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## CRISIS MANAGEMENT AND CONTINGENCY PLANNING

**Crisis management** is the process by which an organisation deals with a major event that threatens to harm the organization, its stakeholders, or the general public. The study of crisis management originated with the large-scale industrial and environmental disasters in the 1980s.

An often cited example is the **Bhopal Disaster**. On the night of December 2, 1984 a Dow Chemical pesticide plant in Bhopal, India leaked toxic gas and other chemicals creating a dense toxic cloud over the region, killing more than 8,000 people in just the first few days.

Three elements are common to a crisis:

- A threat to the organisation
- The element of surprise
- A short decision time

In contrast to **contingency planning** (risk management), which involves assessing potential threats and finding the best ways to avoid those threats, crisis management involves dealing with threats before, during, and after they have occurred. It is a discipline within the broader context of management consisting of skills and techniques required to identify, assess, understand, and cope with a serious situation, especially from the moment it first occurs to the point that recovery procedures start.

	Advantages	Disadvantages
<b>Costs</b>	Reassures staff, customers and local residents that concerns for safety are a priority.	Costly and time consuming - not just the planning process but the need to train staff and have practice drills of what to do in the event of fire, IT failure, terrorist attack, accident

		involving company vehicles and so on.
<b>Time</b>	Minimises negative impact on customers and suppliers in the event of a major disaster.	Needs to be constantly updated as the number and range of potential disasters can change over time.
<b>Risks</b>	Public relations response is much more likely to be speedy and appropriate with senior managers being used to promote what the company intends to do, by when and how.	Staff training needs to be increased if labour turnover is high.
<b>Safety</b>		Avoiding disasters is still better than planning for what to do if they occur.

### FACTORS THAT DETERMINE EFFECTIVE CRISIS MANAGEMENT

Several factors will determine how effectively a crisis will be managed by an organisation:

#### **Leadership.**

Strong leadership is key to establishing confidence in the way in which the organisation is responding to the crisis - it demonstrates organisation and enables consistent clear communications. The management team should be identified and a leading spokesperson nominated. It should be apparent to all those affected and the media that the team has the authority and capability to act and resolve the crisis.

Ensure that crisis management operates across structures, functions and divisions, both vertical and horizontal. The crisis does not care how the company is structured. In any real crisis situation, problems quickly leave organisational confines and become the concern of the entire company. Crisis management, therefore, must be established in such a way as to be effective across different operations and functions.

#### **Speed.**

Recognise the crisis as early as possible, and take quick, decisive action. There are numerous examples of crises that could have been headed off if identified and acted upon earlier. While

there may be operational penalties for inaction or late action, there are even more significant reputational consequences from being seen as hesitant or indecisive. The company should start positioning itself for response, recovery and growth as soon as the crisis is identified.

Reacting quickly is hard. But early recognition is one of the key determinants of effective crisis management. Ensuring a close interlock with the risk and operational indicators within the business is an effective method of achieving this. Identification of potential crisis situations must be thoroughly incorporated into scenario planning and ultimately into operational processes.

In a crisis environment, events often move too quickly to allow for exhaustive review and multiple levels of approval. One of the major factors in effective crisis management can be the prior development of a small, centralised team with communications access to key executives, department heads and board members ('A-team'). This central 'A-team' should be thoroughly prepared for dealing with a range of crisis situations and should have ownership of both the internal and external aspects of the crisis management plan. Contact information for operational, legal, financial and regulatory resources should be incorporated into the plan. Back-up or alternate resources for team members should also be identified and briefed as part of the plan, and one (or more) board members should be part of the process of developing this 'A-team'.

The team will also be responsible for leading the exercises and testing of the existing crisis management planning. The exercises should take the learnings back through the processes to ensure that with each refinement, the company is increasing its capability

#### **Communication**

Communicate thoroughly, effectively and frequently with all audiences. Company management cannot prepare for every conceivable crisis. They can, however, prepare a communications framework that will facilitate rapid communication and rapid response to changing events.

Integrate real time communication and analysis to align management perceptions and commentary. Organisations should ensure that those who may have to speak to the media are thoroughly trained in how to handle tough questions both in formal media and 'off the record', convey key messages and avoid embarrassing sound bites. Additionally, in this age of continuous recording and video (e.g., cell phones) it is critical that company staff learn how to talk about crisis events no matter where they are, or with whom they are speaking. The concept of 'always on' communication is truly the norm today and staff need to be prepared to manage this new reality.

In a 24/7 media environment, a company's performance in the media arena is carefully evaluated and becomes an important element in how audiences judge overall crisis response. In a crisis situation, the perception of the way the company is handling the crisis becomes reality as experienced by external stakeholders including media, government officials, customers, employees and shareholders. Crisis management can be said to deal with the reality, while crisis communications manages the perceptions so that they are consistent with the true situation of the company. Both crisis management and crisis communications,

however, play an important role in determining if and when the company regains lost shareholder value.

Mechanisms to increase alignment might include internal (encrypted) text alerts to inform management on messaging changes and dedicated communications coaching staff to provide ongoing support to multiple leaders, versus point in time advice. These can help support the critical goal of ensuring that messages are both comprehensive and factually correct; because public statements based on incomplete knowledge can soon negatively affect the public image of the company.

#### **Control.**

Leaders need to be able to control the crisis situation. The leadership team is going to be fully tested in any major crisis. The leadership needs to be trained and have sufficient expertise in a wide range of skills that must be implemented quickly and fluently. Skills that lead to good control of a crisis situation by the management team include:

- Working under extreme pressure
- Stakeholder communication, including the news media
- Fast, effective decision-making

Sufficient resources must be made available to management to implement crisis management plans and to ensure that business can continue as normal as quickly as possible.