CHAPTER 1

A Framework for Crisis Management

Visualizing Crisis Management

Visualize the term *crisis management* and a number of images may pop into your head. Consider these possibilities:

- Maybe you thought immediately of extremely catastrophic events that occurred during the first half of the decade, such as the September 11, 2001, terrorist attack on the World Trade Center in New York City and on the Pentagon in Washington, D.C.; the Southeast Asia tsunami in December 2004; or the onslaught of Hurricane Katrina on New Orleans in August 2005.
- Maybe the second half of the decade with its catastrophic natural disasters popped into your mind. In 2008, two major events occurred closely together, both in terms of time and geography: the May 2 cyclone that struck Myanmar (Burma), and the May 12 earthquake that caused mass damage and casualties in the Peoples Republic of China.
- Perhaps you envisioned a team of managers, trying to work their way through a product recall. Indeed, product recalls are significant crisis events that can destroy brand loyalty, perhaps forever.
- You might have visualized a crisis management team meeting in a mobile trailer, a block away from their burning factory, where total production capacity has now been reduced to a heap of ashes. For this team, the hard part of getting the company back online is just beginning.

One item you may not have considered was the conceptual framework that is currently growing in this specialized field of management. A framework functions as a map that helps us see how the different parts of a discipline are related to each other.

(Continued)
This book offers a framework to help you understand the field of crisis management and how you can better prepare for crisis events that may occur in your organization.

The onset of crises in organizations is a common occurrence in our contemporary environment. The authors have noted a number of crisis events while preparing this book. Consider these two related examples from the mining industry, each with vastly different outcomes:

- During the month of August 2007, six miners were trapped and later presumed to have died in the Crandall (no relationship to the author of this book) Canyon Mine in Utah. Search and recovery efforts at the mine also resulted in the deaths of three rescuers (Torres, 2007).
- During the first week of October 2007, 3,200 miners became trapped in a South African gold mine after an electric cable broke that powered the lift that moved workers to and from the mine. Fortunately, all of the miners were eventually rescued in good health.

These two examples illustrate “sensational” types of crises; indeed, mention the term crisis and many think about unprecedented events that result in catastrophic damage and mass casualties. However, not all crises fall into this category. The problem with associating only catastrophic events with a crisis is that they sound so dramatic that most organizational leaders may assume an “it can’t happen to us” mentality. But then, consider these crises that are more widespread, yet less dramatic:

- A drought across the southeast United States during the summer of 2007 threatened the drinking water supply in Atlanta, Georgia.
- A number of pet food manufacturers were affected by contaminated wheat gluten, an input for making their product that has been linked to the deaths of at least 15 animals.
- Toy maker Mattel recalled a number of toys after reports that many were coated with lead paint. The toys had been manufactured in China on a contract with Mattel (Parnell, 2007).

As these examples illustrate, not every organizational crisis is dramatic, but crises can have far-reaching impacts if not managed properly.

**Setting the Context**

Unfortunate events will occur in the life of most organizations. In this book, we refer to these events as crises. There are two broad approaches to the managing of these events: (1) Try to keep them from reoccurring, and (2) mitigate or soften the impact of the crisis when it does occur. Crisis management is the discipline that addresses these two approaches.

This book is about crisis management. It is a field of growing interest because many managers realize they are not immune to those sudden, unexpected events that can put an organization into a tailspin, and sometimes even out of business.
This book is written for students of crisis management. As present or future leaders in your organizations, the key issue you will face is not if a crisis will occur, but when, and what type. As a result, an understanding of crisis management is an essential part of your toolkit for organizational and professional success.

Developing a Framework for Studying Crisis Management

A starting point for understanding crisis management is to look at it in terms of a framework. Frameworks are ways of grouping or organizing what we see in organizational life. This book is about a framework, a way of visualizing crisis management through the lens of a particular viewpoint. Our perspective is built on the work of a number of crisis management researchers who have gone before us. However, we add a new dimension to our framework. That dimension is the existence of the internal and external landscapes that engulf the organization and the crisis events that surround it. In the next section, we begin the foundation of this framework by building on the work of past contributors to the field of crisis management.

Crisis Definition

The definition of a crisis must be established before a suitable framework can be developed. Numerous definitions have been offered, and most synthesize previous definitions to some extent. Pearson and Clair (1998) offered one of the first of the comprehensive definitions:

An organizational crisis is a low-probability, high-impact event that threatens the viability of the organization and is characterized by ambiguity of cause, effect, and means of resolution, as well as by a belief that decisions must be made swiftly. (p. 60)

The following implications of this definition should be highlighted:

- A crisis is a low-probability event. This characteristic makes the planning for a crisis even more troublesome. Events that are not perceived to be imminent are hard to plan for. In addition, it is often difficult for management to find the motivation to plan for such an event. The notion is, “Why plan for something bad if it may not occur?” (Spillan & Crandall, 2002). Many managers have asked that same question, until they got hit with a big crisis.
- A crisis can have a high-damage impact. Because of this reality, it should be remembered that a crisis can devastate an organization, drive it into the ground, kill it, or, at best, leave it reeling.
- The reference to ambiguity means that the causes and effects of the crisis might be unknown, at least initially. Causes are often attributed to some type of negligence, and the media can be an attacker in its quest to single out the one culprit that caused the crisis to occur in the first place. Unfortunately, as we will see throughout this book, crises can
have multiple interrelated factors that can lead to a trigger event that initiates the crisis.

- The ambiguity in this definition also implies that the means of resolving the crisis are often debatable. In other words, several viable options may be available for the crisis management team to use in its goal of mitigating the crisis.
- Certain aspects of managing a crisis may require swift decision making. The failure to act decisively during the acute stage of the crisis can often intensify the ordeal.

A more recent definition by Timothy Coombs (2007) states:

A crisis is the perception of an unpredictable event that threatens important expectancies of stakeholders and can seriously impact an organization’s performance and generate negative outcomes. (pp. 2–3)

This definition emphasizes perception. A crisis is generally perceived to be a threat by the organization’s stakeholders. Stakeholders are various groups that have an interest in the organization. For example, employees, customers, and the community in which the organization resides are considered stakeholders. Coombs infers that not all stakeholders will perceive that a crisis is actually occurring. A product defect that is detected by consumers, but not the company, is an example of the incongruity that can take place. Nonetheless, a crisis has occurred, because the perceptions of at least one group of stakeholders have been impacted in a negative manner by the event. Recognizing this distinction is important because there are occasions when management has gone into denial, proclaiming that no crisis has occurred (or could ever occur, for that matter), when in fact one has transpired (Sheaffer & Mano-Negrin, 2003). Textbooks are full of examples of this type of denial, such as General Motors’ (GM) denial that anything was wrong with their Corvair automobile (Nader, 1965). In this early-1960s example of a corporate crisis, consumers and the media claimed that the Corvair automobile was subject to instability when going into a turn. Indeed, several accidents involving fatalities had occurred as a result of this structural problem. GM maintained that the problem of instability was caused by driver error, not a defect in the car. This denial that a crisis even existed resulted in a huge public image problem for GM.

This book follows the crisis definition guidelines offered above. We will build on the definition guidelines offered by Pearson and Clair in 1998 (which is the most frequently cited in the crisis management literature), but we will also include the perspective offered by Coombs. To paraphrase Pearson, Clair, and Coombs, we offer the following definition to serve as our reference point throughout the book:

A crisis is an event that has a low probability of occurring, but should it occur, can have a vastly negative impact on the organization. The causes of the crisis, as well as the means to resolve it, may not be readily clear; nonetheless, its resolution should be approached as quickly as possible. Finally, the crisis impact may not be initially obvious to all of the relevant stakeholders of the organization.
Strategic Orientation

In many instances, crisis events in organizations are addressed with a short-term, reactive perspective. When a crisis occurs, select individuals in an organization—perhaps those on an established crisis management team—convene to minimize the damage and present a positive image to the public. Any preparations for dealing with such crises often focus on effective communications and public relations. In contrast, organizations constantly face strategic challenges. They must adapt to their changing business environments and modify their strategies to survive and remain competitive. In doing so, their leaders tend to adopt a long-term, proactive, and analytical perspective on strategic planning.

Between the extremes of traditional organizational crises and strategic challenges are important obstacles to organizational success that are not always easy to classify. At times, distinguishing between a crisis and a strategic challenge may be difficult. Consider these potential scenarios, all of which are based on a number of actual events that have occurred over the last several years:

- A supplier in another country produces a product that turns out to be defective. The result is that the product is assembled as a component into a domestic product, which causes the final product to fail, and in the process, kills three people. Is this a crisis or a strategic challenge? The answer is both. It is a crisis because there has now been a loss of life due to a defective product. It is a strategic challenge because the supplier was selected for its ability to offer a low cost for the product.

- A labor union stages a mass boycott of certain products that are manufactured overseas. The message from the protest is that these products have caused the loss of domestic jobs. The boycott causes some revenue loss for the companies that manufacture and retail these products. In a few cases, vandalism occurs on store properties that offer the products. Is this a crisis or a strategic challenge? Again, it is both. It is a crisis because of the sudden and unexpected loss of revenue for the companies involved. Furthermore, the damage and public apathy is of concern because it requires swift and effective decision making to ease the problem. It is a strategic challenge because the products are made overseas for cost reasons.

- A major pharmaceutical company begins a program for expansion that involves venturing into product lines that are cutting edge, and aimed at addressing health needs for baby boomers, a market that is seen as a major revenue source in the years to come. Several new drugs are approved and introduced to the market. After a few years, however, one of the drugs is linked to a deadly heart disease. Pressure to withdraw the drug is put firmly on the pharmaceutical company. Is this a crisis or a strategic challenge? Once again, it is both. It is a crisis because media attention is questioning the credibility of the drug and, indirectly, the credibility of the company. A major repercussion could result from this event, and swift and decisive decisions are required. On the other hand, it is a strategic challenge because the drug was in the firm’s long-term arsenal of products that would be popular and viable over the next 20 years.
A major corporation establishes a compensation plan for its management staff that rewards them on the basis of performance. As hoped, performance indicators begin to look good in certain areas of the company, despite the fact that the local economy has been faltering lately. For seven fiscal quarters, two managers in particular are awarded bonuses based on meeting their performance indices established under the compensation plan. Unfortunately, it is discovered later that both managers have “cooking the books.” Both been eventually fired, and the company is fined. During the ordeal, the company receives much negative press because of the “unethical acts of its managers.” Is this a crisis, or a strategic challenge? Of course, this answer is both. The crisis aspect was manifested by showing the company in a negative light, and resulted in both reputational and financial damage. This dilemma also has roots as a strategic challenge. The decision to set up a bonus plan based on performance was, in itself, not a bad decision. Indeed, most managers in both service and manufacturing industries are compensated, in part, by performance. But some plans are set up in such a way that they can invite unethical decisions on the part of management.

Because of their link with strategic challenges, planning for crises should be a part of the strategic management process. While traditional crisis management approaches put this function as a separate planning process, crisis planning should not exist in a vacuum, but should intertwine with strategic planning. This theme is developed throughout the book.

### Previous Crisis Management Frameworks: Classifications of Crises

There are different types of crisis management frameworks. Some of the earlier ones looked at types of crises. In their work on presenting corporate policy during a crisis, Marcus and Goodman (1991) identified three types of crises: accidents, product safety and health incidents, and scandals. Pearson and Mitroff’s (1993) framework identified seven crisis families: economic attacks, environmental accidents, occupational health diseases, psycho events (e.g., terrorism, sabotage, product tampering), damage to reputation, informational attacks, and breaks (e.g., recalls, product defects, computer breakdowns). In a similar crisis family arrangement, Myers (1993) offered a framework of crises consisting of natural disasters (floods, hurricanes, etc.), environmental events (aircraft accidents, contamination events, explosions), and incited incidents (arson, sabotage, vandalism). Crandall, McCartney, and Ziemnowicz (1999) used a five-family crises framework in their study of internal auditors. Specifically, they identified crises in terms of operational problems, negative publicity events, fraudulent crises, natural disasters, and legal issues.

Coombs (2006) offered the most recent framework and classified crises as follows:

- Attacks on organizations: computer hacking or tampering, rumors, product tampering, workplace violence, and terrorism. The common theme running through these crises is that the attacks originate from outside the organization. However, that is not to say that all attacks are externally generated. Certainly a disgruntled employee can cause an attack as well, particularly in relation to workplace violence episodes.
When things go bad: defective products caused by company error, loss of key personnel, industrial accidents, transportation problems, and stakeholder challenges (when an outside group accuses the company of wrongdoing). Often, these types of crises arise because of operational problems in the company.

When the organization misbehaves: not addressing known risks, improper job performance that leads to an accident, legal and regulatory violations. The common theme running through these crises is an ethical breach of some type.

Coombs’s framework is noteworthy because it takes into account many of the more recent crisis events that have occurred since the attacks of September 11. Crisis classification need not be complicated to be useful, as Coombs’s classification illustrates.

Another framework is worth mentioning, especially in light of the 2007 Virginia Tech massacre incident, when a student, Seung-Hui Cho, went on a shooting rampage, killing 32 people. Prior to this incident, Mitroff, Diamond, and Alpaslan (2006) had completed their own categories of crises that could occur on an American college or university campus. Their framework consisted of criminal activities, informational crises (identity theft, fraud, confidentiality problems), building safety issues, athletic scandals, public health problems (such as a disease outbreak or food safety problem), unethical behavior/misconduct (plagiarism, record tampering, or fraud), financial crises, natural disasters, legal/labor disputes, and reputation problems. While such a framework may seem like just a list, it is important to remember that crises tend to reside in families or categories.

Using a framework for classifying crisis events into families is a useful way to organize the phenomena we see. Mitroff (1989) was one of the first crisis management researchers to point out that while it is impossible to prepare for every type of crisis that might happen to an organization, preparing for a few families of crises is feasible. In this book, we present a framework of crisis families that take into account the internal and external landscapes of the organization’s environment. But first, we need to acknowledge that crisis events also occur in stages.

### Previous Crisis Management Frameworks: Stages of Crises

Frameworks have also been developed that account for the various stages of a crisis. The more familiar frameworks emerged in the 1990s and generally followed a three- or four-stage approach to analyzing the life of a crisis. Crisis researchers knew that analyzing the stages of a crisis helped account for a more holistic approach to understanding the crisis phenomenon. A crisis was more than just an event. It was a life cycle phenomenon that had a birth, an acute stage—the crisis—and an aftermath. Table 1.1 provides an overview of the various frameworks that will be discussed next.

#### Three-Stage Frameworks

The most basic framework is the simple three-stage approach that follows a precrisis, crisis, and postcrisis format. Smith (1990) offered a three-stage format
### TABLE 1.1 Frameworks for Crisis Management

<table>
<thead>
<tr>
<th>Stage</th>
<th>Framework:</th>
<th>Before the Crisis</th>
<th>During the Crisis</th>
<th>After the Crisis</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-Stage Framework: General</td>
<td>Smith, 1990</td>
<td>Crisis of management</td>
<td>Operational crisis</td>
<td>Crisis of legitimation</td>
</tr>
<tr>
<td></td>
<td>Richardson, 1994</td>
<td>Precrisis/disaster phase</td>
<td>Crisis impact/ rescue phase</td>
<td>Recovery/demise phase</td>
</tr>
<tr>
<td></td>
<td>Myers, 1993</td>
<td>Normal operations</td>
<td>Emergency response</td>
<td>Restoration</td>
</tr>
<tr>
<td></td>
<td>Fink, 1996</td>
<td>Prodromal crisis stage</td>
<td>Acute crisis stage</td>
<td>Crisis resolution stage</td>
</tr>
<tr>
<td></td>
<td>Pearson &amp; Mitroff, 1993</td>
<td>Signal detection</td>
<td>Containment/ Damage limitation</td>
<td>Recovery</td>
</tr>
<tr>
<td></td>
<td>This Book: Crandall, Parnell, &amp; Spillan, 2009</td>
<td>Landscape survey</td>
<td>Crisis management</td>
<td>Organizational learning</td>
</tr>
</tbody>
</table>

- **Before the Crisis**
  - Crisis of management
  - Precrisis/disaster phase
  - Normal operations
  - Prodromal crisis stage
  - Signal detection
  - Landscape survey
  - Preparation/ Prevention
  - Strategic planning

- **During the Crisis**
  - Operational crisis
  - Crisis impact/ rescue phase
  - Emergency response
  - Acute crisis stage
  - Containment/ Damage limitation
  - Crisis management

- **After the Crisis**
  - Crisis of legitimation
  - Recovery/demise phase
  - Restoration
  - Crisis resolution stage
  - Recovery
  - Organizational learning
consisting of a precrisis period, the crisis of management; a crisis period, the operational crisis; and a postcrisis stage, the crisis of legitimation. The crisis of management stage held that the actions of organizational leaders, plus a culture that does not put a premium on preparedness, can lead to a climate where all that is needed is a trigger event to start the crisis. Once the crisis is under way, Smith maintains that the organization manages the crisis as best it can during the operational crisis stage. This stage is characterized by building a supportive climate among the key players involved in the crisis. Unfortunately, the crisis of legitimation stage may be characterized by scapegoating on the part of a number of parties, including the organization itself, as well as the government and the media. Smith is correct when he identifies the human need to appear legitimate in the eyes of the public after a crisis occurs.

Richardson (1994) offered a three-step framework similar to the one proposed by Smith. The precrisis/disaster phase focuses on prevention by addressing the threats that can cause a crisis. The crisis impact/rescue stage is the occurrence of the actual crisis. During this period, management should work at mitigating the crisis and offering support to those affected by it. The recovery/demise stage involves restoring stakeholder confidence in the organization.

Four-Stage Frameworks

By adding an additional stage, these frameworks are meant to offer more precision in examining the crisis progression. Myers (1993) offered a four-stage approach that begins with the normal operations stage, a time when prevention practices are established. In this stage, operations are normal, but preparations are made to address an event should one occur. The second stage, emergency response, involves the first hours immediately following the onset of the crisis. Interim processing, the third stage, represents an intermediate phase where temporary procedures are set up until normal operations can resume. Restoration, the final stage, focuses on the transition back to normal operations.

Fink (1996) also offered a four-stage framework beginning with the prodromal stage. This stage occurs before the full-blown crisis, and is laced with warning signs that a crisis may be imminent. In this stage, it is possible to prevent the crisis if the warning signs are heeded. The acute crisis stage follows next and is evidenced by the sudden onset of the event. This stage is where the crisis is most noticeable by outsiders to the organization. The chronic crisis stage is less dramatic in appearance, but is still significant since the organization is attempting to mop up the lingering damages from the episode. The final stage is the resolution stage, where the organization is returning to its precrisis existence.

Five-Stage Framework

Unlike the previous four-stage frameworks, Pearson and Mitroff’s (1993) five-stage framework provides an even more comprehensive approach to understanding the stages of a crisis. These stages include:

- 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 mindset, 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 crises 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 of the 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 a minimum.

- **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. Short-term recovery aims to get the system back on line so a minimal acceptable level of service is achieved. Long-term recovery follows as operational activities are restored to their precrisis level. 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 in 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, a response often encouraged in a litigious society. Instead, maximum attention is focused on improving current operational problems and preventing future ones.

### A Framework for Crisis Management

Table 1.1 presents another framework for crisis management—the one we have adopted in this book. With this framework, we draw from the work of previous crisis management researchers and add another dimension to the analysis, the existence of the internal and external landscapes that engulf and surround the organization. The internal landscape lies within the organization. It consists of the employees, as well as the organizational culture of the organization. It is the human side of the company that displays the strengths and weaknesses of the organization.

The external landscape resides outside of the organization. It consists of all stakeholders who have some vested interest in the organization, but are not directly part of it. These include government regulatory agencies, consumer groups, industry associations, and the media. It also consists of groups that are not necessarily stakeholders but can still have a huge impact on the operations of the company. These may include terrorist groups, or a jealous spouse of an employee who works in the organization. The external environment can also include vague types of forces, such as the weather and other natural disasters, as well as a downturn in the economy.
The progression of stages of a crisis follows a four-phase model. Table 1.2 illustrates this framework in the form of a two-by-four matrix. There is the landscape survey, followed by strategic planning, then crisis management, and finally the organizational learning stage. Of course, these stages can overlap to some degree. Each stage is overviewed next.

### Landscape Survey

The crisis manager’s work begins with the landscape survey, shown on the far left side of the figure. The top half of the landscape survey looks at processes that management needs to evaluate (i.e., inside the internal landscape). Identifying weaknesses that exist within the organization is one such process. Such weaknesses indicate where the company may be vulnerable to a crisis attack. Enthusiasm for crisis management planning is another key element to gauge. Some organizations are highly prepared for crisis events, whereas others are more complacent (Pearson & Mitroff, 1993). The degree of enthusiasm for
crisis management is also a function of the organization’s culture (Stead & Smallman, 1999), its ethical environment, and the diligence with which the company enforces its safety policies.

The bottom half of the landscape survey focuses on events occurring outside of the organization, the external landscape. The industry vulnerability is at the forefront of the types of crises a specific organization encounters. For example, companies in the chemical industry are concerned about chemical leaks. Food manufacturers focus on crises pertaining to disease problems such as an E. coli outbreak. Within the hotel and lodging industry, the physical safety of guests is a major vulnerability in terms of a potential crisis.

For companies operating across international borders, the degree of political stability of the host country is important to consider. Another key factor is the general attitude of the host country toward the home country of the multinational corporation (MNC). Any heightened tensions that may exist between these two groups can lay the groundwork for a potential crisis. Globalization implications must also be evaluated. Much globalization seems to progress at the expense of a major stakeholder. For example, manufacturing operations that leave the home country for cheaper labor in another country usually leave a wake of unemployed workers back in the home country. Such moves do not sit well with local stakeholders such as labor unions.

The technological ramifications of the industry must also be considered as part of the external landscape. For some industries, technology can lay the groundwork for a crisis. In the aerospace industry, the smooth functioning of all technological systems is essential for the safety of those in space, as well as the successful accomplishing of the mission. In other industries, technology is important but not necessarily life threatening—yet can still be the source of a major crisis. Retail chains rely on information technology to communicate and manage back and forth with their field units. A malfunction in such a system will create a crisis, but not one that is physically harmful to employees or customers.

**Strategic Planning**

The strategic planning phase focuses on preventing crises when possible, and planning how to mitigate their effects when prevention is not possible. Within the internal landscape of the organization, crisis planning begins with forming the crisis management team. The team acts as the body that prevents or manages crisis events. One of the tasks of the team is to periodically assess potential crises that may happen to the organization. For example, school districts for all grade levels, as well as colleges and universities, should plan regularly for a dysfunctional student who may become violent on school property. Another potential crisis involves the quick evacuation of a building, such as in the event of a fire.

Crisis management teams also formulate plans that lay out general guidelines for managing a crisis (Coombs, 2006). Such guidelines include who should address the media, where to locate key contact information for stakeholders such as employees and customers, and procedures for managing specific crises that are unique to the organization. In other words, these
guidelines address the organization’s potential crises. During the strategic planning stage, some teams will conduct mock disasters in order to test the organization’s crisis management response.

A survey of the external landscape looks at what is going on in the industry to prevent and manage crisis events. Existing government regulations in many industries are designed to prevent a crisis from occurring. Examples of these types of agencies abound. The Federal Aviation Administration (FAA) and the Transportation Security Administration (TSA) work to ensure safety in the air travel industries. Almost all industries impose additional standards through associations that exist for that particular industry.

The strategic planning process will also focus efforts on developing effective working relationships with the media in the community. It is important that these relationships be established before a crisis occurs, so that if one does occur, the company spokesperson(s) will be familiar with those individuals from the media. In actual practice, most larger organizations have public relations personnel who work with the media on a regular basis.

**Crisis Management**

The crisis management stage addresses the acute phase of the crisis. From the organizational (internal landscape) perspective, efforts are focused on containing the crisis and resuming operations as quickly as possible. Up to this point, we have discussed stakeholders in a broad sense, without regard to the varying effects they may experience from the crisis. In actuality, there are primary and secondary stakeholders of the organization. Primary stakeholders typically include the owners, employees, customers, local communities, and suppliers (Wheeler & Sillanpää, 1997). Secondary stakeholders include any other groups that have some type of interest in the organization. For example, People for the Ethical Treatment of Animals (PETA) has an interest in companies that use animals for laboratory research. A crisis can result when such a group takes an activist stand against a company that uses animals for this purpose.

**Organizational Learning**

After the crisis ends, the organization must take time to learn from what has occurred. One of the keys to learning the most from a crisis is not to wait too long after the event has occurred. If too much time elapses before reflection and evaluation occur, management may reach a stage termed “forgetfulness” (Kvoor-Misra & Nathan, 2000). In this stage, the organization has returned to normal operations, and the motivation to evaluate and learn from the crisis wanes.

At a minimum, management must evaluate how the crisis was handled and what changes need to be made in the crisis management plan. Pearson and Clair (1998) suggested that such an evaluation can be examined in terms of degrees of success and failure. For example, an organization may succeed in resuming operations in a timely manner, but fail at protecting its reputation. Instead of learning from a crisis, some organizations do not seem to heed the
lessons from the event, and as a result, repeat the same mistakes when similar incidents occur in the future. On the other hand, an organization that is successful at learning will change its policies and procedures when necessary and apply that new knowledge to future crisis events.

In the external landscape, industry regulators often reevaluate and renew their procedures after a crisis. Certainly the airline industry has changed dramatically in terms of safety regulations after America’s worst terrorist incident on September 11, 2001. Government regulations are often implemented after a crisis, usually to increase the safety of stakeholders in the affected industry. Stakeholders external to the organization may also change their outlooks after a crisis. At a minimum, such stakeholders will be more aware and compassionate toward an organization that has experienced a crisis. The Virginia Tech massacre generated a wave of sympathy and solidarity among many citizens throughout the country, and even worldwide. At the same time, some parties were also critical of the university, questioning whether certain measures could have been taken to prevent or mitigate the crisis.

Development of the Book

This book is organized around the crisis management framework introduced above. The layout of the book is in six sections.

Section One: Introduction to the Book

Chapter 1. A Framework for Crisis Management

The present chapter outlines the framework that will be presented in the book. Figure 1.1 overviews the progression of the remaining chapters.

Section Two: Landscape Survey

Chapter 2. The Crisis Management Landscape

This chapter begins our survey of the strategic landscape that breeds many of the crises facing organizations. The focus is on six of the broader trends that are common across most cultures and business environments.

Chapter 3. Sources of Organizational Crises

In this chapter, we explore the sources of crises from several perspectives. First, an analysis of the external environment is presented from the political–legal, economic, social, and technological perspectives. The external environment is important to analyze because many crisis events emerge from the volatility of these four sectors of the environment. Crises are also viewed from the organizational life cycle perspective because different stages of the life cycle have their own unique vulnerabilities to a crisis.
Section Three: Strategic Planning

Chapter 4. Strategic Planning and Assessing Crisis Vulnerability

In this chapter, we outline the strategic planning process and its link to crisis anticipation and prevention. The second part of the chapter focuses on crisis vulnerability, the anticipation of unique events that may occur at a specific organization.

Chapter 5. Forming the Crisis Management Team and Plan

The essence of crisis planning is forming the crisis management team and then the crisis plan. In this chapter, guidelines are provided for both tasks. The chapter offers advice on how crisis management training efforts should proceed.

Chapter 6. Organizational Strategy and Crises

This chapter concludes the discussion on strategic planning by turning the reader’s attention to the various levels of business and corporate strategy. We also emphasize the importance of control mechanisms in the planning process.
Section Four: Crisis Management

Chapter 7. Crisis Management: Taking Action When Disaster Hits

Managing the crisis when it hits is the topic of Chapters 7 and 8. While the first two phases of our framework are proactive (i.e., the landscape survey and strategic planning), this phase is reactive in that the acute stage of the crisis must be addressed. Decision making proceeds at a faster pace since the focus of the organization is to restore operations to normal as quickly as feasible.

Chapter 8. Crisis Communication

One of the most important challenges of crisis management is to manage communication effectively both from within and outside the organization. Indeed, the area of crisis management originally concentrated on communication with outside stakeholders. In fact, much of the early days of crisis management was more appropriately considered “damage control” procedures with the media. This chapter returns to this tradition and updates the reader on the latest trends in crisis communication.

Section Five: Organizational Learning

Chapter 9. The Importance of Organizational Learning

This chapter focuses on the need to learn from the crisis event. Organizational learning does not come naturally, however, as the push to get the organization back to normal often supersedes the need for reflection on preventing future crises. This chapter concludes by examining factors that can impede learning, as well as how to build a learning organization.

Chapter 10. The Underlying Role of Ethics in Crisis Management

This chapter examines how executive misbehavior is a major force behind many crises that occur in organizations today. Much of the discussion focuses on why these ethical blunders come about and what can be done to prevent them.

Section Six: An Alternative Paradigm and Emerging Trends

Chapter 11. Chaos Theory: An Alternative Paradigm in the Study of Organizational Crises

A number of researchers have noted that crisis events are complex phenomena and should be studied using analyses that acknowledge this complexity. Chaos theory offers one such viewpoint. This chapter draws
on the concepts of chaos theory as an alternative perspective to studying crisis events.

Chapter 12. Emerging Trends in Crisis Management

This chapter takes a look into the future of crisis management. Emerging trends are identified in each of the four areas of the framework: landscape survey, strategic planning, crisis management, and organizational learning.

Summary

The field of crisis management is growing in scope and sophistication. This book acknowledges such changes by recognizing that crisis management should be a part of the strategic management process. Drawing on the work of others in the field, we employ a crisis management framework that utilizes a two-by-four matrix that recognizes four phases of the crisis management process. In addition, we add the importance of acknowledging the internal and external landscapes that exist within each phase. Such a framework is important because it guides us through the process of crisis management in a systematic manner that is both reactive and proactive. By reactive, we mean responding to the crisis event effectively with a minimal amount of damage. By proactive, we mean planning for such events before they occur, and learning from these events after they have transpired.

Questions for Discussion

1. Why do you think crisis researchers put so much emphasis on classifying crisis events according to different categories?
2. Why is it important to understand a crisis in terms of its different stages?
3. Discuss a recent crisis event that occurred where you work. Discuss the different stages of the crisis in terms of:
   - Landscape survey—what events were going on inside and outside of your organization that contributed to the formation of that crisis?
   - Strategic management—what plans designed to address the occurrence of this particular event were already in place at your organization? What mechanisms existed outside of the organization (such as industry controls or government regulations) that were designed to prevent the occurrence of this event?
   - Crisis management—how did your organization respond to the crisis? Were any outside agencies or stakeholders involved in helping your organization manage the crisis?
   - Organizational learning—what lessons did your organization learn from experiencing this crisis? Were there any changes in agencies or other stakeholders that will lead to their doing things differently in the future should a similar crisis recur?
Chapter Exercise

As a class, determine the following:

- What events could happen to the class that would constitute a crisis? *(Write these on the board and then seek a consensus as a class on what the top five crisis events would be. Then focus on these as you go to the next step below)*
- What crisis plans are available that could address each of these five potential crises? Distinguish between resources that are available inside the classroom and those that exist outside of the classroom.

**MINI CASE**

**PET FOOD CRISIS**

During the spring of 2007, a widespread crisis erupted within the pet food industry. Many dog and cat owners noticed their pets were getting sick and some even died. The common thread that was eventually found was melamine, a chemical that shows up as protein when chemical tests are conducted on the food item. Melamine was added to wheat gluten and rice concentrate that had been imported from China. The gluten and concentrate are ingredients that are added to pet food (Malanga, 2007).

The crisis eventually resulted in a widespread recall of pet foods. More than 100 U.S. pet food companies recalled their products, including Procter & Gamble’s company, Iams. As it turned out, Iams was hurt the most by the crisis; its sales plummeted nearly 17% (Neff, 2007a). Other brands affected included Del Monte’s Jerky Treats, Gravy Train Beef Sticks, and Pounce Meaty Morsels. Wal-Mart’s Ol’ Roy and Supervalu’s Happy Trails brands were also recalled (McTaggart, 2007).

But within this crisis was another crisis. Criticism was emerging from, of all places, a crisis management consultant who claimed the pet food companies waited too long to issue a recall. Mike Paul, a crisis communications consultant, stated: “In any crisis, the first 24 to 48 hours are most important, and there’s an expectation that in the first 24 hours a lot can and should be done” (Neff, 2007b, p. 29). Mr. Paul’s concern centered on the fact that consumers first reported a problem around February 20. Recalls, however, were not under way until March 16. The lapse of time may have caused more pets to die from the ill-fated food.

The actual number of deaths has not been determined, and may never be. The problem is that many pets all over the country were reported sick, but not all of them died. Inevitably, some pets would have died anyway of other causes, so tracing these deaths back to the tainted pet food is difficult. For the record, Menu Foods, a pet food manufacturer, reported that 15 cats and 1 dog had died from eating the food (Neff, 2007b).

**Sources**

References


