

**A TEAM APPROACH TO CORPORATE CRISIS MANAGEMENT**

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## **ABSTRACT**

When a corporation fails to effectively deal with a crisis, the consequence is often the exacerbation of the crisis into other areas of the organization which ultimately causes the original crisis to evolve into a disaster. Disasters frequently result in the death of the organization. The tenets of corporate crisis management are no longer sufficient in today's dynamic environment. Organizations must take a proactive and comprehensive approach to crisis management in order to maintain an acceptable level of risk.

This research paper examines the relevant research on crisis models, the factors that contribute to crises, risk reduction, responses, people management, communications, stakeholder relations, ethics, correctional action and recovery. The review of the literature identified the growing trend for organizations to utilize crisis teams to direct the crisis management process.

With increasing threats posed to organizations, a single individual is no longer sufficient to co-ordinate the crisis management process; teams are better equipped to deal with the complex and ambiguous nature of crises. The crisis management team's responsibilities include risk identification and reduction, preparation, early signal detection, crisis management, organizational recovery, prevention and learning. Crisis management teams will play a growing role in the continuing viability of corporations.

## TABLE OF CONTENTS

ABSTRACT .....	ii
TABLE OF CONTENTS .....	iii
LIST OF FIGURES.....	v
LIST OF APPENDICES .....	vi
LIST OF TERMS.....	vii
ACKNOWLEDGEMENT .....	ix
INTRODUCTION .....	1
LITERATURE REVIEW.....	3
DEFINING THE INDEFINITE .....	3
CRISIS MANAGEMENT .....	5
CRISIS MANAGEMENT BEHAVIOUR.....	6
CRISIS THEORIES AND MODELS .....	7
CRISIS MANAGEMENT TEAMS.....	9
CRISIS LEADERSHIP .....	10
EFFECTIVE CRISIS MANAGEMENT TEAMS .....	12
TEAM COMMUNICATION .....	13
TEAM HAZARDS.....	14
APPLICATION .....	17
CRISIS MANAGEMENT .....	17
CRISIS MANAGEMENT TEAMS .....	19
FORMING TEAMS.....	20
PRE-CRISIS MANAGEMENT TEAM.....	23
PRE-CRISIS ORGANIZATIONAL EVALUATION .....	24
SIGNAL DETECTION .....	30
CRISIS MANAGEMENT PLAN .....	32
CRISIS COMMAND CENTER .....	35
THE POST-CRISIS MANAGEMENT TEAM.....	38
INITIAL RESPONSE.....	39
MANAGING THE CRISIS .....	41
COMMUNICATIONS.....	42
INTERNAL.....	42

EXTERNAL .....	44
RECOVERY .....	46
PREVENTION & LEARNING .....	46
DISCUSSION .....	48
AREAS FOR FURTHER RESEARCH .....	48
CONCLUSION .....	48
WORKS CITED .....	50
APPENDIX.....	54
APPENDIX 1: CRISIS LEADERSHIP CONTINUUM.....	54
APPENDIX 2: CRISIS MANAGEMENT PROCESS.....	55
APPENDIX 3: GENERIC INDUSTRY STRUCTURES .....	56
GENERIC SERVICE ORGANIZATIONAL CHART .....	56
GENERIC MANUFACTURING ORGANIZATIONAL CHART .....	57
GENERIC RESOURCE INDUSTRY ORGANIZATIONAL CHART .....	58
APPENDIX 4 – SAMPLE RISK ASSESSMENT LIST .....	59
APPENDIX 5 – CRISIS TYPOLOGIES .....	60
CRISIS TYPOLOGIES: INTERNAL/EXTERNAL, TECHNICAL/ECONOMICAL, HUMAN/SOCIAL.....	60
LERBINGER’S (1997) SEVEN TYPES OF CRISES: .....	60
APPENDIX 6 –SWOT ANALYSIS FOR A NATURAL GAS ORGANIZATION .....	61



## LIST OF FIGURES

CRISIS MANAGEMENT STAGES .....	9
THE CRISIS MANAGEMENT PROCESS .....	19
CRISIS TYPOLOGY .....	28
EXPECTED VALUE FORMULA .....	29
SAMPLE CRISIS MANAGEMENT PLAN OUTLINE .....	34
CRISIS MANAGEMENT ACTIVITY FLOWCHART .....	40

## LIST OF APPENDICES

APPENDIX.....	54
APPENDIX 1: CRISIS LEADERSHIP CONTINUUM.....	54
APPENDIX 2: CRISIS MANAGEMENT PROCESS.....	55
APPENDIX 3: GENERIC INDUSTRY STRUCTURES.....	56
GENERIC SERVICE ORGANIZATIONAL CHART.....	56
GENERIC MANUFACTURING ORGANIZATIONAL CHART.....	57
GENERIC RESOURCE INDUSTRY ORGANIZATIONAL CHART.....	58
APPENDIX 4 – SAMPLE RISK ASSESSMENT LIST .....	59
APPENDIX 5 – CRISIS TYPOLOGIES.....	60
CRISIS TYPOLOGIES:INTERNAL/EXTERNAL,TECHNICAL/ECONOMICAL,HUMAN/SOCIAL..	60
LERBINGER’S (1997) SEVEN TYPES OF CRISES: .....	60
APPENDIX 6 –SWOT ANALYSIS FOR A NATURAL GAS ORGANIZATION.....	61

## **LIST OF TERMS**

**Acute Crisis Stage:** The period of time that the crisis is in existence and damage is being done to the organization's stakeholders.

**Business Continuity:** Critical business functions remain available to the organization's customers, employees and other stakeholders.

**Corporate Crisis:** A corporate crisis is an event or situation that threatens the reputation and continued existence of the organization with the potential to negatively impact its stakeholders and is characterized a perceived time pressure and ambiguity of resolution.

**Crisis Management (CM):** The identification of threats to an organization and its stakeholders, risk reduction, preparation planning, corrective and preventive actions to preclude the recurrence of the same crisis situation as well as organizational recovery, image repair and learning after the crisis.

**Crisis Management Team (CMT):** An interdepartmental team formed to mitigate or eliminate risks to the organization, develop a crisis management plan, manage crises and assist in the recovery and learning phases.

**Chronic Crisis Stage:** The crisis is no longer impacting further damage on stakeholders and the organization is now cleaning up after the crisis as well as learning from the event.

**Precipitating Event:** The event, action or process that caused the crisis to evolve to its peak (See also Trigger Event).

**Prodromal Crisis Stage:** Pre-crisis stage where the emphasis is put on early identification of potential crises due to the increased ability to manage a crisis before it occurs.

**Stakeholder:** A group or individual that can affect or is affected by an organization.

**Superordinate Goal:** A common objective held by conflicting parties that is more important than their conflicting departmental or individual needs.

**Trigger Event:** The event, action or process that caused the crisis to evolve to its peak.

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Sincerely,

Alison Fuhr

## INTRODUCTION

Corporate crisis management is an essential component to the long-term welfare of any organization. Failure to effectively manage a corporate crisis can result in financial losses, damage to its stakeholders and ultimately the collapse of the corporation. Corporate crisis management is an issue that is inadequately addressed by most corporations until they are in the midst of a crisis and are in immediate need of crisis management action. Crisis management is an integral element of an organization's ability to adapt to today's dynamic global economy and it will continue to play an increasingly important role in the business world (Boin & Lagadec, 2000; Mirtroff, 2005).

The majority of past crisis research has been focused on crisis response methods and effective containment and resolution of the crisis. This structures the research of crisis management around a single event rather than a process that is integrated in all aspects of the business (Bechler, 2004). More recently there has been an increase of focus on the process of crises. Focusing on the crisis process allows for the integration of business processes, different departments, culture and organizational strategy (Roux-Dufort, 2007; Premble, 2003).

This has resulted in a shift within the discipline of crisis management from an event based view to a more process oriented view. I have compared both views, and will focus on the process oriented view due to its proactive stance on managing crises. A comprehensive crisis management plan encompasses multiple different processes such as risk assessment, environmental scanning, crisis team management, crisis

communication, response development, reputation management, media relations, recovery, and evaluation methods (Coombs, 2007). Synthesizing the many different perspectives of crisis management will yield a more comprehensive approach to crisis management.

A team based crisis management style is best suited to cope with the complex nature of crisis management. Utilization of a crisis management team increases the likelihood of having comprehensive and effective crisis management within the corporation. A team is better equipped than an individual to administer the process of crisis management due to the increased quantity of contributed perspectives, backgrounds and expertise.

## **LITERATURE REVIEW**

The subsequent literature review will focus on previous research relating to the different aspects of crisis management. In particular, the literature review will examine existing crisis models, the factors that contribute to the crisis, responses, people management, stakeholder relations, ethics, correctional action and corporate recovery from crises.

### **DEFINING THE INDEFINITE**

There are numerous different definitions of what a corporate crisis entails and is a topic that may never come to a definite resolution. Pearson and Mitroff (1993) define a crisis as threatening the entire organization's continued existence. The crisis must be a threat to the survival and reputation of the organization while imposing strain on the organization's internal physical, financial and emotional structures (Pearson & Mitroff, 1993). Another definition of a crisis is a major incident that is outside regular business processes that has the potential to have a negative impact on the organizations stakeholders (Fearn-Banks, 2007). Perception also plays an important role in crises, if stakeholders believe that there is a crisis, then indeed there is a crisis (Coombs, 2007). Muffet-Willett and Kruse (2009) developed a continuum of events based on requirements of the situation to characterize a crisis as a situation that poses a severe threat to organizational viability and requires non-routine decisions in a complex environment (see Appendix 1). "An organizational crisis is a low-probability, high-impact event that threatens the viability of the organization and is characterized by



ambiguity of cause, effect, and means of resolution, as well as by a belief that decisions must be made swiftly." (Pearson & Clair, 1998)

At the start of my research I assumed the vast majority of crises were unpredictable. However, as Roux-Dufort (2007) explains, the crisis resulting from the fatal heart attack of the leader of a mid-sided company can be explained away as unpredictable and thus making the company a victim of fate. Conversely, the overly dependent internal structure of the mid-sided company upon one key person and no succession management were factors leading up to the crisis; additionally, it can be argued that the large work load taken on by the leader also acted as an accelerant towards the crisis. This is a more process oriented view of a crisis. Processual approaches to crises look at the life cycle of a crisis to better define it.

In the processual approach to crisis management it is acknowledged that a crisis often brings factors to the attention of the organization that would have otherwise remained concealed from management. The processual approach to crisis management then calls for the organization to look at both the structural and process imperfections as well as those of managerial ignorance of the imperfection. Managers retain the facts and information they deem important to the situation and ignore the perceived unimportant information in order to make decisions in a complex environment. The susceptibility of the organization does not so much rest on the physical weakness in the system, but on the managerial ignorance of this weakness.

A crisis can also cause additional crises to emerge as the impacts of the initial crisis spread into different areas of the organization. This chain-reaction is often

referred to as a 'ripple effect' and can be the result of inadequate crisis management (Pearson & Mitroff, 1993).

The definition I will be using for the purposes of this paper has been adapted from the various definitions of corporate crises that have been reviewed above. The definition I will be using is as follows: *a corporate crisis threatens the reputation and continued existence of the organization with the potential to negatively impact its stakeholders and is characterized as having a perceived time pressure and ambiguity of resolution.*

## **CRISIS MANAGEMENT**

In the past the term crisis management (CM) has applied to post-crisis activities aimed at reducing the impact of the crisis event and the recovery activities aimed at restoring the organization to its original state. It is becoming increasingly apparent that no organization, large or small, is immune to crises. There are countless news stories about organizational crises, ranging from mammoth companies such as ENRON, BP and Tylenol, to small local companies facing shutdown due to internal crises or external factors that made their business models not viable.

The increasing public awareness of the broad impacts of corporate crises as well as the increasingly dynamic operating environment necessitates companies do more than just respond to crises once they have evolved. Socially responsible organizations today must plan for the eventuality of a crisis occurring. This new definition of CM encompasses a much larger scope of activities. Modern CM involves the identification

of threats to an organization and its stakeholders, risk reduction, preparation planning, corrective and preventive actions to preclude the recurrence of the same crisis situation as well as organizational recovery, image repair and learning after the crisis. Hence much of crisis management is done before a crisis occurs. The pre-crisis activities are arguably the most important steps in the CM process because of the reduction of risks and the preparatory steps and plans developed for crisis situations.

## **CRISIS MANAGEMENT BEHAVIOUR**

An organization's internal culture plays an important role in determining the type of behaviours displayed to the various stakeholders. Reactive and proactive behaviours are the two extremes. In the preparation phase reactive behaviours include denial that there is the possibility of a particular crisis and any negative effects to the various stakeholders. Proactive preparation behaviours include opening up transparent communication with all stakeholders and forming a relationship based on mutual trust and cooperation (Alpaslan, Green, & Mitroff, 2009). Proactive preparation would extend to involving the stakeholders in crisis preparation plans. This will actively engage the stakeholders in scenario planning, the formation of crisis plans and reduction of potential crises which will increase the organization's ability to promptly respond to a threatening situation.

In the response phase of the crisis, reactive behaviour is characterized by no preparation, denial of any responsibility, absence of communication with stakeholders and attempting to bury the truth. Typical proactive response behaviour is to be

transparent of any fault before the media airs their perceptions of the situation. Proactive responses will also include accepting fault where due, attempt to remedy the harm caused and anticipation of rippling crises from the first crisis.

The basic reactive and proactive behaviours have been further expanded upon by Alpaslan, Green and Mitroff (2009) to include two phases intermediate of the two. The resulting four behaviours are: reactive, defensive, accommodative and proactive. The defensive preparation behaviour involves stakeholders in preparation only if required by law and prepares only for those crises that have a high potential cost to the organization. Accommodative preparation behaviours will include a broader range of stakeholders in the preparation stages and accept the possibility and costs of various crises on both the organization and its stakeholders (Pearson & Clair, 1998; Alpaslan, Green, & Mitroff, 2009).

The defensive response behaviour will react as required by the law and will only admit fault if forced to. Accommodative response behaviour is characterized by voluntarily attempting to help the victims and accepting responsibility for the occurrence of the crisis (Alpaslan, Green, & Mitroff, 2009).

## **CRISIS THEORIES AND MODELS**

The theories of crisis management have undergone substantial change in the past decade. There is an abundance of crisis management theories dating back to the early 1980's. Crisis management attempts to provide organizations with systematic

responses to crisis events. Through examining the different theories and models their relative strengths and weaknesses will be identified.

The most recent and applicable method of theorizing crises is to look at the crisis life (or process) cycle. The evolution of a crisis starts with an irregularity that then evolves into a vulnerability that then creates disruption(s) that give rise to the crisis (Roux-Dufort, 2007). This method of looking at a crisis is a processual approach to crisis management versus the event-centered approaches that are reactive to the crisis event. Under the processual approach there is a long incubation process that is then triggered by a precipitating event that causes the crisis to peak. This approach looks at different developmental phases that a crisis goes through: warning signals, acute stage, amplification and resolution (Pearson & Mitroff, 1993; Fink, 1986; Turner, 1976; Roux-Dufort, 2007). A slight modification of this approach with a focus on crisis management is Fearn-Banks' (2007) five stages: detection, prevention/preparation, containment, recovery and learning. Another processual approach that differs slightly from the developmental phase model above is Darling's four distinct phases: prodromal crisis stage, acute crisis stage, chronic crisis stage and crisis resolution stage (Darling, 1994; Fink, 1986). All of the processual approaches emphasize the importance of early detection in order to tailor a response aimed at creating a solution that has the greatest benefit to the organization. Below is a table describing the different stages of crisis management as well as showing the overlap between different stages.



**FIGURE 1: CRISIS MANAGEMENT STAGES**

	In this phase organizations are identifying and eliminating threats while preparing a crisis management plan.		The crisis has occurred and damage is being done.	The crisis is contained and clean-up has begun. Investigation into reasons for crisis occurring.	Organization returned to normal activities. Integrate learning from crisis back into crisis management plan.
<b>Mitroff</b>	Signal Detection	Prevention	Damage Limitation	Recovery	Learning and Redesign
<b>Pearson, Fink, Turner, Roux-Dufort</b>	Warning Signals		Acute Stage	Amplification Stage	Resolution Stage
<b>Fearn-Banks</b>	Detection	Prevention/Preparation	Containment	Recovery	Learning
<b>Darling and Fink</b>	Prodromal Stage		Acute Stage	Chronic Stage	Resolution Stage
<b>Coombs</b>	Pre-Crisis		Crisis Event	Post-Crisis	

## CRISIS MANAGEMENT TEAMS

The ambiguous nature of crises necessitates adaptive, problem solving solutions. To this end a team approach is ideal for crisis management. Pearson and Clair (1998) remarked in their study that a more positive outcome is more probable when the crisis is managed by a team rather than a sole individual. This finding is supported by research looking at the results of teams in complex environments. There are numerous credible arguments for the utilization of crisis management teams (Coombs, 1999; Darling, 1994; Dyer, 1995; Fearn-Banks, 2007; Fink, 1986; King III, Crisis

Management & Team Effectiveness: A Closer Examination, 2002; Mirtroff, 2005; Robert & Lajtha, 2002; Stephens, Malone, & Bailey, 2005; Gundel, 2005).

Crisis management teams can be used in both the preparation phase and the response phase. In the preparation phase the team analyses the organization in an attempt to locate potential weaknesses that could result in a crisis. Once a crisis has already evolved the crisis management team goes into response phase that focuses on minimizing the negative repercussions on the stakeholders (Pearson & Clair, 1998; Alpaslan, Green, & Mitroff, 2009).

## **CRISIS LEADERSHIP**

All organizations are exposed to potential crises. However, effective leadership can not only reduce the likelihood of a crisis precipitating, it also becomes paramount to the operation in the event of a crisis (King III, Crisis Management & Team Effectiveness: A Closer Examination, 2002). This leader can be the regular leader of the organization, or as is more often the case in present day organizations, the crisis management team has a spokesperson that is in charge of communicating with the public as well as communicating internally (Pearson & Mitroff, 1993). This crisis leader is the organization's public face during the crisis so he or she must be able to communicate clearly and effectively to the multiple different stakeholders (Coombs, 1999; King III, Narcissism and Effective Crisis Management: A Review of Potential Problems and Pitfalls, 2007; Pearson & Mitroff, 1993). The spokesperson should be a

member of the core crisis management team to ensure they have the overall picture and is familiar with the different areas of impact.

The spokesperson will be responding to accusations, concerns and confusion so it is imperative that they are able to maintain an appropriate tone for the organizational crisis (Seeger, Sellnow, & Ulmer, 2003). Through remaining calm, reinforcing the organization's superordinate goals and core values and personifying authority and control the spokesperson will establish the tone for the crisis. This is important from both an internal and external perspective. A collected leader will provide reassurance and direction to employees working to rectify the crisis and will reduce the unproductive sense of chaos and doom that often follows extensive crises. Maintaining a level head when communicating with the public will also improve the perceptions of the organization in the public eye and give the impression that the organization is doing everything it can to remedy the crisis.

There has been considerable research into charismatic leadership during crises. Charismatic leaders are able to clearly articulate an inspirational vision of the future and energize their followers towards that common vision. Charismatic leaders' followers are inspired by the leader's vision and give their commitment, loyalty and unquestioned obedience to that leader and their cause (King III, Narcissism and Effective Crisis Management: A Review of Potential Problems and Pitfalls, 2007). Some researchers have suggested that an authoritarian style of leadership during a crisis is appropriate due to the need for decisions to be made quickly (Seeger, Sellnow, & Ulmer, 2003). The two extremes of leadership, authoritarian and charismatic, both



have their strengths and it is necessary to be able to adapt styles to different situations. In the dynamic and complex environment of most crises the charismatic leadership style is apt to be a better leadership style.

## **EFFECTIVE CRISIS MANAGEMENT TEAMS**

High performing crisis management teams reduce the negative impact of the crisis as well as accelerate the time needed for recovery. Reacting in a timely and appropriate manner to the crisis situation will allow the business to resume its regular processes with minimal unnecessary downtime.

Within the current research there is some controversy as to team composition. The majority of literature is in consensus that the crisis team should consist of personnel from each department within the organization (Dyer, 1995; Coombs, 2007; Pearson & Mitroff, 1993; Coombs, 1998; Fearn-Banks, 2007). The cross-functional team will be more capable of dealing with the complex crisis scenario as well as evaluate the effects of different crisis response plans on different departments (King III, Crisis Management & Team Effectiveness: A Closer Examination, 2002). Creating a crisis team that can work effectively cross-departmentally is the first step to institutionalizing a positive mindset (Pearson & Mitroff, 1993) that will enhance the team's ability to function in a high stress environment and under conditions of fatigue (Robert & Lajtha, 2002). Gundel's (2005) article aimed at creating a new crisis typology that is better suited to dealing with today's complex systems is the primary conflicting literature on team composition. Gundel states that in order to facilitate communication and

situational analysis the team should be homogeneous (Gundel, 2005). Unfortunately Gundel does not support his view, therefore for the purpose of my research I will be focusing on the majority held consensus that diversity within teams leads to enhanced problem solving.

There has been limited research into the different factors affecting the success of crisis management teams (King III, Crisis Management & Team Effectiveness: A Closer Examination, 2002). Inferior team composition (Pearson & Mitroff, 1993), ineffective decision making and delegation skills (Smith, 1990), and other communication and management issues may cause reduced performance (King III, Crisis Management & Team Effectiveness: A Closer Examination, 2002). Conflict between the team members has also been suggested to decrease the effectiveness of the team, particularly if the conflict is interpersonal (Coombs, 1999).

While there is limited research regarding crisis teams and the factors determining their efficiency, there has been comprehensive research done in the workings of team efficiency in other contexts. The research done on teams working in the high stress environment of a hospital operating room is particularly transferable to the field of crisis management due to the similar complexity and stress levels. I will therefore be drawing from alternative disciplines for different team factors.

## **TEAM COMMUNICATION**

The crisis management team needs individuals with well developed communication and management skills (King III, Crisis Management & Team

Effectiveness: A Closer Examination, 2002). In addition to being efficient communicators, Coombs (1999) emphasises the need for a highly engaged team that is involved within the organization. It is important that the team has strong networking with the organization's employees to enable them to effectively delegate essential tasks during the crisis. Clearly it is also necessary for the crisis team to have the authority to delegate this work. Trust among team members is essential to expediting decision making as well as enhancing the quality of decision making outcomes.

## **TEAM HAZARDS**

Highly effective teams are attentive of the potential pitfalls to which teams are susceptible. Awareness of a team's tendency towards detrimental behaviour will reduce the likelihood of participating in behaviour that leads to the known pitfalls. Team hazards are rooted in personal weaknesses that manifest into team problems.

The tendency of the team's final decision to be riskier than any independent individual member's decision was first studied in the 1960's (Kogan & Wallach, 1967) and is now referred to as group polarization. This polarization occurs when the team gets together to discuss the issue on hand. In talking through the different alternatives available to the team, individuals become more comfortable with extreme alternatives when they realise that their peers support the same general grounds as they do (McShane, 2006). This increased comfort level leads to exploring riskier alternatives than they would have previously. Another cause of group polarization is the use of persuasive arguments supporting the extreme alternative. These persuasive arguments

will result in the shift of the team consensus towards the riskier end of the spectrum (Janis, 1982). The final cause of group polarization is the reduction of personal responsibility felt by individuals when it is a team decision.

Groupthink is the tendency of highly cohesive groups to favour consensus among team members to the detriment of decision quality. This tendency increases with the existence of external threats, strong team social norms, ambiguous guidelines or outcomes and the team has recently experienced a failure or disruption (Peterson, Owens, Tetlock, Fan, & Martorana, 1998). In the crisis situation, a team will almost certainly experience disruptions and strong external threats in the form of potential outcomes and perceived urgency for action (King III, Narcissism and Effective Crisis Management: A Review of Potential Problems and Pitfalls, 2007). Similar to the symptoms of polarization, the illusion of invulnerability and not acknowledging the potential dangers of a risky decision are symptoms of groupthink (Janis, 1982).

Time constraints will often create a sense of urgency that sacrifices decisions quality in favour of a prompt decision. Production blocking occurs when only one person may speak at a time when making team decisions. Teams require more time to make decisions than individuals due to the need to listen to different opinions, overcome confusion, build consensus and coordinate roles. For this reason, teams should be used when the advantages of their use outweigh their disadvantages.

Evaluation apprehension reduces team member's willingness to bring forward creative or dubious ideas in the fear of being judged by their team members (McShane, 2006; Paulus, 2001). Individuals desire to be seen in a favourable light and protect their

self-esteem. This is especially prevalent when there are different levels of authority or expertise in the same team or when there is a formal evaluation of individuals by the team (360° feedback).

Fragmentation occurs when the superordinate goal is superseded by the goals of sub-teams or departments without consideration of the impact on others (Barrick, Bradley, & Colbert, 2007). Within the scope of crisis management, fragmentation can be particularly damaging when the crisis has extensive impact. Specific departments and sub-teams will tend to focus on resolving the problems within their occupation's scope. This can lead to conflicts between departments and teams and suboptimal results. It is important to emphasize the superordinate goal throughout the organization to reduce the conflict felt through the different organizational levels and departments.



## **APPLICATION**

The following section of this report is dedicated to the application of the preceding theories and findings of corporate crisis management in medium to large corporations. Application in smaller companies is still pertinent; however it will not be focused on due to the reduction in complexity of crisis management activities required. In smaller companies, it is often only a few management personnel who will undertake the crisis management process. In this situation, individuals will undertake the responsibilities for multiple departments. In micro companies (fewer than ten employees), responsibilities overlap to such a degree that the crisis management team will often only consist of one or two individuals. Companies must structure their crisis management activities to their organization's size and structure. Primary industry differences will be made between service, manufacturing and resource industries. Specific differentiations in application between industries will be identified where necessary.

## **CRISIS MANAGEMENT**

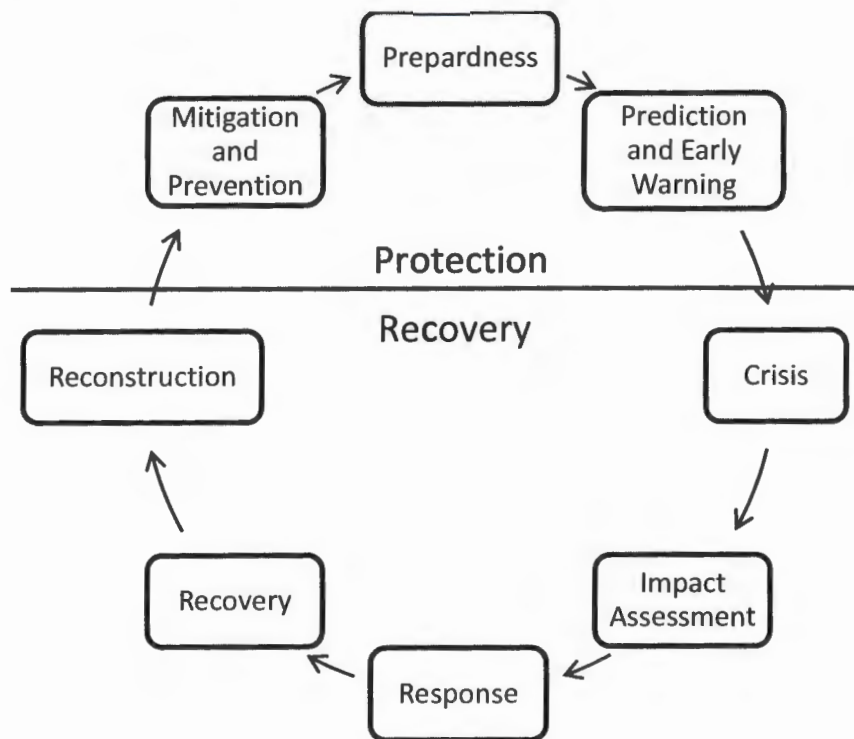
Crises threaten all organizations regardless of the industry of operation. When done effectively crisis management (CM) is the key to an organization's continued success and growth when faced with a situation threatening their viability. Through the reduction in the number of crises experienced by an organization as well as efficient recovery from a crisis, CM results in higher profitability, business continuity and

increased customer and investor confidence. Yet effective CM does not operate as an entity by itself, crisis management must be integrated into the organization's strategy, operations and administration (Preamble, 2003; Roux-Dufort, 2007; Mitroff & Alpaslan, 2003). Much in the same way that it is insufficient to just post a vision or mission statement on a wall for employees to see, it is also not enough to have a crisis response plan in a binder in anticipation of a crisis occurring. An effective vision statement can be seen in the actions and statements of organizational leaders. Correspondingly, effective CM is an ongoing process that is continually adapting to environmental factors and can be seen through the organization's commitment to mitigate and reduce identified risks faced by the organization.

Crisis management utilizes a vast array of skill and capabilities to manage all stages of the process from risk reduction to recovery. The main components of crisis management are risk reduction, development of crisis response and recovery plans, management of evolving crises, mitigation or minimization of crisis impacts, increasing communication, corrective and preventative actions and to promote timely and effective recovery and learning. As is shown on the following page, CM is an ongoing process.

## **FIGURE 2 THE CRISIS MANAGEMENT PROCESS**

Adapted from (Wilhite, 2000)



## **CRISIS MANAGEMENT TEAMS**

Effective crisis management teams are essential to the crisis management process. Without an effective crisis management team even the best crisis management plans prove to be of little value (Coombs, 2007). A suitable analogy to this is poorly trained employees operating a state-of-the-art manufacturing facility. The quality of output will be substandard due to the employees' inability to maximize the value of the facility.



Multidisciplinary crisis management teams are well equipped to deal with the multifaceted and ambiguous nature of crises. Crisis management teams are utilized primarily at two different stages: the pre-crisis phase and the post-crisis phase. In the pre-crisis phase the goal is to identify and eliminate threats while planning for the possibility of crises emerging from the threats that can not be completely eliminated. In the post-crisis phase the team's goal is to manage an identified crisis.

### **FORMING TEAMS**

The formation of a crisis management team should be undertaken long before a crisis actually occurs. This allows the team to familiarize themselves with team dynamics as well as the different aspects of the organization during the risk mitigation process. This pre-crisis time spent working together also identifies if an additional training should take place in order to facilitate efficient team dynamics. Examples of training that a team may undergo are group decision making skills, listening skills, structuring arguments, conflict resolution and stress management (Coombs, 2007). Forming a crisis management team, with alternative members in the event that a member is unavailable will increase the organization's ability to recovery from a crisis.

In practice however, organizations are often caught unprepared and must form a crisis management team in the midst of a crisis. In such a case the principal factor that changes during the formation of the crisis team is the emphasis put on an individual's commitment to helping the management of crises in the long term. During a crisis the

subordinate goal should be to contain and eliminate the crisis as soon as possible; long-term team membership decisions can be delayed until the crisis has been resolved.

The CEO, president or vice-president should be included in the team. Due to the various responsibilities associated with senior management positions it is both unlikely and unnecessary to have multiple senior management representatives on the team. If the required time in the pre-crisis phase is incompatible with their other responsibilities, senior management can have the rest of the team report their condensed findings and then assist in developing solutions or safeguards against the identified risks. The presence of senior management on the team will reinforce that crisis management is being taken seriously at the top of the organization and it will also reduce the degree of resistance the team will face when analysing different departments. Senior management will also reduce the degree of internal organizational authority conflicts when it must be decided who has the authority to undertake new crisis related tasks (Quarantelli, 1988). In the event of a crisis, a representative of senior management in the crisis management team plays a critical role in shaping public perceptions. It is recommended that the role of spokesperson and team leader be taken on by the senior management representative. This reduces the risk of power conflict associated with role reversal (a more junior employee is team leader) and shows both internal and external stakeholders that senior management is behind the crisis management initiative.

The crisis management team will require a comprehensive knowledge of the different aspects of the organization. In addition to the senior management

representative ideally there is a team member from each organizational department. This allows for the greatest breadth of knowledge while keeping the team to a manageable size. There is no exact prescription for the composition of a crisis management team. Appendix 3 shows generic organizational structures for service, manufacturing and resource industries. While allowing for organizational and industry differences, the crisis management team should have representatives from all of the departments in the first tier. In the manufacturing industry these would include: sales and marketing, finance, human resources, manufacturing operations, legal, information technology and the logistics department. Inclusive of the senior management member this would create a team of eight. Correspondingly, using this structure for the generic service organization the crisis management team would consist of six and the generic resource organization would have a team of seven.

Where there is a specific division that is at high risk for crises the team can decide to include an additional member from that division. In the example of the generic manufacturing organization, if the production division was particularly prone to crises the crisis management team may include a member from both the manufacturing operations department and the production division. In this case the team size would be brought up to nine. While this method of drilling down into problem areas may result in a more comprehensive coverage of the organization it is important to realise that a team's efficiency decreases if they become too large. A team of ten is considered to be the maximum acceptable size for a crisis management team (King III, Crisis Management & Team Effectiveness: A Closer Examination, 2002).

Crisis team members should be asked if they would like to join the team rather than assigning individuals onto the team. The individuals chosen to represent their department should have a solid base of work experience within the department, the ability and willingness to work on a team, proven management skills and most importantly the motivation to commit to the crisis management process in the long-term. Requiring previous work experience in the department increases the degree of understanding of how the different divisions within the department work. Team members will also be in charge of managing their own sub-teams while doing the risk assessment, so the ability to manage people effectively is central to the success of the team. Members should be aware that crisis management is an ongoing process and requires ongoing maintenance, assessment and scenario planning even when there is no crisis. Due to the central role the team will play in the management of organizational crises, members must also be willing to work irregular hours in the event of a crisis. In conclusion, departmental representatives should be the individuals best suited for the position on the crisis management team, which is not necessarily the most senior individual in a department.

## **PRE-CRISIS MANAGEMENT TEAM**

Successful detection of a potential crisis is the most effective method of reducing the number of crises that an organization endures. However it would be a mistake to believe that an organization can prevent all crises through careful detection

and preparation. In the pre-crisis phase the team is proactively preventing crises from precipitating and preparing for the eventuality of a crisis.

Compared to the post-crisis phase, the pre-crisis team should involve a much higher proportion of the employees in the risk reduction phase in order to adequately assess the different areas and levels within the organization. In the post-crisis phase bringing large numbers of people into the management process will render the team immobile due to divergent opinions and high degrees of uncertainty. The pre-crisis team will form sub-teams inside their different departments. These sub-teams will then do a risk assessment within their own realm of expertise. The information gathered by the various sub-teams will then be aggregated by the core crisis management team and appropriate risk mitigation and prevention steps will be approved or recommended.

During the pre-crisis phase the team will not only assess internal weaknesses but also potential threats to the organization that are external. Examples of external threats are disruptive technologies entering the market, insufficient labour pool for essential positions, legislative changes or the organization's public image deteriorating to the point of being at risk of boycotts.

## **PRE-CRISIS ORGANIZATIONAL EVALUATION**

The core pre-crisis management team should be the same team that will be called into action when a crisis precipitates. The process of evaluating the different aspects of the organization and coming up with a crisis management plan will not only familiarize the team with the different components of the business but also increase

the team's ability to work together efficiently. All the identified risks and actions taken should be documented by the crisis management team in order to track trends, identify how threats were missed and bring new team members up to speed when there is turnover in the team.

Due to the multifaceted and complex nature of organizations, in order for the pre-crisis team to methodically assess the organization it should have sub-teams focus on the different areas within the organization. The core crisis management team will then assimilate the information from the teams and proceed with modifications to mitigate threats where necessary.

Every organization will have different sub-team requirements depending on the extent of the department being assessed. The generic manufacturing organization in Appendix 3 will most likely only have one sub-team do a risk assessment in each of the 'smaller' primary departments; in the manufacturing example given, these would include: Sales and Marketing, Finance, Human Resources, Legal and the Information Technology departments. The Manufacturing Operations Department and Logistics Department have extensive divisions within the department and therefore a sub-team would be used in each division.

This type of team categorization takes advantage of the expertise at the different levels within the organization and creates buy-in for the crisis management effort (Dyer, 1995). It is important to recognize that individuals have a limited sphere of knowledge. Dividing the pre-crisis management team into sub-categories avoids relying on departmental managers that may have an excellent grasp on some of the threats

facing his department but could easily miss a threat that is obvious to workers on the front line. An example of a human risk that could easily be missed by senior management would be a frustrated and angry employee working in information management that recently got passed over for a promotion. What senior management may not know is that the promotion was given to a loathed co-worker, or that his wife recently filed for divorce and is taking the house and custody of the children. This type of hidden potential threat will probably be known by the employee's immediate supervisor.

Accomplishment of an effective risk assessment requires a systematic approach at all levels in the organization (Coombs, 2007). Questions regarding risks to the division posed by human factors, technology, social factors and economical factors should be answered from both an internal and external perspective. It is important to not skip over a particular area because there is a broadly held belief that it is unimportant to that particular division. As an example when identifying risks in the information technology (IT) department some obvious threats are computer viruses and information breaches. Social risks could easily be overlooked yet these risks can have widespread impacts. An example of a social risk for the IT department would be if management requests a computer application to be created to manage a recently acquired large client and there is a miscommunication between management and the IT department. The miscommunication could be due to any number of reasons, the most common of which is the two communicating parties do not understand the requirements of the other party. If the computer application does not fulfill the



requirements it could cause the organization to lose a substantial portion of its business. This social risk is clearly an identified risk that the crisis management team would want to prevent from happening.

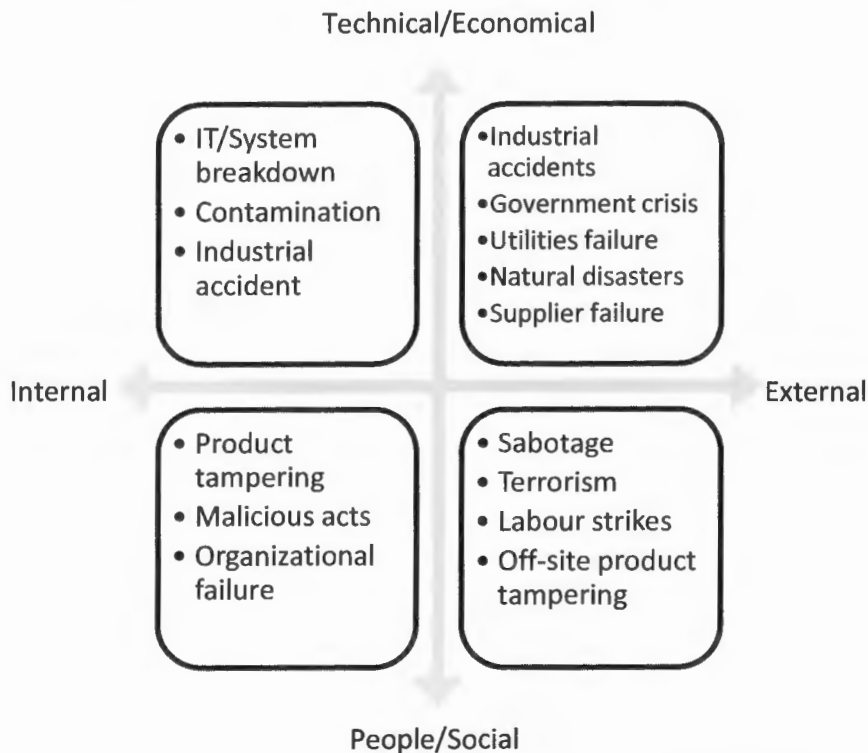
A simple method of starting an effective risk assessment is to have departmental teams identify ten of the worst things that could happen to the department and what actions can be undertaken to mitigate the identified risk. Appendix 4 shows a sample sheet that can be used to organize thoughts. If the departmental team is having difficulty brainstorming potential threats, one way to stimulate idea generation is to ask what they would do to sabotage the organization if they were an enemy to the organization. Management should use their discretion with this technique. As an example, if the department has recently experienced a substantial change that has caused a portion of the employees to become seriously disgruntled then requesting them to brainstorm methods of sabotage may be counterproductive to the risk reduction process.

Once the top ten (or more) risks faced by the department have been identified they can be put into a crisis typology chart to show the spread of different types of crises. This can be useful to identify any crisis risk types that may have been overlooked and will also stimulate more ideas. An example of this is shown on the following page and there is an alternative typology in Appendix 5.



### FIGURE 3: CRISIS TYPOLOGY

Adapted from (Mitroff, Shrivastava, & Udwadia, Effective Crisis Management, 1987)



After compiling risks and possible solutions within the different departments the crisis management team must then prioritize those risks. When prioritizing risks it is necessary to balance the probability and the potential impact of the event. High probability and high impact risks should be prioritized first, whereas low probability and low impact events should be prioritized last. When there are high impact and low probability events it is necessary to gauge if the required resources merit the risk posed to the organization. An example of a high impact and very low probability event would be an atomic bomb being detonated within Canada. While the potential impact of such an event is huge, the probability is diminutive. All organizations should have evacuation

plans in case of a severe emergency; therefore an organization is unlikely to invest further resources into such a low probability event. An alternative method of prioritizing risks is to use expected values for each event. To get the expected value of an event, the probability of the event occurring must be known and the cost of impact in dollars must be estimated. The expected value can then be calculated with the following formula.

#### FIGURE 4: EXPECTED VALUE FORMULA

$$E(x) = P(x) * C(x)$$

Where:

$E(x)$  = Expected value of event (x)

$P(x)$  = Probability of event (x) occurring

$C(x)$  = Cost of event (x) occurring

While this formula is useful to get an unambiguous rating of the various risks, the process of estimating costs and probabilities is time consuming and often not very accurate due to intangible costs. Therefore it is also necessary to look at the organized expected values and use common sense in determining the final prioritization.

Having prioritized the risks, the crisis management team must review the suggested solutions given by employees and implement the one that has the greatest overall benefit to the organization. The crisis management team may have to modify or create new solutions to the identified risk if the solutions provided are not viable or are inefficient. However, individuals working closest to the identified risk are often the most capable of finding a solution. Utilizing employee solutions has the additional

benefit of demonstrating that the employees' time spent on the risk assessment was appreciated and valued by management. This will actively engage employees in a continuous risk prevention process and promote concerns being brought forward as they are identified.

Although all organizations are unique in their pre-crisis evaluations there are general trends similarities across industries. *The following generalizations are meant to illustrate the variations often seen between industries and should not be applied generically to any organization.* Resource industries are often threatened by a heavy reliance on equipment, internal factors in operations, safety and lagging strategy in the face of changing environmental factors. Some commonalities in external factors faced by the resource industry include public perceptions, treaty negotiations and the market price of resources. Service industries often find many threats in the external environment such as changing customer demands, human resource supply, similar product offerings as competitors and new entrants to the market. Manufacturing industries tend to face supply chain challenges, manufacturing equipment malfunction, defective products and increasing cost reduction pressures.

## **SIGNAL DETECTION**

The pre-crisis organizational evaluation and risk prevention reduces but does not eliminate the risk of a crisis occurring. Early recognition and identification of a potential crisis is often enough to prevent the threat from evolving into a full blown crisis. In the early stages an emerging threat can often be neutralized or contained. If a

threat is neglected the impacts will be wider spread and therefore more difficult to contain and from which to recover (Gilpin & Murphy, 2008). It is, therefore, necessary to identify warning signs that a potential crisis is brewing.

Some crises are presented in such a way that makes them hard to overlook. An earthquake or primetime news broadcast featuring the president of the company being taken away by the police are both very clear signals that the organization has a crisis. Other crises have more subtle signals. When a crisis starts as a very small threat it is often overlooked until it evolves into an immediate threat or is triggered into a crisis. An example of a small threat is an electrician's report that the factory's wiring is out of date. As there are no visible signs of electrical failure the company does not heed the repeated warning from electricians. When the factory increases production to meet demand the electrical system shorts, causing a fire that destroys the factory. Warnings from city inspectors can be a clear signal of impending crisis. Other signals that should be further investigated include persistent suspicions and rumours, changing public perceptions of the organization, new technologies just entering the marketplace, persistent employee or customer complaints, changing behaviour among employees and new entrants to industry. Further investigation will clarify if these observations are relatively harmless or if it is a signal of something more ominous.

Early crisis signal detection allows the crisis management team to take steps to eliminate the risk to the organization. It is the ongoing role of the crisis management team to identify valid threats through continuous signal detection and investigation. The crisis team should also develop a system to gather information from employees

when they identify a hazard to the organization. This can be set up electronically, by forms and by making team members approachable if employees have concerns. Organizations must look at their internal systems and decide which method or methods will facilitate the most knowledge transfer. It is also important to communicate with the rest of the team when possible signals are detected and investigated. When the investigation is inconclusive or reveals potential harm, the surrounding facts should be documented in the crisis management team's risk assessment workbook. This allows for the tracking of trends over time as well as facilitating new team members when there is turnover within the team.

## **CRISIS MANAGEMENT PLAN**

A crisis management plan is designed to bring order to the confusion surrounding a crisis. It outlines the actions aimed at assuming control of the situation quickly, determining the facts, identifying alternatives and finding a solution. The crisis management plan is a documented plan outlining recommended actions of the executives and crisis management team.

By its very definition establishing a strategy to overcome a future crisis is an interesting problem due to the ambiguous nature of crises. Not all crises are the same, so crisis management plans must differ also. Having an outline of essential steps in the event of a crisis will reduce the feeling of being overwhelmed by the magnitude and complexity of the problem. The crisis management plan should be formed and maintained by the crisis management team in the pre-crisis stage in order to familiarize

the team with the plans as well as create buy-in for the plan itself. Using scenarios and simulations periodically will improve the team's ability to implement the plan when a crisis does occur (Dyer, 1995).

The crisis management plan will identify the actions to be taken based on the type of crisis. It is important to realise that different organizations are exposed to different risks, while there are some broad categorizations of crises it is ideal to tailor the models to the organization. Appendix 5 illustrates two typologies of crises.

The actions needed to respond to a product tampering are considerably different from those needed to respond to a natural disaster or supplier failure. Tailoring the 'types' of crises likely to be faced by a particular organization reduces the possibility of a vague fit when the crisis team is trying to determine which type of crisis management plan is best suited to their crisis. A comprehensive list of threats will have been formed through the pre-crisis organizational evaluation stage. This list can be further elaborated on with the use of brainstorming and SWOT analysis. Appendix 6 illustrates the use of a SWOT analysis to in a natural gas industry. The crisis management team will then use scenarios and previous experience to develop suggested actions for a given type of crisis. In the crisis management plan suggested procedures can be listed by type of crisis, or by category of crisis as is shown on the following page.

The crisis management plan outlines the key factors that are relevant given the type/category of crisis. Due to the general nature of the 'type' of crisis, the crisis management plan is not a blueprint but rather a reference tool. On the following page an example of a suggested outline for a crisis management plan is presented.



**FIGURE 5: SAMPLE CRISIS MANAGEMENT PLAN OUTLINE**

<b><u>Crisis Management Plan Outline</u></b>	
<b>Section</b>	<b>Description</b>
First Response Checklist	Immediate actions upon notification of crisis
Contact List	Crisis team and people to be called immediately. Contact information for emergency personnel, governmental agencies, employees, and management, insurance and industry experts.
Crisis Team Responsibilities	Details each member's tasks and responsibilities.
Crisis Command Center	Requirements of crisis team's headquarters.
Department/Project Data	Detailed information on department processes and all major projects in process.
Critical Response Kits	Location and contents.
Fact Gathering Forms	Forms identifying necessary information when gathering information surrounding the crisis.
Company Overview	Brief synopsis of organization (for media).
Media	Suggestions of how to manage and example messaging.
Community Relations	Public relations guidance.
Past crises	Detailed descriptions of all past emergency situations.
<b>Appendices</b>	
Bomb Threats	Procedures for dealing with bomb threat.
Contamination/Environmental Destruction	Procedures for dealing with a contaminated site or environmental harm.
Evacuation Procedures	Procedures for evacuation.
Injury/Fatality Procedures	Procedures for serious injury or fatality and family notification.
Lockdown Procedures	Procedures and checklists for lockdown.
Natural Disasters	Procedures for response to natural disasters.
Sabotage	Procedure for dealing with internal and external sabotage.
Subcontractor Emergency	Guidelines for responsibilities and procedures.
Workplace Violence	Procedures for what to do with workplace violence issues.
Post-Crisis Evaluation	Forms to be completed after crisis.
Debriefing Check-List	Check-list of key positions to debrief.
Crisis Preparedness Evaluation	Team evaluation on degree of organization and preparedness.

(Alpaslan, Green, & Mitroff, 2009; Barrick, Bradley, & Colbert, 2007; Coombs, 1998; Coombs, 2007; D & C, 1993; Egelhoff & Sen, 1992; Howell & Miller, 2006; Jang & Chen, 2009)

In addition to contact information for internal personnel and emergency response departments (police, fire and ambulance) there should also be the relevant contact information for external expertise and humanitarian assistance to help alleviate the impact of the crisis on people.

## **CRISIS COMMAND CENTER**

The crisis management team must have a designated work area that will be used as their headquarters when the crisis management plan is implemented. It is ideal to have a room that is solely for the use of crisis management activities. In reality most organizations cannot afford to have a room utilized so irregularly. The crisis command center can be a multi-use room provided that the crisis management team may have top priority for the duration of a crisis. There should also be an alternative location identified if the primary location is impacted by the crisis.

Despite the name of 'Crisis Command Center' this room's purpose is to co-ordinate crisis management activities; it would be a mistake to associate the military 'command and control' model to an organizational crisis. Research has consistently shown that using a command and control model for managing a crisis results in inaccurate assumptions of what is actually occurring and what actions are needed to overcome the crisis (Quarantelli, 1988).

The crisis command center should be equipped with the necessary infrastructure and equipment required by the team to manage the identified potential crises (Lerbinger, 1997). Having multiple methods of communication is essential to the

team's efficiency. Common communication equipment include: landline phones, multiple cell phones with chargers, computers with internet and intranet connection, satellite phone and possibly handheld radios with two way communication. A fax machine, photocopier and printer should be easily accessible to the command center. There should also be key office supplies such as a large table, a whiteboard, dry-erase markers, flipcharts, paper, a status board and pens. Other considerations are a television to monitor the news broadcasts, alternative power sources and food/drink plans for team members.

As the workplace become more automated and computerized there will be a diminishing need for hard copies of the crisis plan. Keeping a couple of crisis management plan hard copies available in the crisis command center will allow team members to take a copy of the plan out into the field if there is need. When changes are made to the core crisis management plan, it is important that all versions are updated and team members are informed.

Organizations in different industries will have unique crisis command center requirements. It is possible for an organization with multiple different sites of operation to require a mobile command center. A mobile crisis command center would be ideal for a resource industry with operations in many different locations.

The Bhopal disaster in India is a horrendous example of a failed crisis management plan and poor internal communication. Union Carbide was ill prepared to deal with a crisis in one of their foreign locations. Thousands of lives were lost due to no procedures for communicating with the local management or government, the

emergency and operating manuals were only printed in English as well as systemic communication barriers (Shrivastava, 1987). In this example Union Carbide executives had no clear communication channels with the local management to identify the exact nature of the crisis and when they arrived in India they were promptly put under house arrest by the Indian government. Union Carbide had no way of communicating with their foreign operations in the case of a crisis and the local management did not have the knowledge and training necessary to effectively manage the situation without external assistance.

When an organization has international operations the crisis management plan must be tailored to each location. A single crisis management plan cannot uniformly provide the necessary structure across different cultures, languages and legislations. In the previous example Union Carbide should have had a crisis management plan that was understood and useable by the local management. This would have allowed the local management to initiate the management process and communicate with the Indian government that the executives arriving would be providing essential services to the management of the disaster.

## **THE POST-CRISIS MANAGEMENT TEAM**

The post-crisis management team is often referred to as solely the crisis management team due to the dual role of the team in preparing for and responding to crises. The crisis management team is responsible for containing the crisis, implementing the crisis management plan, recovery, preventative actions and learning. It would be easy to assume that with all of the pre-crisis preparation and comprehensive crisis management plan already in place that the crisis management team will manage the crisis effectively. Unfortunately history has illustrated that there is often a large discrepancy between what was planned for and what actually occurs (Quarantelli, 1988). Crisis teams must therefore be attuned to the developing situation and be flexible with their preconceived management plans in order to adapt to unexpected aspects of the crisis.

A diverse crisis management team will be better equipped to respond to the numerous stakeholder groups demanding information pertinent to their interests (Alpaslan, Green, & Mitroff, 2009). The multi-departmental team members will also facilitate clear, timely communication throughout the organization which will reduce the misapprehensions and fear surrounding the crisis.

Much of the literature proposes having a crisis team identified entirely ahead of time; in my opinion this may be too rigid. While it is important to have a core crisis team identified ahead of time, I would argue that it is to the team's benefit to be able to adapt its structure to the crisis situation. This is especially true if external expertise needs to be brought in to effectively deal with a crisis. If there is a civil disturbance or

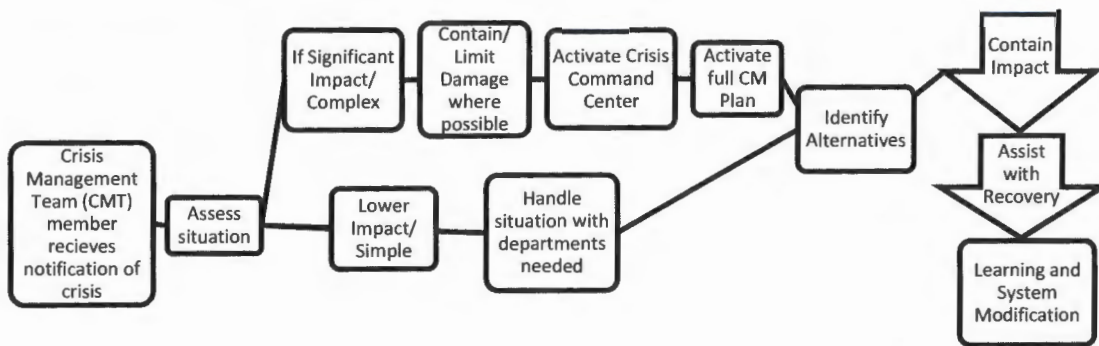
legal ramifications it may also be necessary to have law enforcement officers join the crisis management team. In the event of a crisis severely impacting a specific stakeholder group, it is a valuable tactic to have a group representative join the team. There are some circumstances where this would be counterproductive and harmful to the organization's ability to find a solution that benefits all stakeholders. The stakeholder group's representative must be willing to work with the team to find an agreeable solution. This can increase the overall outcome and speed the way to recovery.

## **INITIAL RESPONSE**

The team member who receives initial notification of a major emergency must rapidly assess the situation to determine the cause of emergency, if it was accidental or intentional, the extent of impact and identify any actions presently being taken. When containment or impact reduction is directly possible the team member should immediately take advantage of the opportunity. With this initial information the team member will decide if the emergency is easily resolved or if the crisis management team should be notified and the command center activated. When the emergency can be solved effectively without activating the crisis command center and plan, the member should oversee and assist the affected areas in recovering from the emergency. Figure 6 on the following page illustrates the crisis management activity steps from when a crisis management team member is first informed of the crisis to the learning and system modification stages.



**FIGURE 6: CRISIS MANAGEMENT ACTIVITY FLOWCHART**



A complex or high impact emergency will require immediate action (Alpaslan, Green, & Mitroff, 2009). As soon as the initial team member has implemented what actions he/she can to contain the impacts for the crisis, the next step is for all crisis management team members to be briefed on the emergency. Time is of the essence, communicating with team members by phone is a superior method than walking (or running) down to each department only to find half the members out on their lunch break.

Johnson & Johnson experienced a crisis situation in the fall of 1982 with its Tylenol brand. It became apparent that some Tylenol capsules on store shelves had been tampered with and a deadly dose of cyanide had been added to the bottle. When Johnson & Johnson was made aware of the situation seven people had already been killed by the poisoned Tylenol. Fortunately the CEO, James Burke, acted decisively by making public statements as well as recalling the product at a cost of approximately \$100 million. As a result of the organization's swift response, there were no further

deaths and Tylenol's sales were soon at their previous amounts (Mitroff I. , 2001; Fearn-Banks, 2007). This example shows the importance of assessing the situation to identify methods of containing the impact of the crisis with immediate action while using minimal formal procedures in order to expedite the containment. If Johnson & Johnson had hesitated in their response to the crisis it would have likely led to more deaths as well as the elimination of the profitable Tylenol brand.

With complex or high impact crises the crisis command center should be activated and in the case of a multiuse room, the prior occupant's projects moved out. The crisis management leader, or the member initially informed of the emergency, should then prepare a concise list of known facts and actions taken while the rest of the team assembles.

## **MANAGING THE CRISIS**

The crisis management team's ability to gain accurate and clear information will largely determine their success. Communications will be gone into greater depth later. The crisis situation will likely be rapidly evolving and having multiple impacts, creating a chaotic mix of messages received by the crisis command center. This is where the crisis management plan demonstrates its true value. The team should track their progress through their developed checklists and procedures.

Alternative solutions should be identified and the team should come to a consensus on the plan of action. Immediately following the consensus the team should communicate that plan throughout the organization and to applicable stakeholders.

This will give employees a clear goal to work towards and get the entire organization moving towards recovery.

## **COMMUNICATIONS**

In the event of a crisis establishing reliable communications with essential people becomes a priority. The crisis management team must be able to quickly assess the situation to determine the necessary action needed.

### **INTERNAL**

A crisis management effort is only as good as the information the team receives. The need to act swiftly to minimize damage prohibits the team from collecting all the information themselves. Therefore the crisis team must rely on information provided to them from the different areas impacted by the crisis. In the alarm of a crisis, people tend to have a lower ability to articulate clearly and comprehensively. Having a team composed of members from different departments with established communication channels and intimate knowledge of the department is a critical component to obtaining clear and accurate information (Quarantelli, 1988).

When gathering information internally, the team members should be aware of the impact of their actions on the surrounding employees. A crisis team member who displays frantic behaviour and a short temper will spread the sense of disorder and calamity, thus further reducing the quality of information provided. A crisis team member who gathers essential information in a factual and efficient manner will show the employees that management is acting swiftly and decisively to contain the crisis.

This manner of interacting with the employees will increase the clarity and quality of information provided, which will then lead to an increase in the team's ability to decide upon the best course of action. This interaction with the employees also allows the crisis team member to reinforce which actions the employees should focus on in light of the crisis.

When a crisis precipitates due to the fault of an individual or department there is a tendency to point the finger. Placing blame has considerable consequences, the most immediate of which will be the person or department being blamed will become defensive. Defensive behaviour will decrease the likelihood of transparent communication of what *really* occurred. The crisis team's effectiveness relies on knowing how the crisis precipitated in order to effectively deal with the consequences and in the recovery and learning stages to prevent the same things from happening again. Another negative consequence of laying blame is the reduced willingness to bring forwards bad news in the future. Instead of bringing an organizational risk forward to management, the individual may try to hide their fault in order to prevent being blamed for the incident. This delay in response time can quickly turn a crisis into a disaster. Crisis management teams and the senior organizational management should focus on attacking the problem, not the person. This shift in focus will increase the probability that important issues will be brought forwards in the future. After the recovery phase the crisis management team should investigate the factors surrounding the crisis. Upon close inspection, it is often found that there are systems and processes designed into the organization that allowed the crisis to occur.

## EXTERNAL

In the event of a crisis the first step is to acknowledge that the media is sure to catch wind of it eventually. It is a natural response to try to hide a crisis to preserve the organization's image; conversely it is also one of the most damaging behaviours to the image of the organization in the eyes of the stakeholders. Most experts agree that it is advantageous to be open with the media by providing accurate, timely information about the crisis and the steps being taken to remedy the situation (Coombs, 2007). Manipulating the evidence and not acknowledging any fault in the crisis will have tremendous repercussions on both public perception and on the internal culture surrounding the crisis. An internal culture of manipulation and secrecy has much of the same effects as placing blame.

Firestone Tires is an example of very poor external communications. In August 2000, the Ford-Firestone Tire Company was receiving claims that several models of their tires were separating from their core. The result was over 100 deaths in horrific vehicle crashes. Their first blunder was blaming the owners of the vehicles of not inflating their tires properly. The second was to start placing blame inter-organizationally between the producer of the rubber, the tire manufacturer and even the vehicle designer. The company only made public statements concerning the preventative measures being taken when the company was finally brought before Congress to testify (O'Rourke, 2001). Upon investigation it came to light that executives had hidden data about the defects. Nearly ten years later Firestone has still not recovered from their poor communication and management of the situation.

During a crisis the organization's stakeholders will be clamouring for information concerning the crisis (Dyer, 1995). The spokesperson for the crisis management team should act decisively and inform the media of the crisis as well as the steps being undertaken to contain and minimize the impacts. The most effective method of disseminating this information to the multiple different parties is through the media (Quarantelli, 1988). This requires the spokesperson to consider the different interests of the various stakeholders and address the steps the organization is taking to mitigate the damage to the various stakeholders. This presents the spokesperson with the opportunity to reduce the damage to the company image and allay public fears.

Due to the spokesperson essentially becoming the face of the organization for the duration of the crisis it is common to appoint a member of top management to this role in order to increase the credibility of the statements. While the other top management personnel do not have roles as spokespeople, it is important for them to be visible during the crisis. There is a clear message to the public when a CEO of a company in crisis is caught playing golf. An example of this would be the media's portrayal of Exxon's chief executive in his New York mansion waiting passively for reports to arrive on his company's oil spill in Alaska. Exxon was not only ill prepared for the crisis but the additional perception of inert executives was devastating to the reputation of the company.



## **RECOVERY**

Once the crisis has been stabilized the assessment and business recovery phase will commence. The crisis management team will manage the recovery process in order to re-establish regular business operations as soon as possible.

When there have been lasting impacts on stakeholders, there should be efforts made to restore them to their previous state. When it is impossible or impractical to restore those impacted to their previous state, the organization should offer assistance or possibly compensation to the victims.

Personnel and victims involved in the crisis should be debriefed post-crisis. This debriefing assists in reducing the emotional strain and trauma often felt after such an event. In the long term, unmanaged stress can be severely debilitating to people. Additionally, the debriefing will aid in gaining greater insight into both the cause and how the crisis response was viewed by others.

## **PREVENTION & LEARNING**

After recovery from the crisis, the crisis team should mitigate or reduce the threat of such an event from reoccurring. Preventative actions should be communicated to both internal and external stakeholders in the aftermath of the crisis.

The crisis management team should also assess how efficient they were able to operate, what were the elements that really worked, and what was unproductive.

Identifying steps that the team would choose to do differently if presented with the same situation will increase the understanding of the strengths and weaknesses of the process. The team should assess themselves internally, but also gain feedback from people external to the team. The team should then brainstorm how they will prevent the unproductive elements from occurring again.

When evaluating the crisis management process it is important to ask why the situation developed as it did. Substandard performance could be a result of poor implementation of the crisis management plan or an inadequate crisis plan (Mirtroff, 2005). The crisis management plan is only as effective as the team makes it. The identified strengths should be integrated back into the crisis management plan, while the weaknesses should be substituted for procedures with a better outcome. This will create a more robust crisis management plan for future use (Coombs, 1998).

## **DISCUSSION**

### **AREAS FOR FURTHER RESEARCH**

The application of corporate crisis management is currently undergoing a rapid transformation in response to a more dynamic global environment and stakeholders' demands for a more comprehensive approach to crisis management. There is a clear disconnect between existing theories and the need for an integrated approach to crisis management. To aid organizations in their transition to this new world of crisis management additional research into benchmarks and industry trends are needed.

Corporate ethics is a well developed field of research that has grown in importance in response to recent scandals such as Enron, Exxon, the Tylenol tampering and Worldcom. Conversely, there has been little in the way of ethics research within the corporate crisis context. This shortage has much to do with the ambiguous nature of crises. Within a single corporation, a crisis would rarely arise multiple times from identical contributing factors. When a survey is taken across multiple organizations, the contributing factors are bound to be different, even if there are general commonalities, making corporate crisis ethics research a difficult area to study.

## **CONCLUSION**

No organization is immune to crisis. The increasingly dynamic environment in which organizations operate within is increasing the potential of corporate crisis. Organizations are discovering a more comprehensive crisis management process is required to maintain an acceptable level of risk.

Utilization of crisis management teams in an ongoing risk mitigation and prevention process reduces the number of crises an organization will encounter and

will prepare the organization to effectively manage the inevitable occurrences of crises. Organizations with a crisis management plan and team in place prior to the crisis event will respond in an organized and effective manner that accelerates the recovery process. This will improve the stakeholders' perceptions of the incident as well as their perception of the organization. Proactive crisis management is an essential element to an organization's stability and lasting viability.

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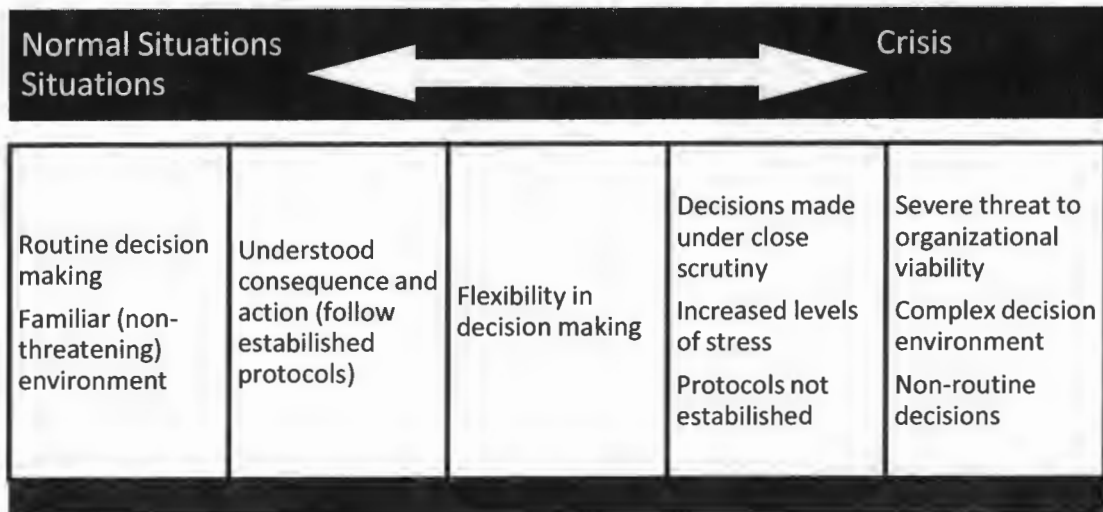
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## APPENDIX

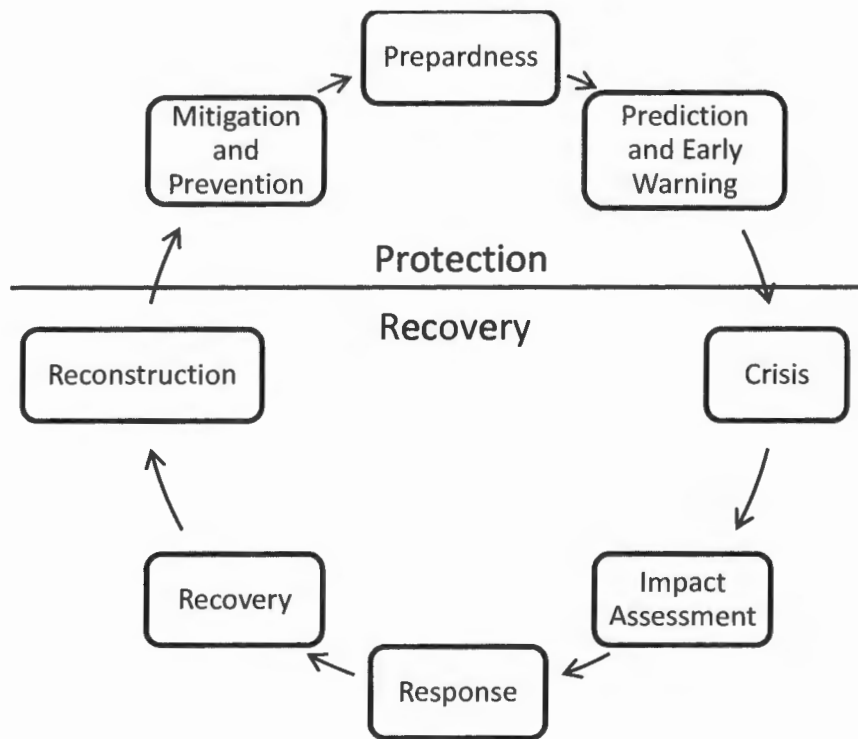
### APPENDIX 1: CRISIS LEADERSHIP CONTINUUM

(Muffet-Willett & Kruse, 2009)



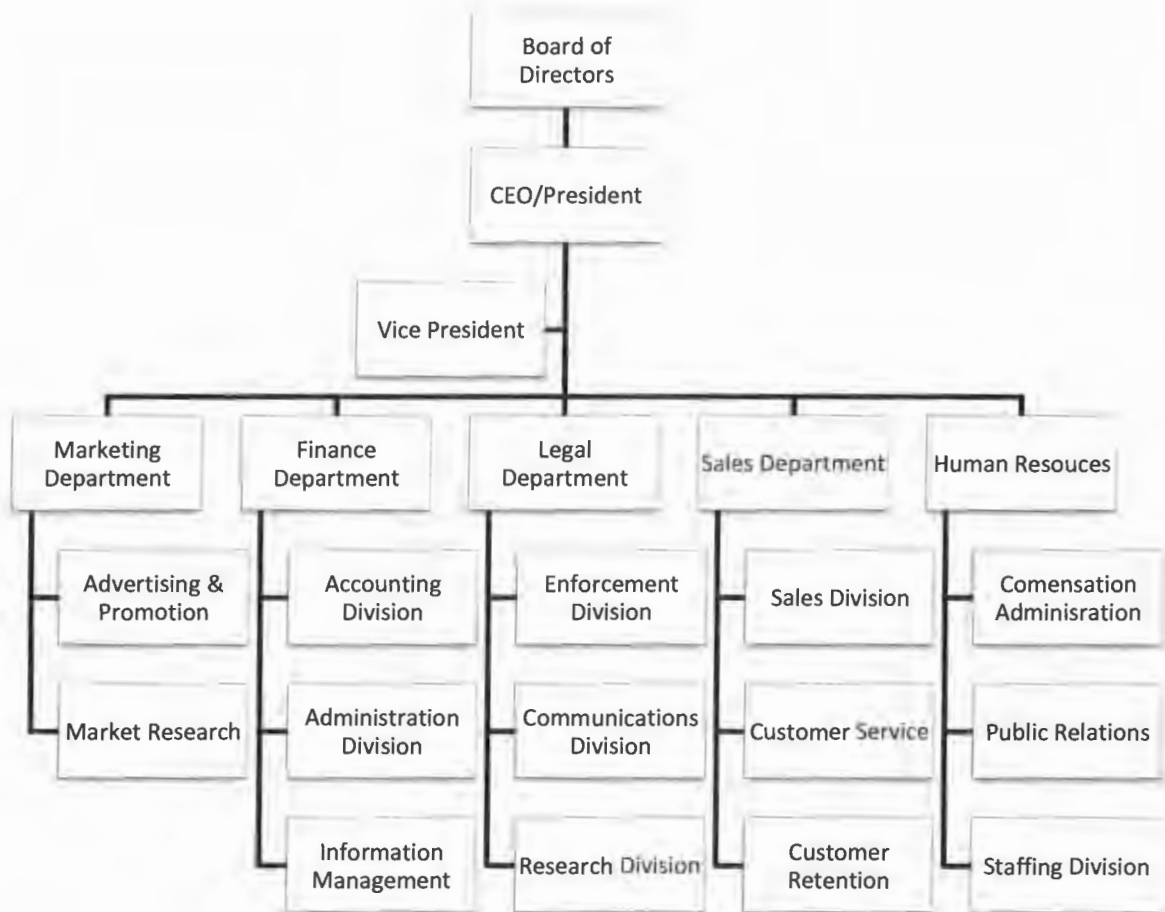
## APPENDIX 2: CRISIS MANAGEMENT PROCESS

Adapted from (Wilhite, 2000)



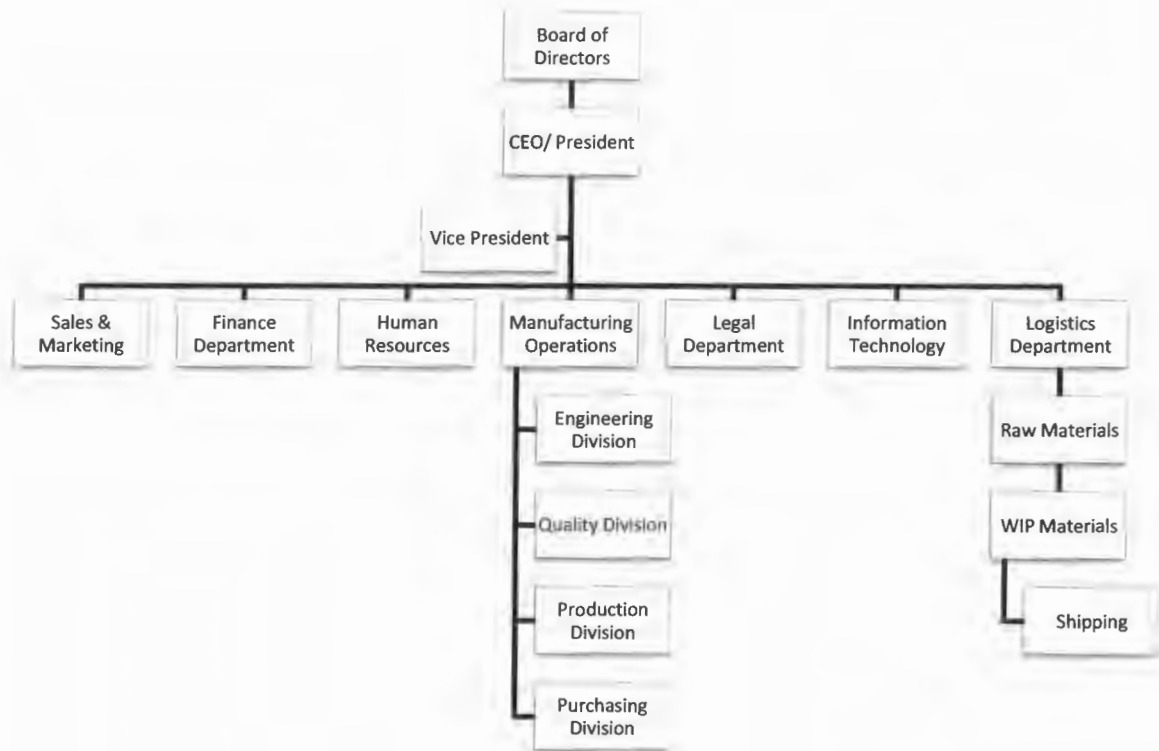
## APPENDIX 3: GENERIC INDUSTRY STRUCTURES

### GENERIC SERVICE ORGANIZATIONAL CHART



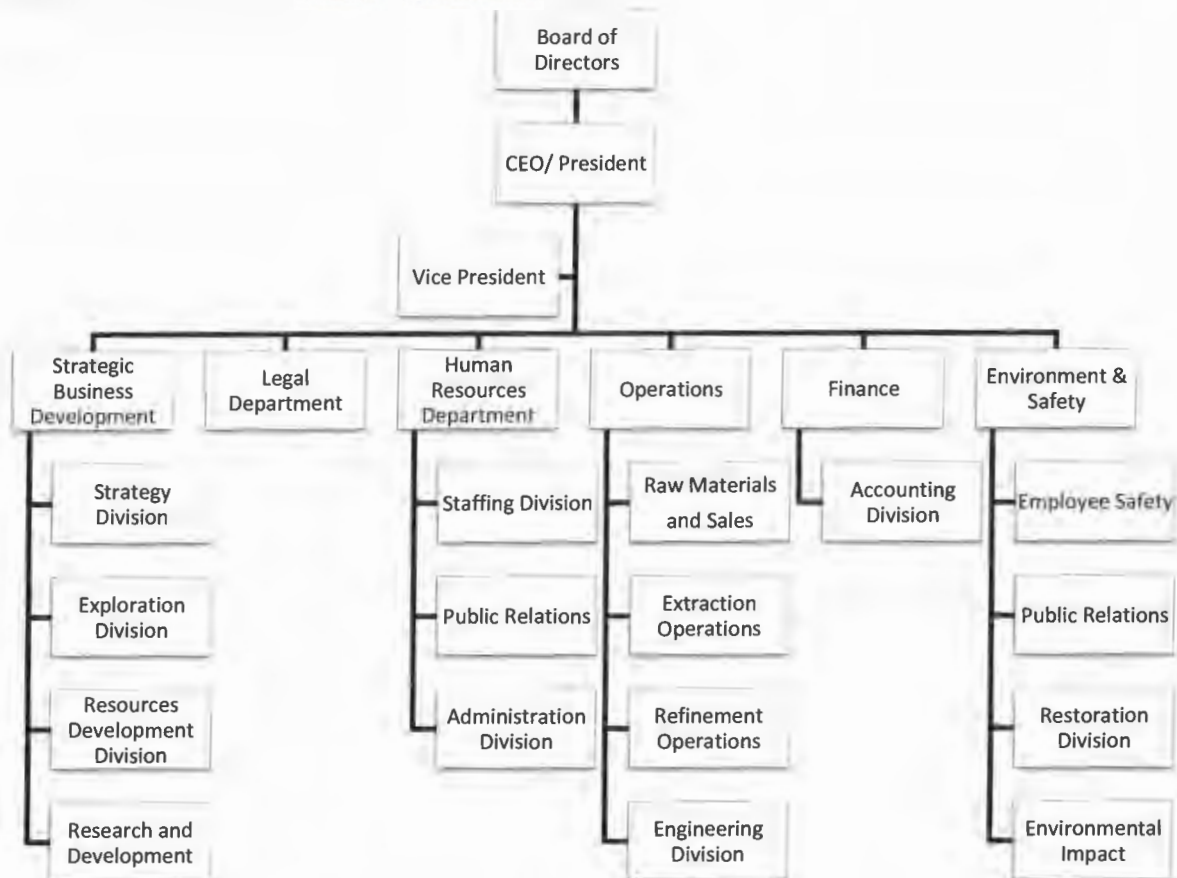
## APPENDIX 3, CONTINUED

### GENERIC MANUFACTURING ORGANIZATIONAL CHART



## APPENDIX 3, CONTINUED

### GENERIC RESOURCE INDUSTRY ORGANIZATIONAL CHART





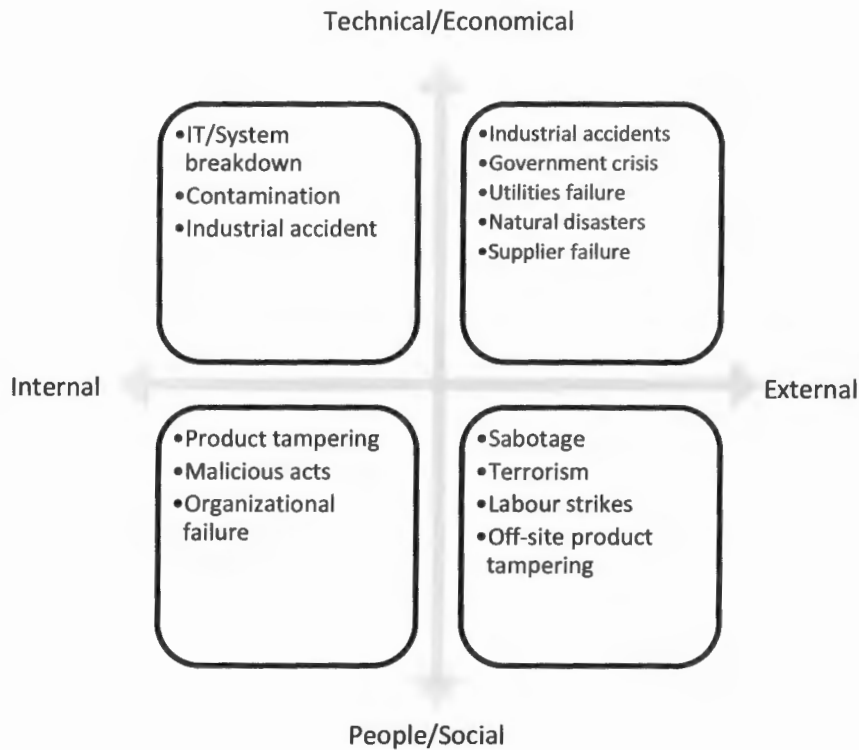
## APPENDIX 4 – SAMPLE RISK ASSESSMENT LIST

<b>The Top 10 Risks Faced</b>	
Individually or in departmental teams, develop a list of the ten worst things that could potentially occur in this department and suggest actions that could mitigate or reduce those risks.	
<b>Threat or Risk</b>	<b>How to mitigate or reduce identified risk</b>
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	

## APPENDIX 5 – CRISIS TYPOLOGIES

### CRISIS TYPOLOGIES: INTERNAL/EXTERNAL, TECHNICAL/ECONOMICAL, HUMAN/SOCIAL

Adapted from (Mitroff, Shrivastava, & Udwadia, Effective Crisis Management, 1987)



### LERBINGER'S (1997) SEVEN TYPES OF CRISES:

#### Crises of the Physical World:

1. Natural
2. Technology

#### Crises of the Human Climate:

3. Confrontation
4. Malevolence

#### Crises of Management Failure:

5. Skewed Values
6. Deception
7. Misconduct

	Strengths	Weakness
	<ol style="list-style-type: none"> <li>1. Unconventional energy focus</li> <li>2. Pure play gas firm</li> <li>3. Economies of scale</li> <li>4. Match production with demand</li> <li>5. Strong brand equity</li> <li>6. Strong reserve base</li> <li>7. Proximity of fields to key midstream projects</li> <li>8. Large supply network</li> <li>9. Strong core competencies</li> </ol>	<ol style="list-style-type: none"> <li>1. Dependant on demand of unconventional energy</li> <li>2. Recently undergone major organizational restructuring</li> <li>3. Non-diversified company</li> <li>4. Exposure to high-cost projects</li> <li>5. Project delays</li> <li>6. Goal of explosive growth</li> <li>7. Poor financial performance</li> <li>8. Selling of assets</li> </ol>
<b>Opportunities</b> <ol style="list-style-type: none"> <li>1. Relatively few companies focused on shale gas</li> <li>2. Large geographical areas unexplored for shale gas</li> <li>3. Increasing pressures for greener energy</li> <li>4. Evolving technologies increasing extraction efficiency</li> <li>5. Increase economies of scale and scope</li> <li>6. Market natural gas to negative carbon creditors</li> <li>7. Natural-gas filling stations along transport corridors</li> <li>8. Global LNG (Liquid Natural Gas) market</li> <li>9. Rupture of link between natural-gas and oil prices</li> <li>10. Long-term contracts for North American gas producers</li> <li>11. Diversify into other energy resources</li> <li>12. Increasing oil prices will create a rise in demand for gas</li> </ol>	<ol style="list-style-type: none"> <li>1. Expand unconventional operations in order to gain market share when gas prices do increase</li> <li>2. Increase demand for natural gas through marketing green benefits of natural gas (O<sub>3,6</sub>S<sub>1,3</sub>)</li> <li>3. Utilize experience in oil extraction and diversify back into oil to offset declining gas prices (O<sub>4,12,15</sub>S<sub>4,7,8,9</sub>)</li> </ol>	<ol style="list-style-type: none"> <li>1. Diversify company back into oil and natural gas (O<sub>3,6,12,15</sub>W<sub>1,3,7</sub>)</li> <li>2. Expand natural gas operations to increase economies of scale while marketing carbon credits to increase profitability (O<sub>2,3,6,14</sub>W<sub>6</sub>)</li> <li>3. Market campaign the green benefits of natural gas to increase public demand (O<sub>3,7,14</sub>W<sub>1,3</sub>)</li> </ol>
<b>Threats</b> <ol style="list-style-type: none"> <li>1. Dropping natural gas prices</li> <li>2. Decreasing cost effective resource deposits</li> <li>3. Negative or flat demand growth</li> <li>4. Fluctuating demand</li> <li>5. U.S. producers possible shift to natural gas</li> <li>6. Decreasing investor confidence</li> </ol>	<ol style="list-style-type: none"> <li>1. Diversify company into other unconventional energy sources (T<sub>1,2,3,4,5</sub>S<sub>4,5,6,8,9</sub>)</li> <li>2. Downward vertical integration into the more lucrative transportation and storage of Liquid Natural Gas (T<sub>1,3,6</sub>S<sub>1,2,3,8</sub>)</li> </ol>	<ol style="list-style-type: none"> <li>1. Change company focus entirely to more profitable markets (T<sub>1,2,3,4,6</sub>W<sub>3</sub>)</li> </ol>