Art of Crisis Management and its Strategies in Applying at the Organization Level

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Abstract: Crisis management is a systematic efforts of managing and the ways of resolving quickly as well as effectively to an unpredictable phenomena posing the threat to normal activities of an organization. It occurs as a consequence of the organization's imperfection and vulnerability to its environment, which has been explained in management term as intelligence failures or failures in foresight. Over the years as the world continues to become increasingly complex, most of the world's crisis that occur in developed and developing countries cause enormous destruction and human sufferings and the crises are occurring more frequently and becoming larger in scope. In the last three decades for example various types of organizational risk or unpredicted situations have killed more than several hundred people and caused more than 130 billion material loss.

Since the acquisition of fundamental knowledge and critical information on the art of crisis makes the administrator and manager in a stronger position to resolve the crisis management. Therefore the paper is designed and developed with a view to highlight the conceptual theories of crisis and appropriate knowledge and art of handling the crisis management in organizational situation. It also provides understand the significance in today's environment so that the administrator and manager can effectively deal with the crisis circumstances in their own working place. These ideas would also help them to understand the event and enable them to define the situation and specify the objectives to get into the fact and analyze them considering the possible course of action as well as to take appropriate decision to effectively handle the crisis situation. Moreover, it would also help the manager how to thrive under severe pressure and provide best possible leadership qualities in inspiring the team member, encouraging their efforts and giving them confidence in the successful out come of the crisis management process.

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1.0 Introduction

1.1 Crisis is an event that evolves usually from an unseen, unexpected and unpredicted situation. It can occur at any time any place and happen to any organization and no organization is immune to a crisis. Crises occur as a consequence of the organization's imperfection and vulnerability to its environment, which has been explained in management term as "large scale intelligence failures" or "failures in foresight". Over the years as the world continues to become increasingly complex, the potential for crisis escalates. Most of the world's crisis that occur in Asia and Pacific region cause enormous destruction and human sufferings and the crises are occurring more frequently and becoming larger in scope. In the last three decades for example various types of organizational risk or unpredicted situations have killed more than several hundred people and caused more than 130 billion (US dollars) material loss in 2003 to 2004 (UNDP : 2005).

1.2 This situation encourages the management experts to explain and analyze the event in numerous ways and they provide valuable information and insight into this complicated phenomenon. These studies in the mean time identified a multitude of guidelines and recommendations designed to assist those responsible for managing the crisis what may initially seem an unmanageable event. Policy makers, administrator and managers of the new millennium should understand the nature of crisis and its managerial prescriptions, and communication implications in order to deal effectively with the effects of crisis. Understanding of crisis in different dimensions would help the managers to acquire a sense of predictability, insight and competence to handle the situation more effective and efficient way and also assist the administrators to plan and prepare will ahead of time.

1.3 The purpose of this paper is to highlight the concept of crisis management and its theories to understand the significance in today's environment so that the Administrator manager could effectively be able to deal with the crisis circumstance in their respective organizations. To analyze the purpose of the paper it has been divided in to a number of sections. First section deals with concept of organizational crisis and their major causes and characteristics explained by the experts of crisis management. Second section of the paper provides brief description of strategies

in applying organization level and some of the most popular tools for crisis management and its implication with practical example of a few crisis in local and regional context. While the third and last section is an attempt to provide a few recommendations drawn upon crisis management practices in this region and endeavor to relate practically to the need of manager and administrator.

2.0 Concept of Crisis Management

2.1 Crisis management in broad term, is a systematic efforts of managing and ways of resolving quickly as well as effectively to any an unpredictable phenomena posing threat to normal activities of an organization once it occurs. The phrase 'crisis management' was presumably first coined by Robert McNamara at the time of the Cuban Missile Crisis when he said, "There is no longer any such thing as strategy, only crisis management". It is an orderly response to unexpected events that threaten the people, property and operational continuity of the organization. More specifically it has been defined as a formal response to any event that threatens the operational stability and financial activities of an organization.

2.2 Unfortunately, most administrators managers are found to use the term 'crisis' very frequently almost in all cases when they face any complex situation mainly in the organizational context. While some use the term's "crisis" and "disaster" interchangeably. This indicates that majority of the managers are neither completely clear about the term 'crisis' nor is aware about the consequences of this event. The experts on crisis management make a clear distinction that the disasters are generally viewed as large-scale community events (tornadoes, floods, earthquakes, etc.) normally managed by government, community, or social groups. A crisis tends to be triggered by organizational errors, oversights, or deficiencies mainly handled by the administrator/ manager (Quarantelli, 1988).

2.3 Besides, Pauchant and Mitroff (1992) have further clarified term between incident, accident and crisis, the demarcating factor being the magnitude of the event. An incident is an event, which affects a "self-contained" part of a larger system. An accident physically disrupts a system as a whole. A crisis "physically affects a system as a whole and threatens its basic assumptions, its subjective sense of self, its existential core" (p. 12). When amplified by other variables in the system, incidents can evolve

into accidents and, possibly, crises. From this perspective, a major air-carrier crash is both a crisis and disaster, in that it is often caused by organizational inadequacies and managed not only by the airline, but also by the community in which it occurs and government agencies.

3.0 Definition of Crisis Management

3.1 The most important definition of crisis management have been developed over the last thirty years. Among which, Bell (1971) used as a working definition of crisis in an organizational context that" the essence of a crisis in any given relationship is that the conflicts within it rise to a level which threatens to transform the nature of the relationship". It narrows the concept of crisis, seeing it only in terms of relationships. Selbst (1978) in contrast used another definition that "Any action or failure to act that significantly interferes with an on going functions, the acceptable attainment of its objectives, its viability or survival, or that has a detrimental personal effect as perceived by the majority of its employees, clients or constituents". This definition concentrated on action and failure to act. It saw crisis as essentially negative and threatening. This was clearly a limited definition as crisis can also be seen as a turning point or opportunity for some stakeholders and as such could be seen in positive terms.

3.2 While, Pauchant and Mitroff (1992) defined crisis as "disruption that physically affects a system as a whole and threatens its basic assumptions, its subjective sense of self, its existential core." It covers most of the types of crisis and gives a much wider view that are recognized by decision makers, but it depends on how a system is defined. If seen in terms of organization, this definition ignores completely the individual and group and their perception of crisis. They recognized that the term is overused and poorly defined. At the same time they found from their work that managers had a clear idea of what they understood to be a crisis. What could be identified, as a crisis by the management of an enterprise may not be considered a crisis in Pauchant and Mitroff's definition. Instead of looking at crisis from the point of view of the system, a more realistic definition might be "A situation faced by an individual, group or organization which they are unable to cope with by the use of normal routine procedures and in which stress is created by sudden change".

A. Causes of the Crisis

3.4 Organizations become particularly vulnerable to crisis when they have low control over their external environment. When external factors (competitors, suppliers, customers or clients, regulators, society, owners and boards of directors, and natural disasters) negatively combine with internal factors (executive characteristics, experience and history, demographics, and attributes), a crisis may occur. In other words, the events leading up to crisis accumulate because internal and/or external factors were overlooked or misinterpreted as a result of false assumptions, poor communication, cultural lag, and misplaced optimism (Turner, 1986).

3.5 The likelihood of an organization experiencing a severe crisis is highest when it has low control over the environment and a high level of susceptibility due to internal factors. The Bhopal accident in India became a crisis when internal technological problems negatively combined with environmental conditions outside the plant. The plant, under pressure from Union Carbide to make profits, was located in a city totally unprepared to handle a major industrial accident and the consequences were devastating (Shrivastava, 1987). The recent incident of Bangladesh Biman and Bangladesh Power Development Board, could be mentioned as two organizational management crisis (please note Box-1 & 2).

Box – 1

Amidst schedule crisis, the *Biman Bangladesh Airlines* on 19th February 2006 decided to cut in international flights as an immediate solution and lease two aircraft to improve upon its dwindling fleet. To cope with this crisis, the Biman management decided to float tender by tomorrow for dry lease of two aircraft in a bid to recover from the schedule disarray caused by grounding of its three DC-10s and one airbus. The Biman also made an impromptu decision to reduce flight frequencies on three international routes, cutting one flight from Dhaka each from the weekly two flights to New York, six to London and seven to Jeddah. While the reduction on Dhaka-London and Dhaka-Jeddah routes comes into effect immediately, that on the Dhaka-New York route will be made effective from March 13 as passengers have already booked tickets up to then. The Biman will also review its whole flight schedule and go for further cuts in frequencies on other international routes between February 21 and March 27. The national airlines is expecting to gear up its poor fleet situation prior to the commencement to next summer schedule from March 28, 2006.

Failing to arrange any aircraft, the Biman cancelled its scheduled flight of Dhaka-Dubai-Brussels-New York route last night and feared delay in its next flight scheduled for this afternoon. The Biman DC-10 aircraft grounded in Brussels en route to New York last Wednesday is expected to return home by today after necessary repairing, official sources said. However, the two other DC-10s and one airbus still remained in hangar. Talking to the BBC Bangla Service last night, acknowledged failures in Biman's fleet planning and inability to procure sufficient aircraft due to financial insolvency and improper management.

Source : The daily Star, Monday, February, 2006

Box-2 : Power Crisis hits irrigation

Power crisis across the country persists making public life miserable. The situation will deepen in the next summer session covering March and April of the current year, according to the officials. A senior official of the state-run Bangladesh Power Development Board (BPDB) said that they would have to resort to massive load shedding to the tune of over 1,000 Mw of power a day as the daily demand for electricity consumption would go up sharply in the next summer session. The Official, however, claimed that the level of load shedding in the city and elsewhere in the country was around 300 Mw over the past several days. But informed circles said that the authorities concerned had to resort to load shedding to the tune of over 500 Mw a day over the past several days. As per official records, currently the power plants under BPDB along with private units generate around 3,300 mw3 against daily demand of 4,000 Mw of power.

In the city The Dhaka Electric Supply Authority (DESA) supplies 1,200 mw of power to the city residents against daily demand of at least 1,500 mw. In many places of the capital city power goes frequently and disruption in power supply lasts for hours causing immense sufferings to the city residents. According to the official records, level of load shedding in the city was more than 300 Mw over the past several days. Power crisis has seriously affected agriculture irrigation in 16 northern districts of the country. Power crisis has deepened due to disruption in power generation by the 50 mw Barge Mountain of Westmont Power Company and the 100 mw Power Plant of Grid Company at Bagha bari.

Source : Bangladesh Observer, Sunday 19 February, 2006.

3.6 Communication failures may also play a key role in causing crisis. Communication climates that discourage open communication about problems and breakdowns and disruptions of coordination often contribute to crisis (Seeger, Sellnow, & Ulmer, 1998). Cushing (1994) examined how miscommunication plays a role in airline disasters. Communication breakdowns between pilots and air traffic controllers as well as misunderstandings due to accent and technical jargon have contributed to numerous aircraft disasters.

B. Characteristics of Crisis

3.7 Each and every crisis is unique in nature and is not identical to another. But the findings of research studies demonstrated that there are common characteristics usually found in most of the crisis. It is characterized by surprise, in sufficient information about the problem and limited response time and requires immediate decision making as well as solving the problem (Harman 1983). Even with contingency planning, organizations are surprised by a triggering event and have minimal time in which to respond. The unexpected nature of an event may result in a delayed response to the situation. NASA's challenger exploration in 2002 for example was unanticipated that for a brief time mission control maintain normal procedures before arranging there had been a major malfunction (Brown. D. 2003).

3.8 Moreover, crisis situations generally involve a high level of uncertainty with regard to cause, blame, response, perception, resolution and other possible consequences. A lack of information creates the potential for crisis as well as influencing the resolution of the crisis. The acquisition of critical information makes the authority in a stronger position to resolve it (Billings, Milburn & Scalman 1980). Information is necessary to determine the nature of a response, understand the probabilities and recognize the value of loss.

4.0 Types of Crisis

4.1 Table 1.1 outlines how in general term's different types of crisis might affect an organization. The important point to note here is that different types of crisis will lead to different sorts of organizational impacts and responses (Selbst, 1978). First there is only a gradual change the crisis may only be apparent to those individuals most closely involved. Even if they are aware, they may not be able to convince the leadership of the reality of crisis. In this sort of situation, which has been called a "creeping crisis" (Kouzmin and Jarman, 1992), there will be no change in the normal style of the leadership. The result of inaction might well lead to demotivation and frustration on the part of the staff most affected. As the organization diverges more from an appropriate response so increasing numbers of staff begin to recognize its inability to correctly comprehend the situation.

Table-1.1 Crisis Events and Organizational Response

Trigger event	Leadership response	Individual/general public attitude
Gradual external erosion, internal decline, increasing threat to part of organization (creeping crisis)	Bureaucratic response. Traditional procedures, status quo: ignoring issue. Crisis not recognized	Recognition of crisis of individuals involved. Attempt to get issue on to agenda by those affected. Other groups immobilized
Periodic threat or loss to part or whole of organization	Negotiated response Recognition of problem individual demotivation (routinised crisis)	Internal political clashes. All groups/individuals involved.
Sudden threat or loss to whole of organization	Defensive response Reliance on the known and trusted	Rally of all groups/individuals to protection of organization

Source: Simon A. Booth

4.2 In the second category of periodic threat or loss, such as that caused by annual budget cuts or regular changes of government, the leadership will tend to develop what may be called a "routinised crisis" or negotiated response. Contingency plans are prepared which is the subject of inter-organizational bargaining. Over time, this form of routinised crisis may lead to a loss of morale where solution is not identified because of sub-optimal decision making. In other situations, however, the organization may have no control over the nature of the periodic crisis in which case motivation may be maintained and even enhanced. In this situation one might see the development of what might be called professional crisis managers. In the public sector the police, fire and health services all have to be able to respond to unexpected critical situations in a professional way.

4.3 The third type of crisis is the one that most people would normally think of as crisis. It is the completely unexpected sudden threat or loss, which puts the whole organization in danger. In

almost all cases with these situations no contingency plan has been developed precisely because the event was improbable. The leadership, when it realizes the nature of the threat, often makes a defensive response. After the shock has worn off, which can take a significant amount of time, a "siege strategy" is often adopted. This entails selecting what is seen as essential to survival and reducing or abolishing other more peripheral activities. But often this strategy is unsuccessful as significant numbers of employees may have to be sacrificed. As a result of this form of siege strategy the internal conflicts generated by the strategy can ironically be a prime cause of failure. Given that any organization may be subject to any combination of the three types of crisis identified above it can be suggested that there is no easy way of defining crisis.

5.0 Strategies and Tools of Crisis Management

5.1 Within public and private sector, organizations of developed and developing countries are using a variety of strategies and tools including hiring consulting firms for implementing best practices, using computer software packages to track response actions and navigate through a crisis situation, and implementing corporate governance and business continuity programs. Many times, organizations are not equipped internally with the skill sets to help them plan for or respond to unexpected events. Most widely practiced strategies used throughout the organizational context known as the "three Rs: Response, Recovery and Resumption". For an organization to be successful in all three of these areas, it requires coordination, communication and support from the highest level—the crisis management team.

5.2 Another commonly used tool in the public sector is the Incident Command System (ICS). This system was developed several years ago by the Fire Sciences Division of the Emergency Management Institute (EMI) and is used by FEMA, State Emergency Managers, Emergency Medical Services, Fire Departments and other public service organizations. It uses common terminology and team structures adapted by multiple public service organizations to effectively coordinate, communicate and support local, state and regional response efforts.

5.3 The most influential work in this field has been done by Boumediene Belkhouche, Reda Bakeer and Salah Al-Saleh at the

Tulane University, New Orleans in 2002. They developed an integrated model of crisis resolution known as Expert Decision Support System (EDSS) which represented both a sociological and social psychological view consisting of several software packages, a knowledge base and set of expert rules. Main objective of EDSS model is to provide a reliable software model for evaluating a crisis, modeling it, and developing an efficient plan for tacking it. Moreover, it is designed and implemented a prototype that integrates the data capturing power of a Geographic Information System (GIS), the reasoning and inference capability of an Expert System, and the computing power of a programming language.

5.4 Figure 1 shows the major components of the EDSS model. The functionality of this system is to process quickly available information related to the crisis at hand, retrieve the impacted site database, and provide assistance with regard to: (i) identifying the parameters under prevailing environmental conditions; (ii) simulating the evolution of the crisis; (iii) identifying possible threats; (iv) displaying important facilities, which may be highly affected; and (v) suggesting a response scenario.
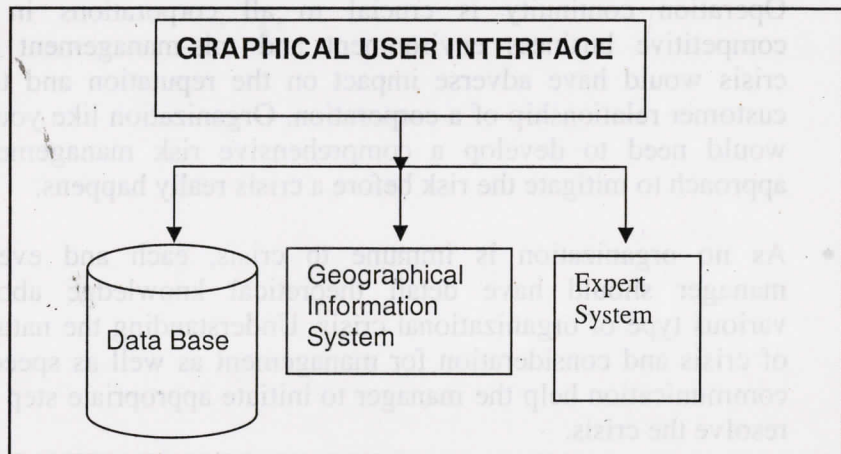

Figure 1: EDSS Structure

6.0 **EDSS and Implementation**

6.1 To build the EDSS, Boumediene, B. Reda B. and Saleh integrated Arc View, (Geographic Information System) Visual Rule Studio (VSR, and expert system), and Visual Basic. Visual Basic is used to provide the Graphical User Interface (GUI) and to

coordinate the actions among the other components. The Arc View stores displays and updates spatial (maps) and temporal data (environmental parameters and characteristics).

6.2 A component of Arc View, allows the users to solve a variety of problems using a wide selection of geographic maps or networks such as, streets, highways, rivers, pipelines, and electric lines. VSR uses rules, regulations, and mathematical formulae to determine the shape and the growth of a fire given the current environmental parameters. VSR also calculates the required fire shape parameters such as heat release rate, flame length, and size of shape of fire. The scale and the direction of the fire shape are sent to Arc View for display altogether with the affected site. Then VSR displays advice to help the user tackle this crisis. This is very useful for design and analysis, and for prediction.

7.0 Recommendations

- Increasing crisis events have raised the awareness of the need for clearly defined and effective crisis management system. Operation continuity is crucial to all corporations in a competitive business environment and mis-management of crisis would have adverse impact on the reputation and the customer relationship of a corporation. Organization like yours would need to develop a comprehensive risk management approach to mitigate the risk before a crisis really happens.

- As no organization is immune to crisis, each and every manager should have detail theoretical knowledge about various type of organizational crisis. Understanding the nature of crisis and consideration for management as well as speedy communication help the manager to initiate appropriate step to resolve the crisis.

- Training and seminar on crisis management could be held frequently for the policy makers and administrators so that they could understand its importance and would be interested to integrate crisis issue in their organizational policy.

- Crisis Management System transforms a business continuity plan from a difficult to administer manual process to a well-coordinated, highly effective crisis response solution.

- Moreover, crisis management system provides a framework for the management to keep track of the progress of the crisis resolution and coordinate the interaction with the public media to ensure no sensitive information is released to the public media inappropriately adversely affecting the organization interests. It enables the organization to establish powerful crisis management databases for enhancing the risk management skills and minimizing the impact of future crisis.

8.0 Conclusions

8.1 Crisis management system and theory discussed in the paper provides an overview of conceptual framework and addresses a valuable information that enable the concerned Administrator manager and crisis response team not only to familiar with the important aspect of various type of theory and model but also provides appropriate knowledge and skill of handling the crisis in organizational situation. These ideas would also help the manager to understand the event and enable him to define the situation, specify the objective get into the fact and analyze them considering possible course of action as well as to take appropriate decision to effectively handle the crisis situation. Moreover, it would also help the manager how to thrive under severe pressure and provide best possible leadership qualities in inspiring the team member, encouraging their efforts and giving them confidence in the successful out come of the crisis management process.

8.2 More specifically the EDSS model discussed in the paper may be used not only for fire prediction or crisis management, but it could also be used for design and planning as well as to optimize response time. Another advantage of the EDSS is extensibility. Tests performed suggest that system modeling using GIS is a promising way of bringing the modeling process, within reach of any user and allowing real time visualization over digital maps. Another important point concerning the development of the EDSS model is that the software was designed in a user-friendly manner. This allows even untrained operators to benefit from the software. Moreover, the system is designed to be used as a training tool for new personnel.

8.3 Finally, these theories and model would help the manager to anticipate and deal in advance with most of the issues involved in crisis. The crisis events involve a high level of uncertainty with regard to cause, blame, response, perception, resolution and other possible consequences. And it can be concluded by saying that the acquisition of critical information makes the manager in a stronger position to resolve the crisis.

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