

## **Research Note**

### **Crisis Management – What, Why & How?**

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Keywords: Crisis, Management, Hurricane, Plan, Organization

**Abstract:** Crisis Management is the systematic approach of averting an imminent crisis or managing one that has already occurred. Such a process aids in the speedy movement from an uncertain, critical state to the resumption of business-as-usual. It is essential for every organization to have a plan in place united with the understanding of the skills required that will assist in recovery. One can safeguard organizational assets by instituting a set of critical crisis management tools that are the foundation of a strong plan along with a dynamic team to handle an emergency. Using the examples of Hurricane Katrina, Irene and Sandy, this research note evaluates how crisis responses have evolved over the years and how learning from these events has been effectively utilized to abate losses and fatalities.

## Introduction

The definition of a crisis has evolved over the last century. Initially, it denoted an unstable time or state of affairs with a distinct possibility of a highly undesirable outcome or an unanticipated fruitful outcome having a progressive effect.<sup>1</sup> Over the years, this definition was polished to include the key words such as “unexpected,” “low-probability” and “high impact.”<sup>2</sup> The delineation of crisis was expanded in 2006 to include criminal activities like an informational and financial crisis. Moreover, this addition included a psychological aspect that stated that a crisis occurs due to the ability of the human race to sit in denial of events.<sup>3</sup> A more recent definition by Timothy Coombs in 2007 adds the keyword perception.<sup>4</sup> The reliance on technology has led to the belief that we are all well protected from all disasters and our response will be instant in case something happens.<sup>5</sup> This drastic development in the definition of crisis has been attributed to the dynamically progressing world that we live. Such has been the periodicity of a crisis that it is no longer considered peripheral.<sup>6</sup> From the Tylenol incident in 1982 to the Tsunami in Japan in March 2011, disaster has struck everybody - from individuals, corporations and states, to an entire nation – and from which no one is immune. As the

word crisis starts sub-setting different spaces with time, the current need of the hour is a plan and the understanding of skills that would assist in detecting and taking necessary steps to prevent losses from an imminent crisis.

## **Crisis Management – What & Why?**

Organizational crisis management is a systematic endeavor by organizational members with external stakeholders to avert crises or to effectively manage those that do occur.<sup>7</sup> In other words, it is a chain of activities that will help impede a potentially dangerous event (having a negative impact) from occurring or achieve a seamless transition from a “critical state” to “business as usual” state. Such an action or reaction portrays the need of a flexible structure that makes it possible for decisions to be taken on-the-fly during emergencies. The British Petroleum Oil spill tragedy epitomizes a casual notion of senior management about any crisis – “rolling with the punches and hoping for the best.”<sup>8</sup> This is not so much a model as it is making decisions in an ad hoc fashion without comprehending the possible repercussions of the actions. On the other hand, when an organization has a plan in place, there is a structure that places accountability in the hands of key individuals, permitting decisions to be taken autonomously as per each

situation. Such a structure also outlines a distinct line of command reducing pressure and chaos.<sup>9</sup> This scheme basically consists of three crucial phases: pre-crisis planning, crisis handling and crisis evaluation.<sup>10</sup> This utilization of technology combined with a crisis management plan has enabled the discovery of early warning signals that precede a crisis which help uncover liabilities that would lead to a disaster by facilitating precautionary action to avert it before it happens.<sup>11</sup> When an organization has both technology tools and a good plan, an organization can shift into a crisis management mode when a crisis arises unexpectedly, as it tries to identify the optimum response to manage and prevent it from becoming a full-scale catastrophe having a large effect on the organization as well as the public.<sup>12</sup> Finally, the crisis evaluation stage helps appraise the organization's response and reaction to the crisis, and empower an organization with the necessary knowledge and lessons on how something similar could be averted in the future.<sup>13</sup>

## **Crisis Management Essentials**

Creating a crisis management plan mandates a set of actions and reactions that can be exercised, focusing on what could happen, what will happen and what is happening.<sup>14</sup> In spite of the existence of a wide-

ranging crisis management frameworks and tools, below are the set of basic crisis management elements that any organization should have in its armor for its effective implementation:

- **Crisis Management Plan**

A crisis management plan is the first step towards averting a crisis or recovering from it. The plan is an information repository that details the necessary policies and guidelines for preventing potential crisis situations and includes different strategies and tactics on how to deal with a crisis when it occurs.<sup>15</sup> Moreover, a proactive strategy will not only lessen the actual damage sustained by the company, it also may enable the business to affect the public's perception of the crisis and of the organization's response.<sup>16</sup> Also, these plans need to be tested periodically in order to keep up with today's dynamic environment.

- **Crisis Management Team**

In order to execute a crisis management plan, you need a team of diverse, highly skilled and trained individuals who can act with poise and composure when under pressure. According to Coombs, "a crisis management team is a cross-functional group of

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people within the organization who have been designated to handle any crisis.”<sup>17</sup> It is the responsibility of the crisis management team in concocting and executing a plan that is operative and plausible.

- **Crisis Management or Emergency Operations Center**

Every crisis mandates a central operational center that can control the flow of information amongst the crisis management team as well as with the media.<sup>18</sup> This aids in remote monitoring of systems and infrastructure before, during and after a crisis. Microsoft’s Global Security Operations Center (GSOC) is a perfect example of a central management location that meritoriously mitigated risks and communicated safety information to its employees in Japan during the 2011 tsunami.<sup>19</sup>

- **Crisis Communication Plan**

Every crisis management plan should include a strategic communication plan that can provide vital information to both public as well as stakeholders about the current state of affairs during a crisis. Some steps include disseminating information via different resources (online and on social media sites) to reduce ambiguity about the event. The communication plan should send

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out a positive vibes about the action between taken;  
acknowledging the event as unfortunate and specifying how the organization is trying to recover from it. With the media hype that inflates every event, the crisis communication plan is crucial to avoid the press from filling this vacuum with flawed information.<sup>20</sup>

## **Hurricanes in United States – How were they handled?**

The United States Hurricane season falls between June 1<sup>st</sup> and November 31<sup>st</sup> as these dates encompass the Atlantic tropical activity.<sup>21</sup> This shows that the US coastline is a breeding ground for hurricanes during this particular time of the year. In recent times, Hurricanes Sandy, Irene, Ike and Katrina have caused devastation on a huge scale. Though hurricanes were historically felt on the southeast coast, the east coast has been hit as well in the last two years. It is vital to compare and study the preventive actions taken and the response plans as per the crisis management essentials mentioned above.

### **Hurricane Katrina**

Hurricane Katrina was one of the most devastating hurricanes ever to hit the United States, leaving millions homeless.<sup>22</sup> Such was the intensity of the hurricane that it was considered among the five most deadly hurricanes to ever strike

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the United States.<sup>23</sup> Though the first 72 hours after a disaster are crucial for rescue and recovery, all plans to restore order were considered useless as soon as the hurricane hit New Orleans.<sup>24</sup> There was ambiguity as to who was in charge, goods and supplies that arrived in the area were not well-utilized, and police seemed unwilling to coordinate and bring order to a city thrown into tumult by the hurricane. There were several examples of coordination failure during the Katrina disaster. For instance, officials acknowledged that resources on the U.S.S. Bataan, already in the Gulf of Mexico, were not effectively brought to bear.<sup>25</sup> Little use was made of the doctors, operating rooms, hospital beds, or ability of that ship to produce 10,000 gallons of water per day.<sup>26</sup> The House of Representatives report of 2006 indicates that they were four different command structures operating in the aftermath, each ignorant of the others.<sup>27</sup> The emergency teams in New Orleans were under-staffed, unprepared and lacked funding to exercise any plans in place.<sup>28</sup> Generally, response to Hurricane Katrina lacked a strong crisis management plan, communication was confounding and the



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response team was shorthanded making it a prime example on how crisis management should not be handled.

### **Hurricane Irene**

Hurricane Irene which was the first hurricane since 1903 to have made landfall in New Jersey since 1903,<sup>29</sup> had a powerful impact throughout the Eastern United States, triggering losses that ran into billions of dollars. The Obama administration learned from the Federal Emergency Management Agency (FEMA) slip-ups of the Bush Administration and took necessary precautions before the storm hit the East Coast. President Barack Obama displayed excellent leadership skills by personally ensuring that the FEMA and the state government are equipped and organized ahead of time to deal with the disaster.<sup>30</sup> In essence, the lessons learned from Hurricane Katrina were implemented by the FEMA and the state agencies to ensure that there was a crisis management plan for evacuation and disaster recovery headed by a strong and influential group of individuals.

### **Hurricane Sandy**

Although Hurricane Sandy was one of the most powerful hurricanes to hit the United States, FEMA and the state officials

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ensured that a continuous communication thread existed always (viz. social media and press conferences) apprising one and all affected of present nature of the storm and the dangers of wandering outside.<sup>31</sup> Roads, subways and tunnels were closed which indicated that a crisis management plan was in place and implemented by New York City Mayor Bloomberg and other state officials with the support of the people.<sup>32</sup> A specific task list was in place that ensured quick recovery from the disaster, leaving no time and room to play the blame game. In spite of its intensity, pre-planned preparations helped moderate destruction to a certain extent, which indicates that having a plan and a communication network in place did help in mitigating the losses and fatalities of the hurricane.<sup>33</sup>

## **Conclusion**

To conclude, one can say that the area of crisis management is evolving with every passing second. There is no single framework available for organizations to follow that will help concoct an immortal plan that covers every contingency. As seen here, the responses to Hurricane Sandy and Irene were far better than the one for Hurricane Katrina which points out that one can only learn from each event and



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prepare better by evaluating responses to these events. Finally, it is important to develop a crisis management methodology that enables an organization to be ready so that responses to such events ensure feasible business recovery.

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