

PRINCIPLES OF BUSINESS CRISIS MANAGEMENT

ПРИНЦИПИ НА БИЗНЕС УПРАВЛЕНИЕ НА КРИЗИ

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Abstract: *The article is focused on business crisis and principles of business crisis management. The principles can be divided into three basic parts: pre-crisis principles, crisis principles and post-crisis principles. Each phase has its own rules and principles, which have to be applied to achieve the anticipate results.*

KEYWORDS: CRISIS, BUSINESS CRISIS, CRISIS MANAGEMENT

1. Introduction

A crisis can be defined here as a significant threat to operations that can have negative consequences if not handled properly. In crisis management, the threat is the potential damage a crisis can inflict on an organization, its stakeholders, and an industry. A crisis can create three related threats:

- public safety,
- financial loss,
- reputation loss.

Some crises, such as industrial accidents and product harm, can result in injuries and even loss of lives. Crises can create financial loss by disrupting operations, creating a loss of market share/purchase intentions, or spawning lawsuits related to the crisis.

A crisis reflects poorly on an organization and will damage a reputation to some degree. Clearly these three threats are interrelated. Injuries or deaths will result in financial and reputation loss while reputations have a financial impact on organizations.

The basic causes of a business crisis are four in number:

- **Acts of God** - storms, earthquakes, volcanic action, etc.
- **Mechanical problems** - ruptured pipes, metal fatigue, etc.
- **Human errors** - the wrong valve was opened, miscommunication about what to do, etc.
- **Management decisions/indecision** - the problem is not serious, nobody will find out.

Most of the crises fall in the last category and are the result of management not taking action when they were informed about a problem that eventually would grow into a crisis. Show the figure 1.

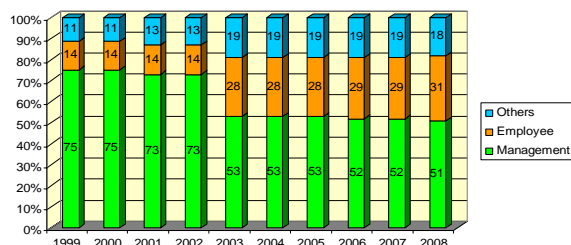


fig. 1, Origins of business crisis [1]

The fallacy is that most crises are caused by employee errors or natural disasters. The reality is that most newsworthy business crises are the results of management decisions, actions or inaction.

2. Crisis management

Crisis management is a critical organizational function. Failure can result in serious harm to stakeholders, losses for company, or end its

very existence. Public relations practitioners are an integral part of crisis management teams. So a set of best practices and lessons gleaned from our knowledge of crisis management would be a very useful resource for those in public relations.

Effective crisis management handles the threats sequentially. The primary concern in a crisis has to be public safety. A failure to address public safety intensifies the damage from a crisis. Reputation and financial concerns are considered after public safety has been remedied. Ultimately, crisis management is designed to protect an organization and its stakeholders from threats and/or reduce the impact felt by threats.

Three critical lessons managers must learn before a crisis occurs are:

- Expect the unexpected.
- Own the problem and apologize.
- Match the facts to spokespersons' words and the company's actions.

Crisis management is a process designed to prevent or lessen the damage a crisis can inflict on an organization and its stakeholders. As a process, crisis management is not just one thing. Crisis management can be divided into three phases:

- pre-crisis,
- crisis response,
- post-crisis.

The pre-crisis phase is concerned with prevention and preparation. The crisis response phase is when management must actually respond to a crisis. The post-crisis phase looks for ways to better prepare for the next crisis and fulfills commitments made during the crisis phase including follow-up information. The tri-part view of crisis management serves as the organizing framework for this entry.

3. Principles of crisis management

The principles of crisis management can be divided into:

I. Pre-Crisis principles:

1. Have a plan.

Crisis manager has to implement a disaster plan before a disaster happens, and also to communicate that plan to employees.

II. Crisis principles:

2. Hold a „de-escalation meeting" as soon as possible.

The moment when crisis hits will be the most important moment for company. The sooner managers can get everyone together when disaster strikes, the better. It's essential to communicate with employees before they go home, if it's at all possible. Next, set the stage for how managers are going to lead their people through the crisis. People really need leadership in these moments. Take advantage of this meeting to communicate expectations, and to give direction.

3. *Open communication is critical.*

In the aftermath of a crisis, let employees know that it's OK to talk about what's going on and provide them with the means to do so. Set aside time for conversation. It can be as a large group, or in smaller meetings.

4. *Bring in the professionals.*

In the aftermath of a crisis, managers should provide help for people who need it. That means bringing crisis experts on site to work with them and their staff. Managers and owners participate in these conversations to demonstrate to the rest of the staff that communication about the event is OK, that it's expected, safe, and encouraged.

5. *Stop to reflect.*

The instinct for a lot of companies is to return to „business as usual“ as quickly as possible. But that's not always the best way to lead through a crisis. Ignoring it by staying busy will just postpone the time when they'll have to deal with it - and the problems will only escalate in that time. Stop and reflect. Give employees time to pause and reflect. There's not a lot of support in a lot of organizations for this. In general, managers should expect that less attention will go directly toward work for a period of time. There isn't an across-the-board solution for everyone, some people may need time off, some people may need a break from the normal routine at work, some people may just need more time with peers or managers to talk about what's going on. Sure, business has to continue, and company needs to stay solvent, but if it does not stop to reflect, productivity can drop, making business suffer even more.

6. *Have a plan for dealing with the media.*

Managers have to tell employees how to respond if the media contacts them. List the do's and don'ts. Tell employees to whom they should forward media requests. Tell them what kinds of requests and calls they might expect. For the people who will be speaking with media, be clear about what's OK to discuss, and what's out of bounds.

III. Post-crisis principles:

7. *Keep your eyes open for displaced anger and other employee productivity problems.*

When crisis strikes, people are going to displace their anger about it often on the company. Be prepared for outrage, this can happen especially in the case of industrial accidents, or other situations where employees can find a way that may very well seem irrational to you, to place blame for an incident onto the company itself. Also, keep your eye out for signs of other problems. Problems like alcoholism and drug abuse commonly rise in the wake of stressful events and disasters. What kinds of warning signs should they be on the lookout for? If someone who is always punctual starts coming in to work later and later, with no explanation why, that could signal a problem. Or maybe someone who has always been a strict nine-to-five starts working very long hours, without a significant increase in workload. Perhaps someone starts having a lot of trouble with criticism, when criticism never bothered them much before. Maybe it's a sudden difficulty in recalling instructions, or suddenly missing more deadlines than usual. In short, keep an eye out for anything that seems to demonstrate a significant deviation from what was formerly "normal" behavior for that particular employee.

8. *Anniversaries are stressful. Be ready.*

The effects of a major disaster on managers and employees can be long-lasting. Keep in mind that it's not just in the few weeks after a crisis that employees can be affected emotionally, health-wise, and from a productivity standpoint. Sometimes you can see the effects years later. In particular, anniversaries are high-risk and stressful periods.

9. *Don't expect productivity to get back to normal for a while.*

It's common for companies affected by a crisis to see a pattern in productivity levels: first, a dramatic drop in productivity, followed

by a spike back to close-to-normal levels, and then another drop-off that takes a long time to creep back up to nearly-normal levels again. Sure, company needs to keep its business running, and cash coming in the door. But the experts say that it can actually be detrimental to company and employees if it push too hard to get back to normal.

4. *Best practices of crisis management*

The best practices of crisis management can be divided into three parts, by means of phases of crisis:

I. *Pre-crisis phase*

1. **Crisis Preparation Best Practices**

- Have a crisis management plan and update it at least annually.
- Have a designate crisis management team that is properly trained.
- Conduct exercise at least annually to test the crisis management plan and team.
- Pre-draft select crisis management messages including content for dark web sites and templates for crisis statements. Have the legal department review and pre-approve these messages.

2. **Crisis Media Training Best Practices**

- Avoid the phrase “no comment” because people think it means the organization is guilty and trying to hide something
- Present information clearly by avoiding jargon or technical terms. Lack of clarity makes people think the organization is purposefully being confusing in order to hide something.
- Appear pleasant on camera by avoiding nervous habits that people interpret as deception. A spokesperson needs to have strong eye contact, limited disfluencies such as “uhms” or “uhs”, and avoid distracting nervous gestures such as fidgeting or pacing. Coombs reports on research that documents how people will be perceived as deceptive if they lack eye contact, have a lot of disfluencies, or display obvious nervous gestures.
- Brief all potential spokespersons on the latest crisis information and the key message points the organization is trying to convey to stakeholders.

3. **Crisis Communication Channel Preparation Best Practices**

- Be prepared to use a unique web site or part of your current web site to address crisis concerns.
- Be prepared to use the Intranet as one of the channels for reaching employees and any other stakeholders than may have access to your Intranet.
- Be prepared to utilize a mass notification system for reaching employees and other key stakeholders during a crisis

II. *Crisis phase*

1. **Initial Crisis Response Best Practices**

- Be quick and try to have initial response within the first hour.
- Be accurate by carefully checking all facts.
- Be consistent by keeping spokespersons informed of crisis events and key message points.
- Make public safety the number one priority.
- Use all of the available communication channels including the Internet, Intranet, and mass notification systems.
- Provide some expression of concern/sympathy for victims.
- Remember to include employees in the initial response.
- Be ready to provide stress and trauma counseling to victims of the crisis and their families, including employees.

2. **Master List of Reputation Repair Strategies**

- *Attack the accuser:* crisis manager confronts the person or group claiming something is wrong with the organization.
- *Denial:* crisis manager asserts that there is no crisis.

- *Scapegoat*: crisis manager blames some person or group outside of the organization for the crisis.
- *Excuse*: crisis manager minimizes organizational responsibility by denying intent to do harm and/or claiming inability to control the events that triggered the crisis.
- *Provocation*: crisis was a result of response to some one else's actions.
- *Defeasibility*: lack of information about events leading to the crisis situation.
- *Accidental*: lack of control over events leading to the crisis situation.
- *Good intentions*: organization meant to do well
- *Justification*: crisis manager minimizes the perceived damage caused by the crisis.
- *Reminder*: crisis managers tell stakeholders about the past good works of the organization.
- *Ingratiation*: crisis manager praises stakeholders for their actions.
- *Compensation*: crisis manager offers money or other gifts to victims.
- *Apology*: crisis manager indicates the organization takes full responsibility for the crisis and asks stakeholders for forgiveness.

3. Crisis Types by Attribution of Crisis Responsibility

3.1 Victim Crises: Minimal Crisis Responsibility

- *Natural disasters*: acts of nature such as tornadoes or earthquakes.
- *Rumors*: false and damaging information being circulated about you organization.
- *Workplace violence*: attack by former or current employee on current employees on-site.
- *Product Tampering/Malevolence*: external agent causes damage to the organization.

3.2 Accident Crises: Low Crisis Responsibility

- *Challenges*: stakeholder claim that the organization is operating in an inappropriate manner.
- *Technical error accidents*: equipment or technology failure that cause an industrial accident.
- *Technical error product harm*: equipment or technology failure that cause a product to be defective or potentially harmful.

3.3 Preventable Crises: Strong Crisis Responsibility

- *Human-error accidents*: industrial accident caused by human error.
- *Human-error product harm*: product is defective or potentially harmful because of human error.
- *Organizational misdeed*: management actions that put stakeholders at risk and/or violate the law.

4. Attribution Theory-based Crisis Communication Best Practices

- All victims or potential victims should receive instructing information, including recall information. This is one-half of the base response to a crisis.
- All victims should be provided an expression of sympathy, any information about corrective actions and trauma counseling when needed. This can be called the "care response." This is the second-half of the base response to a crisis.
- For crises with minimal attributions of crisis responsibility and no intensifying factors, instructing information and care response is sufficient.
- For crises with minimal attributions of crisis responsibility and an intensifying factor, add excuse and/or justification strategies to the instructing information and care response.
- For crises with low attributions of crisis responsibility and no intensifying factors, add excuse and/or justification strategies to the instructing information and care response.
- For crises with low attributions of crisis responsibility and an intensifying factor, add compensation and/or apology strategies to the instructing information and care response.

- For crises with strong attributions of crisis responsibility, add compensation and/or apology strategies to the instructing information and care response.
- The compensation strategy is used anytime victims suffer serious harm.
- The reminder and ingratiation strategies can be used to supplement any response.
- Denial and attack the accuser strategies are best used only for rumor and challenge crises.

III. Post-crisis phase

1. Post-Crisis Phase Best Practices

- Deliver all information promised to stakeholders as soon as that information is known.
- Keep stakeholders updated on the progression of recovery efforts including any corrective measures being taken and the progress of investigations.
- Analyze the crisis management effort for lessons and integrate those lessons in to the organization's crisis management system.

6. Conclusion

In the article, it has tried to identify the best practices and lessons created by crisis management researchers and analysts. While crises begin as a negative threat, effective crisis management can minimize the damage and in some case allow an organization to emerge stronger than before the crisis. However, crises are not the ideal way to improve a company. But no company is immune from a crisis so all must do their best to prepare for one. This entry provides a number of ideas that can be incorporated into an effective crisis management program.

7. References

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