

13. Strategic Management
Competitive

Strategic Crisis Management: Gaps and Challenges across the Life Cycle

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Introduction

Organizations are, literally, experiencing and battling crises of some form or other every day. Fearn-Banks (2011) argued that a crisis is “a major occurrence with a potentially negative outcome affecting the organization, company, or industry, as well as its publics, products, services, or good name” (p. 2). Organizational crisis can range from internal crisis like organizational miscommunication or personality clashes; to external crises, for instance, arising from policy mismanagement to terrorism. Due to the vulnerability of the organizational to both internal and external uncertainties, no organization is immune from crises. Pinsdorf (1987) argued for the inevitability of crises affecting organizations. They are “no longer a matter of if, but when; no longer an exception, but the expected, even the inevitable” (p. 37).

While organizations recognize the probability of the occurrence of crises, studies have shown that many do not have any preparation or plan to deal with them. If crisis preparedness is epitomized by preparation of a crisis management plan, Coombs (2012), citing figures from the American Management Association, argued that only 60% of major organizations had a plan in 2005, up from 53% in 1984. Arguably, some do not find it necessary to take preventive measures; others simply do not know where to begin, and what to do. Indeed, strategic crisis management requires a multifaceted approach that involves issues management, crisis communication and management, conflict recovery and resolution, as well as the involvement of the entire organization, not just the leadership.

Scholars agree that strategic crisis management is a dynamic, ongoing process, through a life cycle. For instance, Coombs (2010) argued for a three-staged approach – pre, during, and post crisis. Fearn-Banks (2011) argued for a five-staged approach – detection, prevention/preparation, containment, recovery and learning. George (2012) argued for a three-phase approach, similar to Coombs’ (2010) approach. At each step of the life cycle, there are key tasks that organizations should engage in. Adopting Wilcox and Cameron’s (2009) proactive-strategic-reactive-recovery framework

as theoretical lens here, scholars have been consistent in what they regard as key task organizations should engage in.

Proactive phase is the time before crisis occurs. Gonzalez-Herrero and Pratt (1996) described it as the birth stage; Fink (1986) called it the prodromal stage; Meyers (1986) called it the pre-crisis stage; and Turner (1976) calls it the normal point. Coombs (2010) and George (2012) called it the pre-crisis stage. Fearn-Banks (2011) called it the detection stage. During this phase, scholars recommended organizations begin the tasks of scanning the environment for possible issues, track emerging issues, and crisis planning. Sturges (1994) described it as a time the organization is actively internalizing all these information.

Strategic phase is the time when issues and risks have been identified and showing signs of emergence. Gonzalez-Herrero and Pratt (1996) called it the growth stage; Fink (1986) called it the acute phase; Meyers (1986) called it the crisis stage; and Turner (1976) called it the incubation phase. Coombs (2010) and George (2012) called it the pre-crisis stage. Fearn-Banks (2011) called it the prevention/preparation stage. Scholars recommended that during this time, organizations needed to take “concerted action” (Wilcox & Cameron, 2009, p. 255) by engaging in risk communication, and activating the crisis communication plan. Sturges (1994) described it as the time when the organization is instructing and sharing with its stakeholders what needed to be done.

Reactive phase is the time when the crisis explodes. Gonzalez-Herrero and Pratt (1996) called it the maturity phase; Fink (1986) called it the chronic phase; Turner (1976) called it the precipitating/rescue and salvage phase; Meyers (1986) called it the crisis phase. Coombs (2010) and George (2012) called it the crisis stage. Fearn-Banks (2011) called it the containment stage. Scholars recommended this to be the time when organizations engage in crisis communication, which predominantly means managing the media. Sturges (1994) described it as a time when organizations need to instruct and share with stakeholders their action plans.

Recovery phase is the time when the crisis has subsided. Gonzalez-Herrero and Pratt (1996) called this the decline phase; Fink (1986) called it the resolution phase; Turner (1976) called it the cultural readjustment phase; Meyers (1986) called it the post-crisis phase. Coombs (2010) and George (2012) called it the post-crisis stage. Fearn-Banks (2011) called it the recovery and learning stages.

Wilcox and Cameron (2009) described it as a time when the organization needed to restore battered and bruised reputation. Sturges (1994) argued this is the time when organizations adjust to the new landscape and internalize what it had learnt from the experience.

Based on the literature, what has been consistent thus far have been, first, regardless of the number of stages or phases scholars have conceptualized, four distinct stages have emerged:

- Stage 1: Detection/Prevention;
- Stage 2: Planning/Preparation;
- Stage 3: Crisis response/containment;
- Stage 4: Crisis recovery/resolution/learning.

Second, the tasks recommended have been geared towards identifying and managing the external threat(s). Frandsen and Johansen (2011) argued that crisis researchers have primarily focused on the “external dimension of crisis communication, and in particular on the crisis response strategies applied by organizations in crisis, in their communication with external stakeholders (such as customers, media, politicians, and NGOs), to protect or restore an image or reputation that has been threatened or damaged by the crisis” (p. 348). Third, the tasks to be undertaken appeared mechanical, operational and functional, with the assumption that carrying them out would stand the organization in good stead.

While these prescriptive suggestions may provide organizations with sufficient immunity from the crises, this paper argues there are gaps and challenges that still needed to be addressed. The purposes of this paper are three-fold, first, to elucidate the gaps in the current framework; second, to examine the challenges by proposing key ideas and research across a four-staged life cycle; and lastly, to offer a revised framework for strategic crisis management. It is hoped that this framework is instructive for practitioners and scholars.

Gaps in crisis thinking

Stage 1: Detection/Prevention. The tasks recommended appeared straightforward: Scan the environment for possible issues, track emerging issues, and engage in crisis planning.

The gap: Understanding the internal dimensions of one's organization. Frandsen and Johansen (2011) argued that the internal dimension of crisis management has, by and large, been unexplored. One internal dimension is the role management play or do not play in crisis planning. Arguably, underlying the reasons why organizations do not prepare could be the lack of management impetus, where the organization is more concerned about operational priorities and profit considerations.

If management is the vital support or stumbling block to crisis planning, the gap should address the relationship crisis planners have with their top management. Few studies have sought to examine the intricate and complex processes planners face in crisis planning. Yet, such studies are essential as they provide critical insights into how decisions are derived. Pang, Cropp and Cameron's (2006) study capturing the tensions, contradictions, and issues that arise in the implementation and synchronization of a regional crisis communication master plan in a Fortune 500 organization found that the collective weight of factors like a closed corporate culture, lack of enlightenment on the part of management, lack of support for communication activities, and lack of access of communications to top management all made crisis planning difficult. Heide and Simonsson (2012) argued for planners to be in C-suite in order to be influential.

On the other end of the spectrum is the organization's relationship with its employees. Frandsen and Johansen (2011) argued that organizations must begin to examine the relationship it has with these internal stakeholders as they have a "stronger and more complex psychological dimension than most of the other stakeholders. Employees are 'closer' to the organization" (p. 353). They proposed two ways in which employees can be harnessed in crisis planning (1) the employees as receivers (where the management actively shares information with them at different stages of the crisis); and (2) the employees as senders (where the management works with them to gather information about how the crisis is developing on the ground or on the web). "This distinction is necessary in order to demonstrate how employees as internal stakeholders may be mobilized before, during, and after a crisis situation" (Frandsen & Johansen, 2011, p. 356).

Thus, to address this gap, more research ought to focus on internal crisis communication, both to management and to employees.

Stage 2: Planning/Preparation. The tasks recommended appeared straightforward: risk communication, and activating the crisis plan.

The gap: Seeking to understand the emotional upheavals of stakeholders. Increasingly, evidence shows that in times of crises, stakeholders are not shy from demonstrating their emotions – even for Singapore which was ranked the most emotionless society (Einhorn & Chen, 2012, p. 26) as seen from the spontaneous display of negative emotions in the subway crises in December 2011 in the most serious and unprecedented train breakdown in Singapore’s metro network operator, SMRT’s 24-year history (Lim, 2012). Affecting more than 220,000 commuters, they vented and ranted and spared no bones in lambasting SMRT publicly, online on blogs, chat forums, social-networking sites, e-mail distributions, and offline. Social media present a potent tool for them to vent (Pang, Nasrath, Chong, 2012). Indeed, understanding stakeholders’ emotions should dominate organization radar (Coombs, 2010). While there have been pockets of studies examining emotions (for instance, see Choi & Lin, 2009; McDonald, Sparks, & Glendon, 2010; Ni, & Wang, 2011), thus far, arguably the only framework to comprehensively understand stakeholder emotion is the Integrated Crisis Mapping model (ICM) proposed by Jin, Pang, and Cameron (2007). The authors argued that understanding the emotional upheavals stakeholders face in a crisis can equip organizations to design the appropriate strategies to address stakeholder needs. Jin, Pang, and Cameron (2007) identified critical stakeholders as primary publics who share three key characteristics: (1) They are most affected by the crisis; (2) They share common interests, and destiny, in seeing the crisis resolved; (3) They have long-term interests, and influences, on the organization’s reputation and operation.

Drawing insights from the appraisal model of emotion (Lazarus, 1991), Jin, Pang and Cameron (2007) identified four negative emotions (anger, fright, anxiety, and sadness) as the dominant emotions stakeholders are mostly like to experience during crises.

Anger. The core relational theme underlying anger is a demanding offense against “me” and “mine” (Lazarus, 1991). In crisis situation, the stakeholders tend to experience anger when facing a demanding offense from certain organization against them or their well-being. The ego-involvement of the stakeholders is engaged to preserve or enhance their identity or benefit in the situation. There is

usually an issue of blaming that derives from the knowledge that the organization is accountable for the harmful actions and they could have been controlled or even prevented by the organization.

Fright. The core relational theme underneath fright is facing uncertain and existential threat (Lazarus, 1991). The stakeholder is not certain about how to cope with the loss as well as how the engaged organization may handle this situation.

Anxiety. This stems from the core relational theme as facing an immediate, concrete, and overwhelming danger (Lazarus, 1991). The stakeholders may feel overwhelmed by the crisis situation and look for the immediate solutions. Their ego-involvement is evidenced as the effort to protect their own ego-identity against the organization who they perceive to be the direct source of existential threat.

Sadness. Having experienced an irrevocable loss is the core relational theme of the emotion of sadness (Lazarus, 1991). In those cases, the stakeholder suffers from tangible or intangible loss or both. Their goal of survival is threatened and this loss of any type of ego-involvement (e.g., esteem, moral values, ideal, people and their well-being, etc.) caused by uncontrollable sources may leave them no one to blame and in desperate need for relief and comfort. If they perceive the loss can be restored or compensated for, their sadness may not occur or will be associated with hope.

Another key concept in the appraisal model of emotion is the different levels of emotions felt at a given time toward a given stimulus. The primary level emotion is the one the public experiences at the first, or immediate, instance. The secondary level emotion is one the public experiences in subsequent instances, as time goes by, and contingent upon the organization's responses to the crisis. The secondary level emotion may be transferred from the dominant emotion or coexist with the primary level.

Empirical tests have further refined key emotions (Jin, Pang, & Cameron, 2012).

Quadrant 1: In crises involving reputational damage, technological breakdown, industrial crisis, labor unrest/protest, and regulatory/legislative minefield, findings showed that the presence of anger and anxiety. Additionally, the emotion of sadness was also found to co-exist with anger and anxiety.

Quadrant 2: In crises involving hostile takeovers, accidents and natural disasters, findings showed variations of sadness, anger and fright.

Quadrant 3: In crises involving CEO retirement under dubious circumstances, rumor and psychopathic acts, findings showed fright and anger.

Quadrant 4: In crises involving transport failure, security issues and human resource problems, findings showed variations of sadness and anger.

In all of the four quadrants, overwhelming evidence suggests two key trends. First, anxiety is the default emotion that stakeholders feel in crises. Second, stakeholders seek to cope by taking action to resolve their situation, or what is described as conative coping (Jin, Pang, & Cameron, 2012).

What can organizations take away? Organizations should begin to recognize and understand the likely emotions stakeholders, both internal and external, may experience even before the crisis happens. Often, organizations often assume stakeholders to react rationally (Pang, Kim, Chaidaroon, in press). Crises often bring out human irrationalities and emotions. The sooner organizations accept that, the more agile they would be in responding to stakeholders, who now have an armory of social media platforms to vent.

Challenges in crisis research

Stage 3: Crisis response/containment. The tasks recommended appeared straightforward: Managing the media.

The challenge: Managing developments in the social media. The advent of the Internet has increasingly empowered stakeholders, giving them a platform for them to instantaneously connect and share ideas. Siah *et al.* (2010) argued that the new media is a double-edged sword. On one hand, they provide new platforms and means for organizations to communicate with stakeholders; on the other hand, the same platforms and means can be used to escalate crisis for the organization. While top management still use successful and positive media coverage as a key indicator to assess effectiveness (Pang & Yeo, 2009), the challenge for organizations is to monitor the social media and heightens the need for crisis managers to understand what works across multiple media platform. Two phenomena relating to social media are observed. First, how crisis are increasingly triggered online and escalated within the social media environment, and they gain credibility offline when reported in mainstream

media. The pervasiveness of social media has changed the way mainstream media operates and prioritizes news content. Increasingly, it is becoming more difficult for mainstream media to ignore content originating from social media. Pang, Nasrath, and Chong (forthcoming) found that while social media has empowered stakeholders with new tools and platforms to air their grievance, these incidents when transit onto mainstream media give the stories more prominence lending more urgency for organizations to respond as they enter into public consciousness.

A second phenomenon observed is social media hype. As netizens increasingly take to social media to question organizations, it leads to a frenzy of hype. Pang (2013) described social media hype as a netizen-generated hype that causes a huge interest in the social media spheres, triggered by a key event and sustained by the self-reinforcing quality in its ability for users to engage in discussion. This is characterized by (1) a key trigger event which captures the attention of the public; (2) a sharp increase in interest levels, rising within 24 hours after a particular event; (3) Interest waves, where there are the ebbs and falls in user interest surrounding the key trigger event; (4) Sustaining and spreading of interest across different mediums, including traditional media as well as various social media platforms.

Therefore, it is incumbent on the organization to keep track of developments in social media. Yet, organizations remain wary of this sphere. The common concerns expressed include message control (DiStaso, McCordindale, & Wright, 2011; Seo, Kim, & Yang, 2009); effectiveness in connecting with stakeholders (Lovejoy, Waters, & Saxton, 2012); and optimizing outcomes by utilizing most effective mix of tools, including traditional media (DiStaso, McCordindale, & Wright, 2011).

Stage 4: Crisis recovery/resolution/learning. The task recommended is restoring battered and bruised reputation.

The challenge: Image management. Reputation is what others think of the organization's "track record" (Wilcox & Cameron, 2009, p. 266). This track record is based on economic performance, social responsiveness, and ability to deliver on goods and services. Gray and Balmer (1998) argued that this is "evolved over time as a result of consistent performance..." (p. 697) while image is the "mental picture" that stakeholders have of an organization (p. 697). Reputation takes time

to build up, but image can be constructed by organizations. After a crisis is over, organizations can be proactive in engaging in different image work to reconstitute itself to its stakeholders, a challenge that appeared to be overlooked. Pang's (2012) image management model offers one perspective. It posits two types of image work organizations can engage in after the crisis is over:

- **Image renewal:** Ulmer, Sellnow and Seeger (2007) defined renewal as “a fresh sense of purpose and direction an organization discovers after it emerges from a crisis” (p. 177). Renewal can take place on three levels: Commitment to stakeholders; commitment to correcting the problem that caused the crisis; commitment to core values.
- **Image reinvention:** Tainted by the crisis, the organization sheds its previous image and rebuilds a new image by reconstituting what it stands for to its stakeholders. It is the “new normal” for the organization. The organization has to change its approach and belief system in order to reinvent itself to its stakeholders.

Strategic crisis management across the life cycle

Having elucidated the gaps in the current frameworks and examined the challenges, this paper offers a revised framework for strategic crisis management (see Figure 1).

One key motivation in this framework is this question: What is the enduring image the organization want stakeholders to remember them for? Enduring image here, as defined by Pang (2012), is the shared image of first mention: When stakeholders think of the organization, what image comes to mind? This can be formed from their last experience, consistent experience, or what they know of the organization through the media. Has the organization maintained a good image despite the crisis? Has that shine been tarnished because the organization had failed to do due diligence across the life cycle, like monitoring developments in social media and maintaining strong media relations.

After all, as a veteran practitioner once said, “A good image – one that’s well made and well cared for is something that stands the test of time, it is something that can survive everything – scandal, change, bad earnings” (cited in Lerbinger, 2006, p. 100). This revised framework aims at helping organizations maintain a good image by being at the cutting edge of crisis monitoring and planning work across the life cycle.

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Figure 1: Strategic Crisis Management across the Life Cycle

