



INTEGRATED INSTITUTE OF PROFESSIONAL MANAGEMENT

Our Accreditations



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Our Standards





Crisis Management

Course Objectives

What makes a Crisis?

Forming the Crisis Management Team and Plan

Evolution of Crisis

Organizational Strategy and Crises

Design, Testing and Implementation

Crisis Management – Taking action when disaster hits

A Framework for Crisis Management

Crisis Communication

Crisis Management Landscape and Organizational Crisis

The importance of Organizational Learning

Strategic Planning and Assessing Crisis Vulnerability

Exercises

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The 3 types of Crisis

In essence, there are 3 types of crisis.

1

Those such as plane crashes, accidents, spillages of chemicals, product defects and so on, which befall a company.

2

Those that are manufactured. For example, the Brent Spar would have caused no controversy for Shell had Greenpeace not become involved.

3

Those crises which escalate from an accident. For example, the Chernobyl nuclear power plant exploded, the green groups were quick to seize on it as a means of attacking the nuclear industry throughout the world.

Accidents will happen

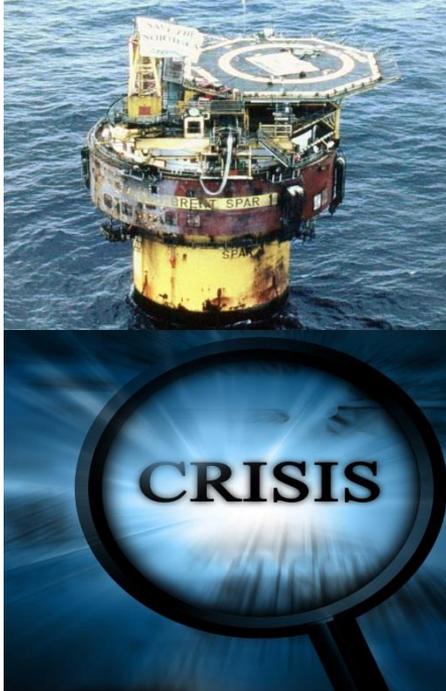


Crises that arise from major accidents are often most tragic but the easiest to deal with. In the Swissair crash, the plane had disappeared and 229 people had died. The cause of the crash remains mystery, but numerous conspiracy theories have been put forward. On the night, Swissair reacted with commendable haste and immediately made information available. It made \$20,000 to each victim's family. The generous gesture received a warm response. Swissair did not try to blame or fight what happened, but simply accepted the situation and thought of the victims.

Analysis

This is a classic model of how to handle a crisis well. Swissair was very well prepared. It reacted swiftly and sympathetically to those who had been bereaved. It handled the media well, with updates on its websites and regular press conference.

Manufacturing a crisis



The green groups and non-governmental organizations are, for the most part, unelected and therefore unaccountable. The huge noise and the ensuing crises – against projects such as Brent Spar and generically modified organisms are orchestrated and managed by just a few people.

Certainly they are successful in changing public opinion on these issues, but this is not a fault of the systems. This is the fault of the companies and they cannot shirk this. Certainly, the media will play its part, but that is known and expected. Politicians will play their part, but their behavior again, is both known and predictable.

Understanding industrial crisis



Industrial crisis can be understood only within the context of the evolution of industrial societies. Following Haberman (1975), we view this evolution as proceeding on two distinct but connected fronts – the development of forces of production, and the development of normative order of society.



Mismatches between these forces create “Steering problems” for society by disrupting the principles of social organization. Steering problems lead to crisis if they extend beyond the organizational principles of any given society.

Characteristics of industrial crisis

Industrial crisis have a number of key defining characteristics, which are discussed below

Triggering event

Responses to crisis

Large-scale damage to human life and environment

Crisis resolution and crisis extension

Large social costs

Large economic costs

Multiple stakeholder involvement

Preventing things from going wrong

- Establish the purpose or context for risk management planning
- Assign responsibility for risk management planning by establishing a risk management committee
- Acknowledge and identify your organization's risks
- Evaluate and prioritize risk
- Determine how your organization will manage its risks
- Implement your risk management plan
- Review and revise the plan as needed



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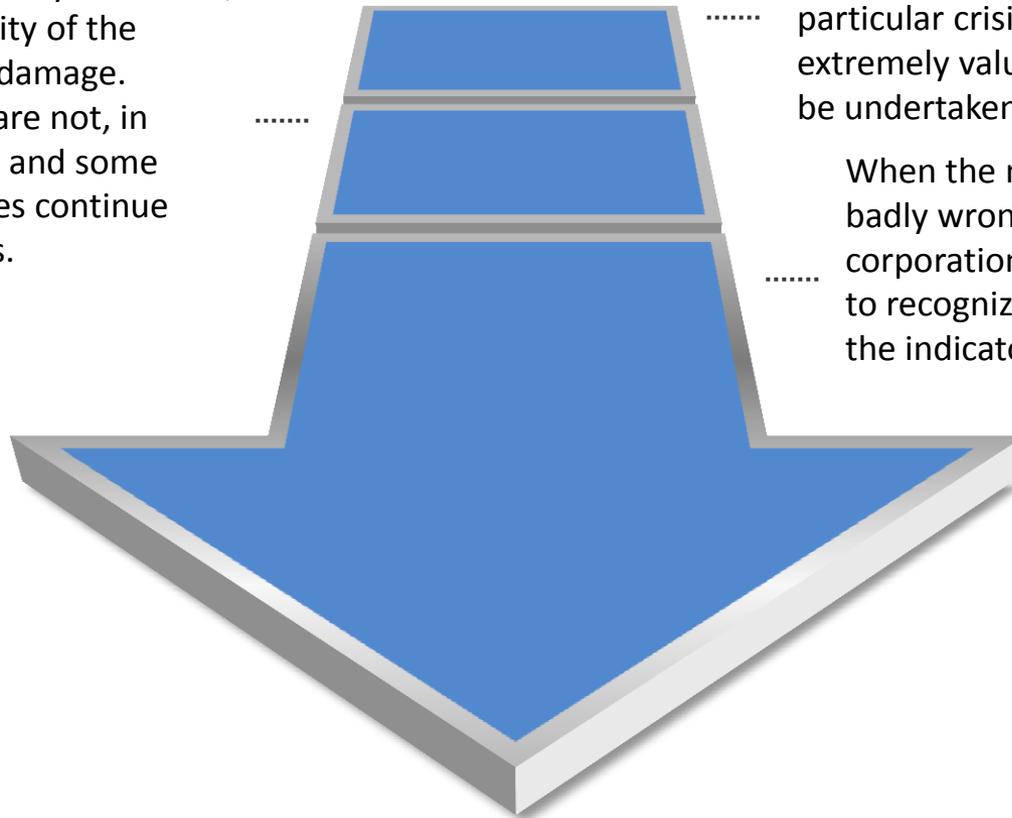
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Evolution of Crisis

Certainly, one can look to many indicators, for example, the vulnerability of the industry to environmental damage. However, these indicators are not, in themselves, totally reliable and some highly crisis-prone industries continue without a crisis for decades.

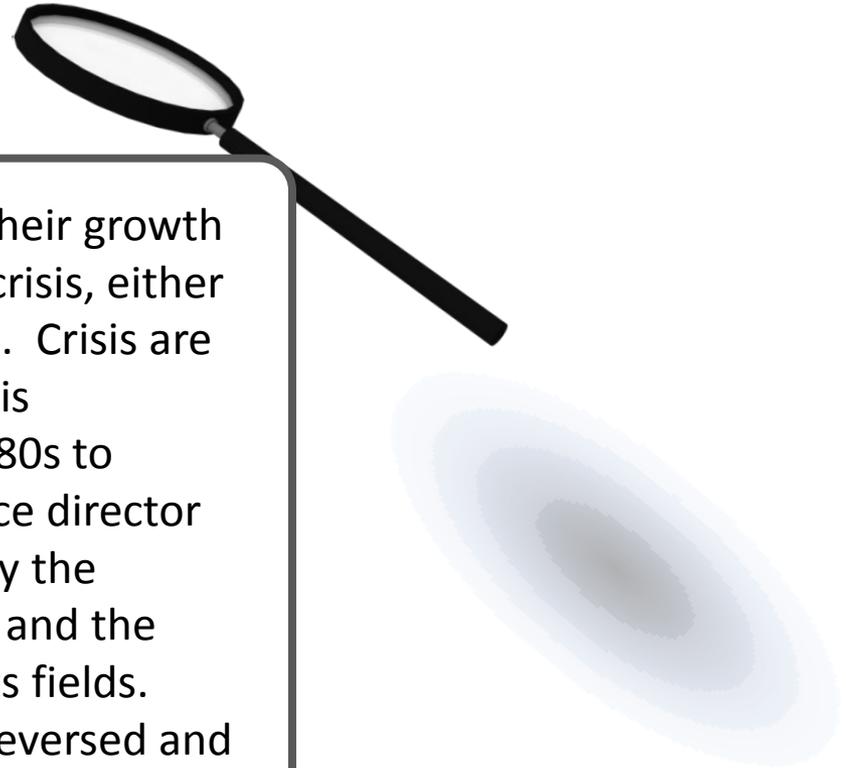


Most large companies, as a part of their risk assessment, undertake an assessment on how likely it is that a particular crisis will hit them. It is an extremely valuable exercise and should be undertaken with due rigor.

When the management of crisis goes badly wrong, it is usually because the corporation has either ignored or failed to recognize the importance of some of the indicators.

Predicting a Crisis

The sheer size of today's corporation, and their growth makes them more vulnerable than ever to crisis, either from natural origins or those manufactured. Crisis are extremely difficult to predict. This problem is exacerbated by the trend in the 1970s and 80s to develop managers as specialists. The finance director knows about finance and little else; similarly the marketing director, the technology director and the operations manager all have their specialists fields. However, in 1990s, this trend began to be reversed and the manager as a generalist as well as a specialist began to come into vogue.



Check-list

Are all managers aware of the power and influence of

Politics and the political environment in which they operate ✓

The media and its realms and influence and how to deal with it ✓

The value of a company's reputation ✓

Stakeholder management ✓

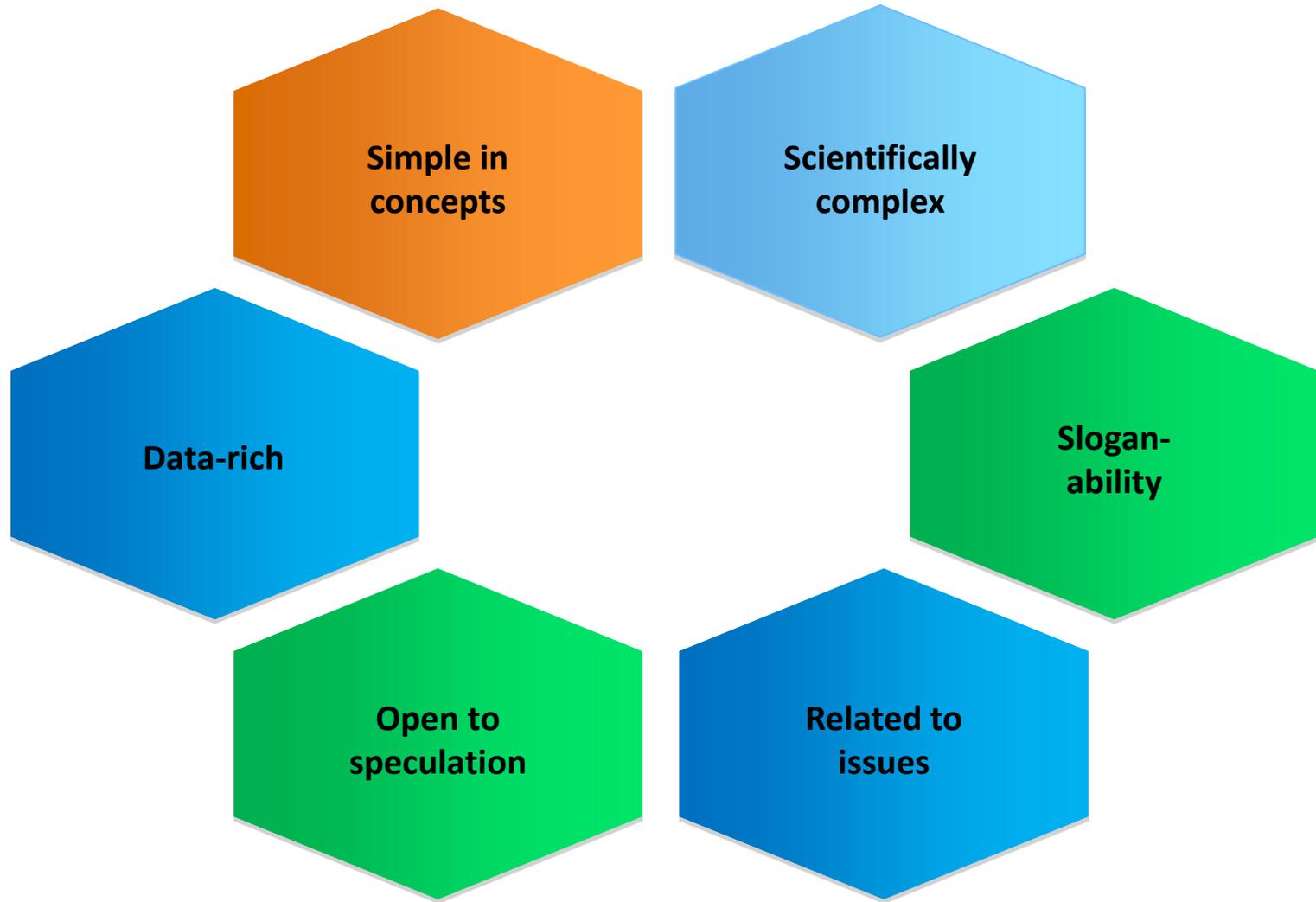
Corporate Social Responsibility ✓

Is there a formal mechanisms – such as questionnaire – by which managers can identify those areas they think might be problems for the company ✓

Is there a procedure for analyzing and auditing this information and acting where appropriate ✓

Are there early warning systems and escalation procedures? ✓

Crisis prediction – Some guidelines



Simple in concept

The crisis must be simple and capable of being defined as either black or white. This allows sides to be taken, particularly by the media. For Brent Spar, the issue of sea dumping was bad and recycling of the structure was good. Nuclear power is bad as the waste cannot be disposed of; green energy is good.



Scientifically complex

Paradoxically, the science surrounding the crisis must be extremely complex and impenetrable to the ordinary person. This is essential, as otherwise people would be able to make reasoned decision on what is right and what is wrong. So, the science surrounding the disposal of the Brent Spar was very complex – how many pollutants were on the spar and how much damage would they do? Would the structure, as it sunk to the bottom of the North Atlantic, provide a heaven for the sea creates there? Or would it damage the ecology of the ocean floor?

Data-rich



Today's corporation makes available more data about its performance, than it ever did. Even confidential information is not safe. Leaks of sensitive information are now common place. One sure way to get a document noticed and carefully read is to mark it as "Confidential". Even before the internet, we lived in a world that was rich with data albeit slightly less accessible. In the USA, the Freedom of Information Act means that almost all data can be made available to everyone on request. No secrets – just transparency. The major group can spend months trawling through data. It is then presented as 'a major leak of a secret report' in order to increase its media saleability.

Slogan-ability



The Ultimate
Driving Machine

AVIS[®]



OUT OF
SIGHT,
OUT OF
MIND!

The crisis must be capable of being summarized in a couple of short words. This is also the essence of good branding.

BMW is *'The ultimate driving machine'*,

for **Avis** – *'We try harder' and so on.*

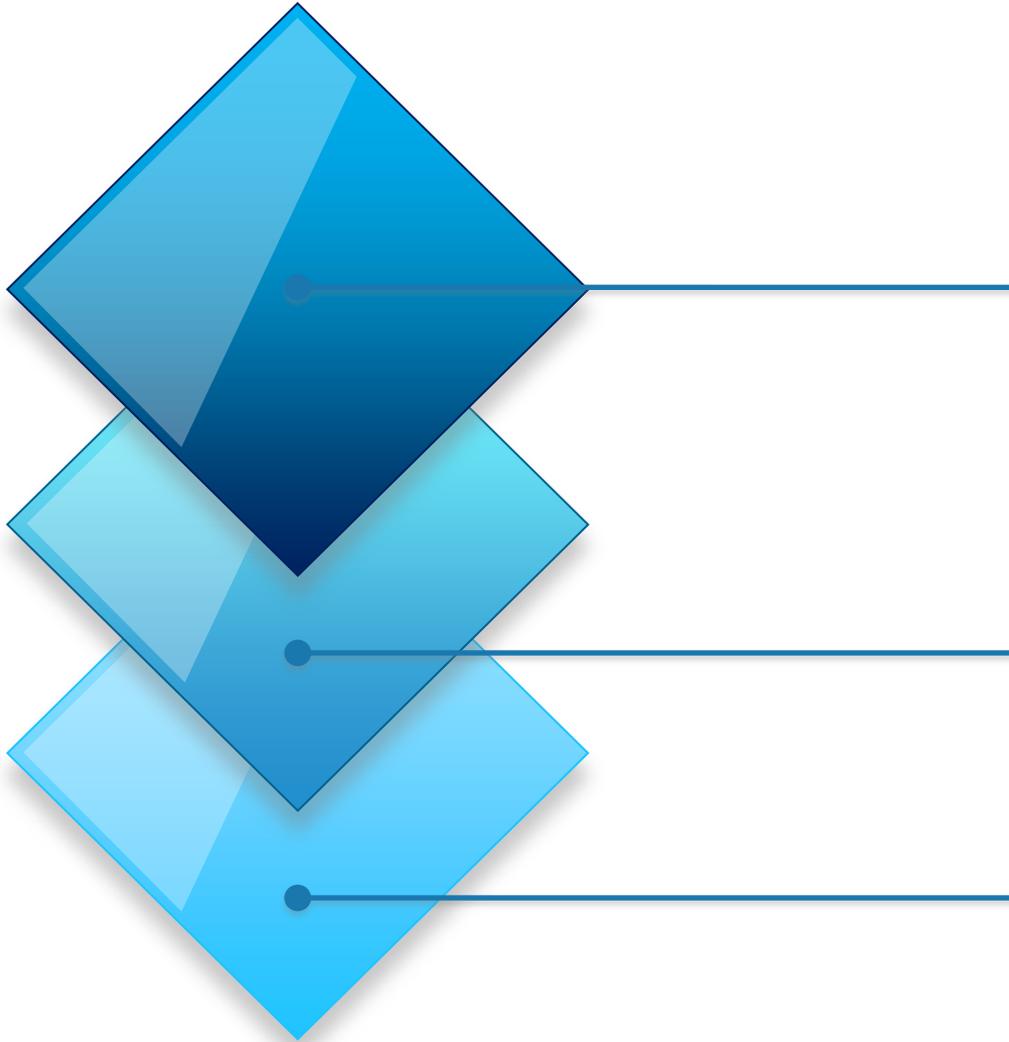
So the disposal of nuclear waste is *'Out of sight, out of mind'*.

Slogans like this are hard to argue with – generally because they have enough truth in them to make them credible, and they have no 'smaller print' to qualify them.

In addition, large organizations – even though they may be brilliant at marketing – are not good at responding to this type of attack.

The semantics of science are appalling compared to the semantics of marketing, which is what the green groups exploit.

The Law of the Absolute



There has to be some element of doubt within the debate – which is why scientifically complex and data-rich projects make ideal environmental issues. There is a corollary to the law which says **“the more you know, the less you know”**.

So as science advances and more complex instruments are developed that are capable of identifying the presence of even the most minuscule levels of a substance, the new difficult it becomes to proclaim anything safe.

More and more, as science makes advances, it throws new light, but it also shows how imperfect our knowledge is. Hence the Law of the Absolute. Naturally, environmentalists love the Law of the Absolute. It means that there is danger inherent in everything, which they are happy to point out to anyone who will listen, including media.

Related to issues



As Henry Kissinger said “Do not let an issue become a crisis”. Yet, that is what usually happen. The crisis may not be dramatic. A scientific report showing that the population of certain whales were diminishing rapidly led to the campaign to save them.

The safety of ocean-going super tankers only became an issue after the crisis of the ‘Exxon Valdex’ in Alaska in the 1980s. Indeed, it could be argued that an issue is not an issue until it either becomes, or has been, a crisis.

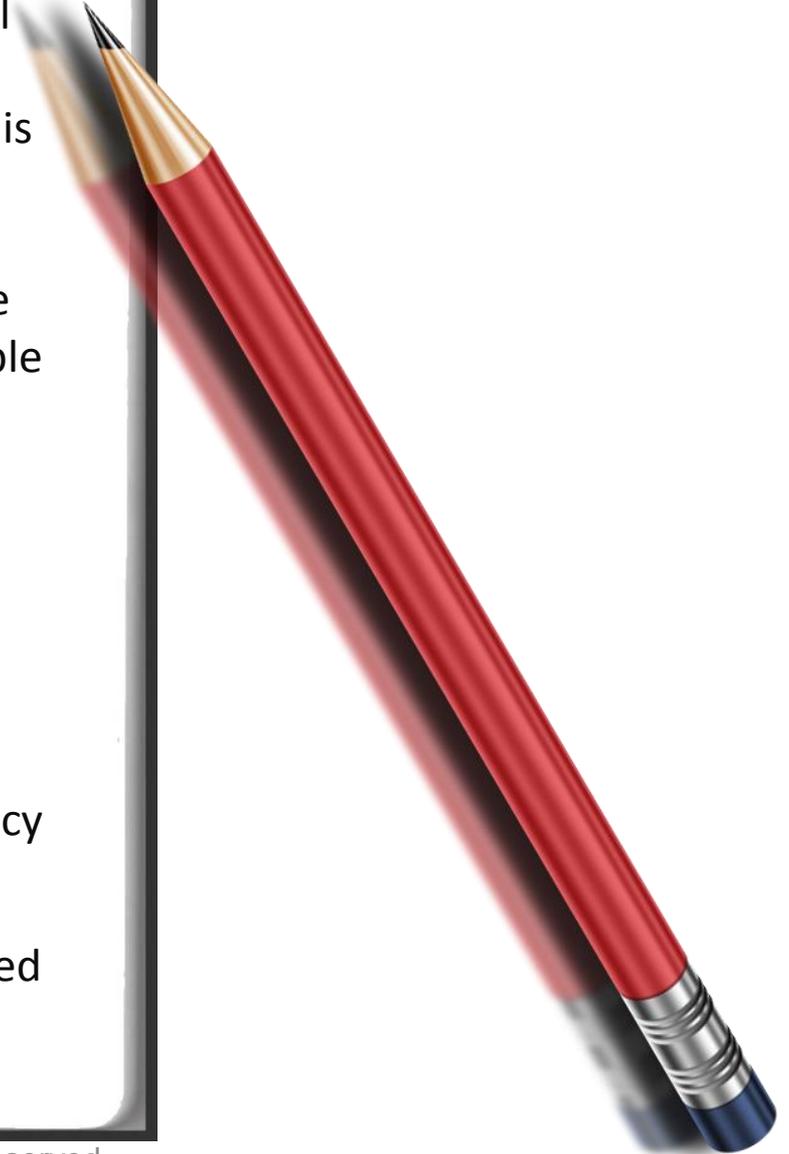
The nuclear industry, a typical of one which went from being a motherhood cause – promising unlimited supplies of electricity which was “too cheap to meter” – to today where the likelihood of building new nuclear power stations in most countries is almost zero.

The stronger the issues, the more likely the industry is to suffer crisis.

Murphy's law

The planning, practicalities, is all very well except for one factor that no one can predict – Murphy's law. One variant of this states 'whatever can go wrong, will go wrong'. It is uncanny that when a crisis strikes, it always seems to be at either the time of holidays, weekends or when people are not prepared. There are number of corollaries to Murphy's law. They are

- No one is ever in the right place at the right time
- Mini-murphys will come to the fore. In other words, things and people which generally operate to the highest efficiency seem suddenly to fail.
- Things always get worse before, or indeed if, they get better!



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Overview of the process

Putting a crisis management plan into action does not have to be a long and arduous process. However, it does have to be approached methodically. There are 3 important elements to any crisis management plan



Most importantly, the people make up the crisis management team. This group of individuals has to be carefully picked to reflect not just skills but personalities to ensure they can work together as a team and also work well under pressure.



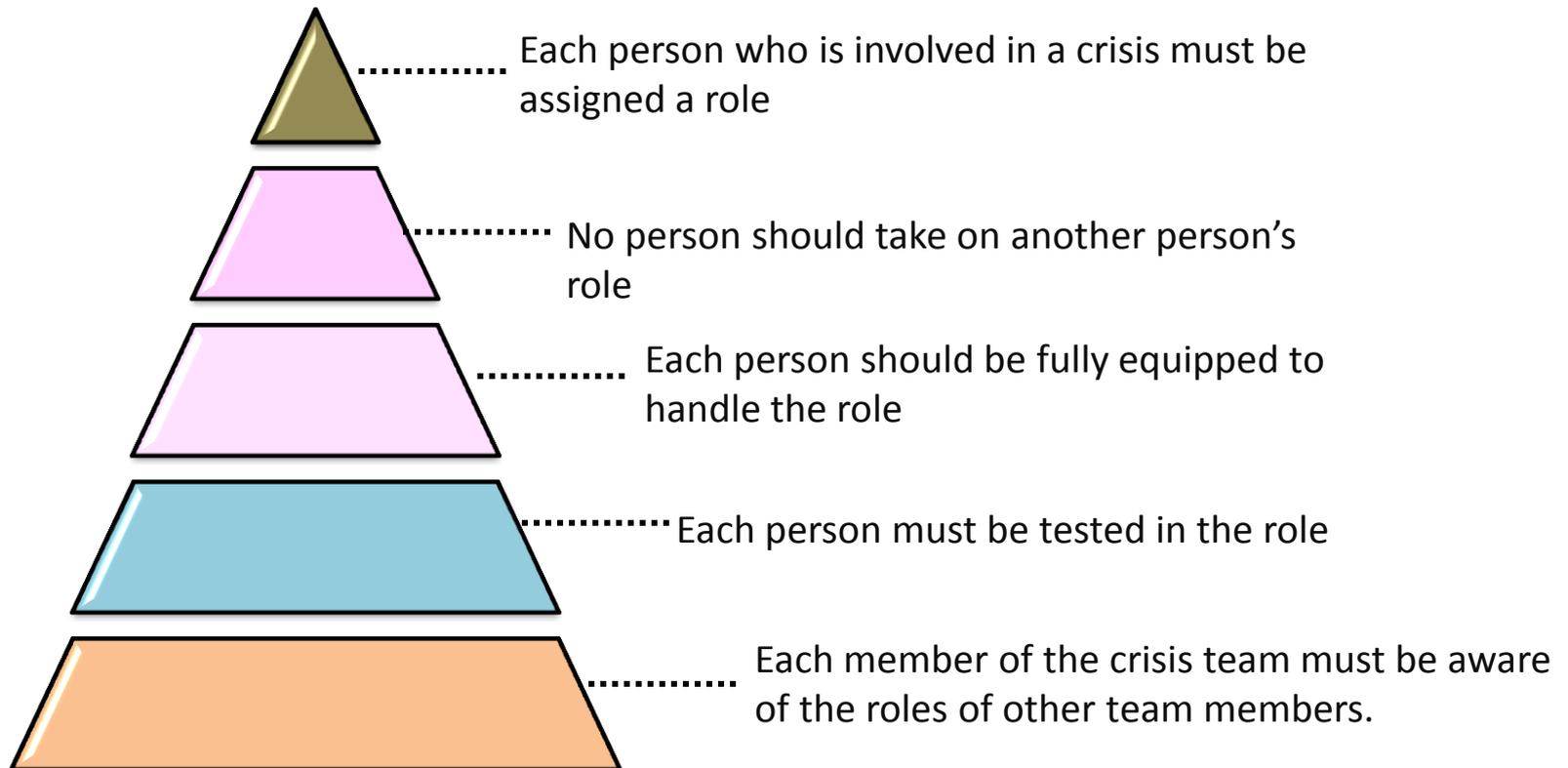
The processes, how the team will work, what guidelines and parameters the team will be set and what resources will be available to them.



Environment, where the team will work, what resources are required to keep the team running and how best to ensure that the environment is the best place to actually work.

Setting up a Crisis Management Team

Navies have had many years experience in putting together their action plans and setting battle station. Nothing is left to chance. A battle is a crisis and the navy prepares carefully and makes sure that it is as ready as possible. Like the navy, a modern corporation does not just have a crisis to deal with, it must also get on with its business. The same principles still apply.



Assembling the team



Any crisis management team should be easy to assemble. Reactions will need to be quick. In general, it should be possible to assemble the team within an hour. This has practical implications.

The key members of the crisis team – and it is a condition of entry into the team – must live within reasonable distance of the crisis management centre. They are of little use to anyone if they are stuck on a motorway.

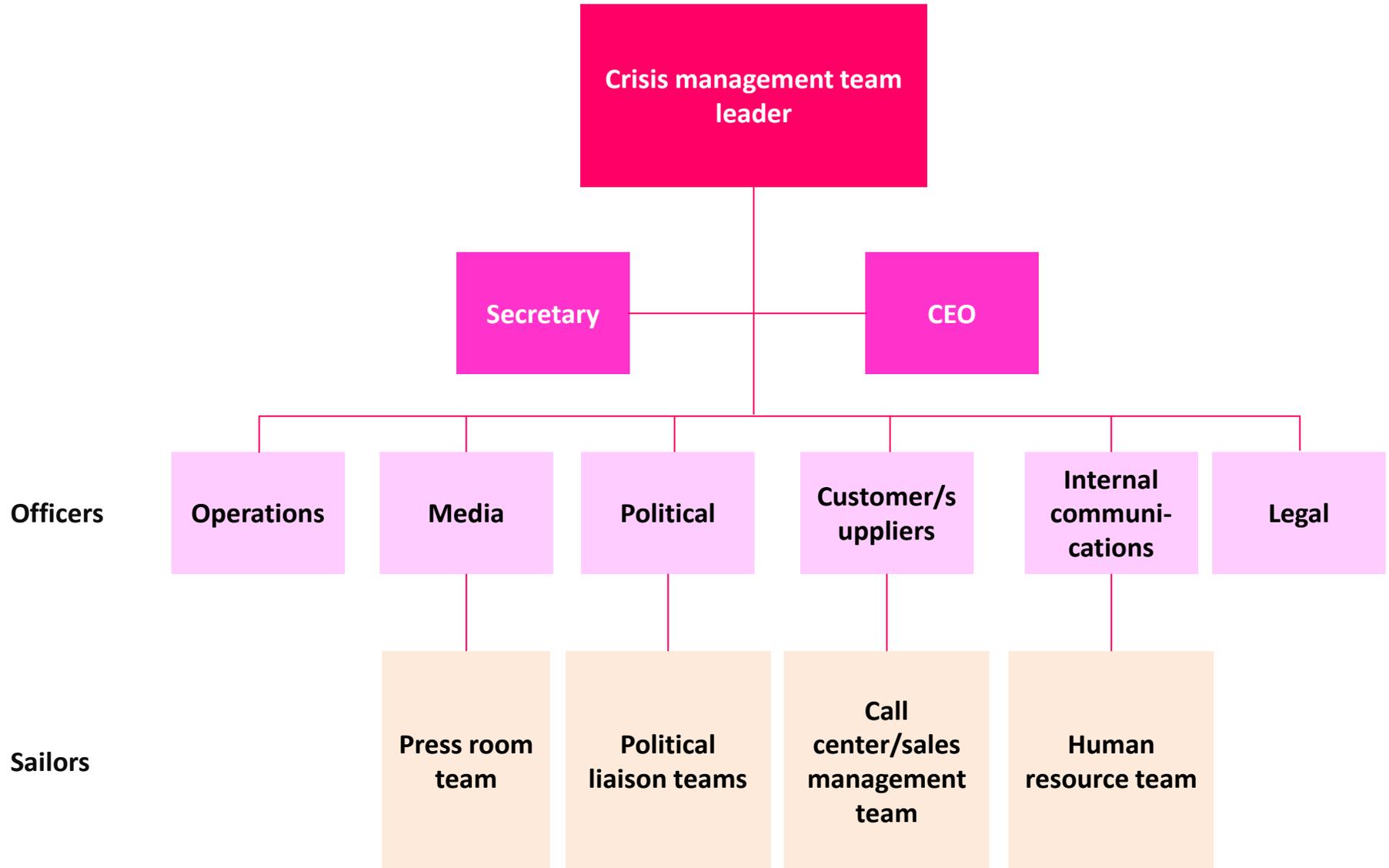
Duplication of roles

The crisis managements key roles are:

- 
- To make key tactical, operational, and strategic decisions
 - To clear information for public use
 - To manage the support teams

Each member of the crisis management team should look to separate role within the team, so that each person has their own responsibilities and procedures during the crisis

Structure of a typical crisis management team



Structure of a typical crisis management team

The role of the CEO

The best place for any CEO to be when disaster hits is away from the office, in public and as the epicentre – be that outside the headquarters or at the scene of the crisis.

Crisis Management Team Leader

Again, using the navy analogy, the most high-ranking admiral is subservient to the ship's captain whilst he is on board that captain's ship.

The Secretary

A Secretary should be present in the crisis room and have full knowledge of the company and its procedures.

The Officer Cadre

Beneath the leader – in ranking order, will be the officer cadre, those who are trusted to advise on the decisions that need to be made.

Operations

The role of the officer with responsibility for operations is to ensure business continuity and that all business operations are adapted in the light of the crisis.

Structure of a typical crisis management team

The Media

The officer in charge of the media must liaise with reporters, organize press releases and news conferences and ensure that everyone is fully updated at all times.

Public affairs

This role will mainly entail liaison with the pressure groups and ensure dialogue with key politicians and stakeholders.

Internal communications

Employees are the ambassadors of the company and the officer with responsibility for employees must ensure that employees are kept updated and informed.

Customers and suppliers

Maintaining the reputation of the company is a key priority during a crisis. Ensuring solid and consistent customer service is crucial.

Legal

The role of the lawyer in a crisis is to ensure that the company acts, operates and makes statements that are legally correct.

Maintaining and managing responsibilities

As there will almost definitely be overlap between each of these sectors, it is essential that each is keenly aware of who is handling what and the extent of their responsibility. By far the greatest problem in a crisis – and it happens all too easily – is mixed messages. Slight variations are quickly seized upon by, opponents and turned against the company.

Even when the same message is interpreted by 2 different people, if this is expressed in 2 different ways to the same stakeholder, the result is a very confused stakeholder. It is vital that each person retains their preassigned role throughout in order to achieve consistent messaging.

Creating a strong crisis team

As any chef knows, getting the right ingredients is only the first recipe. The next step is to ensure that he has the right mix – otherwise it is quite easy to end with a finished product which is too spicy or too bland.



The key objective is to ensure that the team is strong enough to weather the storms ahead.

It is true that teamwork is vital in meeting the challenges faced during a crisis.

Many companies have examples of teams which are disorganised and where personalities clash.

Working to the same goals



In a crisis management team, there will be representative from a number of different departments from within the business. These different departments come into conflict with one another. All, however, probably believe that their solutions is the right, and possibly the only one that will maximise profit and be the best for the company in the long run.

Working together



Because of the smokestack nature of today's corporation, it is possible that those within the team have never actually worked operationally with one another before and will therefore have different views and attitudes. During crisis management training, one should establish all the teams members understanding and values. The focus needs to be on building trust and for each team member to get to know his or her colleagues and their strengths and weaknesses.

Who should be in your team?

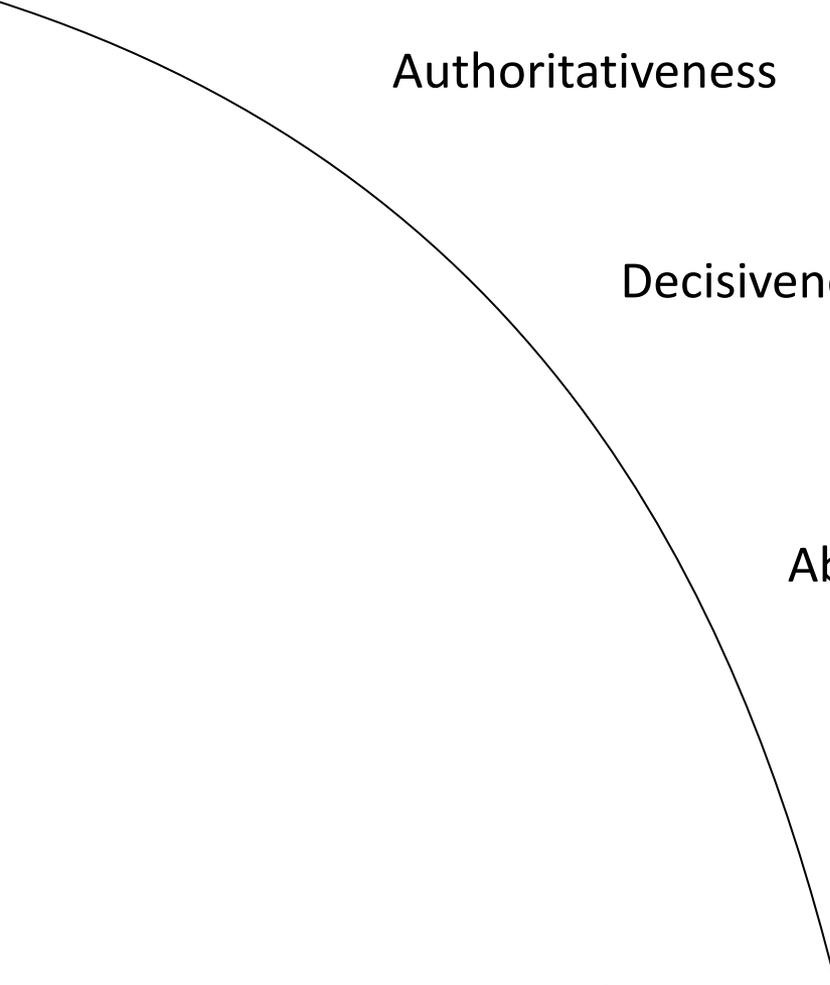


Stress and emotions can run high during a crisis which, if not properly understood and channeled, can naturally lead to a negative effect on the team's ability to make decisions and solve problems. The selection process has to be based on a person's overall value to the company.

Important questions need to be asked like – **Will they fold under enormous pressure? Are they willing to work around the clock to get the job done? Do they understand that a crisis situation needs to be handled differently from routine work?**

Choosing a Crisis Management Team Leader

The Crisis Management Team Leader must have the following key personality traits



Authoritativeness

Decisiveness

Ability to communicate

Diplomacy

The Officer cadre

The Officer cadre needs the following key traits



Responsibilities

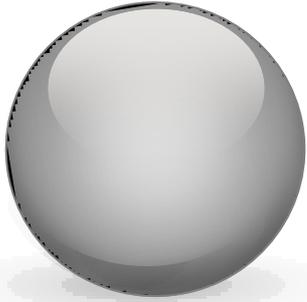


- Making all major strategic decision
- Updating the press teams and call centre
- Internal communication and delegation
- Communication with top level politicians
- Communication with head office, parent company and shareholders
- Keeping the CEO fully updated
- Ensuring business continuity
- Making approvals relating to budget and so on.

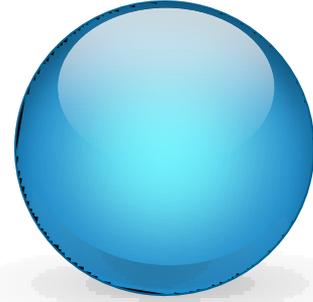
Why managing a crisis matters?

A badly managed crisis can severely damage a company, its reputation and its brand. Handle it badly and one risks losing the company; handle it well and your reputation is enhanced, sales increase and the brand is stronger than ever.

Nike and globalization



Nike is at the forefront of what most people understand as globalization. It is a brand that reaches across the world but ultimately encapsulates the value system of its country of origin, the USA.

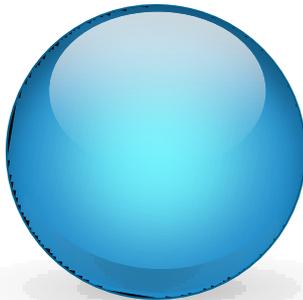


The company's trainers are fashionable items bought by those in the West and, whenever possible, by those in the developing world. It is a symbol of aspiration in many countries.

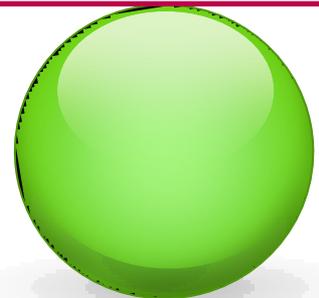
A storm, however, was whipped up following one of the company's design for a new Nike Air trainer in 1997. On the back of the shoe, Nike had designed what looked to the untrained Western eye like an image resembling flame burning.



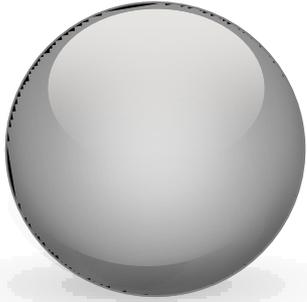
Nike acted in a way which suggested it was sympathetic to the sensitivities of others. Nike immediately recalled over 38,000 pairs of the trainers.



That was to the Western eye. However, complaints came flooding in when Muslims claimed that the image was close to the Arab script for Allah.



Nike and globalization



The company also pulled a clear PR stunt to show just how much it cared by offering to pay for the construction of playgrounds for Muslim families.

Analysis

- ▶ The crisis dissipated as soon as it had arrived. Certainly, there was a cost in recalling thousands of trainers.
- ▶ But it was a fraction of the cost of fighting an unwinnable battle.
- ▶ Nike appeared as though there was absolutely no doubt it had even intended to offend the Muslim population and that it was willing to offer a kind of peace offering.



THE RESULT: THE CRISIS PASSED QUICKLY AND THE NIKE BRAND WENT UNSCARRED

Example of unsuccessful crisis management

Bhopal



The Bhopal disaster which claimed thousands of lives was because of poor communication at all times. This incident illustrates the importance of incorporating cross-cultural communication in crisis management plans. The local residents were not sure how to react to warnings of potential threats from the Union Carbide plant. Operating manuals printed only in English is an extreme example of mismanagement.



Union Carbide's upper management arrived in India but was unable to assist in the relief efforts because they were placed under house arrest by the Indian government. Symbolic intervention can be counterproductive; a crisis management strategy can help upper management make more calculated decisions in how they should respond to disaster scenarios.



The Bhopal incident illustrates the difficulty in consistently applying management standards to multinational operations and the blame shifting that often results from the lack of a clear management plan.

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Five-stage framework

Signal detection



Preparation/
prevention



Containment/
damage
limitation



Recovery

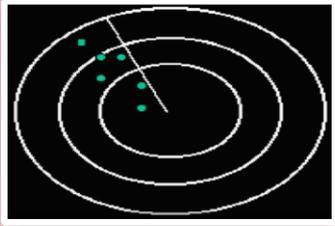


Learning



Five-stage framework

Signal detection



The occurrence of a Crisis always begins with some forms of warning. Signal detection is the stage that advances those warnings. Becoming adept at signal detection is a mind set, as well as a skill that organizations need to embrace

Preparation/ prevention



This stage involves the formation of Crisis Management teams and plans for attacking those crisis that may occur. Crisis Management is approached in a systematic and ongoing manner to the point where it is almost a science. The goal is to prevent as many crises as possible and effectively manage those that do occur

Containment/damage limitation



This stage is where the actual management crisis occurs. The intent is to contain the crisis to the greatest extent possible, and to mitigate the event so that organizational and stakeholder damage is kept to minimum

Five-stage framework

Recovery



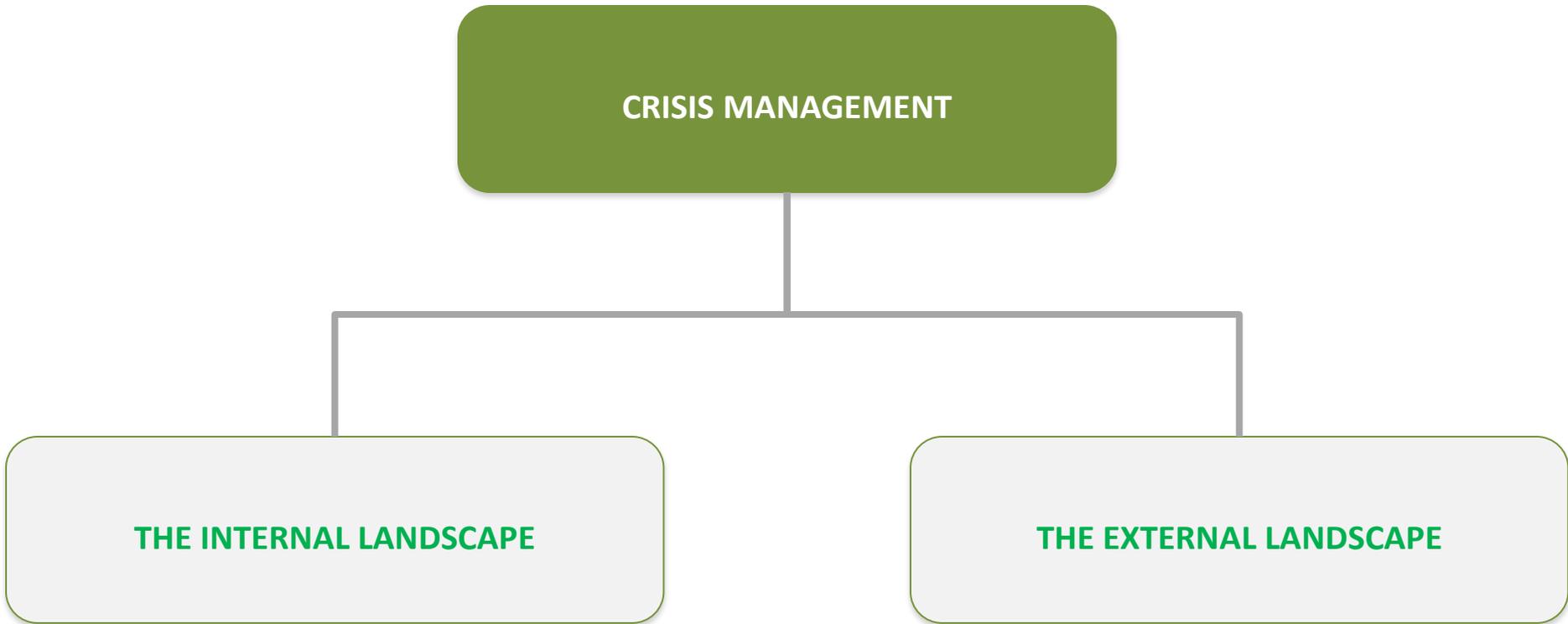
In this stage, attempts are made to resume activities to as close to normal as feasible. The recovery will often proceed in stages as well. In some cases, improvements are made in the recovery process that bring the level of operations up to a higher level than before the crisis. **An example** would be a company that experiences a fire in its production facilities. After the fire, the new facility that is built is usually better equipped with new machinery and technology than what existed the old facility

Learning



This stage involves activities of reflection where lessons are learned from the crisis. The emphasis is not on searching for scapegoats and displacing the blame onto other parties. Instead, maximum attention is focused on improving current operational problems and preventing future ones

A framework for Crisis Management



The Internal Landscape

Landscape survey

- Identify the organization's weakness
- Determine the enthusiasm for crisis management
- Overview the organizational culture
- Assess the ethical environment
- Evaluate company safety policies

Strategic planning

- Form the crisis management team
- Develop worst-case scenarios
- Formulate crisis management plan
- Conduct mock disasters and training

Crisis management

- Return the organization to an operational status
- Manage the primary stakeholders

Organizational learning

- Evaluate the success and failure outcomes of the crisis management process
- Strive for organizational learning
- Strive for organizational renewal

The External Landscape

Landscape survey

- Determine the degree of industry vulnerability
- Determine the degree of political stability
- Assess the organization in relation to globalization implications
- Assess the technological implications

Strategic planning

- Consider existing government regulations
- Consider current industry standards
- Develop working relationships with the media

Crisis management

- Manage reactions of external stakeholders
 - Negative media coverage
 - Public outcry
 - Web-based criticism and company hate websites
- Impending government regulations

Organizational learning

- Reap the benefits of industry renewal
- Be ready for new government regulations
- Be aware of new stakeholder outlooks

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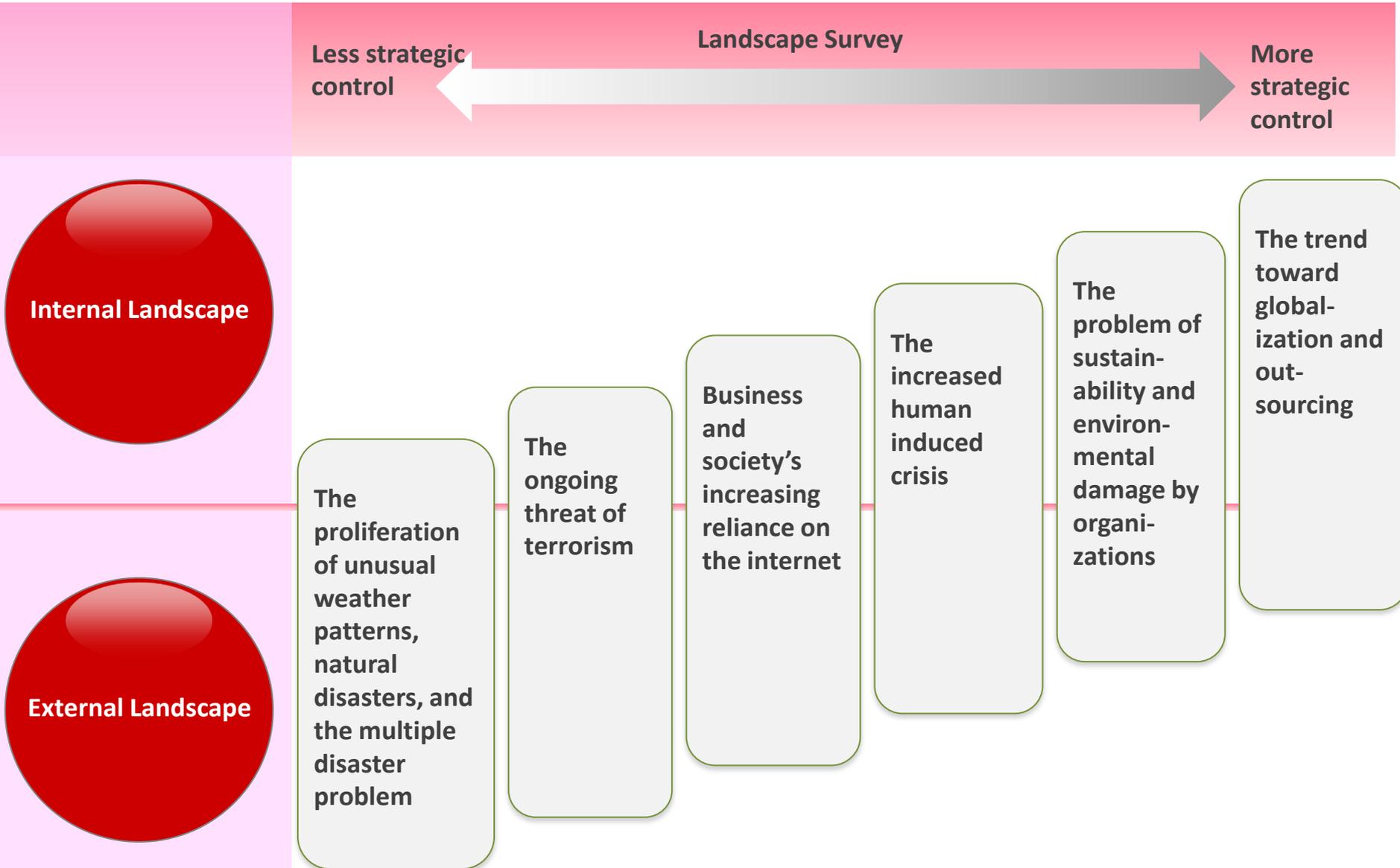
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Trends in Crisis Management landscape



Crisis and external landscape

Landscape Survey



External Landscape

Political-legal

Includes the outcomes of government leader decisions, legislation and judicial court decisions, as well as the decisions rendered by various commissions and agencies at entry level of government

Economic forces

Includes growth or decline in Gross Domestic Product and increases or decreases in economic indicators such as inflation, interest rates, and exchange rates can be problematic for many industries

Social forces

Includes such factors as societal values, trends, traditions, and religious practices. Potential crisis emanating from social forces

Technological forces

Includes scientific improvements and innovations that create opportunities or threats for businesses. These forces can decimate existing business and even entire industries

Crisis and the organizational life cycle

Landscape Survey

The External Landscape

Stage 1
Existence

Stage 2
Survival

Stage 3
Success

Stage 4
Renewal

Crisis Source Potential

Because employees are often performing multiple roles, the potential for mental errors and/or physical accidents may also be prevalent
E.g., Film Recovery Services

Additional supervision and management is acquired as the founders release their control and empower others to direct specific areas of operations
– E.g., Odwalla Inc.

When an organization becomes successful it may be the target of various forms of extortion attempts
– E.g., Wendy's

In an effort to renew itself, an organization may take radical steps to boost its market share – **e.g., World Wrestling Entertainment (WWE)**

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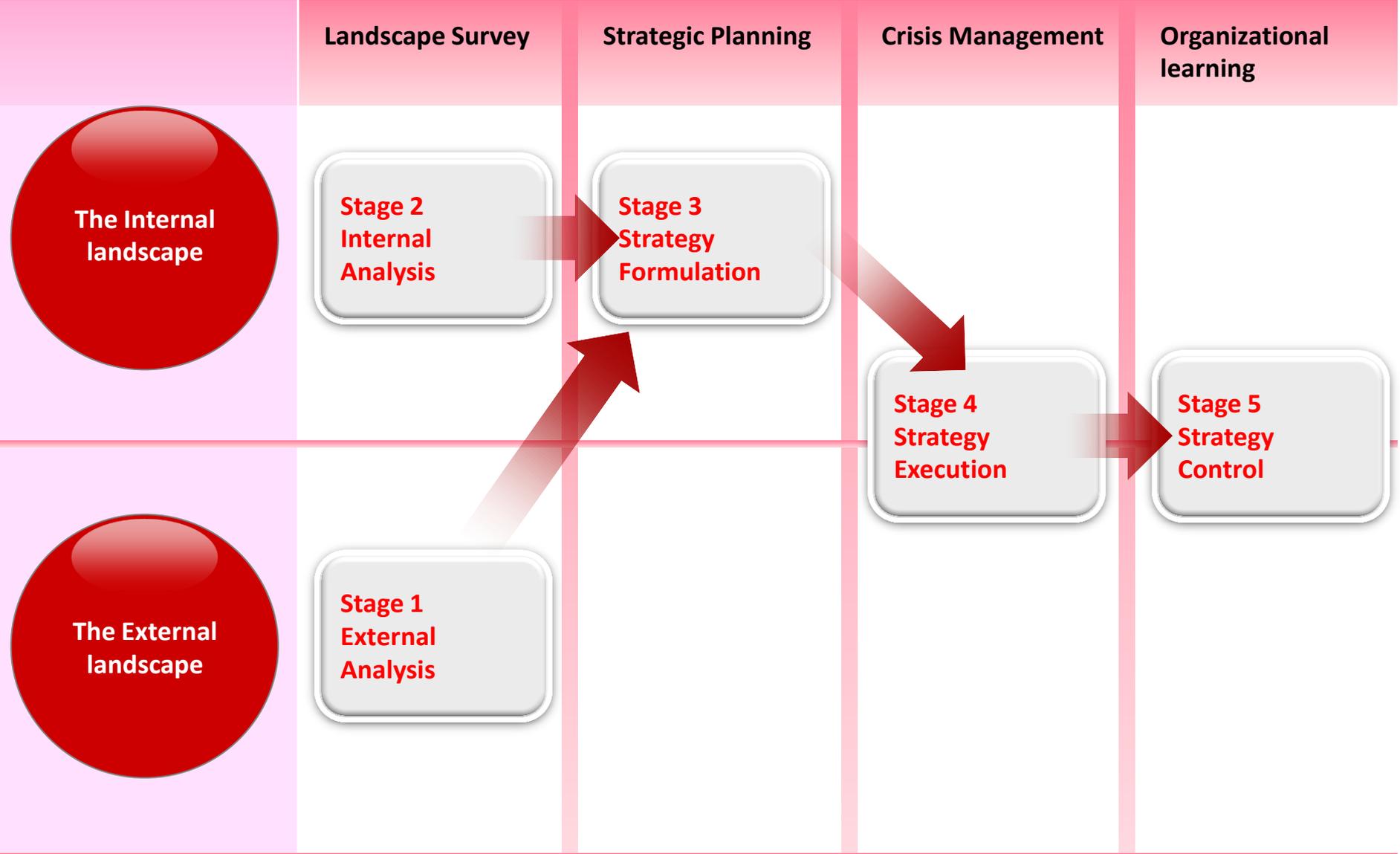
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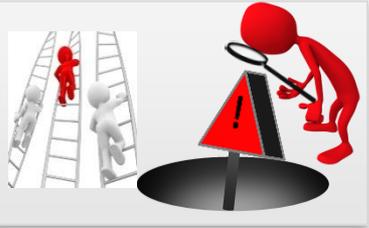
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A strategic approach to crisis prevention



A strategic approach to crisis prevention



External analysis

Analyze the **opportunities and threats** or constraints that exist in the organization's macro environment, including industry and external forces



Internal analysis

Analyze the organization's **strengths and weaknesses** in its internal environment; reassess the organization's mission and its goals as necessary



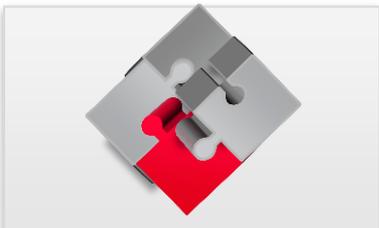
Strategy formulation

Formulate strategies that build and sustain competitive advantage by matching the organization's strengths and weaknesses with the environment's opportunities and threats



Strategic execution

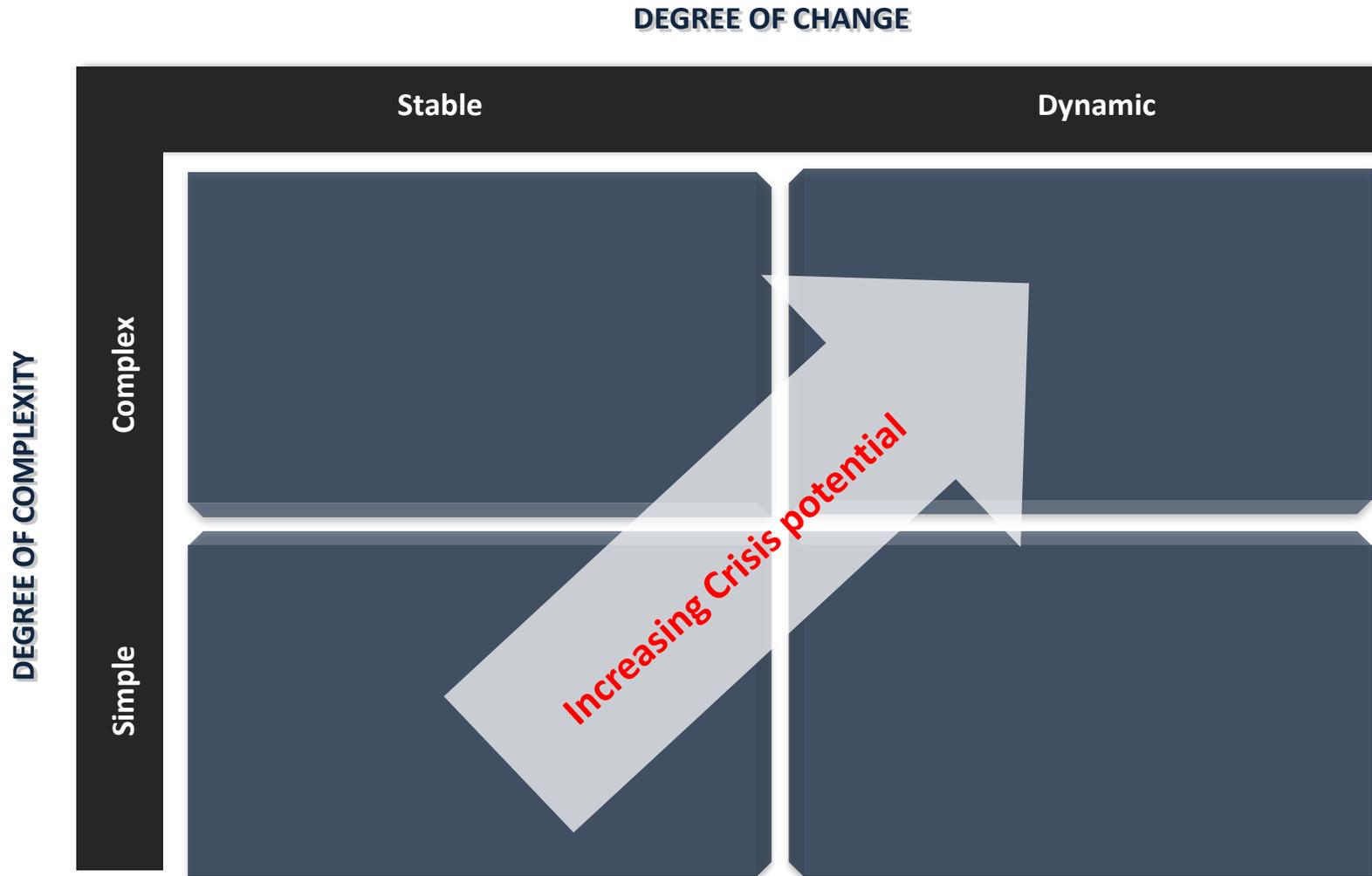
Implement the strategies that have been developed



Strategic control

Engage in strategic control activities when the strategies are not producing the desired outcomes

Environmental uncertainty and potential for crisis



Internal organizational strengths and potential crisis events – examples



Internal strength

Corresponding potential crises

Extremely fast company growth

- Loss of managerial control over operational can occur, particularly when the company has multiple locations over a wide geographic area
- This condition can eventually result in defective products and/or poor service quality

Unique differentiating product or service characteristic

- If the product or service offering is new, its uniqueness could later result in a product or service defect

Internal organizational strengths and potential crisis events – examples



Internal strength

Corresponding potential crises

Charismatic organizational leader

- Some charismatic leaders have led their organizations into financial ruin because they were not challenged by the board

A long history of successful performance

- Simply being a successful company will draw criticism from many stakeholders
- Employees may feel they are not compensated enough if the company is hugely successful
- Social minded citizens will feel the company does not share its wealth enough with the local community
- The government will watch the company closer and look for ways that it may be illegally hiding income
- Law makers will look for any wrong doing on the part of the company so they can establish a reputation among their constituents

Internal organizational weaknesses and potential crisis events – examples

Internal weaknesses

Corresponding potential crises

Poorly trained employees

- Industrial accidents in the workplace and poor service to the customer
- In manufacturing settings, defective products could also result

Poor relationship with the union

- Labor strikes during contract negotiations as well as larger amount of grievances resulting from day-to-day operations
- Both of these can lead to a secondary crisis: negative publicity in the media

Poor ethical orientation of top management

- White-collar crime and cash flow problems
- If the organization is large, publicity problems will also result

Aging production facilities and equipment

- Machine breakdowns, resulting in lost productivity and high operating costs
- Industrial accidents and poor product quality are also likely



Internal organizational weaknesses and potential crisis events – examples

Internal weaknesses

Corresponding potential crises

Understaffed non-existent Human Resource department

- Discrimination and sexual harassment charges are likely
- Higher operating costs due to industrial accidents (as a result of poor training) employee absenteeism, and turnover

Haphazard safety inspections

- Industrial accidents couples with increased workplace injuries
- Negative publicity may follow

Employee substance abuse

- Increased industrial accidents, workplace injuries, and product quality problems

Lack of crisis management team and plan

- Slow and ineffective response to crisis events
- Negative public perception because the firm is seen as being unprepared



External organizational opportunities and potential crisis events – examples

External opportunities

Expand product availability by moving from a 'brick-and-mortar' to a 'brick-and-click' arrangement

Corresponding potential crises

- Offering products online can lead to denial-of-service cyber attacks by hackers
- Note that though such hackers are usually external to the organization they could also be internal if there is a disgruntled employee in the work force

Expand company manufacturing facilities to another part of the world

- The risk of outside interference from the host country
- In some cases, companies have been taken over by the host country's government and become state owned

Outsourcing manufacturing to another company outside the host country

- Because the domestic jobs may be lost in the process, the company could incur negative publicity from external stakeholders, particularly former employees and municipalities that hosted the business
- There is the possibility that proprietary information may be pirated by parties in the host country
- The product from the outsourced company may be defective



External organizational threats and potential crisis events – examples

External threats

Corresponding potential crises

Changing demographics of surrounding neighborhoods

- The organization may become a target of crime, such as vandalism or robbery

Severe weather

- The building and facilities where the organization is located may be damaged by wind, snow, or flooding
- Sales revenue will be interrupted while the building is being repaired

Dysfunctional customers or other individuals

- There could be an incident of workplace revenue

Poor-quality components from a supplier

- The components that are assembled into final product will cause that product to be defective as well

Consumer activism due to poor products

- Consumer law suits may develop in the case of poor-quality products



External organizational threats and potential crisis events – examples



External threats

Corresponding potential crises

Extortionists

- Product tampering may occur
- Online extortionist may threaten the company's Web site with a Denial-of-Service (DoS) attack

Earthquakes, wildfire or other natural disaster

- Structural damage to the building and IT capabilities
- Injuries and fatalities could occur to employees and customers

Rumours

- Loss of revenues due to boycotts and negative company publicity
- Negative coverage through internet blog sites

Terrorism

- Direct physical attacks on buildings resulting in damage, injuries and fatalities
- Attacks outside the organization may disrupt the supply chain

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Goals of Crisis Management Team (CMT)

**The Internal
landscape**

Landscape Survey

The CMT identifies the crisis threats the organization is facing

Strategic Planning

The CMT develops the Crisis Management plan

The CMT leads training in the area of Crisis Management

Crisis Management

The CMT actively manages the Crisis when one occurs

Organizational learning

The CMT leads the post crisis evaluation so that learning can occur

**The External
landscape**

CMT post crisis evaluation

CMT Seeks to find answers to the following questions

What did we learn from this crisis that will help us prevent a similar one in the future



If the same crisis did occur again, what could we do differently



What weaknesses reexisted among the CMT



Do any changes need to be made within the CMT



What aspects of the crisis response were performed well



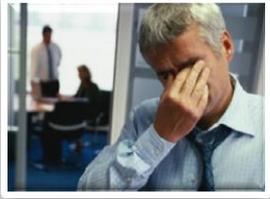
What aspects of the crisis response need improvement



Personal characteristics of crisis team members

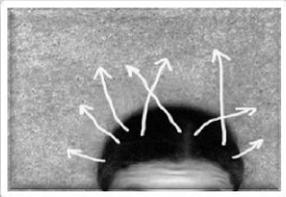
Personal characteristics Manifestation in a CMT setting

Stress tolerance



- Employees react to stress in different ways
- Some do not tolerate stress well
- For CMT members, however, stress should be a motivator, a sort of adrenaline shot that makes them want to manage a crisis environment

Ambiguity tolerance



- Decisions have to be made in the absence of complete information
- Ambiguity tolerance is that unique characteristic that allows a decision maker to be effective, even when desired information is not available

Listening skills



- Crisis team members need to be able to listen well to many stakeholders and victims presenting their sides of story

Personal characteristics of crisis team members

Personal characteristics Manifestation in a CMT setting

Cooperation



- CMT members must like people to enjoy working in a group

Communication apprehension



- All CMT members should be able to express how they feel without any hesitation or concern over rejection from other team members

Verbal clarity



- Good speaking skills are a must
- Among team members, communication intentions should also be clear. This ability goes back to stress tolerance, as some team members may not communicate well verbally when they are under stress

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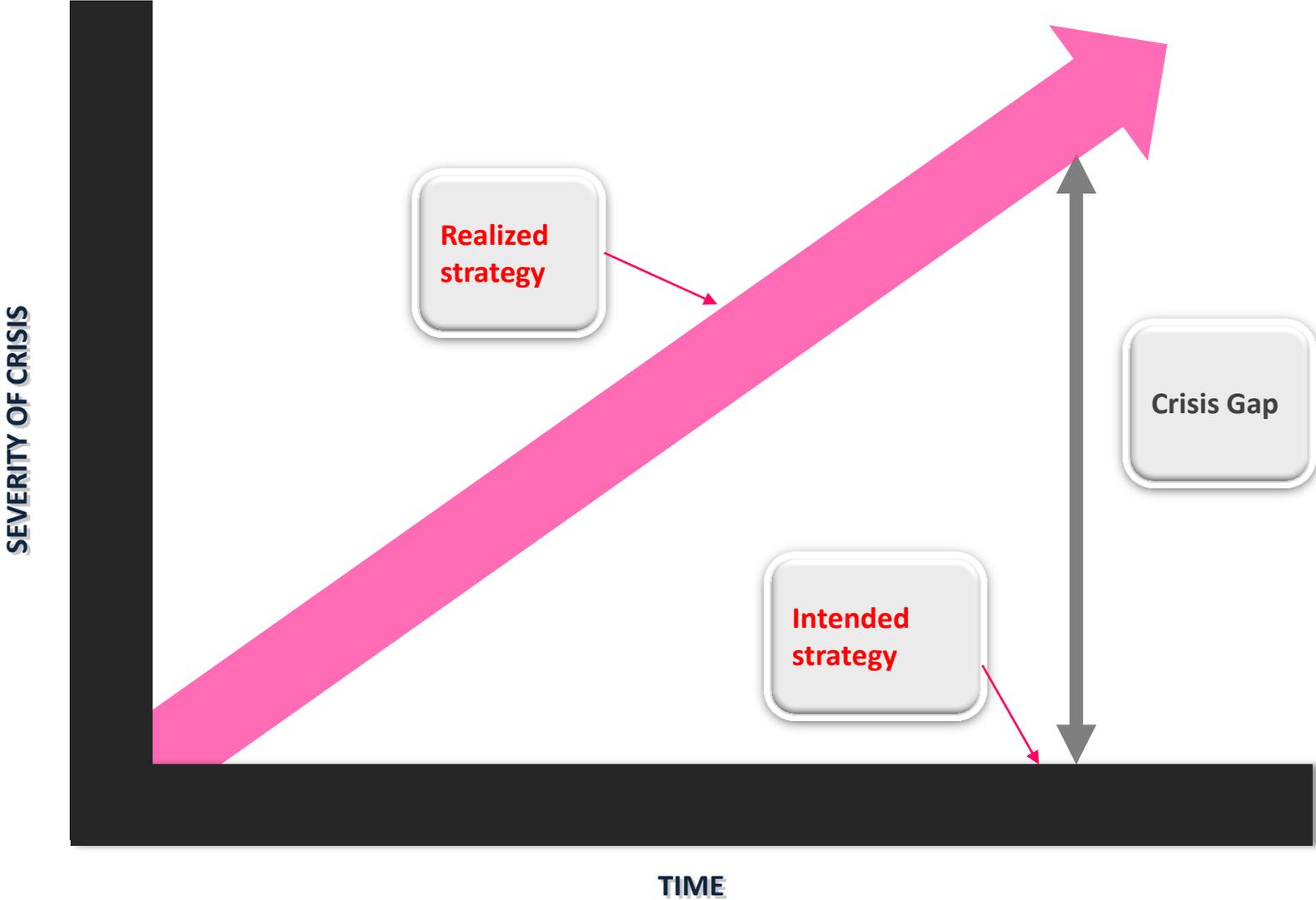
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The crisis gap between intended and realized strategies



Corporate profile and crisis prevalence

Corporate profile

Likelihood of crises

Severity of crises

Net effect

Operates in a single industry

May minimize the number of crises through specialization in only one industry

Could increase crisis severity because a crisis is that affects one business unit cannot be buffered by other business units

Fewer crisis but more severe in terms of impact to the total organization

Operates multiple businesses in related industries (related diversification)

The link between corporate profile and crisis prevalence depends on the degree of relatedness among a firm's business units and the ability of the firm to develop synergy across the businesses

Operates multiple businesses unrelated industries (unrelated diversification)

May increase the number of crisis by exposing the firm to multiple business environment

Could minimize crisis severity because crisis events can often be contained to a single business unit in the firm

Greater frequency of crises but less severe in terms of impact to the total organization

A five-step strategic control procedure

✓ Top management determines the focus of strategic control by identifying internal factors that can serve as effective measures for the success or failure of a strategy, as well as outside factors that could trigger responses from the organization

✓ Benchmarks are established for internal factors with which the actual performance of the organization can be compared after the strategy is implemented

✓ Management measures evaluates the company's actual performance, both qualitatively and quantitatively

✓ Performance evaluations are compared with the previously established standards

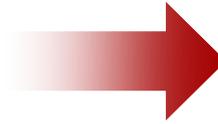
✓ If performance meets or exceeds the standards, corrective action is usually not necessary. If performance falls below the standard, then management must take remedial action

Balanced scorecard indicators and potential crises

Indicator to include on the balanced scorecard

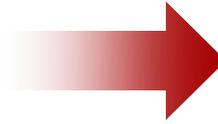
Potential crises that it represents

Number of accidents in a work section, unit



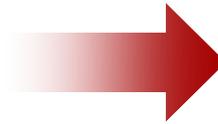
Accident and safety issues; potential employee lawsuits

Absenteeism by employee in a work section, unit



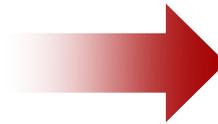
Motivational problems; substance abuse; abusive supervision

Number of grievances (union setting)



Morale problems; abusive supervision; potential for workplace violence

Percentage of uninterrupted service of Web site



Stability of Web site and computer system infrastructure; Denial-of-Service (DoS) attacks

Balanced scorecard indicators and potential crises

Indicator to include on the balanced scorecard

Machine, work section downtime

Percentage of defective product(s)

Negative media reports on the internet

Customer complaints

Returned or defective product rates

Potential crises that it represents

Major production interruption due to accidents, fire, or major machine breakdown

Potential for recalls; negative publicity

Adverse publicity; consumer boycotts

Negative media attention; injured customers

Negative media attention; injured customers

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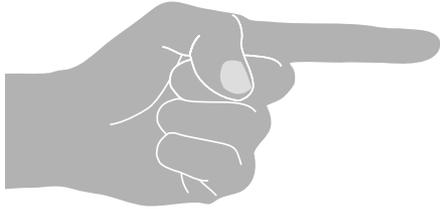
Exercises

Situational analysis components



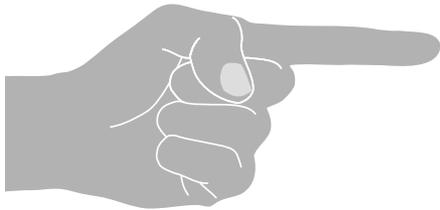
- Gathering information and advice from all potential sources including experts on the relevant technical issues
- Recognizing important cues, such as using historical information to build a mental model of the current situation
- Identifying the key elements of the situation
- Judging the degree of risk that is present in the crisis
- Reassessing the situation in response to new information that becomes available
- Predicting ahead to the potential consequences that may result
- Sharing information with relevant parties

Decision making during crisis



Step 1 : Alert and assemble the Crisis Management Team

As soon as the crisis is detected, the CMT should be activated



Step 2 : Collect all relevant information

Learn as much as possible about the situation, including what happened, who is involved, where it took place, and the current state of the crisis. This step not only occurs during the situational analysis but also throughout the duration of the crisis



Step 3 : Assign tasks and continue fact finding

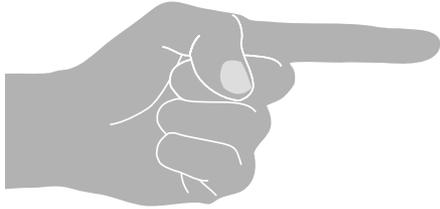
The Crisis Management Team (CMT) should delegate duties, just like project management team would



Step 4 : Develop solution alternatives

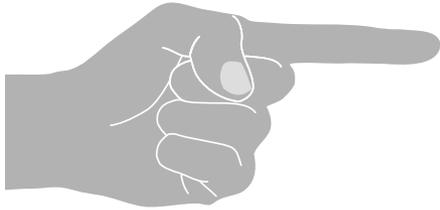
Identify possible solutions that are practical and capable of being implemented

Decision making during crisis



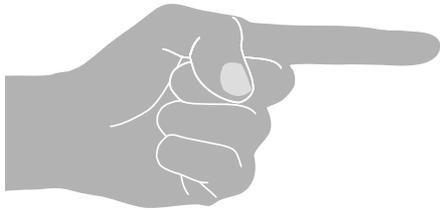
Step 5 : Implement te chosen situations

Implementation is often the most difficult part of the process. It requires competent people, time and money. Allocation of sufficient resources is important at this step



Step 6 : Communicate with the media

The organization should be proactive in meeting with the media and presenting its side of the story. If the organization does not communicate, the media must find the facts of the story elsewhere, a situation that takes control out of the hands of the management



Step 7 : Review what happended

Evaluate the decisions that were made and the results that followed. What was learned, and how might such a crisis be handled differently in the future?

CMT monitoring

During the crisis, the CMT should monitor events to determine the following

Which of three scenarios appears to be unfolding



What resources are available and how long it will take to deploy them



How long will it take to execute a decision or solution



Who and what are the victims of the crisis



Damage containment

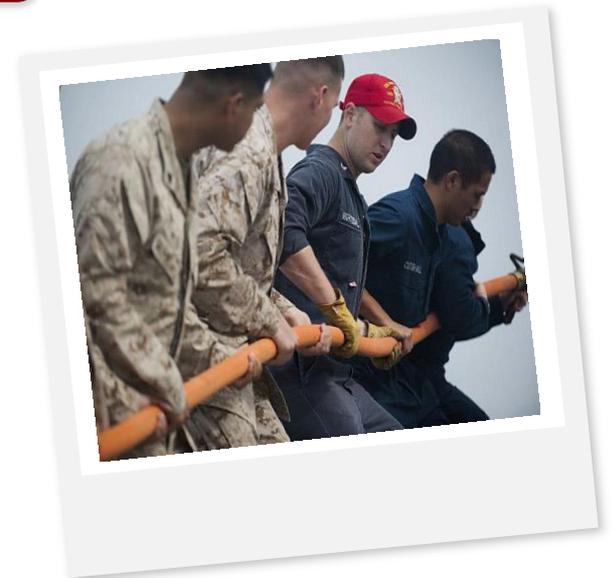
Damage containment is the effort to keep the effects of a crisis from spreading and ultimately affecting other parts of the business

The main emphasis of Crisis Management should be focused on the 3 major goals

Gaining complete control of the crisis

Conducting frequent damage assessments

Restoring normal operations to the organization



Proactiveness and reactiveness in crisis management



**The Internal
landscape**



**The External
landscape**

Landscape Survey

Proactive

Seeks to determine the organization's internal weaknesses and environmental threats that can lead to a crisis

Strategic Planning

Proactive

Seeks to formulate a crisis management team and a crisis plan that can be used to both prevent and mitigate potential crisis events

Crisis Management

Reactive

Seeks to respond to the crisis events that do occur. Emphasis is on containing the damage and restoring normal operations

Organizational learning

Proactive

Seeks to learn lessons from the crisis. Emphasis is on prevention of future crisis and to function better as a Crisis Management Team

Evaluating what is going right and what is going wrong - The benchmarks

How the crisis has affected the stakeholder's behavior and opinions?



The extent to which sales or share prices have been affected



Which crisis response strategies and tactics were effective and which were not



Major tools that can be used to obtain the information necessary

- Tracking sales and profits during and after the crisis
- Establishing a special communication for stakeholders to call with questions and comments about the crisis and how it was managed
- Conducting focus groups to obtain information from key stakeholders
- Conducting surveys of external publics to determine their attitudes
- Documenting the information flow to and from the news media
- Documenting the information about those strategies that worked and those that did not work, investigating why they were or were not effective

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Recommended uses of various communication strategies

Strategy posture

Suggested applications

Denial

- Use if the crisis is rumor
- Use if the organization is faced with an accusation or challenge that has no merit to it
- Do not use with diminishing rebuilding strategies

Diminishment

- If the crisis involves an accident, use when there is no previous crisis history or unfavorable organizational reputation
- Can be used in combination with rebuilding strategies
- Use if the organization is subject to a victim crisis and does have a previous crisis history or unfavorable prior organization reputation

Rebuilding

- Use for any crisis that is preventable
- Use if the crisis involves an accident and the organization does have a previous crisis history or unfavorable prior reputation
- Can be used in combination with diminishment strategies

Bolstering

- Use to supplement the previous three strategies

Guidelines for news conference



- The spokesperson should continually practice and rehearse based on potential questions that may be asked by the media
- The spokesperson should seek to develop rapport and be candid with members of the media
- The spokesperson should avoid canned speeches, and instead strive for a presentation that is more conversational and spontaneous
- Technical experts should be used if necessary to clarify to the public details about the crisis. This person can also serve to field technical questions from reporters that may be beyond the scope of the regular company spokesperson's knowledge
- The spokesperson should maintain a sense of calm and concern, and not resort to anger over questions from reporters
- The spokesperson should always report to truth. No attempt should be ever made to mislead the press
- The media should be alerted 3 to 4 hours before a news conference is held. Late morning or early afternoon conferences are ideal since they give management time to review its information, and also provide ample time for reporters to prepare their story for the evening news

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Levels of learning outcomes after a crisis

Failure outcomes

Midrange outcomes

Success outcomes

Degree of learning

No learning occurs

Learning occurs, but its applications are sporadic

Learning occurs throughout the organization

Future impact on the organization

The organization continues to make the same mistakes when similar crises occur

Some areas of the organization may change for the better while others remain the same

The organization changes its policies/procedures . Learning is applied to future crisis events

Strategy posture toward crisis management

Reactive, unwilling or unable to learn

Reactive; willing to learn, yet not ably equipped to learn

Proactive; willing to learn and take the knowledge to the next step for application

After the crisis: potential new learning areas in crisis management



The Internal landscape

Landscape Survey

- Are there new vulnerability in our organization that we need to be aware of
- Are there new methods of detection that we can use to sense an impending crisis

Strategic Planning

- Do we need to change the composition of our Crisis Management Team?
- Are there new types of simulating that we can practice?

Crisis Management

- What warning signs did we miss that signaled on coming crisis?
- How can our communication networks improve so we can perform better the next crisis?

Organizational learning

- What and how are we learning after a crisis event?
- Are we making use of debriefing meetings?
- Is there an adequate use of paper and electronic recording during the crisis?
- Are we building systems that provide feedback?

After the crisis: potential new learning areas in crisis management



The External landscape

Landscape Survey

- Are there new threats in the environment that can lead to a potential new crisis?

Strategic Planning

- Are there training opportunities outside the organization that we can pursue?

Crisis Management

- How can we better partner with industry and government agencies in managing a crisis?

Organizational learning

- What can we learn from the best practices of those outside of our organization who have encountered similar types of crises?

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Exercise

Try the following case study with one particular project or aspect of your business or organization. A rating system has been adopted

5 Yes or very high or very likely

4 Probably or high

3 Average

2 Unlikely or low

1 No or very low or very unlikely

Exercise

Indicators	Key questions	Ratings (out of 5)
Simple in concept	<ul style="list-style-type: none"><li data-bbox="432 372 1514 408">• Can this be easily and quickly understood by a non-scientist?<li data-bbox="432 515 1553 604">• Does it provide the potential for real danger – not just humans but to animals and plants also?	_____ _____
Scientifically complex	<ul style="list-style-type: none"><li data-bbox="432 751 1553 839">• Is it possible for a mischievous scientist to totally misrepresent this issue?<li data-bbox="432 893 1329 932">• Is it a new field or an old one under modification?	_____ _____
Data-rich	<ul style="list-style-type: none"><li data-bbox="432 1086 1190 1122">• Is there a substantial body of legislations?<li data-bbox="432 1229 1298 1268">• Has someone tried to suppress any of this data?	_____ _____

Exercise

Indicators	Key questions	Ratings (out of 5)
Slogan-ability	<ul style="list-style-type: none"><li data-bbox="432 368 1470 404">• Is there a simple slogan which summarises the argument?<li data-bbox="432 468 1089 504">• Is it photogenic? Can it be made so?	_____ _____
Open to speculation	<ul style="list-style-type: none"><li data-bbox="432 636 1431 672">• Is it impossible to give categorical assurances on safety?<li data-bbox="432 736 1595 822">• Are there rent-a-quote professors or stakeholders who speak out against the issue?	_____ _____
Issues prone	<ul style="list-style-type: none"><li data-bbox="432 943 1045 979">• Has the industry been hit before?<li data-bbox="432 1043 1141 1079">• Is there a fear of media, politician etc.?	_____ _____
Internal issues	<ul style="list-style-type: none"><li data-bbox="432 1208 1576 1243">• Has there been a substantial HR-generated change programme?<li data-bbox="432 1308 909 1343">• Have processes changed?	_____ _____

Scorecard

- 75-100** Those industries with about 75 should have both proper crisis management and issues management programmes in place.
- 50-75** Company which fall into this rating are less likely to be subject to crises.
- 25-50** Risk of becoming an issue is much lower here. It looks harmless, it looks safe but, given the right circumstances, it can explode.
- 20-25** Only the purest of the pure of the environmental groups can achieve this score

Summary



- One can look to many indicators, for example, the vulnerability of the industry to environmental damage.
- Most large companies, as a part of their risk assessment, undertake an assessment on how likely it is that a particular crisis will hit them. It is an extremely valuable exercise and should be undertaken with due rigor.
- When the management of crisis goes badly wrong, it is usually because the corporation has either ignored or failed to recognize the importance of some of the indicators.
- Most importantly, the people make up the crisis management team. This group of individuals has to be carefully picked to reflect not just skills but personalities to ensure they can work together as a team and also work well under pressure.
- Each member of the crisis management team should look to separate role within the team, so that each person has their own responsibilities and procedures during the crisis.