

Crisis Leadership in the Modern Multi-National Corporation

This paper attempts to define the qualities and skills that make up a successful crisis leader in a multinational corporate setting, with the objective of providing useful insight to both prospective and current leaders in this infrequently-addressed field. Theories of crisis leadership and management discussed in this paper include Perrow's theory of Normal Accidents and Fink's Crisis Cycles. Utilizing a case study format, a comparison/contrast is made between leading theory and current practice, with the opinions and experiences of those who make crisis leadership their profession balanced against the body of knowledge presented by international experts. After finding that practice tracks but does not exactly match theory, the result is a derivation of the attributes possessed by an "ideal" crisis leader.

Authors: Jonathan Alexander and Kjetil Maehlum

Advisor: Peter Hagström

Institute of International Business (IIB)

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INTRODUCTION

“Disaster”, “Catastrophe” and “Crisis” are words we frequently see on newspaper front pages and in news programs today. Rapid communications together with the dominance of mass media in daily life ensure that everyone knows everything (or at least the headlines) of what evils are occurring anywhere in the world at any time. While it can be argued that the world is perhaps no more dangerous for the average person today than it was 10 or 20 years ago, the same cannot be said for Multi-National Corporations (MNCs). The “Butterfly Effect”¹ is no longer needed to explain the effects of events half a world away on corporate headquarters, as firms of all sizes now rely on internal and external networks spread far wider than at any time previously in history, resulting in direct impacts that can literally travel at the speed of light. In short, a stable situation in the “home country” is no longer a guarantor of stability for the firm as a whole.

This new world brings with it an assortment of new risks. Terrorism, long thought to be confined to the “unstable” regions of the world, became one of the defining phenomena of the new millennium in, quite literally, the space of a day. The September 11, 2001 attacks in the United States dispelled any remaining notion that there could be an isolated market in today’s world, as this event very nearly precipitated a worldwide recession.

The problems of industrial and consumption-related pollution, another truly global problem, are also rapidly rising to the fore in many nations, as ever-tightening environmental regulations and limits are placed on MNCs, with severe penalties both in fines and in public relations for violations. Besides the spectre of global warming and environmental degradation, one need look only as far as the sinking of the *Prestige* oil tanker off Spain², the Bhopal, India chemical leak³ and the American 3-Mile-Island nuclear accident⁴ to see where corporations can be held morally and criminally responsible for their own disasters.

Finally, nature itself has proven that even in this new age, it alone can be a force to be reckoned with. The December 26th, 2004 tsunami in Southeast Asia was an unprecedented disaster not only for the countries directly affected, but also for nations like Sweden, which lost hundreds of citizens on beaches half a world away. Likewise, Summer 2005’s Hurricane Katrina has cost the U.S. hundreds of lives and

¹ Butterfly Effect: “In a chaotic system, the ability of miniscule changes in initial conditions (such as the flap of a butterfly’s wings) to have far reaching, large-scale effects on the development of the system (such as a the course of weather a continent away).” McGraw-Hill Dictionary of Scientific and Technical terms, 2003 ed.

² The *Prestige* was a Bahamas registered, Liberian owned 26 year old tanker that sank in the Atlantic off Spain’s Galician coast on November 19th, 2002. After being damaged in a storm some days earlier, the ship was denied entry to French, Spanish and Portuguese harbours for fear of contaminating each country’s coastline. <http://www.greenpeace.org/international/news/prestige-one-year-on>

³ Described in detail later in this paper

⁴ On March 28th, 1979, the reactor on Pennsylvania’s 3-Mile Island experienced a critical failure of the reactor’s coolant system, nearly resulting in a catastrophic meltdown of the radioactive core. A small amount of radiation was released into the environment, but was contained within the facility. The operators on duty, and operating company (Metropolitan Edison) were held responsible for poor maintenance and safety procedures. <http://www.washingtonpost.com/wp-srv/national/longterm/tmi/stories/ch1.htm>.

billions of dollars in direct damages, while also severely disrupting the activity of one of the nation's busiest ports and oil processing areas, affecting price levels both domestically and worldwide.

Problem Formulation

The negative synergistic effect presented by the combination of new risks with the need for rapid reaction times makes the maxim "*Get it right the first time*" all the more relevant for corporate leadership. These leaders, be they CEOs or team coordinators, can be faced with issues that impact not only their normal sphere of influence but can also catapult them to the position of decision makers for the entire firm and all of their stakeholders⁵. It is then of primary importance that these leaders be equipped to deal with these critical issues, as the above examples indicate.

This paper is aimed at assisting the leader in coming to grips with such situations, its contribution being the comparison of theory with the experiences of multinationals with crisis situations. This motivates our core question: How do today's leaders cope with the crises that face them in their working lives?

⁵ The Cold War produced one notable example of a relatively minor decision maker making far-reaching decisions. Soviet Colonel Stanislav Petrov, responsible for analysing satellite intelligence of US ballistic launches for the Soviet high command, was faced on September 26th, 1983 with apparently reliable electronic notification that a massive US atomic strike was underway, with only minutes to react. Disregarding this information, he correctly reported the incident as a false alarm, knowing full well the consequences a wrong judgement could bring.. His actions possibly avoided nuclear war. [*Washington Post*, Feb. 10, 1999:A19], <http://news.bbc.co.uk/1/hi/world/europe/198173.stm>

PURPOSE

We are writing this paper for students and future leaders with the aim to bridge the gap between the theories of effective crisis leadership with the reality of crisis management in the field. By comparing prevailing theory to the crisis strategies of two Swedish multinationals, and deriving knowledge from a professional crisis management education organization, we attempt to come to some understanding of what attributes define successful crisis leadership, and highlight those practices and habits that leaders would do well to avoid.

Delimitations

We view Crisis Leadership to be but one aspect of the broad topic of Crisis Management; as such, there are some elements of crisis situations that we will only deal with inasmuch as they are directly applicable to the case of an individual leader. It is for this reason that we discuss only in passing the subjects of Crisis Avoidance and Crisis Recovery, as they invariably involve systems far greater in scope than the individual leader. They therefore fall outside the scope of this paper, although they are in themselves fascinating topics that demand their own specialized study.

With regard to our geographical scope: While we use many descriptive examples of firms from around the world, the case studies in this paper have been limited to Swedish-based multinationals, in order to increase relevance for the most likely readers of this paper.

The Definition of Crisis

The true definition of “crisis” is a term that has been in debate for generations of scholars. Arguing that “crisis is too complex a term to be rigidly defined like a concise dictionary definition”, theorist Patric Lagadec [35]⁶ presents a brief history of its definition, from its root as the Greek word for interpretation and choice (Krisis, as used by authors of ancient dramas to denote the point where a decision must be made) to the current catch-all for the uncertain and dramatic as often used in the media and in everyday speech. Proposing that crisis be defined in terms of the immediate problems a decision maker faces when dealing with such a phenomenon, Lagadec writes:

Crisis: A situation in which a range of organizations, struggling with critical problems and subjected to strong external pressure and bitter internal tension, find themselves thrust into the limelight, abruptly and for an extended period; they are also brought into conflict with one another ... this occurs in the context of a mass media society, i.e. ‘live’, and the event is sure to make headlines on the radio and television and in the written press for a long time. [Lagadec:36]

⁶ The key authors cited in this paper are introduced in a more formal manner in the theoretical section.

Besides embracing the Webster's Dictionary definition of crisis as a "turning point for better or worse", organizational consultant Steven Fink defines crisis "from a practical, business-oriented point of view" as being any situation that runs the risk of:

1. Escalating in intensity.
2. Falling under close media or government scrutiny.
3. Interfering with the normal operations of business.
4. Jeopardizing the positive public image presently enjoyed by a company or its officers.
5. Damaging a company's bottom line in any way.

[Fink:15-16]

Fink describes his "Opportunities in work clothes"⁷ approach to the definition of crisis further: "... anyone who can predict and plan for a turning point in his or her business or personal life stands a far better chance of capitalizing on that opportunity than someone who allows the crisis to sneak up on him or her unprepared." [Fink:15]

⁷ "Problems are only opportunities in work clothes" – Quote of American industrialist Henry J. Kaiser, used by Fink.

BACKGROUND

Crisis Management is a relatively new discipline in business studies; the Tylenol Poisonings of 1982 and the study of Johnson & Johnson's response to it is generally considered to be the seminal incident that spurred serious academic research into modern corporate crisis management [Mitroff:36]. In this incident, a person or persons unknown (the case remains unsolved) adulterated capsules of Tylenol by carefully opening the gelatine capsules, inserting cyanide pellets, resealing the capsules and placing the containers back on store shelves in the Chicago area.⁸ While infamous for the death and panic it caused (seven people were killed, and the subsequent withdrawal of \$100 million in Tylenol capsules yielded two more contaminated bottles) the incident has been regarded by many analysts as the best-handled corporate crisis in history [Fink:203-218]. Johnson & Johnson's long standing reputation in the US as a reputable producer and seller of pharmaceuticals, together with its genuine concern for its customers (full page notices in newspapers warning of the danger, as well as a product withdrawal which took place under the objection of the U.S government, who feared it would be interpreted as a sign of weakness in the face of terrorism) and employees (its production subsidiary, McNeil Pharmaceuticals, would have gone bankrupt had Johnson & Johnson not covered the cost of the recall) allowed the company to recover 98% of its market share in two years [Fink:214].

Given the common interpretation of 'crisis', it should come as no surprise then that there are many more examples of crises with less positive outcomes, both for the public and for the companies involved. Examples such as the 1984 Bhopal disaster in India hammer home the idea that business leaders are responsible for far more than just the bottom line.

In this disaster, as described by both Fink and Perrow [Fink:168-189; Perrow:354-355], 4,000 people in the community surrounding a chemical pesticide plant died outright as a dense cloud of methyl isocyanate rolled through the streets shortly after midnight, killing many in their sleep and critically injuring at least 200,000 more, with deaths in subsequent years from health complications estimated to be in the tens of thousands. The parent company, U.S. based Union Carbide, initially claimed that it had negligible control over the activities of its Indian subsidiary; it was subsequently proven in court that the US office held considerable sway over management of the plant. Indian management was under great pressure to become profitable; notable initiatives included cutting work crews by 60%, not repairing and in some cases deactivating safety systems to reduce costs, and dealing with safety concerns by employees by firing those who drew attention to them.⁹

Fink [175] relates that the company had in fact considered the Bhopal plant to be the "sister" of their plant in Institute, Virginia before the disaster, and following the disaster made much of the apparent

⁸ It is this event, and the copycat incidents that followed it that motivated food and drug manufacturers to introduce "tamper-proof" packaging, which is a common feature of grocery products today.

⁹ To Union Carbide's credit, Chairman Warren Anderson visited Bhopal shortly after the disaster with a team of technicians and aid workers to assist the local population; however, he was promptly arrested by Indian police and charged with manslaughter. He subsequently posted bail and fled the country in a private jet, and is now a wanted man in India, which to this day is petitioning the US for his extradition for trial. <http://www.greenpeace.org/international/news/carbide-criminal-found>.

ineptitude of the Indian workers and managers. Their arguments became less convincing when, eight months after the Bhopal disaster, an almost identical accident occurred in Institute, with the population of the town being saved only by virtue of favourable winds.

These two cases clearly illustrate the concept that crises can have very different outcomes depending on the abilities and actions of management. Neither company had a formal crisis management plan in effect, but one company was able to completely recover from a potentially bankrupting incident while the other became infamous for what many commentators have called “the worst industrial accident in history”.¹⁰

To further disturb the sleep of managers and leaders, Yale organizational theorist Charles Perrow brings forward the concept of “Normal Accidents” – accidents that are inevitable in complex and highly interdependent systems. In his work, Perrow investigates the nuclear power industry, chemical and petroleum producers and airlines, to name a few. Perrow finds that certain industries, and “high risk technologies” in general, defy our efforts to build in safeguards and warnings and fail catastrophically regardless due to their inherent complexity. Perrow also holds that these technologies are becoming ever more pervasive in our daily lives – the Y2K computer bug was one such issue [Perrow:388-412].

It is worth noting that Perrow’s warnings are not merely unfounded paranoia regarding new technologies. The first edition of his book was released in 1984, when the Three Mile Island reactor accident was the worst nuclear accident the world had yet seen; the perils of nuclear power as an excessively complex, very new and incredibly dangerous new technology stand large in his writing. Perrow finds that the case for shutting down all nuclear plants in the United States as “clear” and states that “...I would expect a worse accident than TMI (Three Mile Island) in three years – one that would kill and contaminate.” [348].¹¹ Just two years later, the Chernobyl accident killed 28 people outright due to acute radiation poisoning, irradiated thousands of hectares of land in Belarus and the Ukraine, spread radioactive isotopes around the world and necessitated the forced migration of over 300,000 people [UNSCEAR:453].

Expanding on Perrow’s concept of “Normal Accidents”, organizational consultant Ian Mitroff brings forward the idea of “Abnormal Accidents”, stating that “If Normal Accidents are the result of unintended evil, such as systems complexity, then Abnormal Accidents are the result of Evil Intentions [sic], or deliberate acts of evil” [Mitroff:36]. Mitroff provides three American examples of this phenomenon: The 9/11 terror attacks in the United States, the anthrax mail scare¹², and the Enron scandal. Mitroff states that the relative frequency of these events compared with Normal Accidents is

¹⁰ A Google search of “worst industrial accident in history” yields results pertaining almost exclusively to the Bhopal disaster and to a lesser extent, the Chernobyl nuclear accident.

¹¹ While Perrow’s second edition was published in 1999, the main body of text was not changed from the 1984 edition; the main change was the addition of a discussion of the Y2K problem.

¹² Starting in late 2001, letters laced with the biological warfare agent anthrax began appearing in the mailboxes of various persons in the U.S. Five persons were killed in these attacks, and the case remains unsolved. <http://www.fbi.gov/anthrax/amerithraxlinks.htm>

increasing, adding a new dimension to the world of crisis management; fighting those who actively attempt to disrupt the security of the organization [Mitroff:36].

While most leaders are not likely to have to deal with a crisis on the scale of the Chernobyl disaster, the flawed systems that bring about such accidents are not unique to the nuclear industry. Failures can and do happen to firms of all sizes and business areas, and they can hurt and kill. In addition, incidents today can affect individuals in otherwise unrelated activities, what Perrow calls 3rd party victims – the migrated people of Chernobyl are an example. As a further illustration: While an explosion at a power station is certainly a major crisis for the station manager, is it so much less of one for the bank manager on a Friday afternoon whose security, accounting and database services are suddenly removed due to the resulting power failure?

What this means for today's leaders is that the likelihood of a crisis impacting their firm, and thereby impacting them directly, is becoming increasingly more likely regardless of profession or hierarchical position. The following cases provide some examples of what is being taught, what is being prepared, and what is being done as a consequence in the international business world.

CASE STUDIES

A Crisis Leadership Primer: Kreab's Crisis Management Academy¹³

Crisis Management Academy (CMA) was established in 1986 as Nordisk Beredskapskademi (Nordic Crisis Management Academy) in response to and building from lessons learned in the *Alexander Kielland* oil platform disaster.¹⁴ CMA was later incorporated as a subsidiary of the Stockholm School of Economics Executive Education division, and finally bought in October 2004 by Kreab AB, within whom CMA currently holds the position of "Centre of Excellence". Kreab itself is a strategic communications and public affairs agency that works with companies and organizations to solve communications and public relations issues.

According to its brochure, "The CMA concept is to bring together research results and academic expertise with practical crisis experience from companies and organizations [which allows it to fulfill its mission to help] ... companies, government agencies and organisations prevent, train for and manage crises". This is done via assistance to corporate customers in drawing up crisis plans (conducting risk analysis, formation of checklists and manuals, conducting crisis inspections). As the centrepiece of the program, intense full-day simulations of crises, tailor-made for the client company, are held in order to both educate and test managers in conditions approaching a real life crisis situation. In addition, CMA offers the assistance of KREAB's 150 management consultants to leaders grappling with crisis situations - A 24-hour, 365-days-a-year hotline is available.

We interviewed Lars-Ove Wennblom, Operating Manager of CMA, to discuss the topic of crisis leadership. He described the role of CMA further, stating "Our focus is how the management team handles the intangible assets in a company, those assets which cannot be insured in a traditional way" such as the brand and human capital. He stresses to managers the importance of having "backbone experience" and "pragmatic plans" in a world where the majority of the value of a company often is represented by its intangible assets – assets such as brand trust, perceived product quality, and the company's human capital, the same elements that cannot be insured. For Wennblom, crisis is defined by the speed at which the situation develops, making this "gut" experience all the more necessary for fast and effective decision making.

Wennblom believes there are three key issues that must be included in any discussion of crisis management: leadership, communication (external & internal) and human reactions (how people react when under crisis). How to face these issues forms the core of what is taught to managers at the

¹³ Background information provided by Crisis Management Academy brochure and website, unless otherwise specified.

¹⁴ On March 27th, 1980, the Norwegian oil platform *Alexander Kielland* (owned by U.S. Phillips Petroleum) capsized after the collapse of a support bracing. Of the 212 workers aboard, 123 were killed, making this the worst offshore disaster in Norwegian history. Notable is the contention that many of those killed could have been saved if there had been an effective emergency command structure in place, as there were 14 minutes between the collapse of the support and the capsizing of the platform – apparently nobody took charge to coordinate evacuation efforts. [The Alexander L. Kielland accident].

Academy. In addition, Wennblom takes exception to the belief that companies that provide crisis communication services provide the same results as those that provide crisis management. Specifically for crisis leaders, Wennblom identifies several important issues:

Be aware of stakeholders. A leader will almost certainly have to decide whom to contact out of a variety of stakeholders on the outset of the crisis, including board members, clients, customers and employees. Besides making the contacts quickly, thought must also be given to what must be said to each of these groups. Employees are a particularly important group of stakeholders, and are given special attention in the training sessions. Wennblom notes that a priest is included in the crisis simulations, and a doctor of crisis psychology is retained in order to provide a scientific approach to the issue of human relations.

Have a message. Wennblom comments, “What does it mean to say “no comment”? It means that you will not tell the truth! ... You should not say “no comment”, you have to say something.” The media (and by extension, the public) will not be satisfied with a “no comment” and will only look harder to see what it is the manager seems to be hiding. While one may not have all the answers right away, Wennblom suggests adopting the strategy of taking contact information from reporters and offering to brief them as more information becomes available, a proven “time-buying” technique.

Tell the truth. Wennblom holds that it is vitally important to tell the truth in all communications, especially with the media. Should it be discovered that you or your spokesperson has not been truthful with the media, it will almost certainly precipitate a new crisis! That said, it is not important to tell everything at once – good leaders tell only what needs to be told. “Tell the truth but not everything”, says Wennblom.

Designate responsibilities. The role-playing exercises are designed to highlight the limitations of individuals and the effectiveness of teams in crisis management. Leaders are taught that assigning the right person to the right task, regardless of rank, can go a long way in forming an effective team.

Be proactive and dynamic. Organizations that train with CMA are encouraged to develop action checklists, lists of important contacts and identify key issues before crises occur. At the same time, they are warned against developing thick booklets that describe what to do in every situation – Wennblom offers as an example a firm that came to CMA with a crisis management manual several centimetres thick and left with a guide consisting of just a few sheets of paper.

Make fast decisions. Wennblom’s last point is, in his opinion, one of the most important. The rapidly evolving environment typical of crises places enormous stress on the leader as it becomes necessary to make potentially life-altering decisions in a very short time frame. Methods to attain the self-confidence necessary to make such decisions are part of the Academy’s program, and are a central part

of the crisis simulation exercises. Through these exercises, managers get the closest experience possible to making real decisions in real crises.

Crisis Leadership at Vin och Sprit¹⁵

Vin och Sprit (V&S) Group, founded in 1917 as the sole importer, exporter, and wholesale trader of alcoholic beverages in Sweden, has undergone dramatic changes in the last 27 years. Beginning with the first exports of its signature product, Absolut Vodka, to the United States in 1979, V&S' efforts to diversify its business have resulted in the opening of operations in 12 countries and the establishment of over 125 markets for its products. This growth was in no small way spurred by the elimination of its monopoly supplier position with Systembolaget as part of Sweden's entry process into the European Union in 1995 and the subsequent sharp drop in Swedish market share. Today, one of the only links the 2,200-employee, fully competitive corporation has with its past is the fact that it remains wholly owned by the Swedish state.

In light of its new global operations, risks and responsibilities, V&S created the position of Vice President of Group Security & Risk Management in 2004. Mats Lindmark, the officer currently filling this position, recalls that he was contacted by the company's management board with a request to formalize the crisis strategy of the entire Group, as at the time only Stockholm had an organization that was responsible for handling crises. This "steering group", originally made up of a number of people, was reduced to the five people now in Lindmark's team.

Contrary to the practices of some firms, the roles of safety and security manager and risk manager were combined into one at V&S. Lindmark explains that the logic behind this is that these roles are in fact one and the same; only semantics separates them. He uses the example of a fire at a manufacturing plant; it is a risk to employee safety, a security risk due to the potential for arson, and is certainly an operational risk as it can interrupt production.

A highly structured approach to crisis management was deemed important by the board given the special ownership of V&S. Lindmark holds that the fact that V&S is state owned means that there is a difference in the way that it is treated in the media. Compared to his experiences in publicly held companies, V&S is on the end of more pointed questions and greater pressure from the public at large than its private contemporaries. Illustrating the concerns of the company, Lindmark remarks that it would not take long for a news agency such as CNN to report on the fact that V&S is owned by the Swedish Government in the case of a major contamination accident in the U.S. In addition, the implementation of an effective group-wide strategy would help in paying for itself by lowering the premiums charged by insurance providers for V&S' accident coverage.

¹⁵ Primary source for V&S background information: V&S Group 2005 Annual Report.

Lindmark defines crisis as "...a situation that cannot be handled with internal resources..." and as an event that is not adequately addressable with normal business procedures. Crisis for V&S is perceived as a threat to critical elements of the company, such as the safety of employees, customers, consumers and the environment. This definition also extends to the company's tangible and intangible assets, such as the brand and future earnings. In addition, it is characterized as being an uncertain situation, punctuated by urgent demands for information, a chronic lack of time and a rapid progression of events to a stage where there is a feeling for all involved that there is a lack of control over the issue.

Besides this textbook definition, Lindmark also states that he sees two sides to crisis, and risk in general – one of business opportunity and one of threat, his job being to remove the threat to as great a degree as possible. Free positive media coverage is one example of benefit from crisis, which arises when the threat has been effectively dealt with. Indeed, Lindmark notes that he can think of times when other firms have "extended" a well-controlled crisis to the long-run benefit of the company.

V&S attempts in the first place to avoid crisis incidents before they occur, but that said, when the crisis is already upon them, V&S develops a strategy with the objectives of

- Removing the threat
- Regaining control
- Limiting Damage
- Protecting and maintaining company reputation and competitive ability with the least possible impact.

The most important issue that V&S alerts its managers to in times of crisis is the crucial role of fast and effective communication. Lindmark states that this is V&S' strongest attribute; spokespeople for each business area and the group are clearly defined well before a crisis appears to deal with the masses of information demanded by all parties involved. This can include, but is not limited to, the Swedish government, the members of the board, the media, suppliers, distributors, concerned consumers and members of the public, and people within the company.

This issue of communications is, in terms of Lindmark's previous experience, the critical one when dealing with crisis. The development of instant communication mediums such as the Internet means that there is no time to develop potential Q&A [Questions and Answer] forms after the crisis breaks; in a matter of minutes after the news of a contamination incident breaks answers will be needed. Lindmark stresses that it is now more important than ever to "do things the right way first" by preparing and rehearsing communications well before the crisis appears.

In issuing communications, V&S urges its leaders to keep in mind a few broad guidelines:

- Never say “no comment” – This phrase only alerts reporters and other parties to the fact that you have something to hide
- Be direct and tell the truth
- Identify themselves as victims as well – This holds best when the company is subject to a malicious attack (arson, wilful contamination, etc)

The company spokesperson during the crisis is decided far in advance; this is, on the Group level, the director for corporate communications, who also has an alternate in the case that he or she is not available. This is mirrored in every business area, with spokespeople predetermined and communication paths to and from them already laid out so that communications are running smoothly from the first minutes of the crisis. Lindmark notes that the demand for information from external and internal actors that will arise after a crisis drives the need for an immediately available and fully briefed spokesperson. It is in this area, information distribution, where Lindmark feels that V&S’ crisis plans are strongest.

In the interest ensuring a rapid and proper response to future crises, a crisis management “control room” has been established, as well as an additional switchboard at reception to filter the incoming calls and direct them to the proper authorities. The room also serves as a place where all the staff involved in resolving the crisis can meet face-to-face and communicate most directly during times of crisis. These considerations are important for V&S not only for the ownership reasons as stated above, but also for coping with potential damage to the brand and in determining the perception of the crisis to those inside and outside the organization.

Besides the meeting room, V&S also relies upon “Crisis Commander”, a web-based database developed by Svensk Krisledning AB for coordinating, communicating and logging of information and decisions in crisis situations. This tool is available, via a secure internet connection, to anyone in the company, allowing those unable to be part of the meeting to get instantaneous updates on the proceedings.

Actually determining who is to be the leader in the crisis is another major part in the overall management plan. V&S has taken the decision that the CEO must not be the crisis leader; although he or she will play a large role in deciding who the leader should be. This is normally the manager of the business area affected, but can be the vice president or some other specialized person (i.e. an engineer) depending on the situation.

When constructing crisis management teams, Lindmark states that leaders too frequently pick people not because of their qualities, but because of their position. These people could potentially not handle the crisis, but it is difficult to tell them so. Lindmark is certain that there are people in the structure today, as in any company, who are not the right person for the job of crisis management. This is to say

nothing about their skills as managers; they simply may not be up to task to deal with the pressure of crisis leadership. No company he has worked for has the stomach to put together a crisis management group with free hands, as is done in organizations such as the military, as company hierarchy and prestige gets in the way.

Central to V&S' strategy is ensuring the trust of employees. Loyal and satisfied employees, who feel they are valued by the organization, will care more about their work and care about the image the organization presents to the world. Not only will disloyal employees be inefficient and apathetic with regard to their own work, they will also be reluctant to take action for the good of the company, in a crisis situation. Lindmark states "The staff is the basis for everything – we must take care of the employees... The product [can be] good, but without the staff it is nothing".

It was in fact an employee safety situation that has resulted in the (so far) only time that the crisis management plan was put into action. When the December 2004 Southeast Asian Tsunami struck, the plan was placed into limited effect upon management receiving the news that up to 15 employees were in the area on vacation. While V&S has no operations in Asia, the group was activated in order to assist employees and their families who were affected by the disaster. The objective was to show staff that management sincerely cared about the welfare of employees. Lindmark recalls that this action was greatly appreciated by employees and generated a fair amount of goodwill with the public.

A very important exception to the crisis plan, which Lindmark brought up, was the Systembolaget bribery scandal. When some V&S agents were accused of bribing local Systembolaget managers into stocking V&S products, the company responded not by activating the Crisis Management Group, but instead by contacting outside auditors to investigate the allegations. This was done in order to show that the company was genuine about its concerns and realized that there would be credibility issues if the result of a study by V&S staff concluded that no wrongdoing took place at V&S.

This leads to one of the most critical issues for V&S leaders: maintaining the brand image through the crisis. To some extent, all of the activities the company undertakes during crisis should keep brand image in mind, crisis situations being no exception. Lindmark cites as an example the M/S Estonia sinking, a situation in which the management, in responding to queries about the loss from the media and public, responded that "We are insured against such things". In addition to being an extremely insensitive response to the deaths of hundreds, Lindmark recalls that the stock price of the company sank by 50% over the course of the day.

Regarding the theory of crisis leadership, Lindmark has the opinion that "crisis is crisis" – the details of a given crisis may be different from any other, but the basic ideals and concepts a leader must grasp remain the same. With experience working in the hotel, telecommunications, airline, pharmaceuticals, and now alcohol industries (as well as with the Swedish Police), Lindmark states that *leading* during a crisis is fundamentally the same no matter what industry or situation. In particular, honesty, openness,

clarity in leadership, desire for consensus in dealing with the issue, and sincere effort to be informative are important.

SAS and the Linate Disaster

In the morning of October 8th, 2001, Scandinavian Air Systems (SAS) Flight 686 was preparing for takeoff from Milan's Linate airport, destined for Copenhagen, Denmark. Weather conditions were reported as "heavy fog", with a visibility range of 50-100 meters. At the same time, a brand-new Cessna Citation II private jet, intending to take off from the runway parallel to that used by the SAS flight, instead misunderstood directions from the control tower and proceeded down the wrong taxiway, one which intersected SAS' runway at mid-length. Due to the heavy fog, this mistake was not seen by the control tower.

Moments later, the SAS McDonnell-Douglas MD-87 airliner, after having been cleared for takeoff by the control tower, began travelling down the runway at full thrust. At the same time the crew of the Cessna private jet, still oblivious to the fact that they were on the wrong taxiway, inexplicably rolled past the "stop" line at the edge of the active runway and entered the path of the SAS flight. The SAS crew, unable to see the aircraft until the last moment, struck the Cessna at a speed of approximately 270 km/h, veered off the runway out of control, ultimately impacting a baggage handling building. This disaster cost the lives of all 110 passengers and crew on the SAS flight, as well as the four aboard the Cessna, with four more victims on the ground. According to the Aviation Safety Network [aviation-safety.net] it remains today as the second most deadly air crash in Italian history, and the worst accident by far for SAS.

In the days following the accident, Roberto Maiorana, SAS's general manager for the Greek/Italian region, could not have known exactly what happened in Linate – but still had to deal with the consequences of losing a fully loaded passenger plane, the nightmare of any airline. We were fortunate to have an opportunity to interview Mr. Maiorana, listening to the account of one who has first-hand experience of handling a major crisis – in this case, one that has claimed the lives of clients and employees, with responsibility for the accident not immediately clear. Being at the center of attention, Maiorana learned a lot from this experience and was willing to share his thoughts and reflections with us.

The accident occurred on a Monday morning, a normal working day, meaning SAS had all its material and personnel resources readily available. Maiorana himself was at his Milan office and arrived at the Linate airport only half an hour after the tragedy occurred. This provided the management of SAS with an opportunity to react quickly.

SAS officials were not immediately permitted at the scene of accident and could therefore not assist in the rescue of people from the wrecked aircraft. Instead, Maiorana states that the focus and resources

had to be employed in areas where one could make a difference – namely, to the families and friends of the victims. This approach had two important effects. First, the loved ones of the victims felt they were taken care of, and this aided them in dealing with the difficult situation. Second, it demonstrated to SAS employees that their company took the matter seriously, viewing the incident not just in terms of profit and loss. This philosophy was meant not just to “do the right thing” but also to engender employee loyalty and foster team spirit in difficult circumstances.

Like any airline, SAS is aware of the potential for disaster, and has dedicated time and money to develop a comprehensive emergency plan. SAS has detailed procedures to be used in case of emergency that are developed and coordinated by an internal group called the Emergency Response Organization (ERO). ERO carries out emergency response training (ERT) for employees, simulating stressful situations that SAS representatives can expect to be faced with in disaster scenarios. In real-world situations, an emergency center in Stockholm is established which is equipped with open telephone lines, computers connected to informational databases using supporting software, and other technological tools which facilitate effective communication. Gathering information about the situation as soon as possible is prioritized, along with meeting with the families of those involved and establishing early contact with the governmental authorities in control of a given situation. This preparation and exercise enable employees to act on procedures despite pressure and the exposure to emotionally difficult situations.

This focus resulted in lasting relationships with the victims’ families. Beyond the monetary compensation of \$25,000 for each deceased family member, SAS acquired the assistance of disaster management specialists Kenyon International¹⁶, who combed through the wreckage in the search for the personal effects of the victims. Although this was extremely difficult and time consuming work, Maiorana reports that it was very much appreciated by family members. Even very small objects such as pens were traced back to the owners. Although it may hard for outsiders to see the significance of getting a pen back, according to Maiorana, it is up to the families and friends to judge that. For some, it meant everything.¹⁷

Maiorana states that SAS’ efforts in comforting victims and responding to the media were aided in no small measure by the conclusion early on in the investigation that SAS had no fault in the accident. However, mistakes that could escalate the crisis could still be made, and the first press conference was viewed to be crucial in any case. SAS had learned from the Swissair Flight 111 accident¹⁸ that families as well as journalists want to see the highest rank as soon as possible – this helps to convince the public

¹⁶ Kenyon International, founded in 1929, is a disaster management firm specializing in aviation accidents and other “mass fatality” incidents.

¹⁷ Family members were presented with an album of photographs of recovered objects that could not be definitely linked to any individual, allowing them to receive personal objects they recognized. Maiorana recalls that one person was in this way able to recover, in her mind, the most important artefact – her grandson’s favourite, ordinary BIC pen, identifiable by the way it was chewed on one end.

¹⁸ Swissair flight 111 caught fire and was lost with all aboard over the Atlantic during a flight from New York to Geneva on September 2nd, 1998. The likely cause of the accident was the faulty wiring of the inflight entertainment system, and lack of fire detectors in the plane’s cable trays. Allegations of wrongdoing dogged the system provider, Boeing and Swissair until the latter’s bankruptcy in October 2001. Sources: Aviation-safety.net

that the company takes the incident seriously. Therefore CEO Jørgen Lindegaard came down as soon as possible and attended the second press conference at 6pm that day.

Maiorana said it was important, in this early stage, to give *objective* information to the media. Instead of saying what SAS thought and believed, the company only provided facts. Furthermore, the representatives carefully selected their words when responding to questions; Jørgen Lindegaard was questioned regarding his opinion on how the accident would affect the value of the company and the shareholders. Lindegaard replied by stating that such matters were important at that time - saving people and taking care of the families were the only things on SAS' agenda, according to management.

Maiorana recalls that this statement (and philosophy) effectively eliminated difficult questions from the press. This candid behavior surprised the international and particularly the Italian press – SAS was immediately respected by the media for the way the crisis was handled. Former SAS VP Marie Ehrling, who worked with CEO Lindegaard in handling the crisis, became well known for the way SAS handled the incident.¹⁹

As a counterpoint to SAS' behavior, the handling of the accident, the response of the Italian aviation association, airport staff and government officials involved lacked finesse, and did more to help SAS' reputation than their own. None of these parties were ready for an accident of this magnitude, and each attempted to shift responsibility as soon as possible. In Italy, there is term called *scarica barile*, meaning one blames someone else instead of taking responsibility and admitting one's own mistakes – “finger pointing”. This strategy was adopted by most of the Italian officials, leaving a vacuum of official authority. As a result, none of these offices held credibility with the media or the public, and their efforts to come to an understanding with the former and forge bonds with the latter came to nothing. Some offices attempted to address the issue of tragic human loss in the same manner as SAS. These parties showed sympathy by saying that “we know how you feel” - however, Maiorana said this only contributed to expanding the distance between the officials and victims. Only the victims' loved ones could truly understand the loss, the lesson being that the officials could not pretend that they were just as hurt.

Coming less than a month after the 9/11 terror attacks in the United States, and coming just one day after the coalition invasion of Afghanistan, there was immediate suspicion that terrorism was a factor – this was however found to not be the case. Instead, focus shifted to the actions on that day of both the air traffic controllers and the pilot of the Cessna, as well as on the management of the airport. Italy's investigative board, the Agenzia Nazionale Per La Sicurezza Del Volo (ANSV) determined that the management of the airport was deficient, citing failures to adhere to standards regarding signage and layout of the airport, while the control tower officials were found liable for failing to notice that something was amiss in communications with the Cessna. Additionally, the Cessna pilots were

¹⁹ Lottie Knutson, Information Director of travel agency Fritidsresor during the events of the Southeast Asian Tsunami of 2005, was later compared with her in terms of effective crisis communication. [Svenska Dagbladet: January 18th, 2003 and January. 9th, 2005]

unqualified to fly in the prevailing weather conditions and unfamiliar with the layout of the airport, contributing to the accident [ANSV Final Report, 2004]. SAS and its pilots were absolved of any guilt in the accident, while several Italian officials at Linate received prison sentences for manslaughter.

We asked Maiorana to briefly describe what, for him, the greatest learning points of this incident were. There were many learning points on both professional and personal levels in addition to the aforementioned issues. Starting with the former; it is crucial to have skilful people around you. SAS was prepared for such a crisis and accordingly had the right people ready to perform their respective tasks. Maiorana further emphasized the importance of having the PR team close. Preparing for a crisis and hiring professionals and skillful people may be a victim of cost cutting in some companies, but Maiorana argues it is very important. Communication is probably the most important thing during a crisis and Maiorana saw the importance of being able to communicate in local languages. SAS used Maiorana himself of course, but also got help from Al Italia which provided employees to assist SAS. In addition, there were people fluent in all Scandinavian languages in the crisis team SAS flew down to Milan. SAS is a member of the Star Alliance which consists of airlines across the whole world covering a range of different languages. This can in the future provide help in case of an accident. Maiorana also recognized the significance of a thorough work and assistance in the time after the accident. However, on a personal level, you cannot get too emotionally attached. As a professional and part of the crisis team, you have to know your task, go in, do it, and then leave. Rationality is a key word which also brings us to Maiorana's definition of a good crisis leader. A leader must think rationally. Maiorana used Giuliani and his actions after the 9/11 terror attacks in the United States as an example. The former mayor of New York City did not care for who died but worried about who lived. One has to be able to realize what you can do and what you cannot. Only then can one make a difference.

METHODOLOGY

Constructing this paper as a set of case studies was a natural decision, considering that it makes for a far more compelling (and interesting) paper given that our topic is so rooted in the “human factor” of business management. Our predisposition to adopting a case study format for our research is supported in a more material way by the work of Dr. Robert Yin, President and CEO of the COSMOS research firm, who compares case studies with other research strategies in the social sciences. When compared with strategies such as surveys and archival analysis, Yin advises that case studies are best suited to answer research questions of the “how” and “why” variety, with their special focus on contemporary events and freedom from control over behavioural events seen as benefits in comparison with a research strategy based on experiments [Yin:1]. Furthermore, Yin and Saunders, Lewis and Thornhill [94] hold that case studies are particularly suited to clearly illustrating an otherwise difficult to define subject. Saunders et al. [94] summarize the case study strategy, and our ultimate desires for this paper, thusly; “[The case study strategy] will be of particular interest to you if you wish to gain a rich understanding of the context of the research and the processes being enacted... [w]e would argue that case study can be a very worthwhile way of exploring existing theory”.

In applying the case study approach to this paper, we make the acquisition of primary sources of information a priority. By conducting research first through analysis of publicly available documents and third party reports, followed by interviews with managers and leaders who were “in the trenches”, we compare the theory of crisis leadership with what these people actually did when staring crisis in the face, and gauge their success based both on their opinions as well as those of other stakeholders and critics.

Analytical Approach

When the idea of this paper was formulated, it was initially intended that the analytical approach adopted would be a deductive one. That is, we would use theory to specify hypotheses regarding what attributes leaders should have, and seek to determine if these hypotheses were valid in the “real world”. However, it was not long before we ran into troubles with this strategy. Following the description of deductive methods as given by Saunders et. al., [87-88] we found that one of the main characteristics of deductive theses were *operationalized* concepts, a process whereby key concepts are strictly defined in order to facilitate measurement and comparison. “Crisis”, on the other hand, is a highly subjective term, as many scholars, analysts and decision makers differ on what actually defines a crisis. Lagadec [26] states that “Perhaps one of the most basic characteristics of crisis is that the analyst or the decision maker can never get a firm grip on it”.²⁰ Our difficulties in forming hypotheses are captured in what Lagadec [xxxvi] identifies as the leitmotif of his book: “In a crisis, the solution is not to be found in

²⁰ We present the definition of “crisis” for the purposes of this paper in the following section.

magical formulae that decision makers can apply with their eyes closed, and with as little reflection as possible.”

While strongly worded, it serves to illustrate his point that no “airtight” definition of crisis, and corresponding management “script” can be created - what might be prescribed for a given organization to handle its crisis with glowing success, may result in complete failure for another. Therefore, we felt the ambiguous nature of crises coupled with the need for large samples in deductive reasoning combined to create a negative synergy that precluded the use of the deductive line of approach.

The inductive approach, described as where theory follows data and much attention is paid to the way humans perceive their world, is more suited for research into crisis leadership in our opinion. The inductive approach allows for more flexibility in defining the phenomenon to be studied and focuses on the context in which events are taking place; the objective here is to gain an understanding of the problem, rather than identify direct causal relationships [Saunders et. al.:88-89]. This is critical when dealing with an issue with a definition as nebulous as “crisis”, as it allows greater room for alternative theory generation and innovative explanations.

Another aspect of our chosen analytical approach is our decision to rely almost exclusively upon qualitative information for the derivation of our hypotheses. Saunders et. al. [91] point out that this is a common strategy and indeed one of the defining attributes of an inductive approach. We were naturally driven to this method of data analysis due both to the small number of cases we present as well as the difficulty in obtaining said data, as firms are not always willing to share information on their crisis experiences, as we soon found.

Construct Validity

Construct validity is the degree to which correct measures have been applied to the concept being studied. [Yin:34] This is especially problematic in case study research. Those who are critical to case study research argue that a sufficiently operational set of data cannot be obtained and that there is a subjective bias in the collection of the data. Yin provides three tactics to increase construct validity; (I) use multiple sources of evidence, (II) establish chain of evidence and (III) have key informants review draft case study report. [Yin:34] We have gathered data from several sources of evidence, including supporting textbooks, journal articles, newspaper articles, brochures/reports, electronic resources and interviews. Further, we have sought to maintain a link between the questions we asked, the data we collected and finally the conclusions we drew. The three interviewees have all received this thesis prior to publishing. Yin argues that incorporation of these principles into a case study investigation will increase its quality substantially [Yin:83]. We therefore assess the construct validity to be semi-strong.

Internal Validity

Internal validity is the degree to which there can be established a casual relationship whereby one event leads to another without being influenced by some third factor. [Yin:36]. However, this logic is only applicable to explanatory studies. A descriptive or explanatory study (like ours) is not concerned with making casual claims [Yin:36]. Yin does extend the concern over internal validity to the broader problem of making inferences. Inferences are made when events cannot be directly observed. Based on the interviews and other material collected for the case study, the investigator infers that a particular event results from some earlier occurrence. The degree to which an inference is correct is difficult to determine, and the tactics for achieving a desirable result are problematic to identify. Yin mentions four analytical tactics; pattern matching including addressing rival explanations, explanation building and using logic models. Pattern matching is only relevant for descriptive studies if the predicted pattern of specific variables is defined prior to data collection. Such action was not undertaken for this study. As far as explanation building is concerned, this tactic is again mainly relevant to explanatory case studies and is therefore not a tactic we pursued in order to increase internal validity. Likewise, logic models were not applied to our study. To summarize then, we judge internal validity not to be a great concern but the inferences we have made may be subject to dispute.

External Validity

“...case studies, like experiments, are generalizable to theoretical propositions and not to populations or universes. In this sense, the case study, like the experiment, does not represent a “sample,” and in doing a case study your goal will be to expand and generalize theories (analytic generalization) and not to enumerate frequencies (statistical generalization). [Yin:10]

Yin’s thoughts on the generalization potential, or external validity, of case study research illustrate both our goals for this paper, and the weaknesses inherent in it. We cannot expect to be able to develop a comprehensive guide that details the demands on crisis leaders for every crisis from the cases we have studied (statistical generalization), although we can expect to be able to draw some conclusions and build some theoretical understanding of what defines successful leaders who are involved in situations similar to those that we present (analytic generalization). In short, while the results of this research cannot be applied to all crises, we can say that these cases provide useful insight into the theory of crisis leadership, and do allow us to formulate some basic hypotheses on the nature of Crisis Leadership.

In selecting our case studies, we attempted to provide a cross section of the crises that an organization can face, thus increasing the validity and usefulness of our findings. However, crisis being what they are, many organizations are reluctant to openly discuss those they have faced or are facing, limiting our opportunities for discussion. For that reason, we realize that there is a selection bias in the information that we gather from interviews, as it is for the most part only representatives who are comfortable with

the results of their crisis who are willing to talk about them. Still, that does not mean that there is nothing to be learned (or missteps to be discovered).

Reliability

Reliability is the degree to which a later investigator can repeat a specific case study, and importantly, arrive at the same findings and conclusions [Yin:37]. Hence, the goal of reliability is according to Yin to minimize the errors and bias in a study. In the following discussion, we will demonstrate that we have attempted to minimize errors and bias, but we will also acknowledge some limitations.

Following the guidelines by Yin, we have sought to document our procedures to the greatest extent possible which facilitates a replication of our study. One problem with our interviewees is that by nature, they are dynamic. That is, neither their responses to the questions asked nor their positions in the respective companies are static. Their opinions can be influenced or changed by new experiences and/or can be reflected based on the organizational position they hold in the companies. We acknowledge that this would represent a major challenge if the cases in this paper were to be repeated. However, in order to reduce any bias, we have sought to complement information from the interviews with, among other things, information provided by the media, which we judge not to be subject to such discrepancies. We therefore assess the reliability to be moderate. That is, we argue that arriving at the same findings is very likely but that it may be difficult following the exact same route.

THEORY

Overview

Crisis management and crisis leadership are topics that are intimately related; as leaders are the ones making the decisions, it is their actions (or inaction) that define the impact of any crisis on the firm. While there are few books and articles that deal exclusively with “crisis leadership”, there are many that deal with crisis management, and therefore address leadership aspects as well.

In this section our objective is to construct a theoretical framework of the existing theory by turning to the works of those who have most directly defined and driven study into crisis leadership, influencing thought in the field through to today:

Steven Fink: President of Lexicon Communications Corp, the oldest full-service strategic public relations and crisis management firm in the U.S., Fink has been featured as an expert crisis commentator on CNN, FOX News and TIME, and has given many crisis-management seminars to firms and universities. In addition, he helped develop the Stanford University Graduate School of Business’ crisis management course curriculum. Fink personally has been the advisor to many governments, U.S. and otherwise, and served as unpaid advisor to the leadership of the Soviet Union during the Chernobyl accident. His company has had as clients some of the world’s largest multinationals, such as Nike, Pfizer and 7-Eleven. (www.crisismanagement.com).

Patrick Lagadec: Director of Research at France’s Ecole Polytechnique and member of the European Crisis Management Academy, Lagadec specializes in research into crisis management and prevention in unconventional crisis environments. He has also served as a consultant, trainer and strategic advisor in crisis situations, including the 2002 anthrax crisis in the U.S., the Toronto SARS scare, and Hurricane Katrina. (ceco.polytechnique.fr/fichiers/ceco/perso/fichiers/lagadec_345_Patrick_Lagadec_CV_English_19.10.06_III.pdf)

Ian Mitroff: President and Founder of Comprehensive Crisis Management (CCM), a consulting firm specializing in human-caused crises, as well as Professor Emeritus at the Marshall School of Business and the Annenberg School for Communication at USC. He has been featured as a guest on CNN and CNBC as well as numerous radio shows across the U.S. CCM has served as an advisor to General Motors, Kraft Foods, Dow Chemical, Mobil and Taco Bell Restaurants. (www.mitroff.net/bio.html#, www.compcrisis.com)

To complement this body of theory, we use the thoughts and opinions of other persons whose written work on their experiences further sharpen the concept of Crisis Leadership as presented in this paper.

The Structure of Crisis

When analyzing any phenomenon, it can be useful to have an understanding of its basic structure to start with. The four-phase structure of crisis as developed by Fink forms the starting point for the theoretical discussion of this paper.

Fink uses the language of the medical profession, likening the situation of the company in crisis with that of a patient succumbing to a violent illness. Just as patients at a hospital can rapidly progress from initial diagnosis, to an acute display of symptoms, and further to recovery or death, Fink holds that firms can follow a similar path as a crisis situation confronts them. Just as an illness, a crisis can occur within a short or long space of time, with a crisis potentially being as fluid, unstable and dynamic a situation as any disease. Fink's four stages of crisis are:

- Prodromal
- Acute
- Chronic
- Crisis resolution

[Fink:20]

Appendix 1 provides a visual adaptation of Fink's theory on crisis stages, which serves as an effective summary and allegory on the psychology of crises.

The Prodromal Crisis Stage

The prodromal²¹ crisis stage serves as the “warning” stage in crisis, although Fink [21] notes that this warning may not always be easily visible. “Prodromes” in turn are described as the individual warnings of approaching crisis. As an illustration of the forms that prodromes can take, Fink [22] mentions metaphors such as the storm clouds a sailor may see on the horizon (an indicator of unavoidable rough seas ahead) or the threat of a union leader to strike next week unless demands are met (a situation where intervention may yet be possible). Fink also offers some examples of more subtle prodromes, such as the fact that operators at the Three Mile Island nuclear plant in the US were cheating on their routine aptitude tests [10-11].

Paralleling this theory is the concept of “crisis creep” put forward by experienced U.S. executive and political/military advisor Norman Augustine. This phenomenon is described as one where a crisis develops slowly and almost imperceptibly until it culminates in spectacular event. The example given by Augustine is the rising chorus of concerns voiced by NASA engineers over the ‘O-Rings’ on the boosters of the Challenger space shuttle [Augustine:19]

²¹ prodromal = symptomatic of the onset of an attack or a disease

It is interesting here to note that Augustine, responsible for the largest operating unit of aeronautical manufacturer Martin Marietta at the time of the Challenger space shuttle accident,

“...pour[ed] over the initial flight data when it appeared that Martin Marietta’s hardware had caused the failure. As it turned out, our external fuel tank was not the culprit. But the soul searching we endured was not an experience any of us soon forgot” [Augustine:7].

Augustine further uses the Challenger incident as an example of ignorance of management over the concerns raised by engineers over the safety of the rocket boosters which ultimately destroyed the shuttle, quoting philosopher Demosthenes: “Nothing is easier than self-deceit. For what each man wishes, that he also believes to be true” [Augustine:19].

Three years after this article was published, Space Shuttle Columbia was lost on re-entry over Texas due to damage sustained to the shuttle’s heat shielding by the shedding of foam from the external fuel tank during launch – an event that had apparently taken place on every previous launch, had been recorded by video cameras numerous times, and had been brought to the attention of management by engineers, but was disregarded [CAIB, 2000]. This was an almost identical lead-up to the failure of the rocket boosters on Challenger seventeen years earlier. Thus, Augustine’s own actions provide an unwitting example of his “crisis creep” theory and overconfidence in existing procedures and systems – in this case, the documented flaws and eventual failure of the shuttle’s fuel tank, produced by Martin Marietta.

The Acute Crisis Stage

Fink views this stage as being that when the crisis “erupts” onto the scene. “Once the warnings have ended and you have passed from the prodromal into the acute crisis stage, you can almost never recover the ground you lost... It is usually the acute crisis stage which most people have in mind when they speak of a crisis” [Fink:22]

According to Augustine, even recognizing that there is in fact a crisis can be a most challenging step. Importantly, Augustine argues that relative perceptions of a given issue play a large part in determining if it is a crisis or not; “In general, you need to understand how others will perceive an issue and to challenge your own assumptions” [Augustine:15]. Augustine’s example of this is Intel’s initial dismissal of a minor flaw in their processors – while Intel was correct in its diagnosis that it would not impede performance for everyday users, their reluctance to offer replacements to customers severely damaged their reputation [Augustine:14].²²

Mitroff is also a champion of early, decisive action upon the emergence of crises. In the opening stages of the crisis he states that “...there is tremendous technical and ethical uncertainty regarding what one

²² In the end, replacements were offered; only about 3% of individual consumers took them. [Augustine:15]

should do, especially with respect to how much responsibility one should assume from the beginning” – and that this uncertainty will only be more intense with greater crises. [Mitroff:25]

The key in this stage is to control and contain as much of the crisis as possible. Fink’s example of this is the press department of the U.S. White House: when there is news to release that it finds “unfavourable” it is not released Monday morning, but instead released on Friday evening. The reasoning behind this is that by releasing the news as close as possible to the weekend deadlines, reporters are forced to take the White House’s version of events more or less “as is” as there is insufficient time to reanalyze and reinterpret the information. This gives the White House some degree of control over the message [Fink, 105].

On the point of containing the crisis, Augustine notes that while *some* decision is better than none at all, such decisions are very difficult, as “usually you don’t know what you don’t know. There may be too little information or there may be far too much, with no way to sift out what is important.” [Augustine:21]. Like Fink, Augustine borrows the terminology of the medical field, in that the objective at this point should be “...stopping the haemorrhaging” [Augustine:20].

The Chronic Crisis Stage

This stage is associated with the cleanup and repair of damage done by the crisis. Fink defines it as the time when there will be “a congressional investigation, or an audit, or a newspaper expose, or a long period of interviews or explanations...” as well as potentially one of “...financial upheaval, management shake-ups hostile takeover attempts, or bankruptcy.”[Fink:24].

This chronic stage can last for an indefinite period. But crisis management plans can, and do, shorten this phase. In a survey of the Fortune 500 chief executive officers, it was revealed that companies without a crisis management plan reported suffering lingering effects of a chronic crisis as much as two and a half times longer than companies that were prepared with crisis management plans. [Fink:24]

The Crisis Resolution Stage

This stage is what the crisis management team aims for, and it should be reached as quickly as possible as soon as prodromes are spotted. However, life, both inside and without crisis, is rarely so simple; crises need not necessarily come one at a time but in pairs or groups. Fink states that

“...crises are not tiered on a convenient plateau system. The crisis cycle makes it difficult to see where and when one crisis ends and another begins. This is especially true in situations where the ripple-effect complications of one crisis set off other crises. This is why ... it is so critical to be able to identify the real crisis.” [Fink:28]

Thus armed with a framework to which it is possible to attach more detailed discussion on the theory of crisis leadership, the next section introduces three elements of that theory that are common through the writings of the consulted authors. The objective here is to describe a construct of mutually supporting elements, drawn from existent theory on crisis leadership. The elements (Strategy, People, Communication) form a “tripod” of ideas, where should one element (leg of the “tripod”) be missing, the others are unable to support themselves.

Strategy

As discussed already, plans are very difficult to formulate “on the spot” – some advance action is invariably needed to create coherent and effective leadership plans. As Augustine notes, “It is instructive here to recall that Noah started building the ark *before* it began to rain” [Augustine:11]. Augustine relates that Elizabeth Dole, president of the American Red Cross (and head of an organization that regularly deals with crisis), stated that “The midst of a disaster is the poorest possible time to establish new relationships and introduce ourselves to new organizations” [Augustine:12].

In addition, Fink calls attention to the “ripple” (butterfly) effect that crises can have on secondary and supporting industries – as a result, “Every business, large or small, public or private, should have a crisis management plan”, with the only conceptual difference being that of scale [Fink:54].

That said, a discussion on creating comprehensive crisis plans for the organization falls outside the scope of this paper. As stated by Fink, the objective of developing an effective crisis management strategy is to “...preset certain key decisions on the mechanical portions of the crisis... [leaving] you to manage the content portion of the crisis with your hands unfettered”. [Fink:55]. Simply put, it is an attempt to “automate” as many actions in responding to the crisis as possible, rather than forge a specialized response for every crisis and every organization.

Lars Johansson²³, experienced crisis management and information consultant, shares this opinion. He considers prefabricated crisis management plans to be of minimal importance for handling a given catastrophe. He argues it is more important to be prepared for the fact that the information one receives early is limited and often incorrect. It is then important to immediately assume the worst case scenario, quickly act and make decisions thereafter. [Svenska Dagbladet, January. 12th 2005].

“The foundation act” in responding to crisis is, as Lagadec describes it, the leader taking a position of leadership [Lagadec:268]. Specifically, a leader takes charge of the crisis, and it is this person’s task to implement the plans which (hopefully) have been drafted in advance. Lagadec borrows the words of Henry Kissinger – “the most important role of a leader is to take on his shoulder the burden of ambiguity inherent in difficult choices. That accomplished, his subordinates have criteria and can turn

²³ Lars Johansson has previously been information director at Telia (1993-1995), Tetra Pak Norden (1995-2003), Skanska (2003-2004), and now works for his own information consultant agency, Silent Fiction AB.

to implementation” [Lagadec:268]. At the same time, Lagadec warns against drifting towards simple minded, overconfident heroics in leading during crisis. In his opinion, the leader who is “...devoid of sentiment, sure of his troops and with the sort of confidence that will enable him to overcome the crisis in a trice” is an interesting concept, but doomed to failure in the face of complex crises that demand more inventive thought [Lagadec:269].

Further, Lagadec states that it is of great priority after the breaking of the crisis to “place your name” on the crisis – that is, to identify what the root issue is, what it is impacting, (the “field of operations”) and to make clear the plan of action [Lagadec:270-271]. This line of action, says Lagadec, must follow a defined policy, or else the leader runs the risk of becoming a “pawn of the crisis” [Lagadec:272]. This policy relies on the values not only of the company, but upon the individual; Lagadec uses Johnson&Johnson’s policy of caring for the public first during the Tylenol crisis as an example of successful implementation of a cohesive policy. [Lagadec:272]. Augustine too stresses the importance of having a clear vision and the will to stick to it; he also cites Johnson&Johnson’s experience and adds that “Organizations that have thought through what they stand for well in advance of a crisis are those that manage crises best” [Augustine:23]. Mitroff underlines this with the observation that “...the statements of company or agency officials are almost always followed immediately by news clips showing internal company documents that directly contradict the statements” , sending the credibility of those firms without a consistent strategy and value base into a nosedive [Mitroff:30].

Unfortunately, detailed plans are not always available, and the leader must take it upon themselves to deal with the crisis “on the fly”. Lagadec suggests that, in the absence of clear, positive guidelines, it is an advantage to identify negative principles, such as “This is what we shall not allow ourselves to do in such-and-such a situation, as it would only deepen the crisis” or for specific situations “What are the three mistakes to avoid, and the three initiatives to take within the next hour?” [Lagadec:274].

Augustine remarks that when companies identify a problem, they often focus on the technical aspects and ignore how the public perceives the problem. This misclassification leads to a worsening of the original issue, possibly developing a public relations crisis out of an otherwise minor technical issue. In general, the leader needs to understand how others will perceive an issue and to challenge their own assumptions. As an example, Augustine cites Intel’s difficulties with its Pentium microprocessor in 1994 and the chip’s inability to performing complex mathematical calculations precisely. Intel chose to ignore complaints and consequently got widespread negative media coverage for distributing a “defective” product. When the company finally offered to replace the chips, few users accepted; the issue all along was that Intel refused to take its customers seriously and admit that its product could be defective [Augustine:16].

Lagadec further advises that a “log book” is created as soon as possible after the breaking of the crisis. This book will list “...the elements of information received, the procedures undertaken, and the steps already decided upon” [Lagadec:202]. The rationale given behind this is that it is easier to ensure

consistency in action over “the long haul”, revisit previously made decisions, and record who said what and to whom what responsibilities are designated [Lagadec:202]. Lagadec notes additional benefits: writing forces the writer to think clearly and objectively, facilitates information sharing (such as between teams or to one’s relief during a long crisis), and provides a sense of distance and perspective that may be lacking when in the midst of crisis [Lagadec:203]. To those who may feel that note-taking is a rather pedestrian activity when so much action is occurring around oneself, Lagadec notes that the Prussian army considered this a very important task, sometimes assigning it to a colonel. [Lagadec:204].

Calling upon the expertise of external experts in a given crisis is also one complement to the overall strategy. Lagadec notes, however, that the experts should have been identified well in advance of the crisis [Lagadec:287]. In addition, he takes exception to the idea of the “Crisis Management Expert”; “There is virtually no such thing as an expert in crisis management well acquainted with the type of overall difficulties encountered by decision makers in such cases, except in a few rare consulting firms, and there this role deals mainly with communication” [Lagadec:103]

Mitroff’s view this development as being virtually inevitable; “Unless the company hires an independent investigator on its own, it will be forced to do so later”. [Mitroff:30] The reasoning behind this is that the investigator can “...confirm or disconfirm the ‘facts of a crisis’ as the organization sees them”, boosting the credibility of official company statements. This view is seconded by Augustine, who states that “Asking the people who were responsible for preventing a problem whether or not there is a problem is like delivering lettuce by rabbit” – those outside the company have the distance from the situation to more easily make clear judgements of the situation. [Augustine:20]

In developing the strategy, Augustine notes it pays to search for subtleties or secondary effects; his example is that of the aftermath of Hurricane Andrew in 1992. Florida’s telephone companies discovered that the greatest shortage they faced in repairing damage was not one of power poles or wires but of daycare facilities. Utility workers with children relied on day care centers but these were wiped out in the storm, thereby reducing the workforce at the moment when it was needed the most. Mobilizing Florida’s large retiree population as ad-hoc daycare supervisors, thusly freeing the parents to return to work eventually solved this problem. [Augustine, 2000: 14].

Communications

Regarding the existence of radio, television, 24-hour news, telecommunications satellites and instant mobile telecommunications, Fink states that “The immediacy of our communications heightens the immediacy of our crisis, and sometimes the communication itself becomes the news it is intended to cover” [Fink:92]. Fink reasons that “If the media can communicate the news the instant it happens ... a company must be prepared to respond almost as fast” [Fink:92].

Fink states that one should try to envision events in two categories: those over which one is probably not in total control, and those over which one is in much greater control. The former is the crisis itself, and the latter is the communication of the crisis to the outside world. The leader may not be able to control the crisis itself, but can affect the public's perception of it. [Fink:93]

When should crisis communication begin? Both Fink and Marconi recommend that the time to begin crisis communication is when there is no crisis. Marconi advises that leaders should create a "reservoir of goodwill" with those one will rely upon during crisis situations, noting that "A key point is to not wait until you've got a crisis on your hands before you 'get worthy'. If you've planted the seeds of goodwill before you need what they will produce, you will likely not only weather your crisis, but come out of it much stronger" [Marconi:34]. The primary method to accomplish this is to develop personal relationships with these persons by calling, writing and listening to the individual concerns of these contacts [Marconi:122]. Ideally, the leader's company should already have a high level of credibility with stakeholders. Such a reservoir will be valuable when a crisis occurs because it will make the job of conveying positive information easier [Marconi:122] [Fink:96].

One of the most important steps the leader will take in responding to the crisis will be in deciding who will be the spokesperson of the company. Fink stresses that selecting the "top boss" can be a mistake; in many cases this appointment is acceptable,

But if you are confronted with a crisis involving technical information – such as the Hyatt Regency Hotel's Kansas City skyway collapse on July 18th, 1981, in which 110 people were killed – who would be the better spokesperson: the CEO of the Hyatt Hotel chain, or a structural engineer who might be able to discuss the crisis in more meaningful terms? [Fink:58]

Marketing communications consultant Joe Marconi also urges caution when bringing the CEO to the fore in a crisis situation, for other reasons:

This strategy has both pros and cons: It is good that management wants to be available and open, seemingly forthright with nothing to hide; it is bad in that management is supposed to be the last word on a subject. If the investigation is only begun, a CEO cannot reasonably be expected to have enough information to make a powerful, reassuring, or factual case. [Marconi:38]

Marconi goes further; "As CEO, he or she will be *expected* to have all the information. A spokesperson can promise to look into a matter and be forthcoming with a statement, but will not be expected to know everything", noting that it is also a strategy for the spokesman to "buy time" using this method [Marconi:38].

There are other viewpoints, however. Augustine makes the conclusion, based on the crises he has studied, that the value of immediately dispatching the senior responsible individual to the scene of the

problem – usually the CEO – is immense. “The CEO may know less about the details of the situation than the local management, but his or her physical presence sends two important messages: I care, and I am accountable.” [Augustine: 23]

Regarding the number of spokespeople, there is some dissent in the theory on if it is appropriate to have more than one person. Marconi stresses that it is of “great value” to have just one spokesperson, eliminating the chance for contradiction between spokespeople and release of fragmentary information [Marconi:125]. Augustine seconds this view, stating that “... a single individual should be identified as the company spokesperson ... If enough layers of management are superimposed on top of one another, it can be assured that disaster is not left to chance” [Augustine:24]. However, Fink states that it is quite acceptable and good practice to have more than one spokesperson – one handling technical issues, another dealing with company policy, with the Hyatt case described above as an example of this [Fink:58].

Media Communications

The authors make clear that communicating with the media will undoubtedly be one of the most challenging aspects of handling a crisis. While it is true that not all leaders will be called upon to communicate with the press, it is an advantage to know what is expected of those who do. Fink describes this section of his book as “Handling a Hostile Press” but goes on to say that anyone who constantly presses you for something is “hostile” – a customer, business partner or even an employee could fit this description. [Fink:103]

When communicating with the media, however, it is important to remain honest. Not all reporters are hostile by nature – Fink holds that, treated fairly and informed honestly, reporters can treat companies fairly in return.

“Whether you find yourself in a one-on-one interview or at a press conference, facing friendly media or hostile, honesty is of paramount importance. Being dishonest or less than honest with the media will only escalate your crisis into proportions that will stagger you. It will serve to destroy your present and future credibility with the media. It will undermine your efforts to bridge the adversarial-relationship gap....” [Fink:112]

The concept of honesty and open communications is one point on which all the authors are unanimous. Augustine notes that while in today’s lawsuit-filled world the lawyers may advise saying nothing, this is in fact exactly what you must never do. “If you aren’t prepared to talk... reporters will find someone who is. No comment is an unacceptable response in today’s fast-forward world of telecommunications. So, too, is ‘We haven’t read the complaint’ or ‘A mistake was made’” [Augustine: 22].

Augustine hammers the advantages of reflecting personally upon the situation:

“Organizations that have thought through what they stand for well in advance of a crisis are those that manage crises best. When all seems to be crashing down around them, they have principles to fall back on...You must set aside for a few minutes the voices of trusted advisers and, in as calm and dispassionate a manner as possible, evaluate in human terms the real issues and the real messages. By so doing, you at least have the comfort of defending a position that you believe to be correct.”
[Augustine: 22-23]

He also seeks the advice of millionaire investment banker Warren Buffet on the matter; the answer is to

“... state clearly that you do not know all the facts. Then promptly state the facts you do know. One’s objective should be to get it right, get it quick, get it out, and get it over. You see, your problem won’t improve with age.” [Augustine: 22]

Marconi agrees: From a marketing point of view, it is important to get your story in writing as soon as possible. In his opinion, being first to state your point of view is second only to being honest in stating that view. The advantage with this is being able to set the tone of the coverage and enable you to be proactive [Marconi: 125-126]. Mitroff carries the point further and describes the crisis situation as being one of “...a self-contained moral story in that there are clear ‘victims’ and ‘villains.’” [Mitroff: 25] Stakeholders quickly identify and mentally “lock in” who is playing what role, making it virtually impossible to break free from an unpleasant characterization [Mitroff: 26]. Lagadec adds, “The reality created by the media quickly becomes the accepted reality, even at the highest levels” [Lagadec:120].

A good example of management’s recognizing crises as they develop and moving quickly to resolve them is Proctor & Gamble’s response to the early fears that Rely tampons might be causing toxic shock syndromes. Whereas the evidence was tenuous the company decided to withdraw the products quickly. The positive long term effects outweighed the costly short term effects. “The company avoided long-term damage by putting into practice a principle generally embraced by business executives but all too often overlooked during a crisis: The interests of the customer must come first. Obviously, when it came to their health and safety, P&G’s customers’ greatest concern was whether they truly could trust the company whose products they had been using for years. P&G put trust and open communication with customers above all other corporate concerns and emerged a long-term winner. [Augustine: 19-20]

Non-Media Communications

Besides media communications, the authors advise that crisis leaders must keep in mind other stakeholders – employees, customers and (potentially) victims.

Employees must always be kept in mind when developing a communication strategy – they are just as much, if not more so, stakeholders in the fortunes of the company as anyone else – as Lagadec notes, “...it is in the interest of the personnel and unions to save their enterprise” [Lagadec:155]. It is imperative that employees not be left to learn about what is happening to their company from the

media, says Fink. At the same time, it must be remembered that anything said to employees will certainly leak out to the public, so care must be taken regarding what is divulged. [Fink:99]

Internal communication also plays a major role in determining the effectiveness of the crisis management strategy. Augustine [15], states that "...the best-laid plans are worthless if they cannot be communicated" and holds up examples such as the Pearl Harbour attack; an incident where effective and timely communication could have enabled the existing crisis plans.

Lagadec in particular draws attention to the issue of internal communication during crisis. A major risk here, he states, is that of "implosion": "...the slightest lack of internal information can cause the crisis to implode. As in the outside world, rumours will arise to fill in the gaps, at an incredible speed" [Lagadec:154]. Stifling internal communication can also create further damage, as "Unions and members of the personnel may have crucial information on what has happened. If the top executive does not open up communications channels, then not only will a good source of information be lost, but those who are cut off may be tempted to turn to the outside to be heard" [Lagadec:154].

With regards to communicating with victims, Lagadec states that there are a few "golden rules": "...provide information rapidly; maintain a tactful presence and ensure the family is not left out in the cold; offer help in overcoming the many difficulties likely to confront the victims, including the names and addresses of associations well-known for their expertise in the specific area of difficulty" [Lagadec:299]. Beyond this, Lagadec suggests that it is worthwhile to develop close relations with victims; in particular, he cites the example of Norwegian authorities who set up a reception centre for the victims of an air crash, which had representatives of the church, hospitals, transport authorities and psychiatrists, along with communication channels adapted for the various ages of the relatives [Lagadec:301].

People

The individual

The experts agree: leading an organization through a crisis is a stressful experience. Fink relates the feeling of being swamped with information and demands for action as being like "... walking through a maze backward, wearing a blindfold, and juggling lighted sticks of dynamite." [Fink:144]

The perception of the situation by the individuals involved plays a determining part in whether or not a crisis actually exists. Lagadec notes that statements such as "An organization is in crisis when it recognizes the fact" or "You know the crisis has hit when you implement the crisis plan" indicate the significance of personal interpretation [Lagadec:36].

“From the earliest stages of a crisis, there is tremendous uncertainty as to its exact nature, detailed causes, and even its exact type”, notes Mitroff. “As a result, there is tremendous technical and ethical uncertainty regarding what one should do, especially with respect to how much responsibility one should assume from the beginning” , and he holds that “...the more horrendous the crisis, the more that certainty will be lacking”. Further, “Considerable uncertainty is an integral feature of all crises, yet there is an intense need for certainty. This lack of certainty intensifies the anxiety that is an integral part of the crisis” [Mitroff:25].

Lagadec goes into considerable detail when discussing the consequences of stress in crisis situations. When under stress, “... [A] subject’s features become tense, they are less flexible, their ability to focus is narrowed, and their conceptual frameworks become very rigid.” [Lagadec:65] In surveying a large number of psychological and business sources, Lagadec provides the following summary of stress effects:

- Mild stress can improve performance, but high stress invariably destroys it. As Lagadec notes, crises tend to hit with multiple blows, intensifying the stress an individual may face.
- Denial as an avoidance mechanism can appear.
- Decision makers can lapse into more primitive thinking styles, relying on “gut instinct” rather than the sound reasoning they would normally apply.
- Individual’s attributes become exaggerated: domineering people become more domineering, anxious people become more anxious.
- Depression and a neglect of vital social interactions can set in.

More specifically for decision makers,

- Those in charge can develop a “siege mentality” - doing and saying nothing, withdrawing from the situation.
- The search for a scapegoat begins, potentially limiting the desire of individuals to take responsibility.
- The temptation to use either old strategies that may have worked well in previous unrelated crises, or new ideas that are untried, becomes too great and overwhelms the normal logical processes – arbitrary decision making.
- Managers can become defensive, shutting out information and warnings
- The desire to look “popular” or to make the decisions one thinks others want them to make can impair the effectiveness of the leader.

[Fink:144-147][Lagadec:65-67]

When managing a crisis, the leader manages decisions. A proficient decision maker should have the ability to find opportunity where others do not. This ability will accordingly make him or her a competent crisis manager. Some poor crisis managers fail to act because they refuse to accept what is

happening; Fink says these are easy to spot and argues that the far more dangerous decision makers are those who fall prey to what he calls “analysis paralysis”. These managers give an impression that they are making decisions, but their obsessive nature prevents them from moving forward. They make decisions but do not act on them. In fact, they obsessively overanalyze the crisis until they are paralyzed with the result of being incapable of even attempting to manage it [Fink:84].

Johansson believes the outcome of a crisis depends on how proactive the executives are and how fast they make decisions. Regarding the critique of the Swedish Foreign Ministry’s (Utrikesdepartementet, UD) way of handling the Tsunami catastrophe in Southeast Asia, he does not think the UD’s failure had to do with its structure or incompetent people in leading positions. Instead, he believes the leaders there simply lacked the required training to manage an incident of such magnitude.

The attributes of the individual play an enormous role in the handling of the crisis. The same mechanisms that a person uses to handle crisis in their personal lives and in their past will be used in handling crisis in their working lives. That said, it is folly, says Lagadec, to rely on an individual or a few exceptional people to solve crises – the task is far too complex. [Lagadec:69]

The Group

The need to construct a crisis management team is taken as a given by the authors. Lagadec holds that “... a group brings together various skills, and it doesn’t become entrapped by the perceptions of a single person” [70]. Different types of crises require different types of team members – such as financial people for financial crises, or technical member for technical problems – but there should be a central core of permanent team members, says Fink. [57]. This core “might include either the CEO someone from senior management; the chief external communicator ... and perhaps the head of your legal department” [Fink:57]. Drawing up a list of names to be added to the crisis management team, which depends upon the type of crisis being faced (as noted above), should be a first priority of the core so that when the crisis comes, there is minimal delay in contacting needed persons [Fink:57].

Johansson shares this view. In an article in Svenska Dagbladet [January 12th, 2005], he says that the most important thing is to prepare for crises by forming employees into cohesive and confident management teams compliant with the specific crisis. This is done through exercises like role-play in which crises are simulated. In that way, the participants are forced to learn to know their stress levels and how it feels not to have control. The participants get experience to fall back on when it is for real.

Lottie Knutson, information director at Fritidsresor, and hugely admired and respected for the way she handled the Tsunami catastrophe in Asia agrees with Lars Johansson. In an interview with Svenska Dagbladet [January 9th 2005], she says the best way to start managing the crisis and get your team to react quickly is to assume the worst. On a question if she considered playing down the drama, she said

the best they could do for their brand (Fritidsresor) was to react as quickly as possible. Trying to play down such a severe incident would hit back hard. People would not feel calmed, just misled.

In all group work, crisis management being no exception, there is the danger of “general confusion” [Lagadec:71]. “After all, here is a group of people and teams from different worlds, with very different cultural responses to risk and emergency, having often very distinct prejudices about the threats to be dealt with and the goals to be met, and whose individual and corporate interests lend themselves poorly to broader cooperation. And they are all expected to work under pressure” [Lagadec:71]. In all cases, the potential for pre-existing conflicts between persons and the formation of divides between the “seasoned” crisis managers and those unfamiliar with such situations is very real, especially when there has been little or no prior preparation and training [Lagadec:71].

Care must be taken to balance the crisis management team on a scale that ranges from complete disassociation with other team members due to differences in opinion, culture, operational goals, to the other extreme where the unanimity of the members precludes innovative and divergent thought – Lagadec calls this the phenomenon of “Groupthink” [Lagadec:72].

After the crisis passes, Lagadec stresses the importance of a proper debriefing for the team. In what he calls “The will to forget vs. [a] well planned debriefing”, there is a very natural tendency to forget what occurred during the crisis, but it is in the best interest of all to carefully review what occurred [Lagadec:307]. Finally, the debriefing and the ensuing discussions can go a long way to “comforting the troops” as Lagadec puts it [307]. Lagadec uses as an example the French GIGN²⁴, which engages in highly detailed debriefings after each operation, and takes seriously the idea that both the individuals and the teams involved need support and reassurance after traumatic events [Lagadec:307].

²⁴ Elite French counter-terrorism unit (Groupe d’Intervention de la Gendarmerie Nationale)

ANALYSIS

Kreab's Crisis Management Academy:

The program administered by Wennblom appears to be geared to give potential crisis leaders the advantage of experience in a realistic crisis situation – “backbone experience” as Wennblom puts it. Indeed, the importance of crisis leadership is one of the key points that is brought up in the training seminars.

The body of theory supports Wennblom's thoughts on strategy. In particular, his advice that companies not bind themselves to finely detailed crisis management plans is echoed in theory. Additionally, the importance he places on fast decision making is not misplaced; Lagadec discusses at length the strategies by which leaders can condition themselves to make fast, effective decisions. The use of role-play in preparing leaders and teams for crisis situations is supported by Johansson, although besides this endorsement the theory does not suggest this technique of training.

Regarding communications, the recommendations of Wennblom closely match those in theory. Workshop attendees are drilled on the importance of honesty in communications, particularly with the media – ‘no comment’ is a definite taboo. Wennblom also embraces the advanced communication techniques put forward by Fink and Marconi, where communicators do whatever possible to play for time with the media, while at the same time sounding as genuine as possible. Wennblom goes further than the theorists with his observation that it is vital to be honest, thereby avoiding even greater crises if caught lying, but that the best crisis leaders only reveal that which it is absolutely necessary to reveal.

Finally, Wennblom's program takes into account the pressures and demands facing leaders in crisis that are described in the theory. By advocating the delegation of responsibilities, the program seeks not just to lower the stress on the individual but also form strong bonds within the crisis team. CMA's emphasis on the “human” side of crisis seems to extend beyond what is addressed in theory, however, as only Lagadec of the consulted theorists devotes much space to this topic.

There are points of difference, however. Most notably, Lagadec rejects the idea of a “Crisis Management Expert” – going on to say that these are merely communications specialists. This is the precise opposite of Wennblom's own description of the services he and the CMA provide, with his view being diametrically opposed - what he provides is not a crisis communication course, but one on crisis management, in his opinion. Wennblom and the CMA are also silent on a few other topics that are stressed in the theory. There is no commentary on who should be the spokesperson of the company during a crisis (or how many there should be), a topic discussed extensively in theory.

Wennblom has a rather broad definition of crisis as being something that develops quickly. This low level of structure in the definition contrasts sharply with the theory, where every author has their own detailed definition of this phenomenon. Finally, in listing the six key issues for crisis leaders, particular stress is placed on communication aspects; three of the six key points (Stakeholder Awareness, Have a Message, and Tell the Truth) falling into this category. Again, this contrasts with theory; while communication makes up a major part of crisis leadership, Wennblom's points place less weight on the personal and strategic aspects of crisis leadership.

Vin och Sprit:

It is clear that effective communications are viewed as the bedrock of V&S' crisis leadership philosophy. The use of "Crisis Commander", the pre-designation of relevant spokespeople (and their replacements), the drafting of Q&A sheets for possible incidents and the preparation of dedicated switchboards further reinforce this idea. These steps have been taken in with the goal of facilitating rapid communication between headquarters, the affected unit, and stakeholders within and without the company. Lindmark goes so far as to say that this high level of communications preparation is the strongest point of V&S' crisis management plan.

Citing today's rapid pace of communications, V&S' leaders are instructed to say the right thing the first time – and in this area V&S also follows the recommendations of theory. "No comment" is a phrase that is never to be uttered by a V&S employee, as to do so is seen as a de facto admission of guilt. The truth is held as the most important element in every communication; V&S sought to preserve the honesty and credibility of the brand in the face of the Systembolaget affair by demonstrating through the action of hiring outside investigators that it was committed both to finding any signs of wrongdoing and that it took the situation seriously – the use of external investigators being another recommendation of Augustine and Mitroff. V&S also is taking steps to cultivate a "reservoir of goodwill", as advised by Marconi, amongst employees and the public at large; this is given form not just in its response to the scandal but also the mobilization of the crisis team in the aftermath of the East Asian Tsunami. Lastly, as advised by Mitroff, V&S' leaders work quickly after the breaking of a crisis to show themselves as the victims, rather than the villains. This strategy is highly applicable to the most likely type of catastrophic crisis that could visit V&S – product contamination, as in the case of Johnson&Johnson's Tylenol.

The advice of Lagadec with regards to internal communications is seen as a living example in the objectives of V&S. Rather than risking "implosion" and wild rumours, the inevitable demand for information from within as well as without is taken into account in the engineering of a prepared system of communications and briefed spokespeople.

V&S is also leaning somewhat more in the direction of highly detailed crisis management plans than is argued by theorists such as Fink and Johansson – typified by the establishment of the "control room" ,

the “Crisis Commander” database (the “log book” recommended by Lagadec), and the prepared Q&A sheets. While it is clear that V&S is not a subscriber to the idea that leaders should be able to make up their own responses and plans during crises, the decision has been made to not have the CEO as crisis leader. This places more responsibility on leaders further down in the corporate hierarchy to lead, a matter which Lindmark discusses in depth. It also leaves open the possibility for V&S to make use of him or her as a “higher authority” (as inferred by Marconi) if necessary. In addition, V&S appears to adopt the strategy of Fink with regards to spokespeople – rather than one generalist, many specialists are used.

Lindmark, like Lagadec, is well aware of the pressures that can bear on crisis leaders. His summary of the qualities of the ideal leader describe many of the strengths that would help a leader overcome the threats detailed in the theory. A recurring theme in Lindmark’s strategy is the idea of securing the trust of employees as well as of the public. The most notable example of this was V&S’ actions during the tsunami crisis in East Asia – fast actions, rather than words, were used to demonstrate the will and ability of the crisis team.

The use of picked people in crisis, and the attributes they should possess, is another aspect in which V&S conforms to theory. Lindmark is, however, pragmatic in stating that it is one thing to aim to staff the team with the best people for a given situation, and quite another to actually do so in a typical company hierarchy.

Notable is Lindmark’s assertion that “crisis is crisis”. This is a viewpoint which, although inferred via the broad consensus on basic aspects of leadership (i.e. honesty) is not so succinctly stated.

While Lindmark and V&S define their approach to crisis leadership in much the same way as the theorists, an interesting aspect of V&S’ outlook on crisis is the idea that there is the potential for a net positive result from the affair. This is a concept that is absent from the theory (apart from the “opportunities in work clothes” quote by Fink), and provides a novel framing of the issue.

SAS:

As an airline, SAS leadership were aware that there was always the chance that there would be a catastrophe – this chance became reality in 2001 and in the end, SAS demonstrated that their leadership team was up to the task of effective crisis leadership. Maiorana and others at SAS realized that they were not in control of the situation - they were not even permitted to approach the aircraft. Instead, as advocated numerous times in the theory (particularly by Fink), they took control of what they could; taking a position of leadership in their communications regarding the accident.

Within the realm of crisis communications, SAS performed extremely well. Adhering to the tenets of honesty, openness and objectivity, the positive connection made with the press (and therefore the

public at large) in the opening hours of the crisis set the tone for the rest of the crisis. Leadership (including CEO Lindegaard) immediately went to the site and held a press conference in Italy within the day, stating the facts of the situation to an audience of families and journalists that were surprised to see him there. This tactic, contrary to that used by V&S and to the views of some of the theorists, paid off for SAS. By adopting this communications policy, SAS managed to become identified almost as much as victims as those who lost loved ones in the tragedy. As SAS had already made clear within their own organization what they stood for before the breaking of the crisis, it was then a matter of course to state the facts as they could see them, following the recommendations of Augustine and Marconi.

SAS's communications with victims deal with an aspect of crisis leadership that is only very lightly touched upon in the theory. What is brought forward by Lagadec is what is reflected in the actions of SAS – rapid provision of information, tact and deep consideration for the emotions of victims. This aspect formed a core of the communications policy of SAS and was a deciding factor in the final result of the leadership effort.

Those who took part in the recovery were not thrust in unprepared. An aviation disaster is one of the nightmares of modern life, and the leaders on the scene would be in the first line in dealing with it. SAS' ERO, effectively the crisis leadership team, was conditioned for this situation through simulations of air disaster situations. Also, as noted by Maiorana, attention was paid to ensuring that the right persons were selected for these emotionally difficult tasks.

SAS drew upon their existing crisis management plans to respond to the crisis, but good fortune played its part as well. In this situation, SAS could draw on public relations professionals who were trained for this task, local language experts (via the Star Alliance) who could immediately comfort families and high-ranking officials who were prepared to face the cameras. Also, as mentioned so often in theory, rapid and clear communication is seen by Maiorana as the key to success in crisis.

Yet for all the personal stories that came out of this tragedy, Maiorana underlined the importance for a leader to be emotionally detached from the situation. This is not discussed in great detail in the theory, but then not many crisis leaders have to deal with a situation where so many of their own people and customers have been lost. Beyond ensuring the survival of the brand, the company, and the team the leader must appreciate the situation in human terms. It is this that the leadership of SAS was able to do, and by so doing did for the families all that they could do at such a terrible time.

CONCLUSION

Our research topic was “How do today’s leaders cope with the crises that face them in their working lives?” Through interviews, theory and other literature, we have gained a perception of how leaders respond to crises. After comparing theory and practice, we can conclude that the methods used by the leaders in the preceding cases matches theory to a considerable degree, although the rigours of “real life” mean that the theories are not always represented literally.

We make the following conclusions with regards to the attributes a successful crisis leader should have.

A successful crisis leader:

- Should be honest. To purposely mislead any stakeholder in a crisis situation is absolutely forbidden.
- Must have a message in all communications. This is summed up in the outlawing of the statement “No comment”, as it motivates others to create their own perceived “message”.
- Is consistent. It will at best be a very embarrassing situation to have one’s reassuring statements immediately contradicted by prior actions; at worst, a credibility disaster.
- Must surround themselves with talented and trustworthy people. There are no examples in theory or in the cases of a single “Rambo” character who rescued the company – crisis leadership, by definition, means using the combined skills of a team to achieve a common goal.
- Is informed. While the leader cannot be expected to be able to do everything (as above), it is equally unwise to have the blind leading the perceptive.
- Is perceptive. Thought must be given to how others will process the information distributed during the crisis, and efforts must be made to meet stakeholder needs in advance.
- Has confidence. Difficult to learn, this is best obtained via simulations and practice, as this quality presumes intimate knowledge both of what is expected in the situation and what can be delivered.
- Thinks quickly. Crises are typified by rapid evolution of circumstances, and successful leadership demands individuals who can keep up with developments.
- Sees opportunity. To handle the crisis masterfully and save the organization from ruin is the goal of crisis leadership. However, at the end of the day, the goal of the organization is to profit and prosper - the leader who can turn certain failure into realized success is a true asset of the company.

It is an often-quoted maxim that the Chinese language itself provides an example of the ideal outlook on crisis; that the two characters that make up the word “crisis” are “danger” and “opportunity” (wei-ji). We view this statement to be best summary of the findings of this paper. It has caught on as a

popular quote; as well as being present in the theory [Fink:1], it is one quoted by former U.S. President John F. Kennedy,²⁵ former Vice President Al Gore²⁶ and current Secretary of State Condoleezza Rice.²⁷

This maxim, is in fact, false – this is an erroneous translation of the Chinese language,²⁸ and it is in this way that this maxim provides the best summary of this paper. This faulty interpretation of the Chinese original has been propagated by those who prefer to resort to comforting catchphrases and sound bites, rather than investigate the facts and determine for themselves the truth. While it may in fact be the case that a well-handled crisis can lead to future success, this is the reward only of those who are aware of their surroundings, take initiative, and educate themselves so as to see beyond the preconceptions.

²⁵http://www.jfklibrary.org/Historical+Resources/Archives/Reference+Desk/Speeches/JFK/JFK+Pre-Pres/189POWERS09JFKPOWEES_59APR12.htm

²⁶ <http://www.algore-08.com/node/60>

²⁷ <http://www.washingtonpost.com/wp-dyn/content/article/2007/01/18/AR2007011801881.html>

²⁸ This is attested by many scholars, including Victor H. Mair, Professor of Chinese Language and Literature, University of Pennsylvania (<http://www.pinyin.info/chinese/crisis.html>). The literal translation is more along the lines of “Dangerous Moment”.

APPENDIX 1: CRISIS CYCLES (From Pg. 32)

Fig. 1. A theoretical crisis cycle:

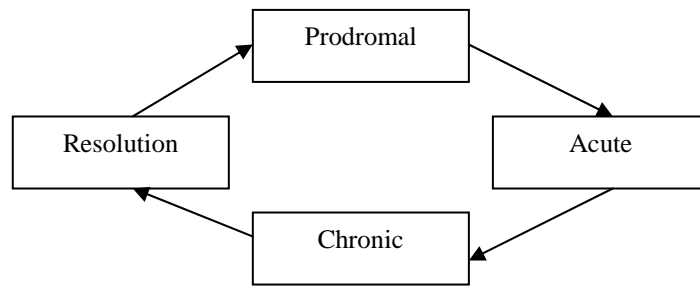


Fig. 2. What a manager would like a crisis cycle to look like:

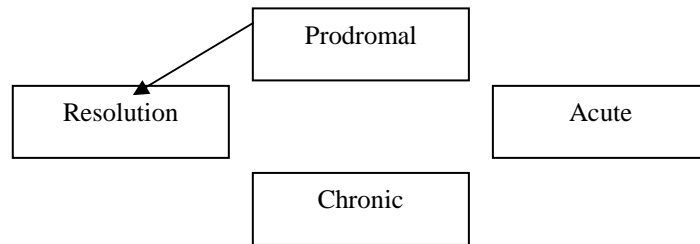
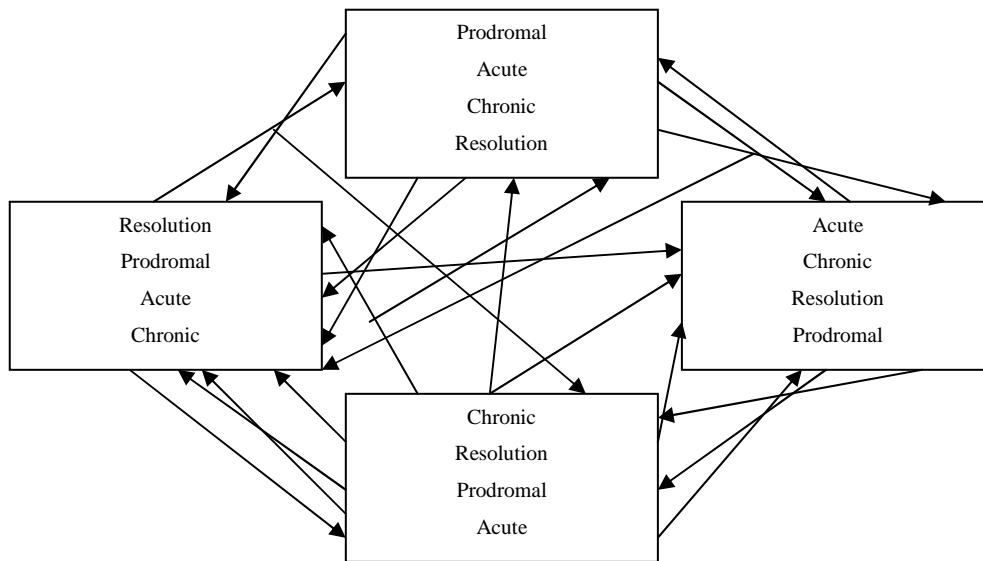


Fig. 3. What a crisis cycle *FEELS* like:



Adapted from Fink:26-27

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