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Effective crisis management: Tools and best practice for the new millennium

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Abstract This paper outlines the new approach to crisis management, as forming an integral part of business contingency planning. Crisis management is no longer primarily a function of the corporate communication department. To address effectively the variety of risks and complex issues that corporations face today, crisis management must be mandated from the top of the organisation and driven and implemented by all key business functions jointly. Crisis management needs a corporate custodian that ensures plans and skills are up to date throughout the organisation. Processes must be established, and tools that facilitate and speed up crisis response are critical.

KEYWORDS: business contingency planning, crisis leadership, risk

INTRODUCTION

Gone are the days when the corporate spokesperson could work with their journalist friends and mop up bad news when things went wrong in the company.

Crisis management is no longer primarily a corporate communication function, nor is it enough for the communications department to write the crisis manual and arrange media training for management. The fact is, crisis management is much more than crisis communication.

INTEGRATION

A crisis is, by definition, 'an event, revelation, allegation or set of circumstances which threatens the integrity, reputation, or survival of an individual or organisation. It challenges the

public's sense of safety, values or appropriateness. The actual or potential damage to the organisation is considerable and the organisation cannot, on its own, put an immediate end to it.'¹

Statistics show that most business crises today are non-event-related or smouldering crises (Figure 1) and that they originate mostly with management inaction and/or neglect (Figure 2).²

Therefore, there is a growing recognition among corporations that crisis management must be institutionalised and that all key business functions must address crisis prevention and management formally as part of business planning. In today's world, organisations must take a holistic view and establish solid business contingency plans (BCP), of which crisis management is but one element. To be effective, crisis management must be

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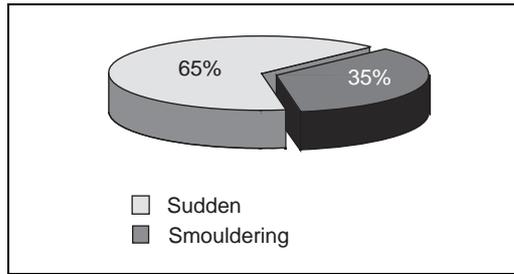


Figure 1: Crises by type in the 1990s
Source: Institute of Crisis Management

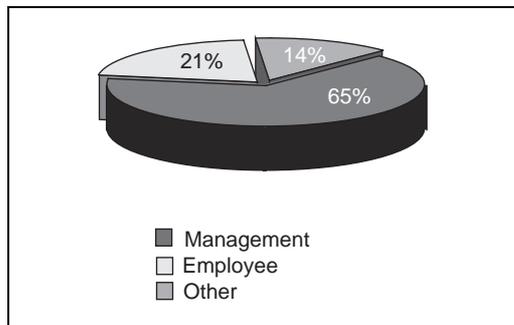


Figure 2: Origin of crises in the 1990s
Source: Institute of Crisis Management

management plans in place and have matured in their overall crisis response capability. Therefore, the objective now is to further enhance this capability and to be better prepared to respond to new and unimagined risks as well as to manage the ever-growing number and diversity of stakeholders, many of whom have conflicting agendas. This is even more critical when considering the ever more complex organisations, with regular restructuring, mergers and acquisitions and divestments taking place, that occur in the business world. This can only be achieved by working in an integrated way.

Business contingency planning (Figure 3) gained momentum at the turn of the new millennium. The tragic events of 11th September, 2001 made it a reality. So how does crisis management fit into BCP?

When the risk management process addresses issues and is integrated with the issues management process in the organisation, the crisis prevention capability is noticeably enhanced. This is particularly the case for the ‘smouldering crises’ referred to above. Identifying and evaluating risks and issues is the first step,

embedded into the organisation’s corporate management system.

Many organisations have existing crisis

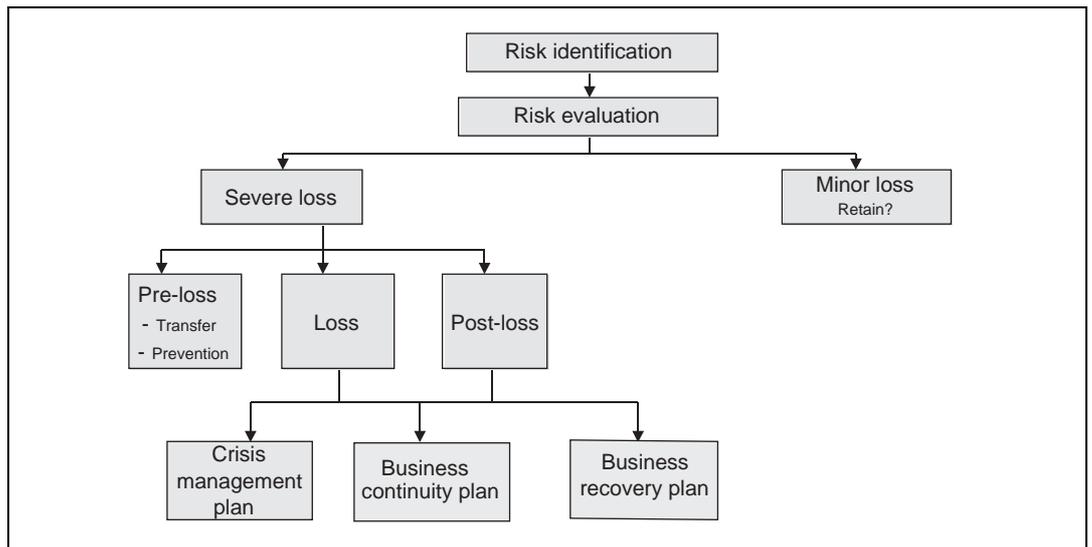


Figure 3: Business contingency planning
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but it is the management of the risks and issues which is critical and most challenging for most organisations, especially when dealing with intangible issues.

Not all crises are preventable. However, having effective risk and issues management processes in place will help organisations foresee, plan scenarios, be more proactive and decide on whether to take, treat, transfer or terminate the risk. Actual crisis management planning deals with the loss, just as disaster recovery and business continuity planning deal with the situation after the loss. Crisis management is about being prepared to handle adversity and minimise impact most effectively and facilitating the management process during chaos.

BEST PRACTICE

This integrated and holistic approach (see Figure 4) is being adopted by multinationals across various industries. A

crisis custodian is appointed with the task to assess, plan and implement a comprehensive and professional crisis response system, bringing together key business functions including operations, human resources, legal, IT, health safety & environment, sales & marketing, communications and reputation security.

A major oil company in Latin America last year embarked on a six-month programme to completely overhaul its existing crisis management plan. The process began with an in-depth assessment of its risk and issues management processes, emergency and crisis response plans and procedures, facilities, and aptitudes and skills.

The findings generated comprehensive recommendations to close identified gaps. An action plan with specific completion targets was then formulated to revise, expand and integrate processes, train management and staff, and test.

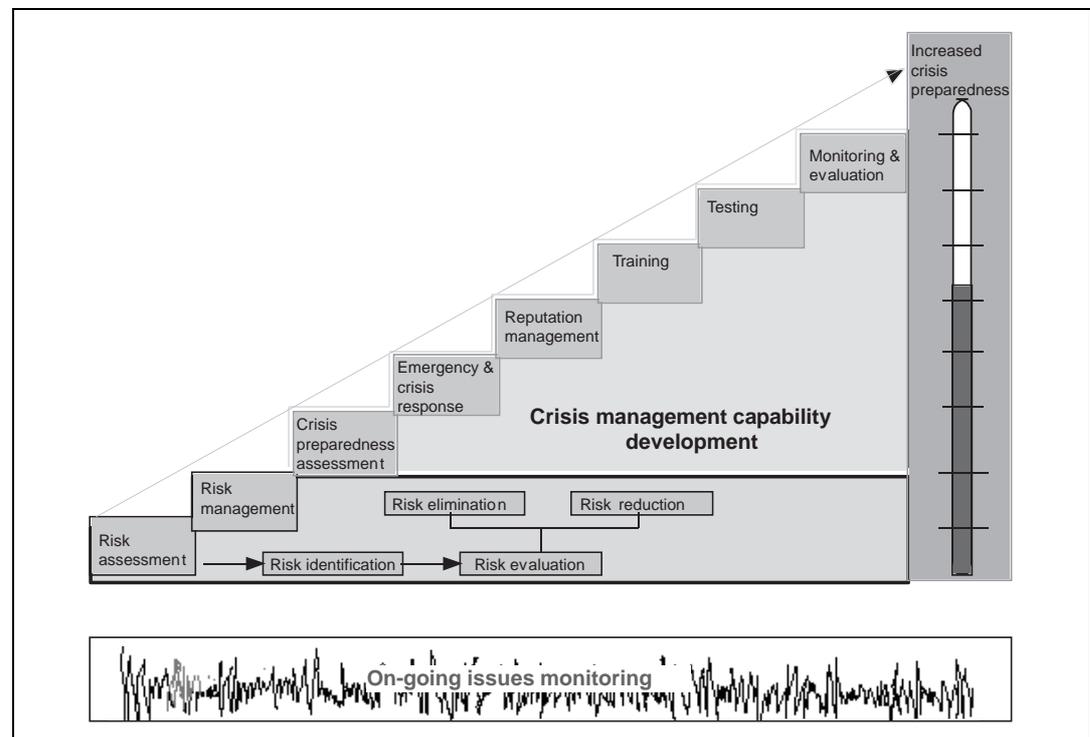


Figure 4: Risk & crisis management planning process

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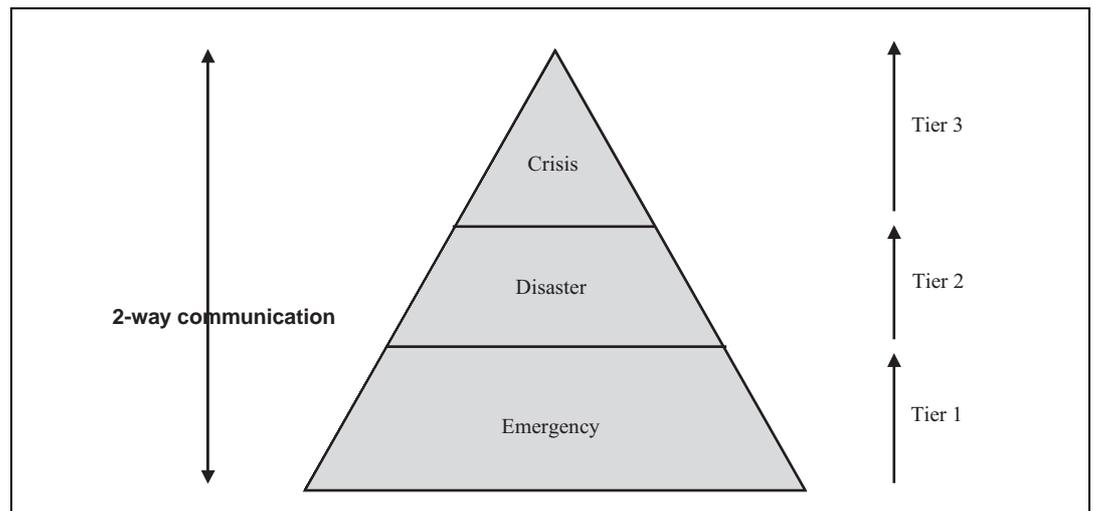


Figure 5: Linking emergency response to crisis management
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Monitoring and evaluation are critical to the success of the process. In this case, a number of tasks still need to be completed before the company receives a 'clean bill of health' in the area of crisis management according to recognised criteria. This means that the organisation has the processes, facilities, resources, competencies and tools in place to prevent a crisis wherever possible and to manage one effectively. Thereafter, maintenance is key to staying 'healthy'.

To organise the most effective response structure to a crisis, adopting a tiered approach is advised. This enables the organisation to activate its response mechanism quickly, yet not overreact or over-deploy.

A leading international financial institution reviewed its response structure in 2000 and implemented a three-tier system, similar to the model in Figure 5. This approach empowers staff at key levels to tackle any extraordinary incident with the potential to escalate and bring it up to more senior echelons without delays according to defined criteria. In this case, the organisation has had the opportunity to practise the model in real situations

including the euro conversion and support of companies affected by 11th September. The system is ideally suited to this institution which has various critical operations centres operating across different time zones.

This three-tiered approach includes alert systems, activation procedures, escalating criteria and staff duty rosters.

EXPANDING AREAS OF CRISIS RESPONSE

Managing next-of-kin communication

Another area of crisis response which has been made a necessity by the event of 11th September is managing the human dimension of a crisis. Indeed, managing public, family and employee communication is an increasingly important component of overall business contingency planning.

The US Federal Emergency Management Agency and other State and Federal bodies as well as NGOs like the American Red Cross activated support mechanisms, funds, insurance and travel assistance for families of the victims. However, on the corporate level, while

the financial industry had insurance, risk and IT contingencies, it was not prepared to deal with the impact of a crisis on employees, and their next-of-kin.

Louis Cauffman, psychologist and director-owner of the Korzybski Foundation, an international training institute in solution-focused brief therapy, says:

‘Facing and supporting grieving individuals effectively is difficult. It requires awareness, sensitivity and skills. When a crisis involving injuries or fatalities occurs, the way a company manages its communication with victims and next-of-kin is critical to minimising potentially devastating and long-lasting impact on the affected parties. It also helps to protect corporate reputation.’³

Whilst the airlines had procedures in place to manage next-of-kin and employee communication on 11th September, most companies in New York’s World Trade Center had little in place to deal with the extent of the human tragedy facing them.

Major world airlines have established processes and ongoing training programmes to deal with public, family and employee assistance in the event of accidents. When an accident occurs, airlines immediately activate their passenger information call centres and mobilise and despatch teams to provide support to victims and next-of-kin at the accident site.

Singapore Airlines, for instance, established its ‘next-of-kin buddy system’ in 1992 and has gradually built it up to a total of 385 trained company staff. ‘Buddies’ are available to support families in the event of an accident, hijack or even extended delays due to air traffic control failures as well as on-board food poisoning. Tragically, the airline had to activate its next-of-kin support in November 2001 when one of its planes crash-landed on take-off at Taipei Chiang Kai Shek International Airport. That same

evening, 150 buddies were flown in from Singapore to assist families.

Smaller carriers are embracing industry best-practice as well. Dragonair, Hong Kong’s second airline, last year embarked on creating a family assistance support team (FAST). Ronnie Choi, General Manager of Customer Service at Dragonair, says:

‘Like other airlines, we had the systems in place in the event of an accident, such as call centres, processes and trained staff. But in a worst-case scenario, we wanted to be able to do more for those who would be most affected, namely the families, so we set up FAST which includes a train-the-trainer programme to sustain our in-house capability on a continuous basis.’⁴

Since 11th September, companies in the oil & gas, financial and property sectors have considerably expanded their family support programmes. Teams of volunteers are being trained to handle next-of-kin telephone enquiries effectively in the event of an emergency or crisis involving casualties, and a formal telephone response capability is being routinely tested as part of crisis simulation exercises. The management of victims and next-of-kin is often linked with enhanced security procedures.

Leadership

In a crisis, ‘leaders serve as a repository for people’s fears. Leaders can also act as a mirror reflecting a group’s anger, grief, resolve or joy on a much larger stage than is available to most. Leaders say in effect “I hear you”’.⁵

On 11th September, New York City turned to its leader, Mayor Giuliani, for guidance. Leaders are essential to lead their organisation through a crisis, and provide their audience with a vision of the aftermath of the crisis. They provide focus and overview, and rally their team under a mission.

Managing a crisis by consensus does not work. Short time, threat and the surprise elements of most crises imply that tough decisions need to be made and made quickly. The crisis management team (CMT) must command and control and not get lost in endless debates to make decisions.

Industries that have the need for sophisticated emergency and safety management processes and skills at the operational level, such as the oil & gas industry, are raising the requirements for such skills to the CMT level. Regular crisis leadership workshops are organised to train crisis leaders and their CMT to be better prepared to lead under stress, and manage the situation proactively and strategically. During such workshops, executives are invited to experience the difference between consensus-based and command and control styles of management by working through scenarios. To enhance their strategic planning and proactive crisis management skills, CMT members are taught to work with stakeholder and issues/risk-mapping processes. Crisis leaders must assign scenario planners on their team whose sole responsibility it is to generate scenario permutation based on the events and potential stakeholder reactions. This facilitates the decision-making process, helps prevent knee-jerk reactions and generally promotes proactive and strategic management. This reinforces the notion that CMT should be made according to suitability and not mere functionality.

Reputation

Managing reputation in a crisis is still one of the most challenging aspects of effective crisis management. The multiplicity and diversity of stakeholders, many of whom have conflicting agendas, can give management the impression they are gaining on one hand and losing on the other. Nevertheless, it is vital not to lose

sight of stakeholder perceptions, and work with a solid communication strategy based on corporate values and principles, which are best captured in a crisis mission statement. This mission statement, which the CMT should formulate at the onset of the crisis, provides the organisation with a guiding strength, a focus and a vision of the aftermath of the crisis.

Once this vision is established and the organisation can rally around it, it acts as the foundation for any and every message communicated to stakeholders. However, communicating with stakeholders is only half of the equation. Listening to them and their concerns is essential to ensure that the organisation's internal operational view of the way the crisis is being managed is as close as possible to the external perceptual one of stakeholders (Figure 6).

In a crisis, reputation-management best practice consists of:

- preparedness
- a robust yet flexible strategy throughout
- essential among corporate values & principles:
 - honesty & integrity
 - transparency

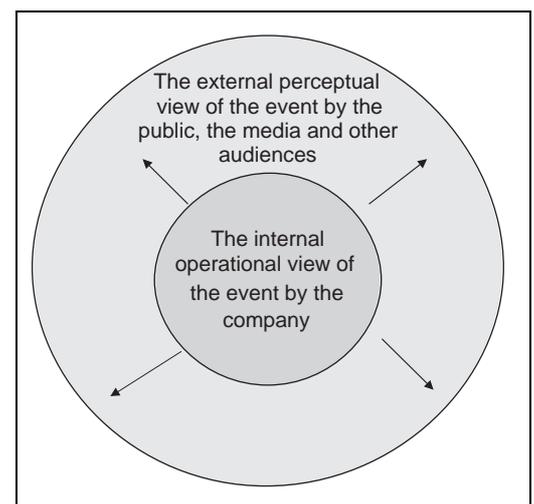


Figure 6: Managing perceptions

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- two-way communication with stakeholder
- sensitivity to local considerations
- ownership & responsibility
- action not just words
- a commitment to doing the right thing.

THE TOOLS

So, what specific tools can be utilised within the crisis planning process described above?

Assessments

Conducting a comprehensive assessment is the starting point to identify gaps and design an action plan.

Training

Once processes have been developed covering all key business functions, competency needs to be tackled. This is best done in three stages:

- (1) aptitude testing;
- (2) training; and
- (3) practice.

Skills and experience at all levels of the crisis response structure are critical, from the switchboard response to callers, to the leadership and strategic planning skills of the CMT, to the ability to provide support to next of kin and victims and, of course, to communicating with the media effectively and protecting reputation.

Contrary to belief, the best CMTs are made according to suitability and not functionality.

Certification

With regular staff movement and job changes, downsizing and reorganisations, it is essential to have a solid plan in place, so that training and retraining can take place systematically. Corporations are now introducing crisis management

competency certification for management and staff according to recognised criteria, to ensure that the right skills are in the right place at all times.

Practice and testing

Practice makes perfect. Organising regular exercises such as desktop and simulation drills is the only way to discover gaps and address them.

As Winston Churchill famously stated, 'plans are useless, but planning is useful'. Surprisingly, a vast number of crisis plans have never been tested and are sitting on office shelves gathering dust.

Facilities and equipment

On 11th September, business and corporations including those with headquarters in the vicinity of the World Trade Center were unable to communicate with anyone for several hours after the attack.

Companies must consider the tools best suited to manage a crisis under different scenarios and contexts. This includes facilities and communication equipment and back-ups.

CONCLUSION

When considering effective crisis management today, it is a far more complex undertaking than putting your spokesperson in the front line to fend off the media. Organisations that are serious about being better prepared have made the decision to embed the function into the corporate management system and ensure they have:

- ongoing risk and issues assessment
- sound and tested processes
- training and practice
- a strategic approach

Over and beyond this, however, nothing can replace an organisation's commitment to doing the right thing, having strong

leadership, and communicating and managing stakeholder perceptions effectively. So, crisis communication has not lost any ground. Thankfully, it is no longer standing alone to face up to the mess. In fact, more than ever, good or bad communication can still make or break a crisis.

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