

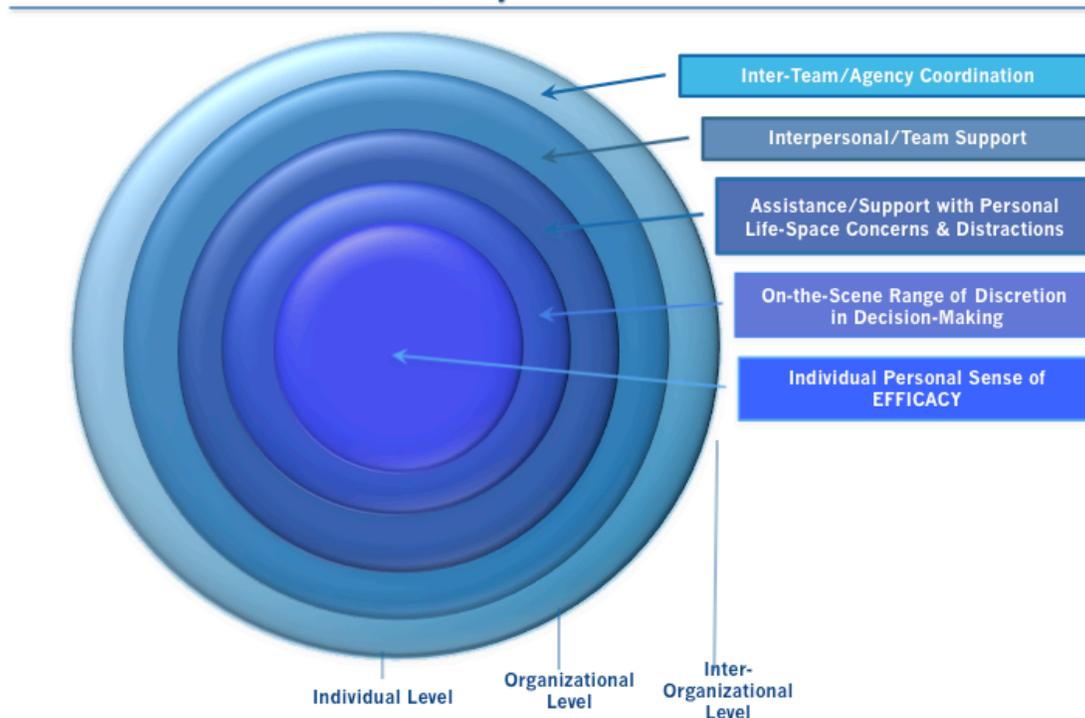
Crisis Management: The New Global Constant

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Managing a crisis now? If you work in a global company, the answer probably is, “Yes!” In this age of globe-spanning enterprises, managing crises is getting to be a constant condition. At any moment, somewhere on this planet there very likely is a crisis underway that potentially could disrupt your business operations, directly or indirectly. As recent experience shows, on a global basis, floods, earthquakes plus, perhaps, a tsunami, are quite frequent occurrences. In addition, we face man-made crises, too: economic upheavals, occasional uprisings and wars. These events have in common not only that they result in loss of life; they cost billions in disrupted business operations.

Understanding the dynamics of crises and the factors that determine crisis recovery and return to normalcy seems a must for any global enterprise. The graphic below presents the key factors that our experience and research on crises clearly show to impact the success of crisis management efforts. As the chart indicates, the central factor on which success swings is the *sense of personal efficacy* experienced by those people on the ground most directly involved in handling the crisis. Simply put, business managers who feel an “internal” sense of control, such that they see themselves as being the authors of their own fates, are much more likely to take the actions needed to overcome the crisis than are those who are more prone to feeling that their lives and futures are dictated by “external” factors over which they have little control.

Crisis Management & Recovery Success Factors



Simply put, “internals” and “externals” cope differently with stress. When crises hit, experience and research both show that “externals” tend to focus energy and attention on the potential negative outcomes of the crisis, whereas their “internal” counterparts, instead, focus attention and energy on putting into motion actions needed to overcome the crisis and get back on the road to recovery. Over the course of time, the latter group fares more successfully both emotionally and financially.

A classic study illustrates this perfectly. Back in the 1970s a hurricane swept up the eastern seaboard of the United States, wreaking havoc and destruction. Wilkes-Barre Pennsylvania was particularly hard hit by flooding. Soon after the skies cleared, psychologist, Carl Anderson arrived in town to study the way business owners handled the crisis. In his study, Anderson interviewed merchants to determine what coping strategies they used to deal with the crisis threatening their businesses. He also asked them to complete Julian Rotter’s Locus of Control instrument to determine their personal views about the locus of control in their lives: internal (seeing oneself as in control of one’s life) versus external (see oneself as being at the mercy of external forces).

Anderson immediately found a sharp difference in how internals and externals coped with the aftermath of the flooding. Internals talked about how they were cleaning things up – e.g., hiring high school kids to come in their premises to scoop up the mud and to restock the shelves. Externals, on the other hand, dwelled on the ways in which the flood had damaged their businesses and threatened their careers and had disrupted their family lives and future plans. Externals also rated the stress they experienced as a result of the crisis to be more severe than their internal counterparts.

Over the course of the following two and a half years, Anderson tracked the financial performance of the businesses whose owners he had interviewed. His results showed that merchants with an internal locus of control achieved greater success after the flood than did merchants with an external locus of control. For both groups, financial success correlated with a movement toward an increased *internal* locus of control. Conversely, poor financial performance was associated to with an *external* shift on the scale.

These results indicate that one’s locus of control, or personal sense of efficacy tends to bring about a self-fulfilling prophecy effect. If one believes that one can control events one actually is more likely to take the actions that actually bring about control. If one believes that one faces uncontrollable factors, one is less likely to act in a way that will enable control. The results play out as expected. Further, the results tend to *reinforce* one’s original sense of efficacy. Significantly, however, these findings show the plasticity of locus of control. Even externals, who experience success, shift toward a more internal sense of control. Internals who, despite their expectations, find success to be elusive shift toward a more external sense of control.

This last point should not be lost of business managers and executives charged with crisis management responsibility. The implications are that any actions that can give emergency or crisis workers a greater sense of control is likely to speed recovery since believing one can control things leads to actions that actually do control things. A greater sense of efficacy, and less victimized thinking, will pay off in many ways.

As the graphic shows, sense of efficacy can be influenced by a series of other factors, such as authority to make decisions on the spot, team support, help with personal life-space

disruptions, etc. These factors represent tools, in effect, that enlightened enterprises deploy to gain leverage by boosting the sense of efficacy of those on the ground on whom success depends. The result will be a speedier recovery with the accompanying financial benefits that can accrue quickly. Moreover, those dealing directly with the crisis will experience less stress and this will benefit them and the enterprise immediately and later. Looking at the graphic again from this perspective, it is easy to see that any expenditure of energy and resources on those outer rings will produce a win – win proposition for those on the scene and for the enterprise, now and in the future.

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