

# A Need for More Crisis Management Knowledge

**T**he cruise ship *Costa Concordia* hits a rock and sinks, BP's Deepwater Horizon oil spill kills 11 workers and creates environmental havoc in the Gulf of Mexico, Enron hides financial losses from stakeholders and goes bankrupt, the cruise ship *Carnival Triumph* is stranded at sea with no power, Boeing Dreamliner has battery problems and is grounded, and the 9/11 attacks killed roughly 3,000 people. These are all reminders that no organization is immune to crises. If no organization is immune, then all organizations should be prepared. 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 (CCMP) 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, disaster sociology, 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 CCMP 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, each of which is composed of three substages. The stages are used to summarize and organize various insights into the crisis management process. Myriad ideas from different areas are synthesized into one continuous process. The end product is a guide for developing each stage in the ongoing crisis management process. This book is a living guide because future developments in crisis management can be easily assimilated into the comprehensive framework of the three-stage approach.

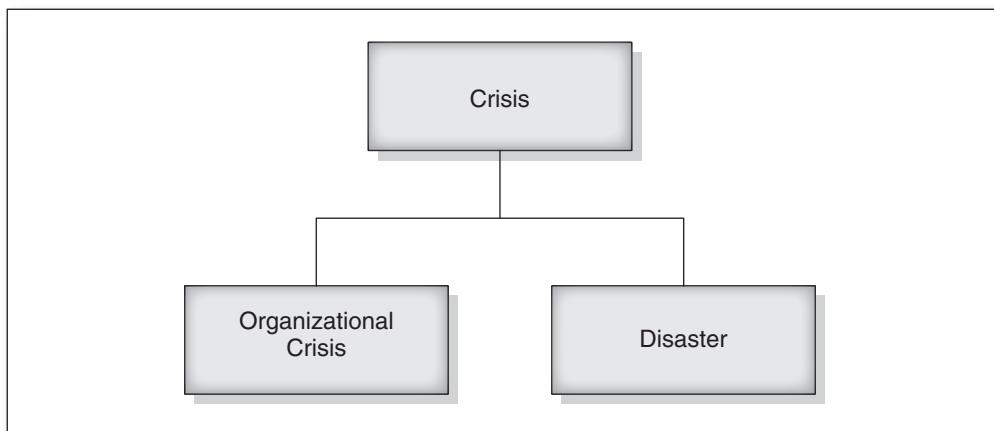
The three-stage model articulated here provides a variety of suggestions about how to “do” crisis management. This book is designed to aid those interested in practicing, researching, or teaching crisis management. To those interested in practice, the book offers a comprehensive approach for structuring 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 offered 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 with a definition so that readers will understand how this book approaches the subject.

*Crisis* is a very broad term that is used frequently by practitioners and academics. A general definition of crisis is some breakdown in a system that creates shared stress (R. W. Perry, 2007). Such a general definition can be applied to a wide variety of events. It is important that early on in the book I specify what I mean by the terms *crisis* and differentiate it from similar concepts. Figure 1.1 is a visual representation of how I conceptualize crisis. We can take the general notion of crisis as the starting point, beneath which we have disaster and organizational crisis. There are volumes written about both disasters and organizational crises, but there is no one accepted definition of either term. It is important to draw a distinction between the two concepts in order to clarify how this book approaches the topic of crisis.

**Figure 1.1** Types of Crises



## Disaster Defined

Disasters are events that are sudden, seriously disrupt routines of systems, require new courses of action to cope with the disruption, and pose a danger to values and social goals (Quarantelli, 2005). This is more a set of characteristics than a definition but does capture the nature of disasters. I would add that disasters are large in scale and require response from multiple governmental units. Disasters can spawn organizational crises. For instance, an organization may need to cope with the effects of the disaster on its operation. An example would be utilities needing to restore power to customers following a tornado. In rarer circumstances a crisis can trigger a disaster. Examples include the Union Carbide toxic gas release in Bhopal, India, and the crude oil spilled into the Gulf of Mexico when the Deepwater Horizon sank. Research has generated a significant amount of advice on how to cope with disasters, and there is some overlap between disasters and organizational crisis efforts. However, this book focuses on organizational crises. I choose to present a very specific definition of organizational crisis to clarify for the readers how this book will approach crises.

## Organizational Crisis Defined

A crisis is the perception of an unpredictable event that threatens important expectancies of stakeholders related to health, safety, environmental, and economic issues, 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 capture 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 organization as if it is in crisis. For nearly a decade, the automobile manufacturer Audi told its customers there was nothing wrong with its transmissions. However, customers did perceive a crisis because a few cars were jumping into gear from neutral—with sudden acceleration—resulting in injuries and deaths. We fast-forward to 2009, and Toyota was wrestling with gas pedals that stick, causing cars to accelerate uncontrollably and at times fatally. Toyota was criticized for a slow response to the crisis. Toyota management had a difficult time seeing the problem and realizing the organization was in a crisis. Management must be able to see the event from the stakeholders' perspective to properly assess whether 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 can be anticipated. Crises strike suddenly, giving them an element of surprise or unpredictability (Barton, 2001; National Research Council, 1996). But 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. It used the lead time to create an

aggressive multimedia campaign to defend itself from charges linking its product to harmful side effects. Radio and newspaper advertisements were used to drive people to a specially created website 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. These expectations can be related to health, safety, environmental, or economic concerns. Planes should land safely, products should not harm us, management should not steal money, and organizations should reflect societal values. Crises disturb some stakeholder expectations, 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, stakeholders 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 shut down, 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.

Crises also have the potential to create negative or undesirable outcomes. If business is disrupted, an organization will usually suffer financial losses (e.g., lost productivity, 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, damage to a brand, and environmental harm (Loewendick, 1993). The damage can affect a variety of stakeholders. A plane crash can kill crew members, passengers, and people on the ground. In addition, 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 onto an entire industry. In 2006, the cruise ship industry became involved in the Carnival Cruise Lines fire because the crisis was an industry-wide 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.

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 community members in terms of 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 reduce the threats by providing recommendations for properly handling crises.

## WHAT WOULD YOU DO?

### BP and Texas City

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 direction of 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, it 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 and, drawing from that base, comprises a set of four interrelated factors: prevention, preparation, response, and 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 the 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 (Dobbin, 2006; Mintz & Di Meglio, 2006). Bausch & Lomb did stop shipping the product and eventually asked retailers to remove the product from shelves. However, it was not until May 15, a month after the crisis began, that an official recall was issued (Mintz & Di Meglio, 2006). Remember, crises make for good news stories, and news of ReNu with MoistureLoc was everywhere.

In an actual crisis, responses seek to achieve outcomes related to reducing the negative impact of a crisis on stakeholders and the organization. Put another way, the response helps to achieve the objectives of crisis management. Organizations try to limit the threat to public safety, reputational erosion, brand damage, and loss of sales, to name but a few of the common crisis communication objectives. There is even a chance that the response leads to an improved organization. Improvements can include a stronger reputation, a more powerful brand, and changes to the organization that make it a safer place to work.

Part of the response is *recovery*, which denotes the organization's 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 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 similar 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.

Understanding the crisis management process is a necessity for effective crisis communication. We can extend the notion of process by creating a framework for crisis management that involves distinct stages that influence one another.

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## THE INITIAL CRISIS MANAGEMENT FRAMEWORK

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The idea that crises have an identifiable life cycle is a consistent theme that permeates the crisis management literature. The crisis manager needs to understand this life cycle because its different phases require different actions (Gonzalez-Herrero & Pratt, 1995; Sturges, 1994). The crisis life cycle has been translated into what I term *staged approaches* to crisis management. A staged approach means that the crisis management function is divided into discrete segments that are executed in a specific order. Moreover, the life cycle perspective reveals that effective crisis management must be integrated into the normal

operations of an organization. Crisis management is not merely developing a plan and executing it during a crisis. Instead, it is appropriately viewed as an ongoing process. Every day, organization members can be scanning for potential crises, taking actions to prevent them, or considering any number of the aspects of the crisis management process detailed in this book. Crisis management should be a part of many people's full-time jobs in an organization, not a part-time fancy. Each working day, crisis managers can be doing something to improve crisis prevention and response (Coombs, 2006a).

The life cycle perspective has yielded a variety of staged approaches to crisis management. These provide a mechanism for constructing a framework for organizing the vast and varied crisis management writings and for creating a unified set of crisis management guidelines. Regardless of discipline, the various topics addressed can be placed within a comprehensive, incremental approach to crisis management. An overarching framework organizes the scattered crisis management insights and permits crisis managers to easily envision their best options during any stage of the process. Crisis managers can find it easier to access and apply available resources, thereby improving the crisis management process. The framework I use in this book is influenced by existing models of the process. Reviewing these models will reinforce the importance of process in crisis management.

## Past Staged Approaches to Crisis Management

Three influential approaches emerge from a study of the various crisis management models. Influence was gauged by the number of people citing the approach in the development of their crisis models. These three are Fink's (1986) four-stage model, Mitroff's (1994) five-stage model, and a basic three-stage model. Fink's is the earliest and can be found in his seminal book, *Crisis Management: Planning for the Inevitable*. His cycle is well represented in writings that have appeared since the 1990s. He uses a medical illness metaphor to identify four stages in the crisis life cycle: (1) prodromal: clues or hints of a potential crisis begin to emerge; (2) crisis breakout or acute: a triggering event occurs along with the attendant damage; (3) chronic: the effects of the crisis linger as efforts to clean up the crisis progress; and (4) resolution: there is some clear signal that the crisis is no longer a concern to stakeholders—it is over.

Fink's (1986) approach is one of the first to treat a crisis as an extended event. Of particular note is his belief that warning signs precede the trigger event. The job of crisis managers expands and becomes more proactive when they know and read the warning signs. Well-prepared crisis managers do not just enact the CMP when a crisis hits (being reactive); they are also involved in identifying and resolving situations that could become or lead to a crisis (being proactive). In addition, Fink divides the crisis event into three stages. A crisis does not just happen, it evolves. It begins with a trigger event (acute phase), moves to extended efforts to deal with the crisis (chronic phase), and concludes with a clear ending (resolution). The different stages of the life cycle require different actions from the crisis manager. As a result, crisis management is enacted in stages and is not one simple action.

Sturges's (1994) elaborations on Fink's (1986) model illustrate how different actions are required during various crisis phases. Sturges proposes that different types of communication

are emphasized during the various phases of the crisis life cycle. The acute phase is dominated by the eruption of the crisis. Stakeholders do not know what is happening; therefore, they require information about how the crisis affects them and what they should do to protect themselves. For example, information such as whether community members should evacuate an area or whether employees should report for the next shift is highly relevant. In contrast, the resolution stage sees the end of the crisis. At that point, stakeholders would be receptive to messages designed to bolster the organization's reputation. Stakeholders need to know how a crisis affects them when it breaks but are open to reputation-building messages once it ends (Sturges, 1994). The demands of the crisis stage dictate what crisis managers can and should be doing at any particular time. The later chapters of this book detail the different actions required during the various stages.

The second influential approach is from prolific crisis writer and expert Ian Mitroff (1994). He divides crisis management into five phases: (1) signal detection: new crisis warning signs should be identified and acted upon to prevent a crisis; (2) probing and prevention: organization members search known crisis risk factors and work to reduce their potential for harm; (3) damage containment: a crisis hits and organization members try to prevent the damage from spreading into uncontaminated parts of the organization or its environment; (4) recovery: organization members work to return to normal business operations as soon as possible; and (5) learning: organization members review and critique their crisis management efforts, thereby adding to the organization's memory.

While subtle differences are apparent, the similarities between the Fink (1986) and Mitroff (1994) approaches are strong. Mitroff's stages reflect Fink's crisis life cycle to a large degree. Signal detection and probing can be seen as part of the prodromal phase. The difference is the degree to which Mitroff's model emphasizes detection and prevention. While Fink's model implies that crises can be prevented, Mitroff's model actively identifies them, seeking to prevent them.

There is a strong correspondence between the damage containment and crisis breakout stages and the recovery and chronic stages. Both damage containment and crisis breakout focus on the trigger event—when the crisis hits. However, Mitroff's (1994) model places greater emphasis on limiting the effects of the crisis. Augustine (1995) and Ammerman (1995) both highlight the need to limit the spread of a crisis to healthy parts of the organization. The recovery and chronic stages reflect the natural need to restore normal operations. In fact, one measure of success for crisis management is the speed with which normal operations are restored (Mitroff, 1994). Mitroff's model emphasizes how the crisis management team can facilitate the recovery, while Fink's (1986) model simply documents that organizations can recover at varying speeds.

Both the learning and resolution stages signal the end of the crisis. The additional review and critique of the learning stage is a function of Mitroff's (1994) focus on crisis management rather than just crisis description. Fink's (1986) model simply notes that the resolution stage occurs when a crisis is no longer a concern. For Fink, termination marks the end of the crisis management function. In contrast, Mitroff's model is cyclical because the end also represents a new beginning. The crisis management effort is reviewed and critiqued in order to find ways to improve the system. The last stage signals the start of implementing improvements in the crisis management system. Hence, the learning phase can feed back

to either the signal detection phase or the probing and prevention phase. Gonzalez-Herrero and Pratt (1995, 1996) extend Mitroff's thinking by treating the final stage as a continuation of the recovery phase. In addition to evaluation and retooling, the final stage involves maintaining contact with key stakeholders, monitoring the issues tied to the crisis, and providing updates to the media (Gonzalez-Herrero & Pratt, 1995, 1996). Communication and follow-up with stakeholders from the recovery phase are carried over to the learning phase.

The essential difference between the Fink (1986) and Mitroff (1994) models is revealed by comparing the last phases. Mitroff's is active and stresses what crisis managers should do at each phase. Fink's is more descriptive and stresses the characteristics of each phase. This is not to say that Fink is not offering recommendations to crisis managers. Rather, the Mitroff model is more prescriptive than Fink's. Fink is concerned with mapping how crises progress, while Mitroff is concerned with how crisis management efforts progress. Early models tended to be descriptive, so this essential difference is not unexpected.

The three-stage model has no clearly identifiable creator but has been recommended by a variety of crisis management experts (e.g., Birch, 1994; Guth, 1995; T. H. Mitchell, 1986; Seeger, Sellnow, & Ulmer, 2003). However, Richardson (1994) provides the first detailed discussion of its components: (1) precrisis or predisaster phase: warning signs appear and people try to eliminate the risk; (2) crisis impact or rescue phase: the crisis hits and support is provided for those involved in it; and (3) recovery or demise phase: stakeholder confidence is restored.

Following from this three-stage approach, I divide the crisis management process into three macrostages: precrisis, crisis, and postcrisis. The term *macro* indicates that the stages are general and that each contains a number of more specific substages: the micro level. This is similar to economics, where macroeconomics deals with all the forces at work on the economy while microeconomics deals with specific factors. Both the Fink (1986) and Mitroff (1994) models fit naturally within this general three-stage approach. The precrisis stage encompasses all of the aspects of crisis preparation. Prodromal signs, signal detection, and probing would be included in the precrisis stage. The crisis stage includes the actions taken to cope with the trigger event—the time span when the crisis is being actively dealt with. Damage containment, crisis breakout, and recovery or the chronic phase all fall within the crisis stage. The postcrisis stage reflects the period after the crisis is considered to be over or resolved. Learning and resolution are each a part of this stage. Table 1.1 summarizes the comparisons of the three different staged approaches to crisis management.

**Table 1.1** Comparison of Staged Approached to Crisis Management

Fink	Mitroff	Three-Stage
Prodromal	Signal detection Probing and prevention	Precrisis
Crisis breakout	Damage containment	Crisis
Chronic	Recovery	
Resolution	Learning	Postcrisis

## OUTLINE OF THE THREE-STAGE APPROACH

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The three-stage approach was selected as the organizing framework for this book because of its ability to subsume the other staged approaches used in crisis management. The ideal crisis management model would accommodate all of the various models plus additional insights provided by other crisis management experts. Not all crisis managers have placed their ideas within a phased model. Therefore, a comprehensive model must be able to place random insights into the crisis management process.

The three-stage approach has the appropriate macro-level generality for constructing the comprehensive framework necessary for analyzing the crisis management literature. The three stages are general enough to accommodate the other two dominant crisis management models and to allow for the integration of ideas from other crisis management experts.

Within each stage there are separate substages or sets of actions that should be covered during that stage. Each substage integrates a cluster of writings about that particular crisis management topic. Each cluster of writings has been carefully examined to distill the essential recommendations they could offer to crisis managers. For each substage, the crisis wisdom and any tests of that wisdom are reported along with a discussion of its utility to crisis managers. Moreover, this three-stage approach provides a unified system for organizing and utilizing the varied insights crisis managers offer.

### Precrisis

The precrisis stage involves three substages: (1) signal detection, (2) prevention, and (3) crisis preparation. Chapters 3, 4, 5, and 6 are devoted to the development of this stage. Organization members should be proactive and take all possible actions to prevent crises. The precrisis stage entails actions to be performed before a crisis is encountered. However, not all crises can be prevented, so organization members must prepare for crises as well.

Chapter 3 deals with signal detection. Most crises do emit early warning signs. If early action is taken, these crises can be avoided (Gonzalez-Herrero & Pratt, 1995). Crisis managers must identify sources for warning signs, collect information related to them, and analyze the information. For example, a pattern in customer complaints could identify a product defect. Reporting the complaints to the appropriate manufacturing sector of the organization could result in corrective action being taken. In turn, the corrective action could prevent further complaints and the potential of a highly visible recall, battle with customers, or both. Crisis managers must develop a system for detecting potential crises and responding to them.

Chapter 4 is devoted to crisis prevention. Once the potential is detected, actions must be taken to prevent the crisis. Preventative measures fall into three categories: issues management, risk management, and reputation management. Issues management means taking steps to prevent a problem from maturing into a crisis. Risk management eliminates or lowers risk levels. Reputation management seeks to resolve problems in the stakeholder-organization relationship that could escalate and damage the company's reputation. Chapters 5 and 6 develop the idea of crisis preparation. Crisis managers must be prepared for a crisis happening. Preparation typically involves identifying crisis vulnerabilities, creating crisis teams,

selecting spokespersons, drafting CMPs, developing crisis portfolios (a list of the most likely crises to befall an organization), and structuring the crisis communication system.

## Crisis Event

This stage begins with a trigger event that marks the beginning of the crisis. The crisis stage ends when the crisis is considered to be resolved. During the crisis event, crisis managers must realize that the organization is in crisis and take appropriate actions. This phase has two substages: (1) crisis recognition and (2) crisis containment. Communication with stakeholders is a critical facet of this phase. An organization communicates to stakeholders through its words and actions.

Chapter 7 is devoted to crisis recognition. People in an organization must realize that a crisis exists and respond to the event as a crisis. Crisis recognition includes an understanding of how events get labeled and accepted as crises—how to sell a crisis to management—and the means for collecting crisis-related information. Chapter 8 covers the crisis response and includes topics related to crisis containment and recovery. Crisis containment focuses on the organization's crisis response, including the importance and content of the initial response, communication's relationship to reputational management, contingency plans, and follow-up concerns.

## Postcrisis

When a crisis is resolved and deemed to be over, an organization must consider what to do next. Postcrisis actions help to (a) make the organization better prepared for the next crisis, (b) make sure stakeholders are left with a positive impression of the organization's crisis management efforts, and (c) check to make sure that the crisis is truly over. Chapter 9 addresses evaluating crisis management, learning from the crisis, and other postcrisis actions, such as follow-up communication with stakeholders and continued monitoring of issues related to the crisis.

### WHAT WOULD YOU DO?

#### Carefree Cruise Line: Act 1

It is Friday a little after 5 p.m. in Miami, Florida, the location of the headquarters for Carefree Cruise Lines. The majority of your cruise ships have the Carefree brand, but your company also owns a number of smaller cruise lines, what can be called sub-brands. A call comes in that a cruise ship in one of the sub-brands is in distress. The ship is off the coast of Italy, and that is a 6-hour time difference from your headquarters in Miami. The call notes that a Mayday has been issued and that the ship is

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being evacuated. You are the public relations personnel assigned to the crisis management team for Carefree Cruise Lines.

- What are your first thoughts after receiving this call?
- What do you need to do to help your organization prepare to respond to this crisis?
- Who are the key stakeholders in this situation?
- What actions should your organization take?
- How should the organization communicate those actions to key stakeholders?

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## IMPORTANCE OF CRISIS MANAGEMENT

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 ever 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. Managers have identified the following as common negative effects from crises: decrease in revenue, cut-backs and/or layoffs, loss of corporate reputation, increased media scrutiny, increased government scrutiny, decreased share price, and increased social media discussions (*Reputation in the Cloud Era*, 2011; *Rising CCO IV*, 2012). The developments that increase the need for effective crisis management are an 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; Y. Kim & Yang, 2013; van Riel, 2013). 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 (Aula & Mantere, 2008; 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; *Reputation in the Cloud Era*, 2011). 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 (*The Changing Landscape of Liability*, 2004). 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, blogs, microblogs, social networks, and content-sharing sites. The key feature of these Internet channels is the ability of users to create the content rather than just the organizations. Collectively, the Internet channels where stakeholders create the content are called *social media*, although the term *stakeholder media* is also being used to denote channels where users create the content (Hunter, Le Menestrel & de Bettignies, 2008). Chapter 2 explores the concept of social media in greater depth. The vast majority of social media messages never find an audience. However, when disgruntled stakeholders strike a responsive chord and connect with other stakeholders 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: The Gap planned to release a revamped logo in 2010. When the initial design was released on its website, groups of vocal stakeholders responded negatively online. Gap's Facebook page and a Twitter account designed to protest the change were the most visible sources in the protest. The idea of a new logo was generating massive amounts of negative online comments for the Gap. The company then announced they had heard their stakeholders and would not make the change (Halliday, 2010). This demonstrates how social media has the potential to create a crisis or the threat of a crisis.

Activist groups are using the Internet to organize and to pressure organizations to change their behaviors. Social media is part of a mix of pressure tactics, along with negative publicity campaigns and boycotts. For instance, the Enough Project utilized Facebook, Twitter, YouTube, Flickr, and Instagram in its efforts to pressure electronics companies into disclosing their sourcing of conflict minerals. 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; T. Putnam, 1993). Consider how Greenpeace was able to pressure Puma, Nike, Adidas, H&M, C&A, Mango, Zara, Li-Ning, Levi's, Esprit, Victoria's Secret, G-Star, Raw, Valentino, and Benetton into agreements to eliminate their suppliers' use of certain toxic chemicals in the production of textiles. Or how 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 Award*" presented to Chiquita, 2003).

## Communication Technologies

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 anymore. 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 website. On April 24, 2013, a garment factory in Bangladesh collapsed. The tragic event killed over 1,000 people. Videos and stories of the collapse appeared on CNN, BBC, and numerous other online news outlets and through social media (Alam, 2013). Due to online posting by activists, people easily could learn that H&M, Zara, Walmart, and the Gap all use suppliers in Bangladesh and that Primark had suppliers housed in the collapsed building (Engel, 2013). In addition, activists and corporations used various Internet channels to explain whether various corporations were taking actions designed to improve worker safety in Bangladesh. Crises are now more likely to be seen by the world thanks to advances in communication technologies. We will return to the international nature of crises in the epilogue.

## Broader View of Crises

Prior to the horrific events of September 11, 2001, 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 continue 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.

Social media has added another layer to broadening the view of crises. Managers are very sensitive to the fact that crisis threats, especially those that damage reputations, can emerge and grow rapidly online. In a study by Burson-Marsteller and Penn Schoen Berland, 55% of managers felt social media had increased their vulnerability to crises (*Reputation in the Cloud Era*, 2011). There is an increasing need to monitor social media and to decide how to integrate it into the crisis response. Later chapters will elaborate on how social media is creating changes in crisis communication.

### **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 management (Blythe & Stivariou, 2003; Headley, 2005). Crisis management is becoming firmly established as a form of due diligence (efforts to avoid harm to others or to the organization) that will protect an organization not only from the immediate harm of a crisis but from secondary harm resulting from lawsuits.

## **CRISIS LEADERSHIP: AN OVERLOOKED RESOURCE**

Leadership is often overlooked in discussions of crisis management and crisis communication (James & Wooten, 2010). Leadership can be defined as “a process whereby an individual influences a group of individuals to achieve a common goal” (Northouse, 1997, p. 3). During a crisis, leadership can have a major impact on the effectiveness of the crisis management effort. Good leaders regularly are called upon to solve problems, follow plans, and to craft visions. These behaviors are all valuable during a crisis. Crisis leadership experts Erika James and Lynn Wooten (2010) argue that crisis leadership is a frame of mind. Good crisis leaders are willing to learn, are open to new ideas, and believe the organization will emerge stronger after the crisis. Crisis leadership is unique because the leaders are being watched by stakeholders (in public view) and are under pressure to utilize shortcuts that will make the crisis disappear but could be ineffective in the long run (James & Wooten, 2010). Each chapter in this book will have a leadership box that highlights how the topic in the chapter relates to effective crisis leadership. Those insights are based on the crisis leadership competencies developed by James and Wooten.

## CONCLUSION

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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 organization be prepared to manage crises.

Generally we experience crises through the news media and the Internet. As a result, it is easy to view crisis management as a short-term process and crisis managers as having few demands on their time. However, what the public sees of the response to a crisis is a small part of crisis management. Effective crisis management is ongoing. Crisis managers continually work to reduce the likelihood of a crisis occurring and to prepare the organization for the day when a crisis does occur. Moreover, crisis managers carefully dissect each crisis in order to improve prevention, preparation, and response. An appreciation of the phases of crisis management helps people better appreciate the complexity and ongoing nature of crisis management and communication.

### DISCUSSION QUESTIONS

1. What are 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? How do crises differ from disasters?
4. What alternatives are there to a staged approach to crisis management?
5. Some people question the value of precrisis activities. What reasons do you see that argue for and against precrisis activities?