A Need for More Crisis Management Knowledge

Merck, BP, Enron, Bausch & Lomb, Hurricane Katrina, and the 9/11 attacks are all reminders that no organization is immune to crises. If no organization is immune, then all organizations should be prepared for a crisis. Pick any day of the week and you will find stories about train derailments, plane crashes, funds used inappropriately at nonprofit organizations, explosions in manufacturing facilities, workers shot or injured on the job, or E. coli-tainted beef, turkey, chicken, or even bean sprouts. The bottom line is that all organizations should learn as much as they can about crisis management.

Developing a comprehensive crisis management program (CMP) that captures the ongoing nature of crisis management is not an easy task. The crisis management process is varied and requires the integration of knowledge from such diverse areas as small-group decision making, media relations, environmental scanning, risk assessment, crisis communication, crisis plan development, evaluation methods, and reputation management. A diverse set of crisis management writings must be navigated in order to develop a complete CCMP that covers every stage and substage of the crisis management process. It is a
daunting but necessary task to sort through the plethora of crisis management information. How else can a comprehensive crisis management program be developed?

The primary goal of this book is to offer an integrative framework that simplifies the task of organizing crisis management knowledge. An ongoing approach based upon a three-stage model of crisis management provides the foundation. The three stages are precrisis, crisis event, and postcrisis, with each stage being composed of three sub-stages. The stages are used to summarize and to organize various insights into the crisis management process. Myriad ideas from different areas are synthesized into one continuous crisis management process. The end product is a guide for developing each stage in the ongoing crisis management process. The book is a living guide because future developments in crisis management can be easily assimilated into the comprehensive framework of the three-stage approach.

The three-stage model articulated in this book provides a variety of suggestions about “how to do” crisis management. This book is designed to aid those interested in practicing, researching, or teaching crisis management. To those interested in practicing crisis management, the book offers a comprehensive approach for structuring a crisis management program. For those interested in research, the book provides an analytic framework for the study of crisis management efforts. Those involved in teaching are offered an additional resource for educating future crisis managers. The book ends with a summary of key ideas and highlights some of the insights this book can offer to practitioners, researchers, and educators. In addition, an Appendix suggests a number of crises that can be used for study and research.

CRISIS MANAGEMENT DEFINED

There are a lot of books written about crisis management but there is no one accepted definition of a crisis. Having a specific definition is important because how a subject is defined indicates how it is approached. I choose to start this book with a definition so readers will understand how this book approaches the subject.

Crisis Defined

A crisis is the perception of an unpredictable event that threatens important expectancies of stakeholders and can seriously impact an
organization’s performance and generate negative outcomes. This
definition is a synthesis of various perspectives on crisis. It tries to cap-
ture the common traits other writers have used when describing crises.

A crisis is perceptual. What we typically think of as crises are
events that are easy to perceive as such. That is why few people would
dispute industrial accidents or hurricanes being crises. However, it is
the perceptions of stakeholders that help to define an event as a crisis.
A stakeholder is a person or group that is affected by or can affect an
organization (Bryson, 2004). If stakeholders believe an organization is
in crisis, a crisis does exist, and stakeholders will react to the organiza-
tion as if it is in crisis. For nearly a decade, Audi told its customers there
was nothing wrong with its transmissions. However, customers did
perceive a crisis. Cars were jumping into gear from neutral—with sud-
den acceleration—resulting in injuries and deaths. Management must
be able to “see” the event from the stakeholders’ perspective to prop-
perly assess if a crisis has occurred.

A crisis is unpredictable but not unexpected. Wise organizations
know that crises will befall them; they just do not know when. Crises
strike suddenly, giving them an element of surprise or unpredictability
(Barton, 2001; National Research Council, 1996). There are always
exceptions to the rule; some crises offer a great deal of warning (Irvine
& Millar, 1996). For instance, if a major television news magazine is
planning to run a negative story about an organization, management
will know the event months in advance. Metabolife, a diet supplement
company, faced just such a crisis in 1999. They used the lead time to
create an aggressive multimedia campaign to defend themselves from
charges linking their product to harmful side effects. Radio and news-
paper advertisements were used to drive people to a specially created
Web site where people could watch an unedited video of the interview
and learn how news shows can distort the truth.

Crises can violate expectations that stakeholders hold about how
organizations should act. Planes should land safely, products should
not harm us, management should not steal money, and organizations
should reflect societal values. Crises disturb some stakeholder expec-
tations resulting in people becoming upset and angry, which threatens
the relationship between the organization and its stakeholders. That
is why crises are considered dangerous to organizations’ reputations
(Barton, 2001; Dilenschneider, 2000). A reputation is how stakeholders
perceive the organization. When expectations are breached, stake-
holders perceive the organization less positively: the reputation is
harmed.
The difference between incidents and crises illustrates the meaning of “serious impact.” An incident is a minor, localized disruption. Say a water valve breaks and sprays water in the vending and meeting areas of a plant. The valve is repaired, some meetings are rescheduled, and vending machines are down for a day. The valve is replaced without harming the larger organizational routine, making it an incident not a crisis. If the broken water valve leads to the plant being shutdown, then it becomes a crisis as it disrupts the entire organization (Coombs, 2006b; Pauchant & Mitroff, 1992). A crisis disrupts or affects the entire organization or has the potential to do so.

Last, crises have the potential to create negative or undesirable outcomes. If business is disrupted, an organization will usually suffer financial losses (e.g., lost productivity or a drop in earnings). Crisis damage extends beyond financial loss, however, to include injuries or deaths to stakeholders, structural or property damage (on and off site), tarnishing of a reputation, and environmental harm (Loewendick, 1993). The damage can affect a variety of stakeholders. An entire industry can be affected by a crisis in one of its member organizations. An industry can suffer financial loss (e.g., new, costly regulations) or reputational damage as people project a localized crisis on to an entire industry. In 2006, the cruise ship industry became involved in the Carnival Cruise line fire because the crisis was an industrywide threat, not just a company-specific one. Fires were a risk on every cruise ship, and people needed to feel safe. Employees, customers, or community members can be injured or killed by industrial or transportation accidents. A plane crash can kill crew members, passengers, and people on the ground.

Environmental damage is another outcome of accidents. Community members can suffer structural or property damage from accidents as well. Explosions can shatter windows, and evacuations can cost members of the community in money, time, and disruption. Careless handling of an accident can add to the damage. Investors can lose money from the costs of the crisis. For example, an organization can incur repair expenses from an accident while a faulty product can result in product liability lawsuits and recall costs. A crisis presents real or potential negative outcomes for organizations, their stakeholders, and their industries. Crisis management is designed to ward off or to reduce the threats by providing recommendations for properly handling crises.
Chapter 1: A Need for More Crisis Management Knowledge

What Would You Do?

BP and Texas City: Act 1

It’s 1:20 p.m. on March 23, 2005, in Texas City, Texas. You work at the BP refinery in the town. Suddenly an explosion rocks the ground. You go outside and see large flames and smoke coming from the isomerization unit. You know that workers were performing a startup at the isomerization unit today, and startups are one of the most dangerous procedures at refineries. Alarms are going off, people are running and shouting, and some personnel are heading over to help. You are the public relations person on the BP Texas City crisis team. What do you do now? What does the organization need to do to respond to this event?

Crisis Management

Crisis management represents a set of factors designed to combat crises and to lessen the actual damage inflicted. Put another way, crisis management seeks to prevent or lessen the negative outcomes of a crisis and thereby protect the organization, stakeholders, and industry from harm. Crisis management has evolved from emergency preparedness. Drawing from that base, crisis management is a set of four interrelated factors: (1) prevention, (2) preparation, (3) response, and (4) revision.

Prevention, also known as mitigation, represents the steps taken to avoid crises. Crisis managers often detect warning signs and then take actions designed to prevent the crisis. For instance, a faulty toaster is recalled before its overheating problem causes any fires or injuries to customers. Prevention is largely unseen by the public. News stories about crises that did not happen are rare.

Preparation is the best known factor in crisis management because it includes the crisis management plan (CMP). If people know nothing else about crisis management, they know an organization should have a CMP. The CMP is the tip of the crisis management iceberg. Although people think the CMP is the crisis management process, in actuality most of the process is unseen. Preparation also involves diagnosing crisis vulnerabilities, selecting and training a crisis management team and spokespersons, creating a crisis portfolio, and refining a crisis communication system.
Response is the application of the preparation components to a crisis. A crisis can be simulated (as in an exercise) or real. The preparation components must be tested regularly. The testing involves running simulated crises and drills that determine the fitness of the CMP, crisis team members, spokespersons, and communication system. A real crisis involves the execution of the same crisis management resources, only the outcomes are real rather than hypothetical. Response is very public during an actual crisis. An organization’s crisis management response is frequently reported and critiqued in the news media (Pearson & Clair, 1998). Many publications critiqued Bausch & Lomb’s failure to recall ReNu with MoistureLoc when it was linked to a 2006 outbreak of Fusarium keratitis, a form of fungal eye infection that can produce blindness (e.g., Bausch & Lomb, 2006; Dobbin, 2006). Bausch & Lomb did stop shipping the product and eventually asked retailers to remove the product from the shelf. It was not until May 15, a month after the crisis began, that an official recall was issued (Bausch & Lomb, 2006; Important message, 2006). Remember, crises make for good news stories and news of the ReNu with MoistureLoc was everywhere.

Part of the response is recovery. Recovery denotes that the organization attempts to return to normal operations as soon as possible following a crisis. Business continuity is the name used to cover the efforts to restore operations to normal. As noted earlier, downtime from a crisis is a financial drain. The quicker an organization can return to normal operations, the fewer financial losses it will incur.

Revision is the fourth crisis factor. It involves the evaluation of the organization’s response in simulated and real crises, determining what it did right and what it did wrong during its crisis management performance. The organization uses this insight to revise its prevention, preparation, and response efforts. Ideally, in the future, the right moves are replayed while the mistakes are avoided and replaced by more appropriate actions. Revision is the development of an institutional or organizational memory, which can improve the effectiveness of crisis management by expanding the organization’s perception of crises and its response capacity (Li, YeZhuang, & Ying, 2004; Weick, 1988). The more and varied the crises an organization experiences through practice sessions, the better it can handle those same situations in reality. The factors are linked in a spiral. If prevention fails, preparation is required for optimal performance. Revision is derived from performance and informs both the prevention of and preparation for future crises. In turn, improving preparation should improve response. To recap, crisis management is a process of preventing, preparing for, responding, and revising from crises.
The first paragraph of this chapter offers a reminder that crises are ubiquitous. In fact, today’s environment seems to be placing higher premiums on crisis management; unprepared organizations have more to lose today than they ever have before. A variety of developments has made all types of organizations more susceptible to crises. In turn, a higher premium is placed on crisis management as mismanagement costs seem to escalate. To recap, the developments increasing the need for effective crisis management are increased value of reputation, stakeholder activism through communication technologies, broader views of crises, and negligent failure to plan.

Value of Reputations

As late as the 1990s, writers were still debating the value of reputation. A reputation is evaluative, with organizations being seen as having favorable or unfavorable reputations (Coombs & Holladay, 2005). There is a strong consensus in the practitioner and academic writings that a reputation is an extremely valuable intangible organizational resource. Favorable reputations have been linked to attracting
customers, generating investment interest, attracting top employee talent, motivating workers, increasing job satisfaction, generating more positive media coverage, and garnering positive comments from financial analysts (Alsop, 2004; Davies, Chun, da Silva, & Roper, 2003; Dowling, 2002; Fombrun & van Riel, 2004). An impressive list of key stakeholders that control resources vital to an organization’s success is represented here (Agle, Mitchell, & Sonnenfeld, 1999). A reputation is built through the direct and indirect experiences stakeholders have with the organization (Fombrun & van Riel, 2004). Positive interactions and information about the organization build favorable reputations while unpleasant interactions and negative information lead to unfavorable reputations. A crisis poses a threat to reputational assets (Barton, 2001; Davies et al., 2003; Dilenschneider, 2000). As greater emphasis is placed on reputation, a corresponding emphasis must be placed on crisis management as a means of protecting reputational assets (Coombs & Holladay, 2002).

**Stakeholder Activism**

Today, angry stakeholders are more likely to generate crises (Changing landscape, 2002). Consumers, shareholders, employees, community groups, and activists are becoming increasingly vocal when dealing with organizations and are using the Internet to voice those concerns (Coombs, 2002; Heath, 1998). The Internet provides various means of stakeholder expression, including Web pages, discussion boards, and blogs (Weblogs). Collectively, these Internet expressions are known as *consumer-generated media* (CGM). Actually, CGM is a bit of a misnomer because stakeholders other than customers can and do create what is termed CGM. The vast majority of CGM never finds an audience. However, when disgruntled stakeholders strike a responsive chord and connect with opinion leaders online, a crisis can occur. These crises evolve from the value of the organizational reputation. Legitimate criticism that spreads among stakeholders poses a direct threat to the organization’s reputation. Here’s an example: Kryptonite manufactures one of the most popular and expensive bicycle locks available. When the company did not respond quickly to consumer concerns about a certain type of lock being easy to pick, the complaints appeared in CGM and created a crisis for Kryptonite. The company appeared to be forced to recall the product by consumer pressure rather than concern for the consumers. Kryptonite looked unresponsive and uncaring. CGM has the potential, even if remote, to create a crisis.
Activist groups are using the Internet to organize and to pressure organizations to change their behaviors. CGM is part of a mix of pressure tactics, along with negative publicity campaigns and boycotts. The Internet has the potential to increase the power of activist groups, thereby making them audible to managers and on an organization’s agenda for consideration (Coombs, 1998, 2002; Heath, 1998; Putnam 1993). Consider how People for the Ethical Treatment of Animals was able to pressure Burger King and Wendy’s to change their purchasing practices for beef and poultry through integrated pressure campaigns orchestrated on the Internet. The campaigns had the not-so-subtle titles, “Murder King” and “Wicked Wendy’s.” Stakeholder activism is now global. Concerns over environmental issues in Europe encouraged Chiquita to change how it grows bananas in Central and South America. Partnering with the Rainforest Alliance, Chiquita has had 100% of its banana farms certified as Better Banana Grower (Corporate Conscience, 2003).

Communication Technology

The discussion of stakeholder activism demonstrates one of the ways advances in communication technologies has begun to shape crisis management. These advances make the transmission of communication easier and faster. Another way to think about communication technologies is that they make the world more visible. Events that would have gone unnoticed a decade ago are now highly visible. There are no remote areas of the world any more. The 24-hour news networks, or even just concerned individuals, have the opportunity to reveal crises, complete with video clips. Moreover, crises are now global, thanks to communication technologies. Because news is global, news of an event in an isolated area of Africa appears rapidly around the world. Organizations no longer have isolated crises because the once remote or far flung areas of the world are accessible to the media and to other stakeholders. A crisis may appear on CNN or some other international news service or be the subject of a Web site on the Internet. Coca-Cola’s issues with worker abuses in South America became known globally in 2005 and 2006, due in large part to the Killer Coke Web site. PepsiCo was forced to sell operations in Myanmar due to a consumer pressure campaign emanating from CGM (Coombs, 1998). Crises are now more likely to be seen and to be seen by the world thanks to advances in communication technologies.
Broader View of Crises

Prior to the horrific events of 9/11, most organizations were focused on their own little world. Crisis management was driven by what might happen to them on their sites.

However, 9/11 showed that attacks or events at other locations can affect your organization. An event does not have to be a major terrorist event to create collateral damage. An explosion at a nearby chemical facility can create a need to evacuate and close your facility. An airplane crash may prevent vehicles from reaching your offices or plant.

Consequently, organizations are now broadening their view of crises to include nearby facilities that could create crises for them. A second way that the 9/11 attacks have broadened the view of crisis management is the increased emphasis on security and emergency preparedness. Security is one element of prevention and mitigation. Spending and managerial focus on security spiked dramatically after 9/11 and continues to stay high on the list of managerial priorities. While driven by terrorism concerns, security can help with other crises, such as workplace violence. In addition, the security focus has been coupled with the recognition of the need for emergency preparedness. Organizations should be prepared for an evacuation or to provide shelter in place, the two basic emergency responses. Emergency preparedness will help organizations with any crisis they face, not just with terrorism (Coombs, 2006b). The tragic events of 9/11 have been a wakeup call to crisis managers to expand their view of crisis management. The expectation is that this broader view will serve organizations well by saving lives in future crises.

Negligent Failure to Plan

Organizations have long been considered negligent if they did not take reasonable action to reduce or eliminate known or reasonably foreseeable risks that could result in harm. This liability is based on the 1970 Occupational Safety and Health Act (Headley, 2005). The scope of foreseeable risks is expanding to include workplace violence, industrial accidents, product tampering, and terrorist attacks (Abrams, n.d.). This new area of liability is known as negligent failure to plan and is closely tied to crisis management. Organizations can be found legally liable if they did not take precautions to prevent potential crises and were not prepared to respond. Both crisis prevention and crisis preparation serve as defenses against negligent failure to plan. Juries are already punishing organizations that are not engaging in proper crisis
Crisis management (Blythe & Stivariou, n.d.; Headley, 2005). Crisis management is becoming firmly established as a form of due diligence (efforts to avoid harm to others or the organization) that will protect an organization not only from the immediate harm of a crisis but from secondary harm resulting from lawsuits.

**CONCLUSION**

As the potential for crises increases, so does the potential for negative outcomes. Organizations are playing for high stakes when confronting crises. The developments just reviewed demonstrate that the need for crisis management is increasing, not decreasing. The value of crisis management is greater now than when experts first began preaching about the need for crisis preparedness in the late 1970s. The end result is a higher premium on effective crisis management. Organizations must continue to improve their crisis management processes. Crisis management acts as a hedge against the negative outcomes of crises. Effective crisis management can protect lives, health, and the environment; reduce the time it takes to complete the crisis life cycle; prevent loss of sales; limit reputation damage; preclude the development of public policy issues (i.e., laws and regulations); and save money. Today’s operating environment demands that organizations be prepared to manage crises.

**DISCUSSION QUESTIONS**

1. What would be some arguments managers would use against implementing a crisis management system?
2. Do you agree or disagree with the idea that a crisis is perceptual?
3. What do you think makes an event a crisis?