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Crisis

Understanding the Basics of Corporate Crisis Management

What is a business crisis?

Even though crisis is a fact of corporate life, organisations often fail to prepare themselves adequately. That is despite the clear risks associated with poor corporate crisis management, such as harm to stakeholders, material losses, up to and including bankruptcies. Why do businesses take the risk?

One explanation might be that organisations tend to conflate business crises with consistent slow-burn issues. Though the latter might turn into crises if not handled effectively, they are not crises, which are, by definition, episodic and of more significant magnitude.

Indeed, a business crisis constitutes an unanticipated event or issue that disrupts day-to-day business operations; such an event has the potential to create significant financial, safety, security, or reputational harm.

Even more worrisome is the fact that a business crisis can take any form. The most common forms of business crises, though, include the following:

Economic, events or situations like strikes, market crashes, and labour shortages.

Informational, loss of important information or organisational records, including public and/or confidential records, theft through phishing attacks, social engineering, or the leaking of sensitive data.

Physical, compromised major equipment, loss of suppliers, or a major disruption at a key operating plant.

Human resources, the loss of a key executive or team member, vandalism, or workplace violence.

Reputational, rumours and gossip that can significantly hurt the reputation of the organization.

Psychopathic, unthinkable acts such as terrorism, kidnapping, or even tampering with products.

Natural disasters, including tornadoes, earthquakes, fire and flash foods, disease outbreaks, etc.

Crisis management process

What then can be done? Well, the task of preparing for, managing, and recovering from a business crisis falls under the banner of corporate crisis management. A crisis management process is one designed to prevent or minimise the damage a crisis can inflict on an organisation.

Businesses can go a long way towards mitigating the damage associated with crises by treating corporate crisis management as a critical business function, with activities implemented for each crisis phase[i]. The phases include:

1. **Pre-crisis.**
Prevention and preparation, i.e., reducing the known risks that can lead to crisis.

2. **Crisis response.**
When management must respond to a crisis.

3. **Post-crisis.**
The post-mortem phase when companies look for ways to better improve preparations for the next crisis as well as fulfil commitments made during crisis response[ii].

When building or enhancing corporate emergency management competencies, organisations should also take intelligence gathering and constant monitoring as their default mode. That entails approaching crisis management as a life cycle, taking a strategy-oriented approach for each of the following stages[iii]:

The build-up stage, or the Prodromal Crisis, when you might see hints or clues of a potential crisis appearing in media outlets. At this stage, you should be looking for the repetition of certain trigger themes, repeated messages describing symptoms or precursors to a crisis.

The impact stage, or the Acute Crisis, when one of the triggers has developed into a full-bore crisis. Often the shortest stage in the crisis lifecycle, the impact stage tends to result in the most physical, fiscal, emotional, and reputational damage to a company. Companies can usually expect the most media scrutiny during this phase of the lifecycle.

The Chronic Crisis stage, the company suffers through any lingering effects of acute crisis, which can be physical restoration, legal action, or public activism. Media coverage, at this juncture, tends to focus on blame and responsibility.

The Resolution stage, the crisis no longer impairs the organisation's operations or directly impacts the public. The risk at this stage is that the crisis remains latent, with the potential to strike again to even more devastating effects[iv].

Creating a corporate crisis management plan

Understanding the crisis management lifecycle will help organisations enhance mitigation, response, and recovery activities. These activities should be catalogued in a corporate crisis management plan, with relevant annexes for crisis management in corporate communications.

So, what then goes into the corporate crisis management plan?

Well, the short answer is it depends. Specifically, the crisis management plan hinges on a couple of factors:

Company goals

Unique risk factors

Before committing pen to paper on the corporate crisis management plan, organisations should have a firm grasp of performance objectives, as well. What would constitute success? What are the KPIs they will be tracking?

If organisations can't answer those questions immediately, that's ok. Some of the responses will depend on the results of a vulnerability audit. That is a multi-disciplinary risk assessment which organisations undertake to determine areas of operational weakness and come up with strategies to mitigate or eliminate said weaknesses[v].

Of course, the fundamental purpose of the audit is to uncover current and potential threat, whatever form they take, e.g., arising from normal operations, most common to the industry, and unexpected external events[vi].

From there, organisations develop a list of potential crises and rank them in order of likelihood of occurring and associated costs of dealing with the impact[vii].

After incorporating a list objectives and likeliest crisis scenarios into the plan, organisations will then proceed with drafting the rest. The plan itself will have to be flexible enough to adapt to multiple situations, i.e., modules rather one-size fits all.

Another important step that's often forgotten is defining what constitutes a crisis ahead of time. Organisations must know when to call in the crisis management team. And to do this, they should document all the criteria and indicators which will be used to determine whether a crisis has occurred.

Corporate communications

When crisis response goes awry, flawed communication is often the culprit. In crisis, bad corporate communications can either mean withholding too much information from the public, having important internal spokespeople saying different things (i.e., not being on-message,) failing to correct the record, giving too much information to the wrong publics, etc.

Combatting those common errors requires planning ahead of time, i.e., developing a crisis communications plan. The plan should include the following:

Pre-written messages (including press releases) based on likely crisis scenarios

Instructions for regular media trainings for that spokesperson

Designated company spokesperson (usually the CEO) to serve as the face and voice of the crisis response

A strategy for crisis response on your social channels – procuring a social media monitoring platform helps in this specific regard

Many smaller organisations, of course, don't have dedicated, in-house PR resources. For the purposes of crisis communication planning, those firms should consider investing in an external PR resource in a contract capacity. Make sure that person weighs in on the crisis communications plan and is fully abreast of subsequent.

Finally, crises are a fact of business life, making corporate crisis management an essential organisational competency. However, building such a competency takes time and effort; and so, firms themselves have to get serious, investing in the right crisis management technologies and adopting best-practice strategies to improve the management of critical events and exercises.

Sources

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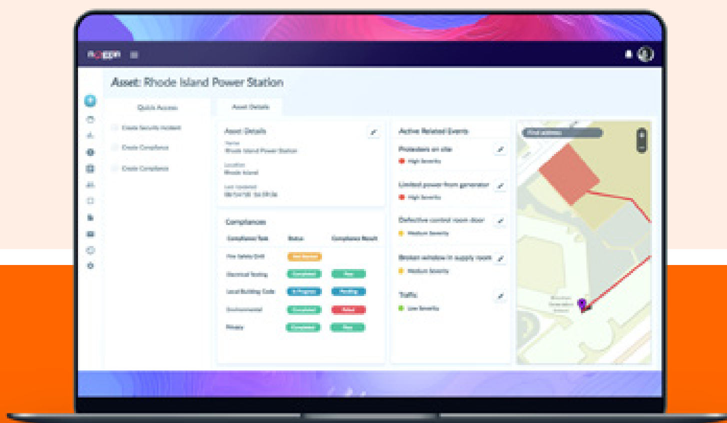

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