Leadership in a Crisis Situation

Dr. Lynn Wooten discusses the concept of ‘Frames’, which refers to the different perspectives that help the leadership of an organisation organise leaders’ thoughts and suggest appropriate action. Frames are powerful mental models because they reflect our viewpoint of the world and shape behaviour.

Because of the nature of Organisational crises, and the serious threats they pose, making sense of them requires framing through multiple lenses. Crises are often surprising and deceptive, the result of complex systems and environments filled with ambiguous information. Even when crises are not a surprise to management, the ramifications are difficult to predict. In a crisis situation, the behaviour of Organisational members is also more difficult to predict, and interactions among groups add to the complexity. During a crisis, stakeholders tend to provide incomplete information and try to camouflage mistakes. As a result of this complexity and ambiguity, managing becomes more important, but more difficult, during a crisis. Framing enables executives to make sense of the complexity and ambiguity of a crisis situation by bringing order to chaos. Through the reflective process of framing executives can explore the origin of the crisis, identify the Organisational implications of the crisis, and develop an action plan for resolving the crisis.

Drawing from Organisational theory and management practice, I propose four frames...
management a challenge. Third is the human resource frame. The fundamental assumption of this human resource frame is that when managing crises, leadership should be able to understand the capabilities and limitations of their employees. An additional perspective of this frame is that crises may sometimes escalate because of the prejudices, needs, and feelings of an organisation’s human capital. The fourth and final frame looks at crisis management through the lens of Organisational culture. This frame views crises as a function of deeply ingrained values and rituals. Depending on the Organisational setting, cultural values can prevent the organisation from moving beyond crisis mode or provide the tools for doing so. The next sections expand on the description of each of these frames and provide examples of how leaders can utilise each as a crisis management tool.

Strategic Design
The strategic design perspective views organisations as systems constructed to achieve goals, and it assumes the overarching goal is to create value for stakeholders. Even in a crisis situation, the organisation’s value proposition serves as a guideline in deciding what activities management will implement to achieve its strategy. These patterns of decisions define objectives and produce plans for allocating and aligning resources to meet the needs of competitive pressures, customers, shareholders, and employees. Crafting strategies to minimise costs or provide a differentiated value to stakeholders is the essence of the strategic design approach. Leaders framing the management of a crisis through a strategic design lens perceive the business world as rational, calculative, and mechanistic. This mindset prevents crisis preparation because leaders have difficulties creating plans to manage the unexpected. However, when confronted with Organisational crises, the primary goal is to resolve the crisis and get back to “business as usual” as quickly as possible. In other words, management works to develop a strategy to bounce back from the crisis; but to overcome a crisis the quest for resilience cannot contemplate only past mistakes. Instead of an integral part of the strategic design frame assumed after a crisis, leadership will concentrate on the future and shift its paradigm to restructure processes and resources.

For example, Martha Stewart Living Omnimedia (MSO) approached its management crisis from a strategic design frame. In March 2004, the firm’s founder and CEO, Martha Stewart, was convicted of lying to investigators and conspiring with her stockbroker. In the temporary absence of its leader, the company had to reevaluate its dependency on a single person to market ideas, products, and services. This resulted in changes to the administrative structure, a refocusing of the company’s core competency, and contemplation about its future without Stewart. Confronted with this crisis, the firm’s rhetoric and actions were orchestrated to convey to stakeholders that the company could not only survive but also continue to create value without Stewart. The communication strategy entailed sending a letter to shareholders, ensuring them that the board of directors and employees were competent to manage the firm in her absence and that the “Martha” culture and way of doing things would persevere. The company’s administrative team moved quickly to make the brand resilient by launching a food magazine and a natural lifestyle magazine that reflected Stewart’s style, but did not use her name, thus extending the brand beyond Martha Stewart’s image. Also, domestic experts appeared on the television show and in Living magazine to substitute for Stewart.

The management of MSO’s crisis reinforces the significance of thinking strategically about crises. Management at this company was effective in establishing an action plan for surviving the crisis by minimising the damage to
the company’s image and recreating its shareholders’ value proposition. Furthermore, the organisation developed new strengths. All these strategic decisions resulted in a company that not only weathered the storm of a crisis, but in the long term is in a stronger competitive position.

Organisational Politics

Leaders often allocate a large proportion of their time to strategic planning and spend little time worrying about Organisational politics. Many leaders perceive politics as the “dark side” of Organisational life, constructed by the selfishness and dishonesty of others. They do not want to play politics, and become handicapped by their unwillingness to understand the role of politics in organisations. However, most Organisational crises have a political aspect—politics can cause crises and be the means of resolving them.

Thus, thinking about Organisational crises from a political frame is a necessary management skill. When leaders think about crises through a political frame, they acknowledge that Organisational behaviour is not always deliberately constructed to achieve strategic goals. Instead, it can be dictated by conflicts among individuals, power structures, and competing interests. Framing crises from a political perspective requires in-depth knowledge of the organisation’s political terrain. Leaders must be able to identify the strengths of key power brokers, determine channels of communication, and understand networks of relationships. Moreover, when an organisation’s political system dominates business practices, leadership must comprehend how it creates crisis management barriers and then craft a plan to work around these obstacles. Not taking into account the political system can prolong the crisis and damage the organisation.

Consider what happened to Arthur Andersen, the accounting firm that had been number one in its industry and known for its excellent human resource management and client service practices. In 2002, this image became severely damaged when Arthur Andersen was accused of failing to detect fraud and report the improper accounting practices of firms such as Enron, WorldCom, Waste Management, and Sunbeam. The collapse of Arthur Andersen represents a crisis rooted in a political system that leadership ignored. In the previous decade, prior to the crisis, the firm’s structure changed from a unified system to a loose confederation of fiefdoms intent on maximising billable hours. As the fiefdoms grew, so did power struggles within and between local offices. The power brokers were the partners who produced revenue growth at the expense of quality, retaining high-risk clients with questionable accounting practices. Partners at Arthur Andersen speaking against these practices were removed from the firm’s oversight committee. Also, the power brokers developed a system to ensure the top management team never received detailed information about problem clients.

The Arthur Andersen crisis emphasises not only the importance of leadership’s role in understanding the organisation’s political terrain, but also the significance of leaders’ ability to navigate Organisational politics. Joseph Bernardino, worldwide CEO of Arthur Andersen at the time of the scandal, had inherited a crisis-prone political system, but he was unable to comprehend the complexity of the problem. He needed to understand the reality of the political system and correct that system to protect the firm. Preventing and managing crises through a political system requires an ability to build healthy networks, negotiate with power brokers, and refocus the values of the dominant coalition when it jeopardises the organisation’s well-being.

HRM Practices

Like the Organisational politics frame, the human resource frame directs leaders to think about the “people” side of crisis management—more specifically, the relationship between an organisation’s employees and a crisis. An organisation and its employees exist in a relationship of mutual exchange, in which they interact not only with each other but also with the economic environment, demographic patterns, and socio-cultural trends. Organisations need employees for their talents and ideas. Employees need employers to provide monetary rewards, meet their affiliation needs, and allow them to achieve self-actualisation. An imbalance between Organisational goals and employees’ needs can produce a crisis.

Frequently, such imbalances are the result of human resource management practices, such as discriminatory behaviour in the workplace and union disputes. In 2003, the Institute for Crisis Management estimated that crises resulting from discriminatory practices increased by 110% over the previous year, and combined labor disputes and employee discrimination accounted for 14% of business crises. Yet, executives seldom make the connection between business crises and the organisation’s human resource management practices.
## Framing Crisis Management

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<th>Framing Lens</th>
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| **Strategic Design**                  | Resolve crisis by returning organisation to a steady state  
Craft future strategic plans to build resilience  
Develop new strengths to compensate for weaknesses exposed during the crisis  
Implement an action plan to address the concerns of stakeholders  
Shift managerial paradigm to restructure processes and resources |
| **Organisational Politics**           | Map the organisation’s political terrain  
Determine if the organisation’s political system is a crisis hazard  
Identify power brokers and assess their role in the crisis  
Develop networks of supporters to help manage the crisis  
Refocus the values of the dominant coalition |
| **Human Resource Management Practices** | Understand the linkage between business crises and human resource management practices  
Analyse the capabilities and limitations of the organisation’s human capital  
Evaluate if there is an imbalance between the organisation’s goals and its employees’ needs  
Assess if work practices, labor shortages, or disputes make the organisation susceptible to a crisis  
Scan external environment for conditions that could threaten the organisation’s HRM needs  
Develop training programs that develop crisis leadership competencies |
| **Organisational Culture**            | Develop a culture prepared to manage crisis  
Remove cultural barriers that contribute to the Organisational crisis  
Craft a mission and symbolic behaviour to lead Organisational members through the crisis  
Leverage crisis situations to renew Organisational culture |

When dealing with crises grounded in human resource management practices, leaders should reflect on how the organisation can change its routines to achieve balance between the organisation and its employees. This entails creating a work environment where the needs of employees are not neglected and are aligned with the organisation’s goals. Environments in which labor and management work as partners to achieve the organisation’s mission can go a long way toward achieving this balance. Avoiding employee-centered crises also calls for planning that forecasts labor needs and macro-environment trends.

Framing crisis activities through a human resource management lens should encourage executives to create a system for developing crisis leadership competencies. Through training activities, human resource management departments can focus on crisis prevention and planning so that executives are prepared for a crisis situation. In addition, the human resource management department can help managers develop the communication and damage control skills needed during the...
actual crisis. This requires identifying and working with managers who are skillful in high-pressure situations and can communicate effectively with the organisation’s various stakeholders. Moreover, as an organisation recovers from a crisis, the human resource management function should be involved in policy manuals, and tacit learning is incorporated into the organisation’s culture since these in organisational theory, but can be applied to the context of crisis management. For optimal crisis management the frames are not stand-alone perspectives. Instead, the frames complement each other and should be integrated by leaders for effective crisis management.

Applying the frames as tools moves executives beyond the reactive firing squad mentality to proactive thought leaders. The strategic design frames encourages leaders to develop an action plan for bouncing back from crises that takes into account the needs of the various Organisational stakeholders. This action plan should Analyse the organisation’s post-crisis position in the marketplace to minimise its weaknesses and rebuild its strengths. Also, framing crisis through an Organisational politics lens requires managerial analysis. However, the focal point of this analysis is mapping networks and identifying power brokers with the goal of mitigating the negative energy in the political system that led to the crisis. Similar to the political system frame, the HRM perspective emphasises the importance of a strategy for realigning the organisation’s goals with the needs of its employees and labor market environment. Finally, the Organisational culture frame serves as a lens for transforming an organisation from crisis-prone to crisis-prepared. It advocates leaders build a culture that is prepared for crisis and excels at quickly adapting to crisis situations. This is accomplished through an integrated set of shared values, tacit norms, and explicit work procedures that facilitate the organisation flexibility, resourcefulness, and responsiveness during a crisis.

Framing Organisational crisis through multiple lenses is a new mental model and a new tool for executives. Well-prepared and capable managers have the capability to look through all four frames when managing a crisis. Moreover, these leaders have the ability to be both reflective and forward thinking about the crisis situations. As a result, a crisis that initially threatens an organisation may, in the long term, give leaders the opportunity to rebuild and renew their organisations.

References
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