

## **Strategic Crisis Management: A Basis for Renewal and Crisis Prevention**

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*Globally crises occur daily. It is essential that leaders study internal and external factors responsible for crisis situations and to identify organizational strategies for preventing crises as well as effectively and efficiently managing crises that do occur. It is a strategic imperative to understand what crisis situations are and their causes as well as how to strategically and tactically manage and prevent them. Crises can occur in small or large organization and at different levels within them. With increased globalization, flattening of the world and the strategic moves of organizations to be more competitive, organizational leaders are identifying different ways that crises can be anticipated and prevented as well as how crises can be managed. A major organizational strength is the capability to strategically manage unexpected crisis situations. This paper examines the strategic processes necessary to manage crises and the decisions and actions of organizational leaders that are essential to prevent crises.*

### **INTRODUCTION**

A crisis is a series of unforeseen events that launch a group, team or an organization into a downward spiral that is quick and will have long term effects if the situation is not rapidly handled effectively and efficiently. Hermann's definition (1972) argues that a crisis is a "situation that incorporates the following three conditions: (a) a surprise (b) a threat to high-priority goals, and (c) a restricted amount of time available for response" (As cited in Choi, Sung, and Kim, 2010). Crises are not limited to any organizational size or type. They occur in all types of organizations from the wealthiest empires to the "mom and pop" stores, and decision makers must be ready to act fast when they occur.

Dayton (2004) states that the:

"modern crisis does not recognize or respect national borders; it thrives on fragmentation and variety...it does not confine itself to a particular policy area; it jumps from one field to another, unearthing issues and recombining them into unforeseen mega-

threats...the modern crisis is not boxed in by set dates that mark a clear beginning and ending; it is an embedded vulnerability that emerges, fades, mutates, and strikes again” (Dayton, 2004: 166).

Dayton’s (2004) statement perfectly exemplifies what a crisis is. It is chaos. There is no warning when it happens, and there are very few indicators for the different forms of businesses and groups worldwide. There are no limitations to how big or small crises are. The complexity and capriciousness of the current business environment can create crisis situations that impact organizations and their stakeholders (Choi & Kim, 1999; Lampel, Shamsie, and Shapira, 2009; Snow, Miles, and Coleman, 1992). It is important for organizational leaders to understand why crisis situations occur. In addition, it is also very important to understand when a crisis situation will happen, how it will occur, what can be done to handle it, and the extent to which it can be prevented or its impact minimized. In order to better understand crises, organizational leaders have to be oriented toward the strategic management of crisis. In addition, they must be continually ready to change their management philosophies, decisions, and actions as they prepare to be socially responsible in their management of crisis situations (Rosenblatt, 2002).

This paper analyzes the strategic management of crisis in a conceptual paradigm and emphasizes two dimensions: (a) the factors which lead to crisis situations in organizations, i.e., factors identified by examining the internal and external environment of the organization and (b) the nature of the organizational crisis i.e., whether it is related to human actions, processes, technology, and/or economics. The paper also emphasizes how to strategically manage organizational crises and suggests strategies for crisis prevention and management.

## **MANAGING CRISES: WHAT ORGANIZATIONAL LEADERS SHOULD KNOW**

The first thing that managers should understand is that there are different perspectives on crises. According to Dayton (2004) there are two broad crisis perspectives—the operational perspective and the political-symbolic perspective. The operational perspective focuses on managing the crisis itself while the political-symbolic perspective includes a “map” of how managers and the rest of the team analyze crisis situations. Dayton (2004) suggests that many individuals in today’s workplace perceive far too many crises and subject themselves to torture when they handle complex problems. This is an interesting phenomenon because organizations typically have no meter of extremity that fundamentally determines what is truly a crisis situation or an event unless it is determined by the authorities.

“A true crisis occurs when the institutional structure of a social system experiences a relatively strong decline in legitimacy as its central service functions are impaired or suffer from overload” (Dayton, 2004: 168). When anticipating such a crisis, there needs to be predictive capability and scenario planning as well as an executable action plan (See Figure 1). There are some basic issues that organizational leaders need to consider in order to strategically manage crises: preparation, rapid decision making capability, and the extent to which crisis management and prevention have been integrated into the strategic management of the organization. A step in preparing for a crisis would be to consider whether the organization has the necessary resources. An integral part of managing a crisis situation would be to have a sufficient amount of manpower with the requisite skills. Then managers could make insightful decisions under enormous amounts of stress and uncertainty. Integrating crisis management within the strategic management of an organization is essential. In addition, organizational processes must be defined for the crisis action plan and would involve the expertise of a crisis manager to overcome a crisis situation and bring a sense of normalcy to an organization. In addition, processes and procedures must be put in place to prevent crises from recurring (Berge, 1991).

Mitroff (2008) noted that within his business model for strategic crisis management, there are seven types of major crisis families. *Economic* is the first family which includes events or situations such as strikes, market crashes, and shortage of labor opportunities. The second family is *informational*, where there is a loss of important information or organizational records, public or confidential. The third family is *physical*, which includes compromised major equipment, loss of suppliers or a major disruption at a

key operating plant. The fourth family, *human resources*, could be the loss of a key executive or member of the team, vandalism, or workplace violence. The fifth family is *reputational* such as rumors and gossip which can hurt the reputation of the organization. The sixth family includes *psychopathic acts*, i.e., unthinkable acts such as terrorist attacks, kidnapping or even tampering with products. The seventh family, *natural disasters*, includes tornadoes, earthquakes, fire and flash floods (Mitroff, 2008).

If organizational leaders only consider one or two of these crisis families to be possibilities for their respective individual organizations, they potentially place their organizations at significant risk. It is their responsibility to consider all as possibilities for crises and have strategic and tactical plans in place so that a crisis could be rapidly resolved and prevented from recurring.

## **A KALEIDOSCOPIK LOOK AT CRISIS MANAGEMENT**

Crises occur at every level in organizations, including the levels where teams play an integral role. Choi and Kim (1999) conducted a study to find out how crises affect the teams of an organization. They found that team level crises were often caused by external environmental factors rather than internal disturbances. These findings negated the notion that crises only impact the top managers of the company (Choi & Kim, 1999). Organizations are changing from traditional hierarchical work structures to team-based approaches to work (Holmes 2012). Organizational teams are exposed more directly to highly uncertain environments. As a result, in many cases, teams are now more at risk for a crisis than top executives. Therefore, it is very important to manage crises at team levels (Choi, Sung, and Kim, 2010).

There are two main types of coping strategies to deal organizational crises in teams. The first strategy focuses on how groups function together. This includes everything from handling situations to improving or formulating decisions together as one unit. Most organizational teams are either decision making teams or execution teams. The second coping strategy for organizational teams focuses on the behavioral aspect of the group which differentiates the internal and external activities and provides a balanced perspective on the possible set of crisis-coping activities for team activities (Choi & Kim, 1999).

Internal activities focus on the organizational teams at different levels in the organizations while external activities focus on macro-environmental forces (e.g., technology, economic, globalization, political, and legal) and the management of any relations with other individuals outside the group. Outside influences often play a role in the coping process of a crisis at any level of management. Some external factors that could influence the coping process could be the media (including social media) and surrounding businesses. If these factors are dealt with effectively and efficiently by organizational leaders, then the coping process becomes easier for all levels of management within an organization. Team members must realize that when a crisis does occur, there needs to be an immediate response which includes the mobilization of resources to handle the crisis situation or event efficiently and effectively to ensure team success (Moon, Conlon, Humphrey, Quigley, Devers, and Nowakowski, 2003).

Crisis management is a leadership imperative involving people within and outside of an organization. Sullivan (1996) emphasized that it is an element of competition to be able to cooperate and communicate within teams, within each organization, with other organizations, with government agencies, with media, and with other groups.

## **THE ROLE OF ORGANIZATIONAL LEADERS**

### **An Executable Crisis Management Plan**

“Strategic leaders are responsible for the future of organizations” (Taneja, Pryor, and Humphreys, 2012). It is essential that managers consider the importance of integrating crisis management into the organization system. Pollard and Hotho (2006) suggested that scenario planning should be included as a part of crisis management plan. Scenario planning is essential when developing a Strategic Crisis Management Plan and an Executable Crisis Management Action Plan (See Figure 1). It is important to integrate crisis management into the strategic management of organizations because both depend on innovative and intuitive strategies which are also required in order for organizations to survive and

flourish. The scenario planning process would include the evaluation of various trends and possibilities based on continuous change in the external environment due to macro-environmental forces. Organizational leaders also need to identify potential risk factors. Crisis management systems will help in effective decision making. Management of crises requires co-ordination of organizational processes, effective internal and external communications, and strong organizational leadership in the strategic crisis management of the organization (Pryor, Taneja, Alexander, Larkin, and Singleton, 2012).

In dealing with crises, organizations will depend on both the strategic plans and identification of potential crises. Therefore, it is important to understand the involvement of stakeholders (See Figure 1). To effectively and efficiently manage strategic crisis management, organizational leaders must depend on good communication with stakeholders. Managing communication during the period of crisis is a challenging task because of different strategic choices. As a result, the possibility of confrontation exists among organizational leaders and various other stakeholders (Thiessen & Ingenhoff, 2011).

Crisis situations may require tailor-made solutions depending on the type of situation. Crises involve the organization, the leaders, the stakeholders i.e., people you're working with or who are affected by the crisis, and the social media that is an integral part of the organization. Organizational leaders need to be prepared for every different aspect in terms of how to handle the crisis and how to minimize its impact. It is only possible if they follow four keys of crisis communication: "speed, accuracy, credibility, and consistency" (Berge, 1991: 31).

### **Communication During and After Crisis**

Communication is a key component to organizational success in dealing with crisis situations or events. The 2011 study conducted by Johansen, Aggerholm, and Frandsen (2012) found that "the vast majority of organizations have a crisis or contingency plan, and most of these plans contain an internal dimension relating to the management and communication with the internal stakeholders during a crisis (p. 270). Thus, the study shows rather professional and formalized behavior towards crisis management. One of the important challenges for the organization is to have proper communication within the organization i.e., in the internal environment of the organization. Many organizations routinely deal with crises and determine strategies to handle crisis situations. For example, "Northwest Airlines flight 255 investigation led the National Transportation Board to include a check of the takeoff warning system prior to departing the gate" (Ray, 1999: 122).

Transco, a French transportation company, had with issues of communication during a crisis management experience. Transco dealt with various modes of transportation (e.g., metro, bus, and tram). Transco had a crisis situation with which it had to deal in the aftermath of a collapsed tunnel underneath a school where they happened to be building a new metro line. Transco, like many other organizations, did not foresee crisis occurring and yet according to Acquier, Gand, and Szpirglas (2008), the management of the organization was successful in managing the crisis situation and were able to "handle a large number of emergent issues and stakeholders" (p. 102). Acquier, Gand, and Szpirglas (2008) noted that the organization had a communication crisis manager, the first person to react to the crisis situation and present during the first phase of crisis management which tends to be the most important phase. Acquier, Gand, and Szpirglas (2008) further argued that every organization has those key individuals who act as an anchor for the organization and without the proper communication with these individuals, a crisis cannot be resolved efficiently and effectively.

According to Johansen, Aggerholm, and Frandsen (2012), it is important to have the balancing act i.e., the greater interconnectedness between the organization and its end users (stakeholders or the final customers) to ensure a higher degree of engagement between both the parties. Johansen, Aggerholm, and Frandsen (2012) emphasized that it is essential for organizations to have their communication, compliance and investment teams work together in implementing a crisis management program. Stephens, Malone, and Bailey (2005) admonish that "an organization crisis forces an immediate decision or reaction, and thus provides an effective arena to study technical translation as a way to achieve uncertainty reduction" (p. 391). It is very important for the organizational leader to communicate with stakeholders during crises.

In some cases, leaders cause crises in their respective organizations such as Enron, Tyco, WorldCom, and Texaco (Ulmer, Seeger, and Sellnow, 2007). In those cases, it is even more important for other organization leaders and their followers to strive for organization renewal in chaotic crisis situations and events.

Deveney (2011) noted that weak leaders choose flight, and strong leaders fight using basic crisis communication tactics. But the strongest leaders don't stop at the basics. They grow and innovate in every situation—even in a crisis. Deveney (2011) emphasized the following: “When creating a crisis communication plan, practitioners must be Quick, be Candid, place everything in Context and remain Consistent” (p.14).

According to the 2011 Crisis Preparedness Study released by Burson-Marsteller and market research and consulting firm, Penn Schoen Berland, “79 percent of business leaders said that they expect to face a crisis within the next 12 months” (p. 11). It was further discussed in the report that despite recognizing the importance of digital media, only half of these leaders understand who their online stakeholders are and how to engage with them. Burson-Marsteller Chief Global Digital Strategist, Dallas Lawrence (2011) said “We are now all in the business of crisis management”. Therefore, the big question is why aren't organizations using digital media for reputation management and crisis communications? The survey also noted that the main problem is an institutional lack of experience and knowledge of how to engage online in real time. Lawrence (2011) offered the following tips for organizational leaders who want to close the gap:

- Develop a social media crisis plan.
- Regularly test your social media crisis plan.
- Develop and publish an employee social media policy.
- Provide employee social media training.
- Monitor your own social media reputation.

## **STRATEGIC CRISIS MANAGEMENT PLAN: EXPECTED RESULTS**

A properly executed efficient and effective strategic crisis management plan can lead to organization renewal, stability, and growth after crisis situations and events. The strategic Crisis Management Model in Figure 1 depicts the required elements of a strategic crisis management plan as well as their impact on each other and the overall results of a plan that is efficiently and effectively implemented. The elements include scenario planning, executable crisis management action plans, the roll of organizational leaders and empowered stakeholders, the necessity for organizational resources and processes that are readily accessible for use as needed, and communication capabilities and utilization, including social media. The desired results are (1) organizational renewal and stability and (2) prevention of crisis recurrence.

Organization renewal is based upon continually renewing an organization's objectives, strategies, stakeholders, and the processes of top management teams as well (Ulmer & Sellnow, 2002). Organizations must experience continuous renewal as a stability factor as well as episodic change as they react to various crisis situations, events, and disruptions (Taneja, Pryor, & Humphreys, 2012). Renewal should involve rebuilding of confidence for employees and stakeholders in the organization following any crisis to reestablish an organization's image and reputation.

## **CONCLUSION**

The potential for crises to develop and escalate is greater than ever because of the global interconnectedness of organizations. As a result, crisis preparation is becoming an increasingly important issue as organizational leaders seek to prevent, or effectively cope with, impending crises. At no point should an organization be left unprotected from a crisis that could have been avoided. Every organization should have procedures and action plans established for crisis prevention and crisis management, whether the crisis situations or events are economic, political, structural or environmental. It is essential that organizational leaders adopt a strategic crisis management model such as that depicted in Figure 1 and

ensure that all employees understand, and are able to deploy, crisis action plans and procedures that are an integral part of the of the organization's strategic crisis management plan.

## RECOMMENDATIONS

The following recommendations include clarification of items from the Strategic Crisis Management Model presented in Figure 1.

1. Organizations should utilize a strategic crisis management plan which includes the following relevant items:
  - A formal crisis management system with pre-tested and reviewed actions plan so that crisis management is properly integrated into the strategic management of the organization;
  - Involvement of organizational leaders from all functional areas so as to include specializations in the crisis management team;
  - Identification of possible events or scenarios which may lead to crisis situations and their probable impact on the organization;
  - Identification of key processes, resources, organizational leaders, stakeholders, and strategic choices in overcoming crisis situations;
  - A continuously, updated and evaluated execution plan which matches the organization's values.
2. Employees need to be empowered and prepared for crisis situations and events.
  - They should knowledgeable and able to act and utilize available organizational resources.
  - They should be able to utilize human, social media, and other communication skills to convey the organization's message during times of crisis.
  - They should exercise strong leadership to assist in managing crisis situations and events and preventing them from recurring.
3. Efforts should be made to engage stakeholders in the handling of crises. This includes:
  - Understanding the online stakeholders and handing the media.
  - Engaging and monitoring social media.
  - Including stakeholders as an integral part of executable crisis management action plans.
4. Companies should hold crisis management training sessions so that executives, team leaders, and all employees are aware of protocols, procedures, and action plans to deploy when there is an impending crisis.

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**FIGURE 1**  
**STRATEGIC CRISIS MANAGEMENT MODEL**

