

## SOME ACTUAL CONSIDERATIONS ABOUT CRISIS MANAGEMENT

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*Considering the current worldwide financial and economical conditions and especially in the spectrum of an epidemic of H1N1 virus the authors feel the need to remained the importance of crisis management. Defining what a crisis is and thinking a couple of its types and also the crisis management and the importance of the crisis communications the authors also want to signal the present needs for a more accurate consideration of the crisis management and its usage and also bending the decisions in order to minimize the psychological effects of the crisis and maximizing the positive effects of the decisions.*

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### **1. What is a crisis?**

In order to defined and comprehend a crisis and its effect we should defined the hierarchical level were the crisis acts:

- In general?
- For an organization?
- For government or bureaucracy?
- For a private company?
- In healthcare?
- In drug safety?

Crisis can be defined as:

"A significant business disruption that stimulates extensive news media coverage. The resulting public scrutiny will affect the organization's normal operations and also could have a political, legal, financial and governmental impact on its business." (Institute of Crisis Management)

Few organizations understand and qualify specific threats in order to evaluate risks accurately. The consequences can be extreme. Not only are some threats overlooked, but also resources and budgets are misapplied to threats that do not exist or have a minimal impact.

Specific threats to organization:

- Operational viability;
- Reputation;
- Credibility;
- Financial stability;
- Legal action.

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

1. "acts of God" (storms, earthquakes, volcanic action, etc);
2. mechanical problems (ruptured pipes, metal fatigue, etc.);
3. human errors (the wrong valve was opened, miscommunication about what to do, etc.);
4. management decisions/indecision (the problem is not serious, nobody will find out).

#### ***1.1. Sudden crisis***

A sudden crisis is defined as:

A disruption in the company's business which occurs without warning and is likely to generate news coverage and may adversely impact:

1. Our employees, investors, customers, suppliers or other publics
2. Our offices, franchises or other business assets
3. Our revenues, net income, stock price, etc.
4. Our reputation--and ultimately the good will listed as an asset on our balance sheet

A sudden crisis may be:

- a. A business-related accident resulting in significant property damage that will disrupt normal business operations
- b. The death or serious illness or injury of management, employees, contractors, visitors, etc. as the result of a business-related accident
- c. The sudden death or incapacitation of a key executive

- d. Discharge of hazardous chemicals or other materials into the environment
- e. Accidents that cause the disruption of telephone or utility service
- f. Significant reduction in utilities or vital services needed to conduct business
- g. Any natural disaster that disrupts operations, endangers employees
- h. Unexpected job action or labor disruption
- i. Workplace violence involving employees/family members or customers (Institute of Crisis Management)

#### *Sudden Level 1*

Can be handled by on-duty personnel responsible for responding to and managing this kind of situation.

Example: A careless employee leaves oily rags in the storeroom of an office building. Spontaneous combustion occurs. Luckily the fire is discovered and extinguished quickly by one of the building maintenance men.

#### *Sudden Level 2*

Can be handled by the personnel who respond, with support from other employees on duty or who may have to be called in from their homes.

Example: The fire is out but heat and smoke damaged office furniture in the storeroom. The owners are irate and threaten to sue.

#### *Sudden Level 3*

Requires additional resources and people beyond the regular personnel. These managers and employees may be from other facilities or the corporate office, and may be supplemented by outside vendors or consultants

Example: The fire was not discovered in time and spreads outside the storeroom. The fire department is called and puts out the blaze but it has severely damaged three offices. Two TV news stations cover the story and report that the fire was thought to have been caused by a careless employee.

#### *Sudden Level 4*

The situation is out of control and will impact an extended area and numerous people indefinitely. Business will have to be curtailed or discontinued and employees diverted from their normal duties until it is resolved. Other employees may have to be furloughed, vendors ordered not to make deliveries, etc.

Note: Local emergency response agencies will be actively involved. State and federal agencies also may be called in.

Example: The fire spreads throughout the office building. High winds send cinders into nearby neighborhoods causing additional fires and forcing the evacuation of residents in the area. The fire department calls in all available equipment from the city and surrounding areas to control the numerous fires.

Local TV stations feed the story to their networks and it is carried on the evening news programs, with the suspected cause of the fire mentioned in the reports.

### ***1.2. Smoldering Crisis***

A smoldering crisis is defined as: Any serious business problem that is not generally known within or without the company, which may generate negative news coverage if or when it goes "public" and could result in more than a predetermined amount in fines, penalties, legal damage awards, unbudgeted expenses and other costs. Examples of the types of smoldering business crises that would prompt a call to the Crisis Management Team would include:

- a. Sting operation by a news organization or government agency;
- b. OSHA (Occupational Safety and Health Administration) or EPA (Environmental Protection Agency) violations which could result in fines or legal action;
- c. Customer allegations of overcharging or other improper conduct;
- d. Investigation by a federal, state or local government agency;
- e. Action by a disgruntled employee such as serious threats or whistle blowing;
- f. Indications of significant legal/judicial/regulatory action against the business;
- g. Discovery of serious internal problems that will have to be disclosed to employees, investors, customers, vendors and/or government officials.

### **2. Crisis management**

Crisis management is a relatively new field of management. Typically, proactive crisis management activities include forecasting potential crises and planning how to deal with them, for example, how to recover if your computer system completely fails. Hopefully, organizations have time and resources to complete a crisis management plan before they experience a crisis. Crisis management in the face of a current, real crisis includes identifying the real nature of a current crisis, intervening to minimize damage and recovering from the crisis. Crisis management often includes strong focus on public relations to recover any damage to public image and assure stakeholders that recovery is underway.

The first goal of crisis management is prevention. A model for the crisis management is shown in figure 1.

The general purposes of crisis management are:

- Prevention;
- Survival;
- Successful outcomes.

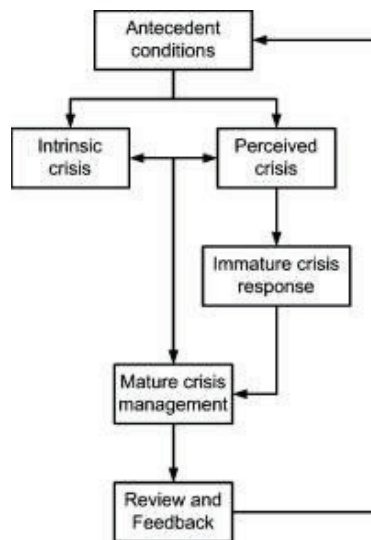


Figure 1. Example of crisis management model.

The model's elements from figure 1 can be briefly explained as follows:

- Perceived crisis: as seen by all individuals from particular viewpoints;
- Intrinsic crisis: total situation as seen by neutral observer with all the facts;
- Immature crisis response: instant and irrational (denial/shock/panic);
- Mature crisis management: grasp of intrinsic crisis;
- Review and feedback: assessing success and failure and feeding learning into future planning.

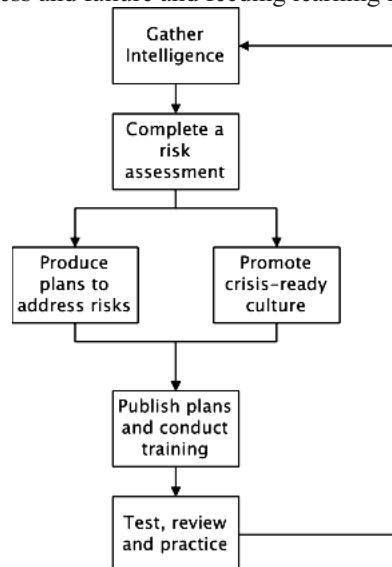


Figure 2. Example of crisis management model.

In order to define, to construct and to implement the decision as results of crisis management activities the first step is the management risk intelligence (figure 2) and consists in whether the management representative observe and determines the incipient signs of crisis.

Elements of this risk intelligence as:

- continuous scanning (networks/media/public opinion, etc)
- superficial focus
- collaboration
- positive relationships

are at the most important for the results of the crisis management implementation and must avoid effects such as: uncertainty/ambiguity and try to impose effect such: urgency of response and strategic effects of decisions.

The success can be measured results:

- Has organizational capacity been restored?
- Have losses been minimized?
- Have lessons been learned?

### 3. Crisis Management vs. Crisis Communications

The difference between crisis management and crisis communications and the new term of business continuity needs to be clarified. Where do you draw the line between management and communications in a crisis? If you and your management are smart, you won't. As a matter of fact, you'll do everything you can to coordinate the management, operational and communications response to any crisis that goes "public."

To start with, Trigger Points must be clearly defined and well understood by all of the members of the response team. All too often someone says, "We have a crisis out here." What are the factors that make it a crisis as opposed to a serious internal problem?

Operational response:

- implement emergency response procedures;
- protect employees and business operations;
- assess the situation;
- brief headquarters.

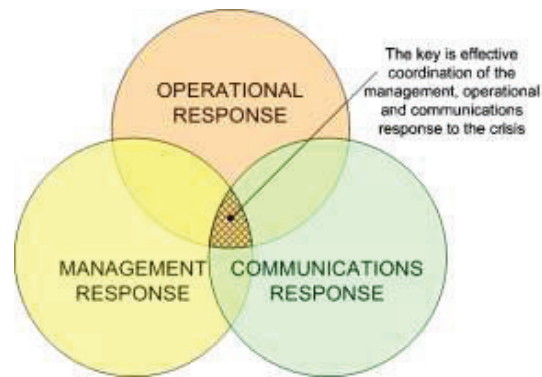


Figure 3. Elements of an effective crisis response

Management response:

- mobilize crisis teams;
- confirm crisis severity;
- advise senior executives;
- adjust and implement crisis response plans;
- prepare for external communications.

Communications response

- employees at all locations;
- families of employees;
- supporter and adversaries;
- government officials;
- the news media.

The key is in having an integrated, coordinated approach by all three groups. The process starts with defining the organizations vulnerabilities to business disruptions and developing realistic workarounds and contingency plans. That's the basis of the business continuity approach that has emerged as companies, non-profit organizations and government agencies worldwide prepare for any type of business disruption including a pandemic.

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