How to handle a Crisis in an Organization: A Review based study

Author Affiliation

Jitender Bhandari
School of Management
AP Goyal Shimla University

Introduction

The world is in crisis, locked in the throes of an unprecedented economic lockdown as the coronavirus, in the specific form of COVID-19, takes its toll on societies around the world. At the time of this writing, countries have shut down vital parts of their administrations, education sectors, and economic activities. Whole industries, including hospitality and air transport, have essentially stopped functioning; the closing of national borders limits free movement to a minimum anyway. The related humanitarian crisis came as a shock to many people, and new restrictions together with enormous challenges represent a discontinuity, breaking from the past reality. Furthermore, this crisis features immense volatility, making it nearly impossible for people to imagine all the potential, invisible dangers and visible changes. Simply put, we are living in truly disruptive times.

But the notion of disruption is not new, it has long appeared in business discussions. Executives have tried to understand, be prepared for, and even initiate disruption (1). Not every disruptive idea follows the trajectory predicted by Clayton but substantial energy has gone into preparing for business model disruptions along the lines that he outlined (1-2). For example, executives have tried to anticipate disruptions due to digital advances platform business models or new market orientations (3-4). Yet these types of pre-emptive measures were made obsolete by the truly unexpected and far-reaching disruptions created by the highly contagious virus, which has already prompted a greater downturn than might have been caused by any alternative business models, innovative technologies, new forms of working, or the like.

At the same time, another important difference pertains to predicted durations. Digitalization, the Internet, and connectivity through the Internet-of-Things have prompted shifts that remain relevant. Although the immediate crisis created by COVID-19 may have mainly a temporary effect, followed by a partial return to "normal" times, its broader impact may be persistent and significant, leading to the "new normal" of a post-corona world. In this shift, health care service preparedness must be rethought, supply chain risk needs to be redefined, online meetings likely will become the norm, and virtual teaching may represent a critical channel for education. In this sense, the virus crisis represents a temporary discontinuity, after which some aspects will return to their prior status, even as others might be changed forever.

Furthermore, the COVID-19 crisis is unprecedented, to the extent that we lack any established knowledge to comprehend its consequences fully. Similar to most sectors in society, business-to-business marketers

lack relevant guidance for meeting the enormous challenges they face. Both marketing in general and INDUSTRIAL MARKETING MANAGEMENT in particular have a long-standing tradition of conducting research with and for practitioners, and accordingly, we believe the business-to-business academic marketing community is uniquely well qualified to address these issues and concerns, using theory-based reasoning to help support executives' efforts to manage their firms through the COVID-19 crisis and beyond. Against this backdrop, we prepare this paper explains on managing crises by establishing its strong focus on the steps involved in managerial implications for business-to-business firms, as derived from business-to-business marketing research literature review.

Definition of crisis

The word crisis has its etymological origins in the Greek word *krisis*, which denotes choice, decision, or judgment (5). It often refers to a turning point or decisive moment, implying that the historical meaning of the word might presume some individualism, rather than determinism in terms of (re)acting in volatile situations—at least connoting choice at some decisive moment. However, uses of the term also vary by disciplines and contexts. Crisis management literature in particular comprises at least two main strands, separated by their views of crisis as either an event or a process (6). A crisis could be a singular, large event, but it may be more useful to conceive of sequences of sub-events over time, as in a process perspective, such that this approach synthesizes elements

Crisis planning

Traditionally, the field of crisis management has addressed the actions taken by an organization when confronted by a crisis. Caponigro (2000) defines crisis management as the function that works to minimize the impact of a crisis and help the organization gain control of the situation, while Whitman and Mattord (2003) define crisis management as the actions taken during and after a disaster (7-8). While proper management of an existing crisis is important, actively planning to prevent crises and to mitigate the effects of those crises which cannot be prevented is critical. To date, little attention has been given to this key component of crisis management. Crisis planning can be defined as proactively assessing and addressing vulnerabilities to avoid or minimize the impact of crises. It focuses on the activities that should be addressed before a crisis ever looms.

Crisis planning process

As a necessity, businesses are viewing crisis planning with increased interest. But understanding the importance of crisis planning is different from developing effective plans, particularly when management may have to sell the need for crisis planning to organizational cultures that previously looked upon the effort as a waste of time and money. Attempting to plan for all the potential crises that could conceivably strike a business can be time-consuming, tiresome, and difficult. As such, even organizations that choose to plan for crises may find their plans shallow, overly-simplistic, or ineffective when crises occur and plans are put to the test. To effectively tackle adversity then, management must not only believe in the value of crisis planning, they need to understand the components of effective crisis planning and implement those components in their organizations. Discussed here is a five-step process that management can follow to create sufficiently detailed, comprehensive crisis plans. By following the process of forming a team,

analysing vulnerabilities, creating strategies, working the plans, and assessing performance, managers can decrease their discomfort regarding crisis planning and increase the probability that their organizations will survive, or perhaps even benefit from, times of crisis.

Step 1: Form A Crisis Team

Look beyond the financial statements of any successful business and you will likely see a cohesive, effective management team. Just as the formation of an effective management team is critical to the financial success of an organization, the choice of the individuals who will comprise the crisis team is critical not only to successfully managing crises; it may be a decision upon which corporate survival rests. Gerber and Feldman (2002) suggest that the crisis team be comprised of the firm's top managers, including a senior accounting or financial officer, a senior human resources representative, a senior manufacturing or operations representative, a senior information systems or technology officer, a senior insurance or risk management representative, internal and external public relations/media relations representatives, and internal and external legal counsel (9).

Although designating the top management team as the crisis team undoubtedly will assure that crisis planning is viewed in a strategic manner, some adjustments to the team mix may be necessary to ensure its effectiveness. If certain top managers are relatively new to the organization, it may be beneficial to substitute a lower-level manager with greater organizational experience. Likewise, external consultants may be used to fill gaps of expertise regarding some crisis events with which the organization is not familiar. Additionally, the organization should investigate the possibility of retaining as consultants retired employees whose wealth of specific organizational knowledge may enrich the subsequent steps of analysing vulnerabilities and creating strategy.

Further, regardless of education or experience, some individuals do not perform well in crisis situations. As such, it is critical that the team be formed of personalities whom not only work well as a team, but whom can operate in a pressure-filled environment, even for extended periods of time when necessary. Finally, consideration should be given to appropriate team size. Initially, it may seem desirable to compile a team with representation in every organizational area and with expertise in a wide variety of crisis situations, but problems of coordination and control increase proportionally with team size. Creating a very large crisis team conceivably could lead to less effective performance during a crisis event. For these reasons, effective team configuration may be the most critical step to ensuring comprehensive management of crises.

Step 2: Analyse Vulnerabilities

For some, critically assessing all the crises that potentially could strike a business is not only disheartening, it can be completely overwhelming. Most managers can easily list the three or four crises they most likely face – fire; floods; extended power outages; hurricanes or other natural disasters. Few, excluding those managers in organizations with risk management departments, can comprehensively list and rank all potential vulnerabilities. Additionally, the attacks on September 11, 2001 generated a new set of concerns formerly thought so improbable as to prompt immediate exclusion from consideration. In fact, the events of September 11 created an entirely new meaning to the phrase "worst case scenario" and may possibly be the primary impetus to increased management attention on crisis planning (10).

Table 1, revised from Crandall et al. (1999) to include terrorist activities, provides a detailed list of crises and impacts from which the crisis team can begin their vulnerability analysis (11). Depending upon the organization, additional crises may require assessment. For example, transnational corporations with operations in countries less than politically or economically stable may need to place more emphasis than their domestic counterparts on assessing vulnerabilities related to revolution, invasion, kidnapping of key managers, or governmental corruption. After tailoring the list of potential crises, the crisis team should analyze the events not only for probability of occurrence, but also to assess the associated financial, operational, human resource, and public relation consequences. Ideally, the outcome of vulnerability analysis will be a prioritized list of potential crises with some grouping of events which will require similar management strategies.

Table 1. Crisis classification framework

Category	Impact	Crisis Events
Operational	Short-term or long-term disruption of organization's daily activities	Loss of records permanently due to fire
		Computer system breakdown
		Loss of records permanently due to computer system breakdown
		Computer system invaded by hacker
		Major industrial accident
		Major product/service malfunction
		Death of key executive
		Breakdown of a major piece of production/service equipment
Public Image	Negative public perception	Boycott by consumers or the public
		Product sabotage
		Negative media coverage
Fraud	Loss of stakeholder confidence, reduced employee morale and productivity	Theft or disappearance of records
		Embezzlement by employee(s)
		Corruption by management
		Corporate espionage
		Theft of company property
		Employee violence in the workplace
		Asset misappropriation
Natural Disaster	Temporary or permanent disruption of daily activities, destruction of facilities or equipment, loss of life	Flood
		Tornado
		Hurricane
		Earthquake
Legal	Negative public perception, loss of stakeholder confidence, bankruptcy due to cost of legal representation or payment of fines and penalties	Consumer lawsuits
		Employee lawsuit
		Government investigation
		Product recall
Terrorism	Temporary or permanent disruption of daily activities, long-term consequences in employee morale and confidence, destruction of	Bomb
		Kidnapping

resources, loss of life	Massacre
	Chemical or biological attack

Step 3: Create Strategies

Armed with a prioritized list of potential crises, the crisis team can set to work on developing comprehensive strategies to avoid or mitigate crisis events. As with any strategic initiative, the role of the crisis team is not to create and orchestrate minutely detailed plans; its focus instead is to establish major goals and expectations for crisis survival along with sufficiently detailed directives to be implemented at functional levels. For example, it is probably counterproductive for a crisis team to create detailed disaster recovery plans in the event of a major computer system outage. Instead, the crisis team should focus on goals and objectives for recovery such as identifying the maximum acceptable loss of data, mandating a frequency for system backups, detailing expectations regarding the timeframe for system recovery, prioritizing the mission-critical systems for restart, and providing direction regarding the use of external disaster recovery installations. The systems operations group then would derive and implement the detailed disaster recovery procedures to accomplish the crisis team's goals and objectives.

Relieved of attempting to plan to minute levels of detail, the crisis team adds the greatest value by focusing on the comprehensiveness of the strategies they deliver. A truly comprehensive strategy will focus on all aspects of the organization's survival including detailing interdependencies among departments; building contingencies in the task environment with customers, distributors, suppliers, and even some friendly competitors; and addressing requirements of the general environment such as liaising with employees' families, aid providers such as fire departments and emergency medical technicians, government agencies, affected local communities, and other stakeholders. Inherent in comprehensive strategy formulation is the development and utilization of effective, fail-safe mechanisms for communication, including the appointment of a corporate spokesperson that can interact with all parties in a knowledgeable, professional manner.

Finally, no crisis planning strategy is complete unless it includes a mechanism for attempting to circumvent crises from the outset. Given sufficient warning, most crises can be significantly diminished if not entirely avoided (10). The organization will benefit greatly if the crisis team mandates the development of an early warning system, complete with a list of indicator events which automatically trigger the execution of crisis plans. Employee preparedness is critical to the effectiveness of an early warning system. Employees who have received sufficient training, been exposed to comprehensive simulations and drills, and who have participated in the testing and fine-tuning of crisis plans will not only be vigilant in watching for early warning signs, they will likely be effective and efficient in executing the developed strategies and increasing the likelihood of a successful crisis outcome.

Step 4: Work The Plans

In theory, the preparation entailed in forming an effective crisis team, creating comprehensive crisis planning strategies, implementing the strategies in sufficient detail at functional levels, and training and preparing employees to perform effectively and efficiently in crisis situations should ensure that any crisis can be mitigated or avoided. In reality, few plans account for all potential variation or complexity in a given situation. Only rarely does a plan so perfectly fit the situation for which it was intended that no modifications are necessary and execution is flawless. Instead, organizations dealing with crises frequently are faced with the need to deviate from their plans in order to deal with unforeseeable complexities in the crisis situation.

In these instances, the wisdom and experience of both the crisis team and the effected employees is invaluable. To whatever extent is reasonable, the organization should work the plan but be sufficiently empowered and flexible to adapt to variations as events require. When adaptations are warranted, the crisis team should ensure that the deviations are documented, including the rationale and the outcome of the changes, so that the changes can be evaluated after the crisis has passed and incorporated as needed into future plans. As important as creating and rehearsing plans for crises are, understanding when and how to deviate from the plans may be even more crucial to surviving a crisis situation.

Step 5: Assess Performance

Sometimes, even the best-laid plans fail despite all efforts to the contrary. Whether the execution of a crisis plan was a dismal failure or an astounding success, lessons can be learned from analysing actual performance against the expectations of the plan. If performance fell short, it is important to question why and determine how to remedy the shortcomings in the future. If performance exceeded all expectations, possibly turning a potential disaster into an advantageous situation, analysing the success can provide important insights that may be transferred to other situations. Innovations developed during crisis situations may even be applied to normal operating conditions to create a long-term strategic advantage. Regardless of the outcome, analysis of past performance almost always provides significant lessons for the future.

Conclusion

Managers are increasingly aware of the importance of crisis management. While managing an existing crisis is important, actively planning to prevent crises is critical. Crisis planning, or proactively assessing and addressing vulnerabilities to avoid or minimize the impact of crises, focuses on the activities that should be addressed before a crisis ever looms. Planning for crises can minimize their impact and even create competitive advantage yet trying to anticipate all the adverse events that might occur in an organization and then plan related crisis strategies can be disheartening or overwhelming. By following the steps of forming a team, analysing vulnerabilities, creating strategies, working the plans, and assessing performance, managers can decrease their discomfort regarding crisis planning and increase the probability that their organizations will survive and possibly benefit from times of crisis.

References

1. Markides C. Disruptive innovation: In need of better theory. Journal of Product Innovation Management. 2006;23(1):19–25.
2. Christensen C.M. Harvard Business School Press; Boston: 1997. The Innovator's dilemma: When new technologies cause great firms to fail. [Google Scholar]
3. Pedersen C.L. The 3 myths of employee autonomy. The European Business Review. 2019;(November/December):60–63. [Google Scholar]
4. Kumar N., Scheer L., Kotler P. From market driven to market driving. European Management Journal. 2000;18(2):129–142. [Google Scholar]
5. Paraskevas A. Crisis management or crisis response system? A complexity science approach to organizational crises. Management Decision. 2006;44(7):892–907. [Google Scholar]
6. Jaques T. Issue and crisis management: Quicksand in the definitional landscape. Public Relations Review. 2009;35(3):280–286. [Google Scholar]

7. Caponigro, J. *The Crisis Counselor: A Step-by-Step Guide to Managing a Business Crisis* (Chicago: Contemporary Books, 2000).

8. Whitman, M. & Mattord, H. *Principles of Information Security*. (Massachusetts: Course Technology, 2003).

9. Gerber, J. & Feldman, E. "Is Your Business Prepared for the Worst?" *Journal of Accountancy*, April 2002, pp. 61-64.

10. Spillan, J. & Hough, M. "Crisis Planning in Small Businesses: Importance, Impetus and Indifference," *European Management Journal, 21*, 3(2003): 398-407.

11. Crandall, W. & Menefee, M. "Crisis Management in the Midst of Labor Strife: Preparing for the Worst," *SAM Advancement Management*, *61*, 10(1993): 1, 11-15.