CHAPTER 1
A Framework for Crisis Management

LEARNING OBJECTIVES

After reading this chapter, each student should be able to:

1. Define and describe an organizational crisis.
2. Name and explain the two primary functions of the crisis management team.
3. Identify and describe the four sequential phases of the crisis management framework.
4. Distinguish between the internal and external landscapes of the crisis management framework.

VISUALIZING CRISIS MANAGEMENT

What comes to mind when you think about crisis management? Perhaps you ponder the human and economic toll of the Covid-19 pandemic. Maybe you think of the 2015 scandal when German automaker, Volkswagen, installed software in vehicles exported to the United States (US) seeking to “fool” the emission standards testing equipment.[1] Perhaps you think of McDonald’s decision to pull out of Russia due to Russia’s 2022 invasion of Ukraine.[2] Maybe you think of Southwest Airline’s cancellation of almost 17,000 flights between December 21–30, 2022, when its flight and crew management software crashed.[3] Perhaps you envision a team of managers trying to manage the aftermath of a fire that has destroyed the production facilities at a manufacturing plant. Indeed, fires remain one of the most prominent crises that managers must address.

The term, *crisis management*, invokes many images, but it is more than just a one-time response to an unfortunate event. **Crisis management** is a strategic process that begins long before the first crisis ever occurs in an organization. It includes preventing and preparing for possible crises, managing them when they occur, and following up after the events have concluded. This book offers a conceptual framework to help managers prepare effectively for crisis events in their organizations.

Organizational crises are common. Some are specific to a firm, while others could be found in all organizations in an industry, a region, or the world. The Covid-19 global pandemic has changed how business leaders perceive, anticipate, and plan for crises. Some still assume that business interruption insurance covers all their losses. Even if true, financial losses resulting from a crisis can be challenging to quantify because they include long-term damage to company brands and reputations. Moreover, in the case of Covid-19, most business interruption insurance did not help because the policies required physical damage; more than half of the policies specifically excluded viruses.[4] While insurance can help organizations cover losses from many crisis events, it does not replace effective crisis management.

Many business leaders associate crises with far-reaching events that cause mass destruction and even causalities. While some crises damage multiple organizations, industries, or even entire economies, the negative impact of other crises can be felt by a single firm. For example, in 2013, a chicken found its way into an electrical substation at the Kahului Airport in Maui, Hawaii. A 30-minute power outage occurred and, although not severe, required passengers to disembark their aircraft using the older mobile stairways, causing flight delays.[5]

In 2016, a computer system meltdown at Southwest Airlines resulted in the cancellation of over 2,000 flights over 4 days and cost the carrier tens of millions of dollars.[6] In December 2022, Skysolver, Southwest's system for managing flights and crew assignments, became overwhelmed following a brutal winter storm. The normally reliable airline cancelled almost 17,000 flights between December 21–30, resulting in about $400 million in lost revenue. Southwest also awarded individuals affected by the cancellations 25,000 bonus mileage points, which translate into unpaid future flights. The first cancellations were in response to the storm, but additional ones reflected a system that was unable to reschedule flights and reassign crews efficiently. Southwest did not return to a normal flight schedule until December 30. The debacle renewed calls for the US Congress to enact an "airline passenger bill of rights" that would create an industrywide compensation scheme for delayed and cancelled flights.[7]

As these examples illustrate, a crisis need not be widespread to wreak havoc on an organization. Leaders who fail to recognize the broad scope of crisis management can easily fall into the "it can't happen to us" trap. However, they may be closer to a disaster than they realize.

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SETTING THE CONTEXT

Disruptive events can occur in the life of any organization. The impact of these crises—particularly those caused by natural disasters—has increased exponentially with population growth. Between 1980 and 2019, the financial damage from hurricanes, droughts, severe storms, floods, wildfires, and other disasters in the US cost firms, governments, and individuals an estimated $1.6 trillion. Hurricanes are more common in the Southeast and the costliest, accounting for $928 billion. Because the Southeast is growing faster than other parts of the country, the costs for future storms will continue to increase.[8]

Organizations can manage crises by first, preventing them whenever possible, and second, mitigating their impact when they do occur. Crisis management addresses these two approaches and is an area of growing interest. Many managers now realize their firms are not immune to those sudden, unexpected events that can put an organization into a tailspin and sometimes even out of business. This book is for managers and students of crisis management. Leaders should engage in crisis planning and develop a crisis toolkit for organizational and professional success.

A FRAMEWORK FOR STUDYING CRISIS MANAGEMENT

Frameworks group or organize what we experience in organizational life. In this book, we present a framework that examines crisis management in four distinct phases, including internal and external dimensions, which we call landscapes. We begin with the definition of a crisis. In the organizational context, the word *crisis* is often used interchangeably with other terms, including disaster, business interruption, catastrophe, emergency, or contingency.[9] Building upon the work of Pearson and Clair,[10] as well as Coombs,[11] we offer the following definition of a crisis:

> *A **crisis** is an event that has a low probability of occurring but should it happen, can negatively impact the organization. The cause of a crisis and the appropriate response may not be apparent; nonetheless, it should be resolved as quickly as possible. Finally, the crisis impact may not be initially evident to all the relevant stakeholders of the organization.*

The following implications of this definition should be highlighted:

- A crisis is a "low-probability" event. This characteristic makes planning for a crisis even more troublesome. Events that are not perceived imminent are hard to plan for, and managers are often not motivated to plan for them. The notion is, "Why should we plan for something bad if it probably won't occur anyway?" Many managers have asked the same question until they confront a crisis.
- The origins and effects of the crisis might *not* be known initially. Paradoxically, our human instinct is to quickly point to simple potential causes of the crisis, including blaming human stakeholders such as employees, managers, or company owners who might have been negligent. However, as we will see throughout this book, crises are usually caused by multiple related factors.
- The most appropriate means of resolving the crisis may be multifaceted. Several viable options may be available for the crisis management team to use to manage and mitigate the crisis.
- Certain aspects of managing a crisis may require swift decision-making to resolve the crisis "as quickly as possible." The failure to act decisively during the acute stage of the crisis can often intensify the event.
- This definition also emphasizes the way crises are perceived by various stakeholders. A crisis is generally viewed as a threat by the organization's stakeholders (e.g., employees, customers, and communities), but some may be unaware of the problem. For example, customers could encounter significant product defects but not share their experiences with the manufacturer. A crisis can occur even when the organization is unaware or its managers hesitate to acknowledge the event.[12]

A crisis rarely "just occurs" without warning. Instead, many preconditions or vulnerabilities usually form a breeding ground for the crisis, although they are often overlooked beforehand. Crises have a life cycle, and understanding what occurs before a crisis commences is essential to preventing it.

Some management scholars view crises under the guise of "error management." Errors in organizations are unintended deviations from established goals and standards that can lead to either positive or negative consequences. Like crises, errors are often, but not always, avoidable.[13] Some errors may occasionally lead to crises, but not all crises result from errors.

THE LIFE CYCLE OF A CRISIS

Researchers typically examine a crisis sequentially to understand its evolution. One approach includes four stages: preconditions, the trigger event, the crisis, and the aftermath.

Preconditions

A set of smaller events typically interact before a crisis occurs.[14] This combination of events eventually leads to a significant occurrence, commonly called the trigger event, which causes the actual crisis to commence.[15] Consider the crisis at Union Carbide's Bhopal India plant in 1984, one of the most widely cited organizational crises during the past half-century. Union Carbide experienced a gas leak at its Bhopal facility that resulted in the deaths of thousands of people. The trigger event occurred when water entered a gas storage tank that subsequently caused the tank's temperature to rise. The resulting pressure increase forced the dangerous gas, methyl isocyanate (MIC), to escape and poison many residents nearby. However, responsibility cannot be attributed solely to those involved with that step in the crisis because numerous preconditions contributed to the accident. These included shutting down a refrigeration system, failing to reset the tank temperature alarm, operating with a nonfunctioning gas scrubber, and not repairing an inoperative flame tower designed to burn off toxic gases.[16]

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The Trigger Event

The **trigger event** initiates the crisis and upsets the healthy equilibrium of the organization. The firm has functioned normally up to this point, but preconditions brewing "beneath the surface" have led to the trigger event, ultimately setting the crisis in motion. Some might equate it to the point "where all hell breaks loose" or "the straw that broke the camel's back."[17]

The Crisis

The escalation of the crisis produces the most significant impact and damage to the organization and its stakeholders. Potential stakeholders include employees, management, owners/stockholders, customers, social media users, suppliers, local communities, and government regulators. Damage can be extensive during this acute crisis stage and can significantly affect the business or organization's operating continuity.

The Aftermath

After the acute phase of the crisis is over, management should reflect on the event and identify changes that can prevent or mitigate the effects of future crisis events.[18] Consider the Tylenol crisis of 1982, considered by most scholars to be a classic case. An unidentified person removed several packages of extra-strength Tylenol from a Chicago pharmacy, laced the capsules with cyanide, and returned the bottles to the shelf. The products were later purchased and consumed, killing seven people. After the event, Johnson & Johnson switched to a tamper-proof container. After a second poisoning in 1986, the company made additional changes and manufactured the product as a caplet, a non-penetrable material that cannot be degraded by cyanide.

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STRATEGIC ORIENTATION

Often, crisis events in organizations are addressed with short-term, reactive perspectives. When a crisis occurs, specific individuals in an organization—perhaps those on an established crisis management team—convene to minimize the damage and present a positive image to the public. Any preparations for dealing with such crises often focus on effective communications and public relations. This approach tends to be short-sighted and only focuses on the organization's image.

However, organizations face long-term strategic challenges. They must adapt to changing business environments and modify strategies to survive and remain competitive. In doing so, managers tend to adopt long-term perspectives to strategic planning. We stress a strategic orientation toward crisis management. We conceptualize a crisis broadly and consider related issues that some scholars and managers might overlook. Between the extremes of short-term organizational crises and long-term, strategic challenges (i.e., substantial problems) are obstacles to organizational success that are not always easy to classify. Indeed, distinguishing between a crisis and a strategic challenge or a serious business problem may be difficult. Consider these potential scenarios, all of which have occurred recently:

- A supplier in another country produces a product that turns out to be defective. The product is a component that is assembled into a larger unit that is manufactured domestically. The final product fails, and in the process, kills three people. Is this a crisis or a strategic challenge? The answer is both. It is a crisis because there has now been a loss of life due to a defective product, and it is a strategic challenge because the supplier might have been selected solely for its ability to manufacture the component product at a low cost.
- A labor union stages a mass boycott of certain products sold by domestic companies but manufactured overseas. The message of the protest is that these products have caused the loss of domestic jobs. The boycott causes revenue loss for both manufacturers and retailers of the products. Vandalism may even occur in retailers that offer the products. Is this a crisis or a strategic challenge? Again, it is both. It is a crisis because of the sudden and unexpected loss of revenue for the companies involved. Furthermore, potential consumer brand damage is concerning and requires a swift and effective response. It is a strategic challenge because the products are made overseas, probably to lower costs.
- A prominent pharmaceutical company expands its product line to address the health needs of baby boomers (i.e., individuals born between 1946–1964), a market viewed as a significant revenue source. Several new drugs are approved and introduced to the market. After a few years, however, one of the drugs is linked to deadly heart disease. The pressure to withdraw the drug is put firmly on the pharmaceutical company. Is this a crisis or a strategic challenge? Once again, it is both. It is a crisis because stakeholder attention is questioning the credibility of the drug and, indirectly, the company's credibility. Significant repercussions could result from this event, and swift decisions are required. It is also a strategic challenge because the drug was in the firm's long-term arsenal of products that would be popular and produce revenue for the next 20 years.
- A major corporation establishes a performance-based compensation plan for its managers. As hoped, performance appears to have improved, even though the local economy has been struggling. Two managers receive performance-based bonuses for seven quarters based on meeting the compensation plan's performance indices. However, both managers have been "cooking the books." They are eventually terminated, and the company is fined by regulators. During the ordeal, the company receives negative publicity because of the ethical lapse. Is this a crisis or a strategic challenge? Of course, the answer is both. The crisis aspect was manifested by the reputational and financial damage the company suffered. However, this dilemma also has roots as a strategic challenge. Setting up a bonus plan based on performance was not necessarily a poor decision. Incentive compensation is common in service and manufacturing, but some plans are established in ways that invite unethical decisions.
- Finally, many grocery stores and restaurant chains import shrimp from Thailand, a country linked with slavery in the supply chain. As a result, the affected companies faced intense social media criticism. These companies were unaware that slavery existed in their supply chains but discovered it only after several investigative reports were aired in the media. Is this a crisis or a strategic challenge? Again, the answer is both. The crisis is severe because human rights violations have occurred, and boycotts ensued. However, the situation is also strategic because these companies decided to source

shrimp from Thailand. Supply chain decisions involving sourcing are strategic and can have long-term ramifications.

Because of the link between organizational crises and strategic decision-making, planning for crises should be a part of the strategic management process. While traditional crisis management approaches often identify this function as a separate planning process, crisis planning should not exist in a vacuum but should align with strategic planning. This theme is common throughout the book.

A FRAMEWORK FOR CRISIS MANAGEMENT

Researchers have classified crises in a variety of ways. Early crisis management frameworks examined the types of crises organizations encounter. For example, Mitroff, Diamond, and Alpaslan[19] identified ten types of crises: criminal activities, informational crises, building safety issues, athletic scandals, public health problems, unethical behavior/misconduct, financial crises, natural disasters, legal/labor disputes, and reputation problems. Using a framework for classifying crisis events into families is a useful way to organize what we experience. It is impossible to prepare for every crisis that might occur but preparing for several families of crises is feasible.[20] In this book, we present a framework of crisis families that consider the internal and external landscapes of the organization's environment.

Frameworks have also been developed to address the various stages of a crisis. Most follow a three- or four-stage life-cycle approach in analyzing the span of a crisis. The cycle typically begins with a birth, followed by an acute stage—the crisis—and then an aftermath, a time of learning and reflection. Table 1.1 overviews various approaches to framing the life-cycle stages of crisis management.

Building on previous research, we integrate the internal and external landscapes that engulf an organization. Figure 1.1 presents our framework. The **internal landscape** exists within the organization and includes the employees and the organizational culture of the organization. It is the human side of the company and includes the strengths and weaknesses of the organization.

TABLE 1.1 Frameworks for Crisis Management

3-Stage Framework General	3-Stage Framework Smith, 1990	3-Stage Framework Richardson, 1994	4-Stage Framework Myers, 1993	4-Stage Framework Fink, 1996	5-Stage Framework Pearson & Mitroff, 1993	This Book: 4-Stage Framework Crandall, Parnell, & Oglesby, 2023
Before the Crisis →	Crisis of management	Precrisis/ disaster phase	Normal operations	Prodromal crisis stage	Signal detection	Landscape survey
					Preparation/ prevention	Strategic planning
During the Crisis →	Operational crisis	Crisis impact/ rescue phase	Emergency response	Acute crisis stage	Containment/ damage limitation	Crisis management
			Interim processing	Chronic crisis stage		
After the Crisis →	Crisis of legitimation	Recovery/ demise phase	Restoration	Crisis resolution stage	Recovery	Organizational learning
					Learning	

The **external landscape** resides outside the organization and includes all stakeholders with some vested interest in the organization. The external landscape includes customers, government regulatory agencies, consumer advocacy groups, industry associations, social media activists, local communities, suppliers, and the media. It also includes non-stakeholders that can impact company operations such as terrorist groups or even a jealous spouse of an employee. The external environment can also have broader forces, such as weather events, other natural disasters, economic downturns, or a pandemic like Covid-19.

The progression of stages in the crisis management process follows a four-phase sequence. Figure 1.1 illustrates this framework as a two-by-four matrix. The landscape survey is followed by strategic planning, crisis management, and organizational learning. These stages can overlap to some extent.

FIGURE 1.1 A Framework for Crisis Management

	Landscape Survey	Strategic Planning	Crisis Management	Organizational Learning
The Internal Landscape	What crisis threats exist INSIDE of our organization?	How can our organization plan for potential crisis events? **Crisis**	How should we manage our INTERNAL stakeholders during a crisis?	What can our organization learn from this crisis?
The External Landscape	What crisis threats exist OUTSIDE of our organization?	What planning has been done outside of our organization to help us prepare for potential crisis events?	How should we manage our EXTERNAL stakeholders during a crisis?	What learning is taking place outside of our organization in relation to the type of crisis we just experienced?

Landscape Survey: Identifying the Crises Threats

The framework begins with the landscape survey, shown on the far-left side of the figure. The top half of the figure, called the internal landscape, looks at processes that need to be evaluated within the organization. For example, managers should identify the strengths and weaknesses that exist within the organization. Weaknesses indicate areas where the company may be vulnerable to a crisis. Organizations should also gauge the enthusiasm for crisis management planning. Some organizations are highly prepared for crisis events, but others are more complacent.[21] The degree of enthusiasm for crisis management is also a function of the organization's culture,[22] its ethical environment, and the diligence with which the company enforces its safety policies.

The bottom portion of the landscape survey focuses on events outside the organization, the external landscape. Industry vulnerability is of paramount importance. For example, companies in the chemical industry are concerned about hazardous leaks. Food manufacturers focus on health-related crises such as an *E. coli* outbreak. Within the hotel and lodging industry, the physical safety of guests is a significant concern. The location of a hotel, for example, in coastal areas, can create vulnerabilities based on flooding, earthquakes, and potential tsunamis.[23]

For companies operating across international borders, the host country's degree of political stability is an important consideration. Another critical factor is the general attitude of the host country toward a multinational corporation's (MNC) home country. Any heightened tensions between these two stakeholders can lay the groundwork for a potential crisis. The implications of globalization are also important. Outsourcing to other countries occurs at the expense of a significant stakeholder, the home country's manufacturing employees. For example, manufacturing operations that leave the home country for cheaper labor in a developing country often leave a wake of unemployed workers back in the home country. Such moves typically do not sit well with local stakeholders such as labor unions and communities that are victims of job losses.

The technological advancements within an industry must also be considered part of the external landscape. For some industries, technology can lay the groundwork for a crisis. In the commercial airline industry, the smooth functioning of all technological systems on an aircraft (avionics) is essential for safe flights. Also, airline reservation systems must run correctly, lest there be a massive cancellation of flights. In other industries, technology is essential but not necessarily life-threatening—yet can still be the source of a significant crisis. Retail chains rely on information technology to communicate and manage their field units. A malfunction in such a system will create a crisis, but is not physically harmful to employees or customers.

Strategic Planning: Preparing for Potential Crises

In this book, we emphasize the long-range goals of strategic planning. Strategic planning occurs primarily in the organization's internal landscape but with influence from the external landscape. This process seeks to prevent crises when possible and mitigate the effects should a crisis occur. Crisis planning begins with forming the **crisis management team (CMT)**. This team not only directs an organization through a crisis, but it is also responsible for periodically assessing potential crises that may occur to the organization. For example, school districts for all grade levels as well as colleges and universities should plan regularly for a dysfunctional student, employee, or outsider who may become violent. Another potential crisis is a fire in a residence hall, an event that would require a quick evacuation.

Crisis management teams also formulate **crisis management plans (CMPs)** that provide general guidelines for managing a crisis.[24] These plans include who should address the media, how social media will be used, and procedures for managing specific crises unique to the organization. In other words, these guidelines address the organization's potential crises. Some teams conduct mock disasters during the strategic planning stage to test the organization's crisis management response.

Managers can learn about crisis prevention by staying abreast of industry trends. Governments at the local and national levels often regulate industry activity to prevent crises. For example, the Federal Aviation Administration (FAA) and the Transportation Security Administration (TSA) work to ensure safety in the commercial air travel industries. In addition, almost all industries create additional standards through membership associations that govern accepted practices.

Crisis Management: Handling the Acute Stage of the Crisis

When an organization manages a specific event, efforts focus on addressing the crisis and resuming operations as quickly as possible. This process involves managing the various primary and secondary stakeholders. Primary stakeholders typically include owners, employees, customers, local communities, and suppliers.[25] Secondary stakeholders include any other groups that have some interest in the organization.

Stakeholders can also be divided into internal and external groups. Internal stakeholders include the owners, management, and employees. External stakeholders include customers, suppliers, local communities, government entities, and special interest groups. Within the internal landscape, the crisis management process leverages management expertise to address issues related to the owners and employees during the crisis. The external landscape looks at how the organization manages the remaining stakeholders outside the firm.

Organizational Learning: Becoming More Effective at Crisis Management

Organizational learning is the process of learning lessons from crisis events. It is more likely to occur when managers evaluate the response before they forget the details. During the "forgetfulness" stage, the organization has returned to normal operations, and managers become less motivated to evaluate and learn from the crisis.[26]

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Learning in the internal strategy landscape should focus on mitigating the impact of a similar crisis in the future or preventing it altogether. Management might discover that it handled some processes correctly but mishandled others. Pearson and Clair suggested that such an evaluation be examined in terms of degrees of success and failure.[27] For example, an organization may succeed in resuming operations promptly but fail at protecting its reputation. Learning to examine failures in management is a necessary ingredient in being more proactive in the future.[28] Instead of learning from a crisis, some organizations do not heed the lessons and repeat the mistakes. On the other hand, learning organizations change policies and procedures when necessary and apply that new knowledge to future crisis mitigation and prevention.

In the external landscape, government regulators often reevaluate and renew their directives after a crisis, especially as the public "demands action." Indeed, the airline industry has changed dramatically regarding safety regulations after America's worst terrorist incident on September 11, 2001. Government regulations are often implemented or upgraded after a crisis, usually to increase citizens' safety.

Stakeholders outside the organization may also change their outlooks after a crisis. At a minimum, they will be more aware and compassionate toward the organization. The Virginia Tech massacre on April 16, 2007, resulted in the deaths of 33 people including the gunman. After the incident, a wave of sympathy and solidarity spread among many citizens throughout the country and even worldwide. Simultaneously, some stakeholders were also critical of the university, questioning whether specific measures could have been taken to prevent or promptly mitigate the threat of an active shooter on campus.[29]

OVERVIEW OF THE BOOK

We organize the book around the crisis management framework previously introduced. Figure 1.2 overviews the progression of the chapters.

Chapter 1—A Framework for Crisis Management

This chapter outlines the framework presented in the book.

Chapter 2—The Crisis Management Landscape

This chapter begins our survey of the strategic landscape that can be a breeding ground for many crises. We focus on six common trends across most cultures and business environments.

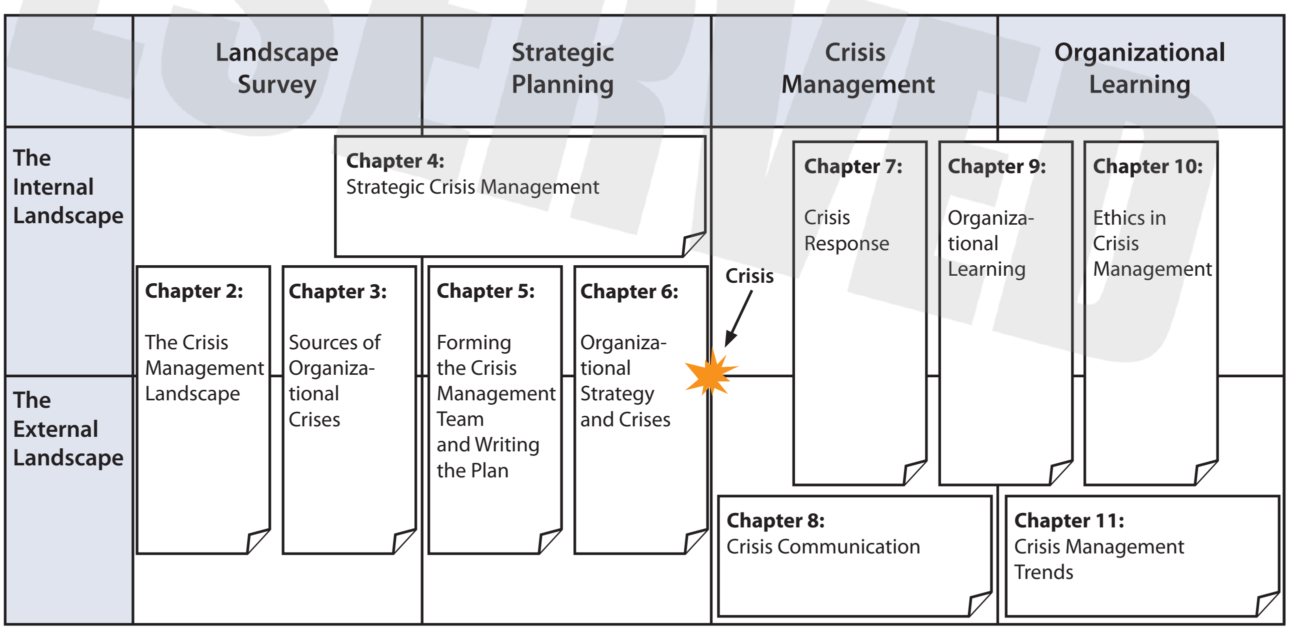
Chapter 3—Sources of Organizational Crises

In this chapter, we explore the sources of crises from several perspectives. First, an external environment analysis is presented from the political–legal, economic, social, and technological perspectives. The external environment is critical to analyze because many crisis events emerge from the volatility of these four environmental sectors. Crises are also viewed from the industry and organizational life cycle perspectives since different life cycle stages have unique vulnerabilities.

Chapter 4—Strategic Crisis Management

In this chapter, we outline the strategic planning process and its link to crisis anticipation and prevention. It focuses on incorporating crisis management into the organization's strategic management process. As such, some of the traditional tools used in strategic planning, such as the SWOT (strengths, weaknesses, opportunities, threats) analysis, can help assess crisis vulnerability.

FIGURE 1.2 Overview of the Book



Chapter 5—Forming the Crisis Management Team and Writing the Plan

The essence of crisis planning is forming the crisis management team (CMT) and writing the crisis management plan (CMP). This chapter provides guidelines for both tasks. The composition of the CMT is discussed, including the essential qualities needed for team members. Components of the CMP are overviewed, and a template is provided at the end of this book. We conclude the chapter by offering guidelines for crisis management training.

Chapter 6—Organizational Strategy and Crises

This chapter links the organization's strategy to its crisis vulnerability at the corporate and business levels. Corporate strategies address the growth trajectory of the firm and the specific industries in which the firm operates. Business strategies address competitive issues; we use Michael Porter's cost leadership-differentiation dichotomy to illustrate the crisis impact of business strategies. Strategic choices at both levels influence the types of crises the organization may encounter. The chapter ends with a discussion on strategic control and how it relates to crisis planning.

Chapter 7—Crisis Response

This chapter explores the tactical responses to a crisis and consists of three phases—the initial impact, the crisis as it unfolds, and the post-crisis activity—each with unique decision points. Decision-making and evaluation are important during each phase.

Chapter 8—Crisis Communications

Effective communication with both internal and external stakeholders is essential. This chapter presents guidelines for maneuvering in this complex arena of communications. In addition, navigating the maze of social media is crucial, as social media can make a crisis travel fast and far. Guidelines for managing social media during a crisis will be provided in this chapter.

Chapter 9—Organizational Learning

This chapter focuses on learning from the crisis event so the organization can function more effectively in the future. However, organizational learning does not occur easily. The push to get the organization back to normal operations quickly often supersedes the need to reflect on learning from the crisis and preventing future events. This chapter examines the potential learning areas in each of the four stages of the crisis management framework. Barriers that can impede learning are discussed, as well as approaches to building a learning organization.

Chapter 10—Ethics in Crisis Management

This chapter examines how management and employee misbehavior is the root cause of many organizational crises. We discuss how organizational culture can be changed to reduce the likelihood of an ethics-based crisis.

Chapter 11—Crisis Management Trends

This chapter examines potential future developments in the field of crisis management. Emerging trends are identified in each of the four stages of the framework: landscape survey, strategic planning, crisis management, and organizational learning.

SUMMARY

The crisis management field is growing in scope and sophistication. We acknowledge these changes by recognizing that crisis management should be a part of the organization's strategic management effort. Drawing on the work of others, we employ a crisis management framework that utilizes a two-by-four matrix that recognizes four phases of the crisis management process. We also underscore the importance of acknowledging the internal and external landscapes within each phase.

DISCUSSION QUESTIONS

1. Why is it essential to understand crisis management in terms of its four different stages?
2. Identify a recent crisis event that occurred where you work. Discuss the different stages of the crisis in terms of:
   - **The Landscape Survey**—Did any events in your organization contribute to the crisis? What events outside of your organization might have contributed?
   - **Strategic Management—**Did your organization have a plan to address the crisis? Were any industry controls or government regulations in place to prevent it?
   - **Crisis Management—**How well did your organization respond to the crisis? Did any outside agencies or stakeholders help manage it?
   - **Organizational Learning—**What lessons did your organization learn from the crisis? Did any industry or regulatory changes occur after the event?

CHAPTER CASE

Death in Room 225—The Best Western Hotel Crisis

On Monday, April 15, 2013, Daryl and Shirley Jenkins visited relatives near Boone, North Carolina. They were traveling with Shirley's brother, Gary Watts, and his wife, Patsye. The two couples dined at the local Cracker Barrel and stayed at the Best Western Hotel in Boone. They planned to meet for breakfast the next morning, but Daryl and Shirley were not there. Gary and Patsye asked the clerk to check their room. When the door was opened, Daryl and Shirley were found dead. Room 225 was hiding a mystery that would take authorities almost 2 months to solve.

Background

Operating a lodging establishment is difficult and requires constant attention to detail. For example, an unsuspected equipment malfunction can have a devastating impact on the business. This case is about the deaths of three guests, but the story extends beyond Daryl and Shirley Jenkins.

On Friday, April 19, 3 days after Daryl and Shirley Jenkins perished, a sleepover birthday party was held at the hotel for 13-year-old Levi Solinkski. She and 10 friends swam in the pool, ate cake in the lobby, and retreated to room 325 later that night. Several girls became ill. Some were vomiting, while others said they just did not feel well. One complained about the lights and noise. The party ended early, and most of the girls returned home.[30] Perhaps there was a connection between the deaths in room 225 several days earlier and the birthday party in room 325 one floor above.

Requesting the Toxicology Reports

When Daryl and Shirley Jenkins' bodies were found, the fire and police departments conducted a preliminary investigation. There was no suicide note or evidence of a crime. When death is suspicious, a medical examiner is summoned to determine the cause. The County Medical Examiner, Dr. Brent Hall, examined the bodies and sent blood samples to the state laboratory for analysis. He noted that both Daryl and Shirley had heart disease, and this alone could have killed them, but simultaneous deaths from heart disease were highly unlikely. In his report to the lab, Dr. Hall asked for the toxicology samples to be tested for drugs, alcohol, and carbon monoxide. Such tests can be expedited—a reasonable request—especially if there is an environmental concern about the safety of a room that could be rented to others. But Dr. Hall did not submit such a request.[31]

Hotel management decided not to rent room 225 for 6 weeks until the cause of the deaths had been determined. On May 31, room 225 was rented again, but only after a contractor inspected the room and nearby facilities for safety. The first guest in the room reported no problems, but did that mean that the room was safe? Dr. Hall had not yet received the toxicology results.

On Friday, June 7, Jeannie Williams and her 11-year-old son, Jeffrey, checked into the hotel. They were initially assigned to another room but complained about a strong cigarette smoke smell and subsequently, were moved to 225. Jeannie was scheduled to pick up her daughter, Breanne, the following day from summer camp. Unfortunately, sometime during the night, Jeannie became critically ill, and Jeffrey mysteriously died. Room 225 had claimed two more victims, but the mystery remained unsolved.

The Unread Email

Email is a valuable management tool, but sometimes important messages are overlooked, mistakenly deleted, or end up in a spam folder. An email with the toxicology results was sent to Dr. Brent Hall on Monday, June 3, 3 days *before* Jeannie and Jeffrey entered room 225. The report noted that Darryl and Shirley had died of carbon monoxide poisoning. For reasons unknown, Dr. Hall never read the email.[32] If he had, Jeffrey Williams would probably not have perished. Investigators were asked to determine if Jeffrey and Jeannie also succumbed to carbon monoxide poisoning, and if so, how and why.

The Elusive Carbon Monoxide Readings

Connecting the dots between Daryl and Shirley's deaths and Jeffrey Williams's fatality meant determining if carbon monoxide entered the room on both nights. Initial testing of the room indicated that no gas was present, but strangely, when the swimming pool heater was operating, the presence of carbon monoxide soared! For some unknown reason, operating the swimming pool heater caused gas vapors to enter room 225.

Investigators ultimately identified a corroded gas vent pipe above the swimming pool ceiling. The pipe should have transported the carbon monoxide from the swimming pool heater safely outside the building. Instead, holes in the pipe were leaking gas into room 225, which was located directly above the ceiling where the pipe was housed. The link had now been established, but why was the heater leaking in the first place?

Room 225 had a fireplace, which created a warm respite for cold winters in the chilly mountains of North Carolina. However, the gas vent pipe from the swimming pool heater was part of the air system that was also connected to the fireplace. Hence, carbon monoxide leaked from its original vent pipe from the swimming pool heater into the air duct system, and ultimately, that gas entered the guest room through the fireplace. In 2011, the heater had been moved to the Best Western from the Sleep Inn, another hotel owned by Appalachian Hospitality Management (AHM).

The work was performed by hotel employees who did not procure the required permits and were not licensed to do the work.[33] A carbon monoxide detector was required near the heater but was never installed. Ironically, the heater passed inspection in February 2012 when it was converted from propane to natural gas. The town of Boone completed the inspection and issued a permit. It was unclear if the corroded pipe was also inspected; Boone officials did not comment.[34]

Missed Opportunities and the Problem of Causation

When examining a crisis management case, there is a natural human inclination to find someone to blame. This tendency is driven by **heuristics**, rules that simplify and take the guesswork out of thinking. For example, we might attribute the cause of a negative event to a single factor and believe that eliminating the factor will jettison the event. This type of thinking might even be traced to childhood lessons about right and wrong. Touch fire and get burned. Eat too much and get sick. Disobey a rule or law, and there will be negative consequences.

Heuristics are useful because they reinforce simple cause and effect relationships and help us make quick decisions. However, many crises have multiple, intertwined causes. The Best Western Hotel case is an example, as many stakeholders missed opportunities to stop the accidental deaths of Daryl and Shirley Jenkins, and Jeffrey Williams.

When the hotel was built in 2000, combustible gas monitors were installed in the guest rooms with fireplaces instead of the required carbon monoxide detectors. This error was not discovered until after the three accidental deaths had occurred.[35] Identifying the wrong detectors early on might have prevented these deaths.

The hotel missed an opportunity to prevent the tragedy when it permitted unlicensed workers to move the swimming pool heater.[36] Why were the workers unlicensed? Why was the required carbon monoxide detector never installed? How could a swimming pool heater with leaky gas pipes pass inspection by the town of Boone, an agency that was supposed to prevent such accidents?[37]

Another missed opportunity occurred when the local police and fire departments did not conduct carbon monoxide testing immediately after Daryl and Shirley Jenkins were found dead. The environmental clues about their deaths were initially overlooked.

Perhaps Dr. Brent Hall could have acted. Dr. Hall had served as County Medical Examiner for over 20 years and initially ordered the toxicology reports, but he failed to act quickly to the results in the unread email. What about the State's Chief Medical Examiner's office, which took over 40 days to provide a toxicology report that usually takes about 15 minutes to complete?[38] Perhaps there is some blame here but recall that Dr. Hall did not request that the results be "expedited." Does this implicate Dr. Hall?

What about hotel management? Damon Mallatere was president of AHM when the swimming pool heater was moved. However, the hotel had a culture of cost cutting and delaying needed repairs.[39] Could this culture have contributed to the gas leak that killed three hotel guests?

Ultimately, the actions and inactions of multiple stakeholders contributed to the unfortunate outcome. All the stakeholders mentioned previously received their due scrutiny in the media and the courtroom, but in the end, only one was deemed responsible.

The Legal Resolution

The assignment of ultimate blame, even when there is collective blame, is a reality in the world of crisis management. In the end, Damon Mallatere, the president of AHM, was arrested. He did not cause the accidental deaths, but he was considered legally responsible. In January 2014, Mallatere was charged with three counts of involuntary manslaughter, which could have sent him to prison. The problem for prosecutors was that he was not personally involved in converting and maintaining the faulty swimming pool heater and its associated gas vent pipe system. That work was performed by others and even approved by the town of Boone. Still, from a legal perspective, Mallatere was the target in a case full of collective blame.

The defense strategy was to issue a guilty plea on behalf of AHM, not Mallatere. The plea was accepted, and in an unusual twist of events, the hotel company, AHM, was put on trial. In the end, the court ordered that AHM be dissolved. Mallatere would not go to jail, but the firm he managed would no longer exist. A $16.5 million-dollar settlement was reached with the two families involved.[40]

Epilogue

The Best Western case is troubling, as even employees of the hotel were concerned about excessive cost cutting. District Attorney Seth Banks commented that employees interviewed by police maintained that "upper-level management cut corners at the hotel to save money, thereby jeopardizing the safety of hotel guests. Requests for repairs were frequently denied because of the costs."[41]

In a comment shared with the local newspaper, the *Watauga Democrat*, Best Western issued a curious statement: "Best Western denies liability for these matters, but its heartfelt thoughts and prayers are with the family and friends of those affected."[42] Such a statement represents a denial of responsibility. Of course, nobody at Best Western International wanted the outcome that occurred. Nonetheless, heuristics suggest that a villain should be identified and punished. It is convenient to charge the hotel with cost-cutting measures that endangered guests. Indeed, businesses make cost-cutting decisions every day. Managers pursue profit and must be able to operate their businesses. However, no reputable business owner wants to put a guest at risk. The outcomes of a guest's fatality or injury far outweigh the cost savings of a single decision.

Cost-cutting decisions can compromise worker and customer safety, even with the best intentions. All firms seek to reduce expenses, but care must be taken to ensure that doing so does not place employees, customers, or others in harm's way.

The Best Western case is not unique. For example, on May 6, 2022, three Americans mysteriously died at Sandals Emerald Bay resort in the Bahamas while staying in separate villas. The victims sought medical assistance the previous night but were found unresponsive in their rooms the following day. Following substantial publicity and a detailed investigation, the official cause of death was carbon monoxide poisoning.[43]

Case Discussion Questions

1. What were your initial thoughts after you read the first paragraph of the case? Did you think the cause of death was environmental?
2. Identify the communication breakdowns in this case. How could they have been avoided?
3. Have you experienced any cost-cutting measures where you work that create significant risk for employees or customers? Explain.

KEY TERMS

Crisis: An event that has a low probability of occurring, but if it does occur, can negatively impact the organization.

Crisis management: A strategic process that includes preventing and preparing for preparation for possible crises, managing them when they occur, and following up after the events have concluded.

Crisis management plan (CMP): A formal document that anticipates possible crises, identifies individuals and groups responsible for overseeing them, and outlines processes for managing them effectively.

Crisis management team (CMT): A formal group that acts as the management unit that prevents a crisis from arising or directs the organization through the crisis.

External landscape: The area outside the organization that includes all stakeholders.

Heuristics: Decision-making rules that take the guesswork out of thinking.

Internal landscape: The area inside the organization that includes employees and the organizational culture. It is the human side of the company and embodies its strengths and weaknesses.

Organizational learning: The process of learning lessons from crisis events.

Trigger event: The event that initiates the crisis and upsets the healthy equilibrium of the organization.

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