasionally referred to as incident management, although several industry specialists such as Peter Power argue that the term crisis management is more accurate.

A crisis mindset requires the ability to think of the worst-case scenario while simultaneously suggesting numerous solutions. Trial and error is an accepted discipline, as the first line of defense might not work. It is necessary to maintain a list of contingency plans and to be always on alert. Organizations and individuals should always be prepared with a rapid response plan to emergencies which would require analysis, drills and exercises.

The credibility and reputation of organizations is heavily influenced by the perception of their responses during crisis situations. The organization and communication involved in responding to a crisis in a timely fashion makes for a challenge in businesses. There must be open and consistent communication throughout the hierarchy to contribute to a successful crisis communication process.

The related terms emergency management and business continuity management focus respectively on the prompt but short lived "first aid" type of response (e.g. putting the fire out) and the longer term recovery and restoration phases (e.g. moving operations to another site). Crisis is also a facet of risk management, although it is probably untrue to say that Crisis Management represents a failure of Risk Management since it will never be possible to totally mitigate the chances of catastrophes occurring.

Types of crisis

Lerbinger categorized eight types of crises

1. Natural disaster
2. Technological crises
3. Confrontation
4. Malevolence
5. Organizational Misdeeds
6. Workplace Violence
7. Rumours
8. Terrorist attacks/man-made disasters

Crisis Leadership

Erika Hayes James, an organizational psychologist at the University of Virginia's Darden Graduate School of Business, identifies two primary types of organizational crisis. James defines organizational crisis as "any emotionally charged situation that, once it becomes public, invites negative stakeholder reaction and thereby has the potential to threaten the financial well-being, reputation, or survival of the firm or some portion thereof."

1. Sudden crisis
2. Smoldering crises

1. Sudden crises

Sudden crises are circumstances that occur without warning and beyond an institution's control. Consequently, sudden crises are most often situations for which the institution and its leadership are not blamed.

2. Smoldering crises

Smoldering crises differ from sudden crises in that they begin as minor internal issues that, due to manager's negligence, develop to crisis status. These are situations when leaders are blamed for the crisis and its subsequent effect on the institution in question.

Crisis communication

The effort taken by an organization to communicate with the public and stakeholders when an unexpected event occurs that could have a negative impact on the organization's reputation. This can also refer to the efforts to inform employees or the public of a potential hazard which could have a catastrophic impact. The Crisis Communication usually consists of three elements: 1. A holding statement (a passive prepared press statement which has been approved by the Crisis Communicators and Legal Advisors), 2. Questions & answers (Q&A) with prepared and agreed answers for foreseeable questions if asked and, 3. Internal communication.

The 10 Steps of Crisis Communications

1. Identify Your Crisis Communications Team
2. Identify Spokespersons
3. Spokesperson Training
4. Establish Notification Systems
5. Identify and Know Your Stakeholders
6. Anticipate Crises
7. Develop Holding Statements
8. Assess the Crisis Situation
9. Identify Key Messages
10. Riding Out the Storm

Making a Crisis Worse: The Biggest Mistakes in Crisis Communications

All organizations are vulnerable to crises. You can't serve any population without being subjected to situations involving lawsuits, accusations of impropriety, sudden changes in ownership or management, and other volatile situations on which your stakeholders — and the media that serves them — often focus.

The cheapest way to turn experience into future profits is to learn from others' mistakes. With that in mind, I hope that the following examples of inappropriate crisis communications policies, culled from real-life situations, will provide a tongue-in-cheek guide about what NOT to do when your organization is faced with a crisis.

To ensure that your crisis will flourish and grow, you should:

- play ostrich
- only start work on a potential crisis situation after it's public
- let your reputation speak for you
- treat the media like the enemy
- get stuck in reaction mode versus getting proactive
- use language your audience doesn't understand
- don't listen to your stakeholders
- assume that truth will triumph over all
- address only issues and ignore feelings
- make only written statements
- use "best guess" methods of assessing damage
- do the same thing over and over again expecting different result

Crisis Management Model

Successfully defusing a crisis requires an understanding of how to handle a crisis – before they occur. Gonzalez-Herrero and Pratt found the different phases of Crisis Management.

There are 3 phases in any Crisis Management as shown below:

1. The diagnosis of the impending trouble or the danger signals.
2. Choosing appropriate Turnaround Strategy.
3. Implementation of the change process and its monitoring.

Management Crisis Planning

No corporation looks forward to facing a situation that causes a significant disruption to their business, especially one that stimulates extensive media coverage. Public scrutiny can result in a negative financial, political, legal and government impact. Crisis management planning deals with providing the best response to a crisis.

Contingency planning

Preparing contingency plans in advance, as part of a crisis management plan, is the first step to ensuring an organization is appropriately prepared for a crisis. Crisis management teams can rehearse a crisis plan by developing a simulated scenario to use as a drill. The plan should clearly stipulate that the only people to speak publicly about the crisis are the designated persons, such as the company spokesperson or crisis team members. The first hours after a crisis breaks are the most crucial, so working with speed and efficiency is important, and the plan should indicate how quickly each function should be performed. When preparing to offer a statement externally as well as internally, information should be accurate. Providing incorrect or manipulated information has a tendency to backfire and will greatly exacerbate the situation. The contingency plan should contain information and guidance that will help decision makers to consider not only the short-term consequences, but the long-term effects of every decision.

Business continuity planning

When a crisis will undoubtedly cause a significant disruption to an organization, a business continuity plan can help minimize the disruption. First, one must identify the critical functions and processes that are necessary to keep the organization running. Then each critical function and or/process must have its own contingency plan in the event that one of the functions/processes ceases or fails. Testing these contingency plans by rehearsing the required actions in a simulation will allow for all involved to become more sensitive and aware of the possibility of a crisis. As a result, in the event of an actual crisis, the team members will act more quickly and effectively.

Structural-functional systems theory

Providing information to an organization in a time of crisis is critical to effective crisis management. Structural-functional systems theory addresses the intricacies of information networks and levels of command making up organizational communication. The structural-functional theory identifies information flow in organizations as "networks" made up of members and "links". Information in organizations flow in patterns called networks.

Diffusion of innovation theory

Another theory that can be applied to the sharing of information is Diffusion of Innovation Theory. Developed by Everett Rogers, the theory describes how innovation is disseminated and communicated through certain channels over a period of time. Diffusion of innovation in communication occurs when an individual communicates a new idea to one or several others. At its most elementary form, the process involves:

(1) an innovation,
(2) an individual or other unit of adoption that has knowledge of or experience with using the innovation,
(3) another individual or other unit that does not yet have knowledge of the innovation, and
(4) a communication channel connecting the two units.

Role of apologies in crisis management

There has been debate about the role of apologies in crisis management, and some argue that apology opens an organization up for possible legal consequences. "However some evidence indicates that compensation and sympathy, two less expensive strategies, are as effective as an apology in shaping people's perceptions of the organization taking responsibility for the crisis because these strategies focus on the victims' needs. The sympathy response expresses concern for victims while compensation offers victims something to offset the suffering.

Examples of successful crisis management

1. Tylenol (Johnson and Johnson)

In the fall of 1982, a murderer added 65 milligrams of cyanide to some Tylenol capsules on store shelves, killing seven people, including three in one family. Johnson & Johnson recalled and destroyed 31 million capsules at a cost of $100 million. The affable CEO, James Burke, appeared in television ads and at news conferences informing consumers of the company's actions. Tamper-resistant packaging was rapidly introduced, and Tylenol sales swiftly bounced back to near pre-crisis levels. When another bottle of tainted Tylenol was discovered in a store, it took only a matter of minutes for the manufacturer to issue a nationwide warning that people should not use the medication in its capsule form.

2. Pepsi

The Pepsi Corporation faced a crisis in 1993 which started with claims of syringes being found in cans of diet Pepsi. Pepsi urged stores not to remove the product from shelves while it had the cans and the situation investigated. This led to an arrest, which Pepsi made public and then followed with their first video news release, showing the production process to demonstrate that such tampering was impossible within their factories. A second video news release displayed the man arrested. A third video news release showed surveillance from a convenience store where a woman was caught replicating the tampering incident. The company simultaneously publicly worked with the FDA during the crisis. The corporation was completely open with the public throughout, and every employee of Pepsi was kept aware of the details. This made public communications effective throughout the crisis. After the crisis had been resolved, the corporation ran a series of special campaigns designed to thank the public for standing by the corporation, along with coupons for further compensation. This case served as a design for how to handle other crisis situations.

Conclusion

To address such shareholder impact, management must move from a mindset that manages crisis to one that generates crisis leadership. Research shows that organizational contributory factors affect the tendency of executives to adopt an effective “crisis as opportunity” mindset. Since pressure is both a precipitator and consequence of crisis, leaders who perform well under pressure can effectively guide the organization through such crisis.

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