

Crisis management big companies



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A crisis is an abnormal situation, or even perception, which is beyond the scope of everyday business and which threatens the operation, safety and reputation of an organisation. Crisis management is the process by which the organisation manages a wider impact, such as media relations, and enables it to commence recovery. Crisis management is an essential component of the public relations profession and when in practice, must be used as comprehensive and meticulous as possible. The benefits of good crisis management can literally save lives, save money and save an organization from devastation. Any organization that isn't prepared for a crisis will be constantly at risk. The research paper basically focuses on the crisis, challenges of crisis management, important issues, and strategies to overcome such challenges.

Introduction:

Crises can strike any company at any time. Cadbury, Reliance, Pepsi and the tobacco industry are some of the most recent companies that can attest to this fact, but they are not the only ones. Crises do not discriminate based on a company's size or notoriety, and they can hit when a company least expects them. They come in many forms – strikes, layoffs, product recalls or allegations of misconduct, but while some of these may seem small, every crisis has the potential to damage the reputation of a company.

Regardless of the severity of the situation, crises pose a serious threat to companies – not only to their reputation but their fiscal health as well. When Odwalla's apple juice was thought to be the cause of an outbreak of E. coli bacteria, the company lost a third of its market value. The same allegation against Jack in the Box restaurant in 1993 caused the hamburger chain's

stock price to fall from \$14 a share to nearly \$3 a share. On the other hand, some companies emerge from crises unscathed in the eyes of consumers and investors. Johnson and Johnson is one such company. After it was discovered that its Tylenol capsules had been laced with cyanide, Johnson and Johnson reacted in such an effective way that the case is now well-documented as an example of successful crisis management.

The factor that determines how a company will withstand a crisis is its ability to respond to the crisis. “ The public forgives accidents, but it doesn’t forgive a corporation if its response to the public is inadequate.” Once a crisis occurs, the company is suddenly a target for the media, who are acting on behalf of the public to find out the answers to the important questions about their own safety.

What is Crisis?

Crisis is major, unpredictable event that threatens to harm an operation, staff, customers, reputation or the legal and financial status of an organization.

What is Crisis Management?

- Crisis Management is the systematic attempt to avoid organizational crisis, or to manage those crises events that do occur.
- Crisis management is the process by which an organization deals with a major unpredictable event that threatens to harm the organization, its stakeholders, or the general public.

Types of crisis:

- Natural Disaster:

Natural crises, typically natural disasters considered as ‘acts of God,’ are such environmental phenomena as earthquakes, volcanic eruptions, tornadoes and hurricanes, floods, landslides, tidal waves, storms, and droughts that threaten life, property, and the environment itself.

- Industrial Accident:

Construction collapse, Fire, and Toxic release.

- Technological crises:

Technological crises are caused by human application of science and technology. Technological accidents inevitably occur when technology becomes complex and coupled and something goes wrong in the system as a whole (Technological breakdowns). Some technological crises occur when human error causes disruptions (Human breakdowns). People tend to assign blame for a technological disaster because technology is subject to human manipulation whereas they do not hold anyone responsible for natural disaster. When an accident creates significant environmental damage, the crisis is categorized as mega damage. Samples include software failures, industrial accidents, and oil spills.

- Product or Service failure:

Communication failure, System failure, Machine failure.

- Business and management:

Hostile takeover, sudden strike by workforce or key supplier, Major customer withdraws its support, competitor’s launches new product, Sudden shortfall in demand.

Examples of crisis management:

- Reliance Power IPO.
- Cadbury India in the year-2004.
- Pepsi.
- Bhopal disaster.

Importance of Crisis Management:

- Crisis management is an essential component of the public relations profession and when in practice, must be used as comprehensive and meticulous as possible.
- The benefits of good crisis management can literally save lives, save money and save an organization from devastation.
- Any organization that isn't prepared for a crisis will be constantly at risk.

Successful Crisis Management:

- Reliance Power IPO.
- Cadbury India in the year-2004.
- Pepsi.

Unsuccessful Crisis Management:

- Bhopal
- Ford and Firestone Tire and Rubber Company
- Exxon

How to make successful Crisis Management:

- Identify the problem

What is the crisis? Define it. Not what caused it or who is to blame but rather what it is in clear terms. This can also be referred to as the problem statement.

- Create a team

Now that the crisis is defined, what areas does it touch? Assemble a team with the owners of the subject matter experts in each of those areas. For a business this generally means: executive management with a representative, marketing/product management, operations, legal, human resources, information technology, finance, PR or media relations sales and research & development. If any of these functions are not necessary, do not include them in the team just to fill a seat. For other organizations such as non-profits it may include: executive leadership, development, IT, member relations, finance, PR or media relations, human resources and marketing.

- Set up a command center

Find a place where all the members of the team can meet and updates on the crises can be monitored and tracked. The command center should be manned 7×45 by a representative of each key functional area until the crises has been resolved.

- Communicate out

The first thing the team needs to do once the problem has been identified is communicate the problems and what is being done about it quickly and clearly to all appropriate media outlets through PR or media relations.

Generally, more information is better. The more senior the person providing the updates is the better also. Ideally it should be the CEO of the company or

organization or the most senior person directly involved with the crisis. Also update customers, investors, employees, clients, constituents, and members – anyone with an interest in the company or organization.

- Problem breakdown

Break down the problem with the crisis management team. Identify what the problem is, what the potential solutions are and which are the most viable courses of action. Bring in other subject matter experts as needed but do not take the accountable functional areas owners out of the loop or off the hook. They own a successful resolution from their area.

- Receive communications in

Concerns of customers, employees, shareholders and constituents need to be addressed. Set up phone hotlines and email folders related to the crises. Have knowledgeable people take the calls. If they cannot, have a mechanism so every call is returned with an answer in 24 hours. The same holds true with e-mails.

- Resolve the problem

Nothing is more important than resolving the problem or crises because it is a disruption to everyday business. It could ruin the reputation of the business or organization. For a company it can destroy shareholder value. For other organizations it can impact membership, causes, careers, lives and worse. The crisis team needs to commit their time, money and energy and also grab the best and the brightest internal or external to the company or organization to resolve the problem or crisis quickly.

- Provide updates and resolution

Communicate updates through all outlets and communicate final resolution of crisis at the most senior level available. Communicate frequently.

Communicate in a timely fashion. Do not hold information back. Make leaders, functional owners and subject matter experts available to questions from the media (all forms). Have all communication controlled through the command center i. e. centrally.

- Investigate (the post mortem)

After the crisis has been resolved establish a team to investigate what happened, why, who was responsible and what actions need to be taken to insure that it does not happen again (or is minimized). Insure the team has full access plus as much time and budget as they need to do their jobs effectively.

- Integrate improvements

Integrate the findings of the team into business as usual. Take the learnings from the crises to change the business or organization so there is a minimal chance of the crisis repeating itself. Make these changes know to all the company's or organization's stakeholders.

Crises happen – no matter how careful, quality conscience and integrity focused any company or organization considers itself. And when they do, it is up to the leadership to establish a crises team and command center quickly. By following these 10 steps, the best will be made out of any bad situation.

Conclusion:

By definition, crisis management deals with incidents of major impact. A good crisis management plan without sound continuity planning is like

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building a house on clay. There is also something of a balancing act in crisis management planning. The best plans are the simplest and yet the attention to detail remains extremely important. Failing to plan for incidents may result in casualties and poor safety procedures, with many potential losses including money, equipment, reputation, staff morale, market share and ultimately loss of the business itself. The issue is not whether to have crisis management or not, but how to apply it to best suit your organisation. To remain competitive, business continuity and crisis management must form part of your overall business strategy.