CRISIS MANAGEMENT: DETERMINING SPECIFIC STRATEGIES
AND LEADERSHIP STYLE FOR EFFECTIVE OUTCOMES

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ABSTRACT
The purpose of this study is to investigate and discuss current literature on crisis
management within organizational settings. Analyzing what the literature explains
about the nature of crisis, steps toward effective crisis management, and a general
model of crisis management provides a theoretical framework to understand what
organizations should undertake in order to manage a crisis. From the discussion, it is
found that a crisis, which is classified into two main types, namely natural and
human-induced, can be viewed from two different perspectives. A crisis is an
unexpected event that has the potential to threaten the function and the existence of
an organization and it may strike at any time. On the other hand, a crisis can also
cause an organization to blossom. In order to be able to manage a crisis effectively,
an organization should be able to determine the role of the stakeholders and choose
appropriate strategies and leadership style. More specifically, an organization needs
to focus on the importance of a two-way style of communication, re-evaluate existing
strategies before implementing new strategies as proposed in the study, and introduce
a transformational visionary leadership style as essential steps to recover from the
crisis situation.

Keywords: Crisis, crisis management, organizational development, strategy,
leadership

INTRODUCTION
“The impact of crises on organizations and individuals has been stronger than ever” (Wang,
2008, p. 1). Leaders in organizations need to be aware of these words. They should have
specific skills, which will enable them to prepare, manage, and find a solution for possible
crises that could threaten the existence of their organizations.

Houlihan (2007, p. 11) explained that examples of such skills are the ability to anticipate the
natural reaction of the staff and discuss with them a strategy to make a difficult process more
effective. Her comment suggests that what leaders have to do is to understand the feelings of
staff members and share with them a clear direction of where the organization needs to be in
the future after crises are over. In short, building two-way communication is needed. In
addition, providing greater autonomy for staff members and seeing them as part owners of
organizations are important (Collins, 2007, p. 55). This suggests that subordinates should be
treated as responsible adults. Leaders need to trust them to express their ideas and explore
their creative thinking in the effort to manage crises.

Furthermore, it is possible for members of organizations to view crises “as a natural phase of
an organization’s development” (Seeger, Sellnow, & Ulmer, 2001, p. 156). This statement
implies that crises need to be treated as part of organizational development, not as a situation,
which produces serious harm. Despite its potentially destroying consequences, times of crisis
can also lead to new and better ways of doing things, as well as providing chances to
determine what strategic planning would result in more effective organizational development.
Smits and Ally (2003) have gone further to state that leaders should “think the unthinkable” (p. 1). Leaders are expected to be able to prepare themselves, as well as their organizations for unknown crises that could endanger their existence. They suggested that being able to lead staff members to move beyond the challenge of crises is essential. Organizations will then be better prepared in the attempt to deal with unpredictable risks.

Drawing from the above discussion, it can be argued that preparedness, building effective communication between stakeholders, and sharing authority are vital components in the effective management of crises within organizations.

RESEARCH METHOD

The primary method adopted in this study is literature investigation. This study will intensively review current literature focusing on three body of work which are synthesized to produce a conceptual framework that will guide the discussion and interpretation, namely: the nature of crisis, steps that organizations should undertake to achieve effective crisis management, and a general model of crisis management. The literature investigation is designed to establish knowledge of how organizations manage crises.

LITERATURE REVIEW

What is a Crisis?

MacNeil and Topping (2007) defined a crisis as an event that “causes severe emotional and social distress, which may occur at any time and without warning” (p. 64). Similarly, Winkleman (1999, p. 80) explained that a crisis is an unexpected event that threatens organizations’ function and existence.

A crisis, however, can be perceived as a critical time to develop organizations. As Brockner and James (2008, p. 95) and Rochet, Keramidas, and Bout (2008, p. 68) stated, if stakeholders are able to handle a crisis appropriately, it is possible for organizations to move towards a better future. A crisis should, therefore, be viewed more as an opportunity rather than as a threat. This indicates that stakeholders are expected to be able to control such a crisis.

Avoiding or Controlling a Crisis

Torraco (2005, p. 253) has gone further to argue that Human Resource Development (HRD) has a significant influence on avoiding or controlling a crisis. This is due to the potential of HRD to broaden the intellectual capabilities of organizational members to respond to such a crisis. Furthermore, Rusaw and Rusaw (2008, p. 2) explained that HRD programs, for instance crisis training, are designed to mobilize individuals and teams in order to be able to deal with a crisis. They stated it is hoped that knowledge organizational members get from such programs would give them insights into specific strategies that are needed to be applied during crisis times.

Stephens, Malone, and Bailey (2005, p. 391) and Ulmer (2001, p. 592) on the other hand, emphasized the importance of communication strategies to resolve a crisis positively. They argued that either pre-crisis or post-crisis communication amongst stakeholders is important in order to be able to anticipate or even deal with a crisis. Thus, during crisis events, the real situation needs to be transparent and communicated honestly to all organizational members.

Types of Crisis

Hutchins (2008) attempted to classify a crisis into two different types: “natural and human-induced crises” (p. 4). He described natural crisis as hurricanes, earthquakes, and fire,
whereas bribery, corruption, scandal, and terrorist attack he classified as human-induced crisis.

According to Pearson and Mitroff (1993, p. 49), organizations may have little control over natural crises. However, it is possible for them to handle human-induced crisis by having well-established crisis management systems in place, which can be implemented when necessary. Thus, preparedness is vital in order to be able to deal with such types of crises. Coombs and Holladay (2002, pp. 170-171) listed and defined the kinds of crises that organizations experience as shown in Table 1. Coombs and Holladay further explained that leaders within organizations can use crisis typologies that they have created as a guide to select appropriate crisis response strategies.

Table 1. Definitions of Types of Organizational Crises

<table>
<thead>
<tr>
<th>Types of Crisis</th>
<th>Definitions</th>
</tr>
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<tbody>
<tr>
<td>Rumor</td>
<td>False information, which is designed to threaten the existence of organizations.</td>
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<tr>
<td>Natural disaster</td>
<td>A natural event, which is usually uncontrollable and may damage organizations.</td>
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<tr>
<td>Malevolence/product tampering</td>
<td>A particular action made by an external agent to harm organizations.</td>
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<tr>
<td>Workplace violence</td>
<td>An attack made by either former employees or current employees/colleagues.</td>
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<tr>
<td>Challenge</td>
<td>Different opinions amongst stakeholders, arguing that their organization is operating in an inappropriate way.</td>
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<tr>
<td>Technical breakdown accident</td>
<td>A particular accident caused by technical error.</td>
</tr>
<tr>
<td>Technical breakdown product recall</td>
<td>The recall of a particular product caused by technical error.</td>
</tr>
<tr>
<td>Mega damage</td>
<td>A technical accident that causes serious environmental damage.</td>
</tr>
<tr>
<td>Human breakdown accident</td>
<td>A particular accident caused by human error.</td>
</tr>
<tr>
<td>Human breakdown product recall</td>
<td>The recall of a particular product caused by human error.</td>
</tr>
<tr>
<td>Organizational misdeeds with no injuries (to external stakeholders)</td>
<td>Either action or decision made by organizations, which deceives stakeholders but without producing a serious injury.</td>
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<tr>
<td>Organizational misdeeds management misconduct</td>
<td>A particular action made by organizational members, which breaks specific laws/rules.</td>
</tr>
<tr>
<td>Organizational misdeeds with injuries (to external stakeholders)</td>
<td>A specific organizational policy that places stakeholders at risk or even produces a serious injury.</td>
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Source: Adapted from Coombs and Holladay, 2002, pp. 170-171.

Impact of Crisis

On Organizations

Seeger, Ulmer, Novak, and Sellnow (2005) stated, “a crisis is a fundamental suspension or disruption of organizational stability and status quo” (p. 80). This statement implies that a
A crisis has a detrimental effect on the organizational stability, which leads to the emergence of a critical question, whether or not organizations would be able to survive after crisis events.

Tschirhart (1996, p. 76) further argued that besides threatening the stability of the organizations, a crisis also endangers the organizations’ reputation. The reputation of organizations can influence the public’s choice of whether or not to consume the organizations’ products and services, or even accept partnerships with them. Protecting or repairing the organizations’ image during and after crisis times is, therefore, essential, so that they can regain the public trust.

**On Staff Members**

It is generally agreed that a crisis has psychological effects on organizational members. Braverman (2003) argued:

“...In the days and weeks surrounding a crisis, traumatic stress reactions may produce symptoms of avoidance, concentration problems, depression and feelings of vulnerability and sadness. Long term, they can cause substance abuse, mental and physical illness, and marital problems” (p. 11).

These symptoms would then disrupt staff members’ performance, as well as the organizations’ function. In other words, because of a crisis, organizations would not be able to run properly (Braverman, 2003).

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![Figure 1. Model for Analysis of Ethics in Crisis Decisions](source: Adapted from Christensen and Kohls, 2003, p. 334)
Pearson and Clair (1998, p. 62) and Christensen and Kohls (2003, pp. 333-334) stated that a crisis might increase an individual’s stress. They suggested it would, therefore, be difficult for staff members to be actively involved in the effort to make an ethical decision related to organizational survival. An ethical decision, as opposed to an unethical decision, is defined as “a decision in which all stakeholders have been accorded intrinsic value by the decision maker” (Christensen & Kohls, 2003, p. 332). This indicates that all stakeholders have the right to be engaged in decision making processes that affect them as part of their organizations, more specifically, Christensen and Kohls (2003) proposed “model for analysis of ethics in crisis decisions” (p. 334). Based on this model, they stated that a crisis and its characteristics cause organizational and individual stresses, which then disrupt the ability of organizational members to make an ethical decision. Figure 1 shows the relationship between crisis events and stress that influences ethical and unethical decision making within organizations.

**Steps toward Effective Crisis Management**

Effective crisis management is a process, which can be applied when organizations are experiencing a crisis. There are two steps in the process of effective crisis management, namely determining the role of organizational members and choosing appropriate strategies and leadership style. Each will be discussed below.

**Determining the Role of Organizational Members**

Lussier and Achua (2007, p. 481) stated that both leaders and staff members have equal rights in terms of determining particular procedures to deal with a crisis. Organizational members from all levels, should, therefore, have the same understanding about the procedures that lead to identifying potential threats and understand how to respond to them. However, leaders should have their own agenda and “not permit outside influences to dictate priorities and allocation of services” (Jarret, 2007, p. 16). In brief, command and control are two important elements, which enable leaders to lead their organizations effectively during crisis events.

Considering that a crisis can increase an individual’s stress, the most important task for leaders is to give the opportunity to staff members to “catch their breath without the added anxiety of coping with taxing change” (Beaudan, 2002, p. 23). Beaudan further argued that taking a break from speed and change does not necessarily mean that members within organizations would be idle. Conversely, this would provide them time to express their own ideas in the effort to deal with the crisis.

**Choosing Appropriate Strategies and Leadership Style**

Moats, Chermack, and Dooley (2008, p. 397) argued that scenario planning and scenario-based training (SBT) are two important strategies that need to be implemented to avoid or cope with a crisis. Scenario planning refers to creating multiple stories of different futures based on the current situation within organizations, which enables organizational members to be better prepared for the unknown threats. SBT, on the other hand, is a practiced activity that involves actually planning a situation of how to deal with crises. According to Moats, Chermack, and Dooley (2008), such training would give participants insights into real crisis situations. During the training program, a specific scenario is presented. Both actions and reactions of the participants would be observed and recorded by the controllers. Finally, the scenario would be adjusted as a result of participants’ reactions. In short, SBT enhances decision-making skills (pp. 401-402). Figure 2 illustrates the process of SBT.
In addition, building a positive relationship with media, especially before a crisis strikes organizations, is important due to the impact of such a crisis on the organizations’ reputation. As Horsley and Barker (2002, p. 408) argued, obtaining support from the media is beneficial in terms of ensuring the public that organizations would be able to survive after times of crisis. The media could provide balanced information related to the real situation. In turn, it would be possible for organizations to regain the public trust.

Furthermore, determining leadership style is also vital. As Schoenberg (2005, pp. 2-3) stated, leadership and crisis management are closely related. In times of uncertainty, organizations should have crisis leaders with adequate skills to decide what objectives need to be achieved and understand how every action they take would affect their organizations. Schoenberg further explained that leaders should be able to evaluate their own skills, especially before a crisis happens. In brief, sound preparation is needed. They should then influence or motivate staff members towards a specific behavior. In order to obtain trust, leaders should use their values or attributes and develop their authenticity. In addition, they should communicate to staff members the real situation and possibilities for the future of organizations (Schoenberg, 2005, pp. 3-4). Figure 3 depicts Schoenberg’s crisis leadership model.

Figure 2. The Delivery Component of Scenario-Based Training (Source: Adapted from Moats, Chermack and Dooley, 2008, p. 406)

Figure 3. Crisis Leadership Model (Source: Adapted from Schoenberg, 2005, p. 4)
In support of the above explanation, other researchers, such as Yukl (1999, cited in Halverson, Murphy, and Riggio, 2004, p. 498) argued that charismatic leadership is an appropriate leadership style, which needs to be implemented because crisis events provide charismatic leaders with greater opportunities to demonstrate their charismatic behavior. In addition, an unstable situation itself enables charismatic leaders to develop their ability to be charismatic and various problems during crisis times give them chances to be innovative which enables them to find solutions. Conger and Kanungo (1992) explained that charismatic leadership refers to figures that are able to “act as agents of radical change and make realistic assessments of environmental opportunities and constraints” (as cited in Halverson, Murphy, & Riggio, 2004, p. 497). This explanation implies that charismatic leaders would not maintain the status quo. Instead, they would lead staff members beyond the challenge and make positive changes to their organizations after crisis times.

It is essential, however, to understand the negative side of charismatic leadership. As Sankar (2003, p. 47) stated, there is “the dark side” of this leadership style. It is possible that charismatic leaders tend to satisfy their own needs, such as positioning themselves as the center of attention and ignoring the viewpoints of other organizational members. This statement implies that during tough times, organizations should be able to select individuals with positive charismatic leader traits who are also sensitive to staff members’ needs and expectations.

Charismatic leadership is frequently linked to transformational leadership. These two types of leadership are sometimes used interchangeably or even combined as transformational leadership, which is often described as having charisma as one of its traits. This term refers to a personal trait, which means, “divinely inspired gift” (Lussier & Achua, 2004, p. 340). Burns (1978) defined transformational leadership as “a process in which leaders and followers raise one another to higher levels of morality and motivation” (as cited in Denhardt & Campbell, 2006, p. 559). This definition indicates that a mutual relationship between leaders and staff members is essential. Leaders should be able to support the needs of staff members and inspire them to achieve organizational goals.

In relation to crisis events, Bass (1990) argued that transformational leaders “can transform crisis situations into developmental challenges by presenting crisis situations as intellectual stimulation to promote subordinates’ thoughtful, creative, adaptive solutions to stressful conditions” (as cited in Hunter, 2006, p. 47). Transformational leaders, should, therefore, encourage staff members to express ideas, which lead to opportunities to grow during times of crisis.

**General Model of Crisis Management**

Coombs and Holladay (2002) proposed “the situational crisis communication theory (SCCT)” (p. 167) as a suitable strategy for managing a crisis. They suggested that initial assessment, by focusing on two factors namely severity and performance history, is important. The former refers to the amount of damage (financial, human, and environmental damage) generated by a crisis, while the latter refers to the previous actions of organizations, including their crisis history. Coombs and Holladay (2002, pp. 168-169) further argued that determining a crisis response strategy to accommodate all stakeholders affected by crisis events, as well as being able to control such a crisis is also vital. By doing so, organizations demonstrate that they care for victims and understand what steps they should undertake during crisis times. In turn, it would be possible for them to regain the public trust and even repair their reputation. Figure 4 shows several variables that need to be applied to SCCT.
DISCUSSION AND INTERPRETATION

The Nature of Crisis

The study of the literature on crises in organizations revealed that crises could be defined in a number of ways. However, there was a clear agreement that crises are unpredictable, unexpected, and can occur at any time. In addition, crises not only have the potential to cause emotional and social distress, but they can threaten the function and the existence of the organization. Another aspect discussed in the literature review was the classification of crises into two broad types, namely natural and human-induced crises.

Findings from the literature, however, also revealed that crises could be viewed from a different perspective, more as an opportunity to develop the organization, rather than as a threat for the organization’s existence. It was reported that crises can be avoided or controlled by enhancing the role of Human Resource Development (HRD) programs to broaden the intellectual abilities of the organizational members to respond to crises on the basis of knowledge and skills they obtained from such programs. The literature also acknowledged the importance of both pre-crisis and post-crisis communication strategies amongst members within an organization.

The Management of Crisis in Organizations

The research literature acknowledged issues of essential variables of effective crisis management, such as determining the role of organizational members, choosing appropriate strategies and leadership style, and selecting appropriate models of crisis management. These variables are recognized as reliable guides for the organization in the effort to manage crises effectively.

From the studies reviewed in the previous section it is clear that both the leader and the staff members within the organization have equal rights in terms of setting specific procedures to deal with crises. As stated, both parties should have the same understanding about the procedures that have been determined which leads to the ability to identify potential threats and understand how to respond to them.

The literature review also revealed the need to combat crises by initiating scenario planning and scenario-based training (SBT). With this scenario, the organizational members will be able to predict the future of the organization on the basis of the current situation. SBT, on the other hand, provides them practiced activities, which lead to the understanding of how to deal with crises. Another aspect highlighted in the study of the literature was the need for the organization to establish a positive relationship with the media. It was reported that support
from the media is vital in terms of ensuring the public that the organization will be able to survive after crisis events.

Through the study of the literature it also became clear that transformational leadership is an appropriate leadership style, which needs to be applied to the organization during times of crisis. As stated, the transformational leader will be able to lead the organization to move towards a better future by encouraging the staff members to express their ideas of how to cope with crises and work collaboratively to either manage or avoid such situations.

Another aspect discussed in the literature review was the issue of implementing a general model of crisis management, such as the situational crisis communication theory (SCCT). It was reported that the model proposed in the literature could bring new insights and understanding for the organizational members of how to repair the organization’s image and regain the public trust after times of crisis. It emerged from the examination of the literature that this general model of crisis management emphasizes the importance of determining a specific plan and strategy to deal with crises.

**Strategies and Leadership Approaches for Effective Crisis Management in Organizations**

Findings from the literature suggested that both the leader and the staff members within the organization have equal rights in terms of determining particular procedures in the effort to deal with crises. It was generally agreed by various writers that there is a positive correlation between communication and commitment. As Postmes, Tanis, and De Wit (2001, p. 230) argued, if leaders within organizations are able to establish open communication, the commitment of staff members will increase. It was proposed that open communication enhances a sense of belonging of staff members to their organizations and suggested staff members feel more comfortable working with their leaders because both parties have equal chances to develop the organization or even find solutions when crises threaten the organization’s existence. At this point, it can be argued, therefore, that leaders should implement two-way communication in order to earn the trust of the staff members, as this appears to be a key factor in the management of the current crises.

Another aspect highlighted in the study of the literature was the initiation of scenario planning and scenario-based training (SBT) as an effective tool for organizations during crisis events. The literature review also revealed the importance of a general model of effective crisis management. It is, therefore, a significant task for leaders to reevaluate the existing strategies prior to introducing changes. As Bryson (2004) stated, “not all strategies continue to work as well as they should” (p. 264). As such, leaders of organizations facing crises may make several changes to the existing strategies or even create new ones on the basis of the current organizational situation.

In regard to another strategy discussed in the literature, which is building a good relationship with the media, members of an organization should be able to correlate the current crises with the opportunities to use the media especially as a tool for repairing the organization’s reputation.

In relation to the leadership style, the literature found that the most effective leadership style during times of crisis is transformational leadership. At this point, however, it is argued that a transformational leadership style itself is sometimes insufficient. During crisis events, leaders should have a vision, which is defined as “a leader’s mental image of an organization’s future” (Ylimaki, 2006, p. 622). It was reported that the term ‘vision’ is related to the ability of leaders to determine the desired future of the organizations. More specifically, visionary leader is essential for an educational organization. The reason for making the statement is that
the primary task of an educational organization is to provide quality teaching, which will affect the future of students. As Hicks (1999) argued, educational organization leaders should have a clear vision “because education has such long-term consequences and affects the welfare of both of present generations and those yet to be born” (p. 8).

CONCLUSIONS AND RECOMMENDATIONS

Conclusions of the Study

It was shown in the literature that crises could be defined in various ways. However, there is a general agreement that this term refers to unexpected events with negative outcomes and can be classified into two different types, namely natural and human-induced crises. In order to be able to manage crises effectively, members within the organization should understand the steps of effective crisis management, such as determining the role of organizational members, choosing appropriate strategies and leadership style, and selecting an appropriate general model of crisis management.

Organizations facing a crisis clearly need to focus on the importance of a two-way style of communication, re-evaluate existing strategies before implementing new strategies, and introduce a transformational visionary leadership style in order to establish the vision and future direction of organizations, sound communication, and a crisis management plan. It is hoped that organizations will be able to recover from the current crisis situation and re-establish their mission.

RECOMMENDATIONS FOR FURTHER STUDY

It is hoped that the study will be able to fill the gap in research in the area of organizational crisis management due to the limited literature on this area in developing countries. At this stage, it can reasonably be assumed that organizations in developing countries might not regard crisis management as a major issue. Knowledge of effective crisis management strategies is important in terms of providing an in-depth understanding of how organizations can deal with crises. Further study in this area would be beneficial in helping organizations to manage crises effectively.

Additional study that compares and contrasts leadership styles which can be implemented during times of crisis would also be beneficial in terms of broadening knowledge of how a specific leadership style may play a crucial role in assisting organizations to move toward a better future after crisis events.
REFERENCES


