1- Introduction

In a crisis situation, one or more of the business system constituents may fail (they are not available or inaccessible…) and would hinder the whole system. This would jeopardize the work of the organization and put tremendous pressure on its management and people, especially if it is not prepared and has no backup plans...
You are in a crisis when you feel that things are not going your way, irrespective of the causes: acts of God (earthquake), of man (riots), of business (computer system total failure)… So, the stakes are high, especially that we do not always manage determining the real crisis we have on hand, and we sometimes feel lost and focus on low impact crises, neglecting the crucial ones.
The issue of crisis management has always been on. However it is gaining importance in our turbulent times, and we should better remain prepared to avoid being hit by the storm at a time we want to keep on running our business as usual, as much as possible, despite the adversities we would come through.
Of course, good management would help us keeping running our business as usual, i.e. keeping our business system fluid and working smoothly (all its rings are properly linked and none is defaulting: inputs are accessible and available, people come normally to work, power is on…).
Where planning aims at helping us seeing ourselves going from where we are to where we want to be, and determining what we need to do in between, including tackling the adverse situations we may come across. Its major aim is to help us and our organization run our business as usual. The question is however how well are we fit to deal with adversity, and whether we can improve on our way of managing our crises.

Let’s have a closer look. Let’s work the following:

- Identify an adversity we feel our organization is / will be facing and state why it is an adversity.
- Consider to which extent it would hinder our “business as usual” and state why.
- Estimate the probability of occurrence of the crisis we are considering: High, average or low.
- Highlight the evidence for us that we cannot control it, that it is damaging and long lasting.
- Figure out the damage that the crisis would cause us and estimate its negative impact.
- Figure out what can we do to avoid it, reduce its probability of occurrence and better control its unfolding and impact.
- Determine if our crisis has more than one facet and define them.

Now, based on above, let’s situate our Crisis in one of the 9 quadrants of the following Matrix:
Of course, we understand that we should not deal with our situation irrespective of the quadrant we plot it in as the dynamics of the quadrants are not the same.
While working on above, we need to watch the value of the negative impact of the crisis and the probability of its occurrence.

Our estimation of the negative impact should be as objective as possible (though we would expect some subjectivity here), and would should draw on our experience and consult the others.
Concerning the estimation of the probability of the crisis occurrence, we can draw on our past as it is a good predictor, and we would accept making assumptions as, even if we are off by 10, 20 or even 30%, we would be better off than setting no estimates.

Coming back to our identified crisis, let’s give it some more thought:

– If it were to escalate: how soon, how far and why?
– In this crisis, would we be the victim or the guilty party?
– What can we do to divert the crisis or reduce its impact?
– Don’t we think that acting pro-actively would serve best our purpose, especially for the emergency zone situations?

![Image](image_url)

**Value of negative impact of crisis**

- High
- Medium
- Low

**Increasing importance of pro-active management**
Now, frankly, what of all above disturbs us most? .... Isn’t it that we don’t have a full control over it? Don’t we think that if we had the chance to see the crisis coming and to plan for its management, it would hurt us less?

3- Crisis Management

3.1- Preparation reduces the risk of the crisis but has a cost

To reduce the impact of a Crisis, we should know what is the worst that can happen and prepare for it by “What if” Checks/Questions, have plans to overcome it, see it coming, and most of all, control ourselves as we are the most important resource to solve the Crisis.

Yes, we need to be prepared as a crisis that is not foreseen and for which we are not prepared may become a nightmare. In fact, the more we are prepared, the less the potential impact of the crisis. However, preparation has a cost:

A plan has a cost as it requires data/information, resources and time, and its cost/benefit relationship should be considered:
3.2- Get your assistants involved

On the other hand, though you would keep on being the corner stone in any crisis management, get yourself some help by letting your assistants help you in planning and managing the crisis. That would also prove beneficial when the crisis strikes as they would be prepared and committed. Of course, the degree to which you would request their assistance would depend on their capability, the importance and the urgency of the crisis. And, for their assistance to be effective, they should know where they stand:
3.3- Phases of a Crisis Management:

Don’t wait to know what destiny might have planned for you! Getting to be more prepared will give you the peace of mind you need to handle the crisis more effectively and efficiently and to cut short your losses. So, become a better adversity manager. Become more responsible (more informed, more prepared...) to enhance your ability to better respond to whatever happens and when it strikes:

YOU MUST EITHER CONQUER AND RULE,
OR SERVE AND LOSE,
SUCCUMB OR TRIUMPH,
BE THE ANVIL OR THE HAMMER. *(GOETHE)*

And, should you be pro-active, you often would have enough time to take the bull by the horns, a step at a time:

Phases of crisis management

3.3.1- On Planning:
The steps through which the planning phase should go could be summed up as follows:

3.3.2- On running the crisis:

While running the crisis, you are to avoid chain reactions and demoralization. Rather, you should cement the people efforts and encourage them, deploy your resources quickly, act promptly...

3.3.3- On ending the crisis:

At this stage, you are to manage the transition as a crisis leaves changes. Try to turn its impact into an opportunity for growth and enhancement of your organization’s foundation, launch the challenge of tackling the negative impact and repairing its harm. Don’t pretend that nothing has happened and treat what happened with respect. Most of all, give an end quickly to the crisis aftermath, resume business to the best and celebrate your survival.

3.3.4- On wrapping the results:
Once the crisis is through, consider doing the following:

- Learn from it (After the storm, brainstorm): “What we actually learn from any given set of circumstances determines whether we become increasingly powerless or more powerful” – Blain Lee.
- Praise your people when due: “Adversity has the effect of eliciting talents which, under prosperous conditions, may have remained dormant” - Horace
- Review your crisis management approach and plans and become more pro-active: “Accept the challenges so that you may feel the exhilaration of victory” – S. Platon.
- Accept adversity as a fact of life: “If you watch how nature deals with adversity, continually renewing itself, you can’t help but learn” – Benie Siegel, MD.

3.3.5- On the Golden Hour:

What the organization does in the hour that elapses since the crisis begins is a “golden” one and would determine to a very large extent the impact of the unfolding crisis. In this crucial hour, you should do your best to remain self confident, to trust your plans and people, to move quickly and not alarmingly, to avoid panic and inspire confidence.

3.3.6- 6 steps to better crisis management
(adapted from John K.S. Chong: Journal of Business Strategy vol. 25, 2004)

1. Coping: do what it takes to prevent or reduce impact
2. Rethinking: what happened & why? Could we have prevented it or reduced its impact? How can we prepare to better cope with it in the future
3. Initiating: putting the lessons learned into plans / action. Bringing changes for better preparation & handling in the future
4. Sensing: properly monitoring internal & external environment (SWOT) to catch an early warning
5. Intervening: when the red flags are up, getting prepared for the battle
6. Sand bagging: making the battle
3.4- Reactive Vs. pro-active Management

There is a difference between handling a crisis in daylight or in the night. In daylight you see, you determine where the flashlights are, you avoid the obstacles and avoid falling easily... Managing pro-actively V/S reactively is very much comparable to managing in the daylight V/S night time..... How would it be for you?!

Working as usual until confronted with an imminent crisis is not the best way to go nowadays as, should a crisis loom, panic would set in and the organization would rush searching then for a savior. Though it may survive, it would suffer more than if it were prepared. It may even leave its skin if the worst happens.

Being prepared is the name of the game, though reactive management does not have to be passive. In fact, it may be vigorous, aggressive and successful in usual situations. However, it does not plan for crises. Instead, it goes through a successive process of trial and error, till it masters them.

Reactive management is good for normal days. However, our days call more for pro-active management. Pro-active Management understands that managing strategically (assessing the environment, setting goals and objectives... as well as allocating resources over the activities) is a high-stakes game as it has to account for our uncertain future. It, of course, also seeks clear approaches, plans and actions that would allow it feeling it is moving right, though it accepts the fact that it seldom is capable of quantifying with acceptable certainty what really counts as our turbulent world is plenty of uncertainty.

Yes, our organizations have to be prepared and have to work on creating effective plans to tackle the adversities they are meant to encounter. Unless this is done, our decisions would be based on intuition, and that is not the best way to go about it in our turbulent times where the efforts of the various constituents of our organizations have to be coordinated in an effective manner.

Let’s not get caught by the storm. Let’s not get locked in rigid plans though. Let’s keep our plans flexible and backed up by contingency plans. Let’s keep asking what bad may happen, when & whey? How would it affect us? How can we prevent it or alleviate its impact? How can we best get prepared...
3.5- One can be prepared

Crisis management calls for discipline, preparation, and commitment... it can make the difference and does not take geniuses.

3.5.1- Let’s take the following two examples:

a- Example of a Lebanese multinational established in Damman (KSA) during the Iraqi war:
  • The battle was felt coming. The threat of seeing the Iraqi bombarding the Damman area, or even invading it, was judged very probable.
  • The stakes were very high:
    – Many expatriates were working for the company, and most were with their families,
    – The Receivables were in dozens of millions of $. So were the stocks...
  • The Managing Director set a plan with his executive committee addressing the following:
    – start reducing substantially the receivables & the stocks,
    – what to do to protect the core machines,
    – what to do with the computer back up and the crucial documents / files,
    – indicators to monitor (elements that would indicate escalation: Red flags...),
    – how best to evacuate the families when needed, keeping in mind the airport would not be accessible:
      • families were split by geographic area and allocated to pre-selected 4 wheelers,
      • ways to quickly reach all the people when the departure was to be initiated were defined,
      • roads to take were planned,
      • cars were checked and supplied with food, water and fuel, as well as with maps and wireless communication means,
      • relay areas were set on the road and supplemented with extra fuel, water, food, first aid kits...
      • Etc...

b- Example of a major hospital: July 2006
  • The potential problems the hospital could have to address and that it wanted to prepare for to alleviate their potential impact were mainly the following:
    – Rush of injured people,
    – Bombardment of the hospital,
    – Blockade stopping the staff from reaching the hospital,
    – Shortage in medicine,
    – Shortage in cash due to the need to buy cash...
• A crisis task force was nominated representing all the facets of the business system of the hospital.

• The concern of the task force was multi folded:
  – Determine what can go wrong and when,
  – How best to prepare for it now,
  – How best to deal with it then.

• Above was to be addressed by department / function, as well as across the board in a cohesive manner.

• The task force members worked out above with their assistants and set specific initiatives to undertake if the crisis were to hit the hospital.

• They also determined the triggers of initiating each plan (the red flags).

• Of course, many threats were highlighted by department / function based on the overall concerns of the hospital. However, the damage (for the department / function, and / or for the overall status of the hospital) that each of these threats could generate did not have the same potential impact, nor the same probability of occurrence. So, the threats were ranked in terms of value of their negative impact and probability of occurrence, and more focus and concern were given to the priority issues.

• Teams were formed and initiated to handle each threat with written initiatives and specific instructions... and people were mobilized and coached.

• Among the crisis tasks that were addressed are the following:
  – Increase in safety stocks for the important medicines, consumables...Increase in fuel, water,
  – Checking the generators and stocking crucial spare parts,
  – Increasing cash on hand,
  – Wireless system between teams and new circulation plan in hospital,
  – Patients to stop accepting,
  – On call doctors, nurses... including maintenance team,
  – Increase in food & beverage safety stocks,
  – Link system with red cross, army...
3.5.2- We can be prepared

So, one can be prepared for disastrous situations, such as if our offices were to be displaced, if the airport shuts down, if we can no more import goods by sea, etc...
Such can be done using the Critical Incident Technique:
• What can we expect to happen due to the situation and based on our past experience,
• What can signal the crisis,
• What can initiate the crisis,
• What can we do to prepare ourselves,
• Who is to handle what then and how
• Etc...

Now that we addressed together some of the important issues concerning crisis management, let’s do the following exercise:
• Going back to your office tomorrow, would you want to consider coming up with a plan to face a future crisis that you think you should plan for?
• Which crisis do you have in mind and why?
• What do you want to do about it?

5- Crisis Management and Corporate Governance

Corporate governance aims at assuring the Stakeholders of the effective and worthy management of the organization in a manner that safeguards their interests, inclusive of proper risk management, i.e. avoiding risk or “riding it”. Crisis management has thus to make it a point that the stakeholders suffice themselves that proper measures are continuously taken by the organization to safeguard their interests, and that is including detecting potential crises and properly preparing their management. Above requires many things, and among them:

5.1- Transparency:

The relationship of management with the various stakeholders should be clear and transparent, and that requires that timely and accurate disclosure of relevant information pertaining to adverse situations (perception, preparation...), actual or potential, is made public to the stakeholders on a timely basis. Moreover, crisis management should avoid abusive self-dealing (parties close to management should not be allowed special relationships under the assumption the organization had to move fast due to the
adversity pressure...), and should be shared with the stakeholders (and not only the shareholders) due to their interests and concerns (Employees, major clients, major suppliers, major bankers...).

5.2- Participation of the stakeholders in the crisis management:

The organization has to recognize the right of the stakeholders to be informed. It has to allow them having a say in the way the adversities and crises are prepared for and managed. Needless to say that the stakeholders should have the right to clear cut and factual information, give their opinion on the overall responsibilities, systems and procedures that are to govern the adversities and crises, learn about the crises management in terms of resources allocation and consumption: human, financial...

In all circumstances, employees should be heard and should be allowed to express their opinion in the crisis management, which will serve more than one purpose, over and above the proper governance requirements (earning the early commitment of the employees, getting their ideas...).

To enhance the participation of the stakeholders in the crisis management, it would prove advantageous to secure that the specific tasks affected to the crisis management team(s) are done in a way to preserve as much as possible the stakeholders’ interests. One way of securing this is to have them participate, whenever feasible, in all the facets of the crisis management. It also supposes that the crisis management is done in a way aligned with the stakeholders’ interests, while making it a point to get their input and support to help sustaining the overall objectives of the organization as much as possible.

Working on securing the transparency and the proper governance rules we are addressing in regard to crisis management would cost additional time and effort. However, partnering with the stakeholders should not be considered as a negative obligation as what is due is due, and the input of the various stakeholders can prove very beneficial. In fact, a major supplier involved in the process might plan securing you an emergency stock at his level; employees would be more sensible to the measures you advocate; a major client might order more of your goods in anticipation of the crisis and thus enhance his loyalty to you; your banker might mobilize one of his branches close to you...