HR Contribution to Crisis Management: A Key Role in Employee Defense and Business Sustainability

Rupak Muhammed Nasrullah Zaidi*

Crises are situations which threaten the integrity, reputation, and ultimately, the viability of a company. Management's worse nightmare, crisis can strike at any time or place and adversely impact any company, large or small. Events like the horrific September 11 terrorist attack on the World Trade Centre, Asian tsunami, or Nargis in 2008, are vast in their scope and impact. But more commonly, corporate crises are triggered by lesser-publicized events such as adverse regulatory actions, large jury verdicts, product safety issues, theft, fires, industrial accidents, damaging weather, and power failures. Each organization must maintain an appropriate level of security, shield and safety for its people, as well as for corporate and public infrastructure, such as buildings, Information Technology Resources, information and knowledge in database, telephones and transportation assets. Events of the past few years have brought about a heightened consciousness of the need for clearly defined, effective crisis management procedures. As a result, crisis management is becoming a top priority across organizations of all types – public and private, large and small. Crisis management includes the activities that enable a business, an organization, or government agency to plan for, respond to and recover from an event. Crisis management is a major issue that HR leaders should take charge proactively of because they are the primary caretaker of employee welfare and motivation. HR is in the best position to ensure that an organization's human capital can be preserved and can continue to create value under any circumstance. Prudent risk management demands that companies develop, implement, and rehearse a comprehensive, company-specific, crisis management plan. In the event of a crisis, such a plan will allow the company to assess its exposure, limit personal injury, minimize damage to property and the environment, communicate effectively with its primary constituencies, preserve its good name, and resume normal business operations as quickly as possible. Organizations that do not have a well-defined crisis management strategy need to develop such a strategy to ensure appropriate levels of security, protection and safety. At the same time organization that already have a strategy in pace need to evaluate its effectiveness in light of recent experiences. This experience has taught us that even the best laid plans are not sufficient to respond to unforeseen or unprecedented events. The challenge of identifying, preventing, and managing crisis events has become a critical concern for many organizations. Don't wait for something terrible to happen to learn just how unprepared you and your employees are. There is always a human side to a crisis as people might get hurt physically and/or psychologically. Unfortunately, one of the critical errors in crisis management planning is the strong tendency to focus attention and efforts on systems, operations, infrastructure and public relations, with people coming in last on the list of concerns and hence often ending up neglected. This paper begins by defining crisis management and examining the advantages of an effective crisis management strategy. It then describes the role that HR can play in enhancing crisis management capabilities and identifies requirements for an effective crisis management system. Finally it introduces the remedy Crisis Response System, which gives organizations the ability to manage a crisis from initial discovery through closure with all the alerts, notifications, and actions required to deploy and manage the required resources.

Keywords: Crisis Management, Corporate Crisis Management, HR Role in Crisis Management.

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1.0 Beginning

A recent SHRM survey found that only 54% of companies have disaster plans in place. There are several reasons for lack of crisis planning; typically HR professionals are not trained in disaster preparedness, nor has crisis management been viewed as a function of Human Resources. There is also a natural tendency to put off thinking about disasters or any frightening topic. Finally, it may seem overwhelming to take responsibility for crisis planning.

2.0 Background

Management of a major crisis requires prevention, planning, testing, evaluation and maintenance to mitigate and minimize the consequences. The process used by a company can determine the outcome for those affected, including employees, community and the company.

A crisis could be:
- Product contamination - as experienced by Johnson & Johnson with Tylenol
- A release - as experienced by Union Carbide in Bhopal, India
- An explosion - Atofina Fertilizer Plant in Toulouse, France
- A spill - Exxon Valdez
- Destruction from natural disasters such as Hurricane Katrina on the Gulf Coast and the Tsunami in Asia
- Derailment and release - Chlorine in South Carolina
- An intentional act of terrorism from outside or inside the organization, or
- Explosion and fire - BP in Texas City

3.0 Scope

A Crisis Management Process can apply to any size company. It describes a series of interrelated processes and activities that will assist in creating, testing, and maintaining an organization-wide plan for use in the event of a crisis that threatens the viability and continuity of the organization. This publication is a tool to help organizations consider the factors and steps necessary to prepare and manage for a crisis (disaster or emergency), taking appropriate actions to protect the employees and community and help ensure the organization’s continued viability.

4.0 What is Crisis?

The Federal Emergency Management Agency (FEMA) defines an emergency (or crisis) as “any unplanned event that can cause deaths or significant injuries to employees, customers or the public; or that can shut down your business, disrupt operations, cause physical or environmental damage, or threaten the facility’s financial standing or public image’

An organizational crisis is "a low-probability, high-impact event that threatens the viability of the organization and is characterized by ambiguity of cause, effect, and means of resolution, as well as by a belief that decisions must be made swiftly” (Pearson & Clair, 1998).

5.0 Types of Crisis

We tend to view crises in four categories (see exhibit 2):

Gradual emergence, external origin: These might involve economic downturns, the emergence of competitive threats such as breakthrough technologies, new go-to-market strategies, alliances of major competitors, or regulatory changes that limit business practices or expand competition.
Gradual emergence, internal origin: Examples range from strategic mistakes (such as a poorly conceived merger) to failed product launches, the loss of key talent to competitors, and employee discrimination suits. We also put many CEO succession crises into this category, since the absence of strong internal candidates usually results from years of inattention.

Abrupt emergence, external origin: Some of the most obvious examples are natural disasters, terrorist attacks, and product tampering.

Abrupt emergence, internal origin: This can include the sudden death or resignation of one or more key executives, failure of critical technology, production, or delivery systems, or workplace violence.

### Crisis Type

<table>
<thead>
<tr>
<th>Crisis Origin</th>
<th>Gradual</th>
<th>Abrupt</th>
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<tbody>
<tr>
<td>External</td>
<td>Economic Downtown</td>
<td>Natural Disaster</td>
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<td></td>
<td>Competitor Product assault</td>
<td>Terorist Attack</td>
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<tr>
<td>Internal</td>
<td>Strategic Misstep (M&amp;A Failure)</td>
<td>Key executive departure</td>
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<td></td>
<td>Product Launch Failure</td>
<td>Critical system failure</td>
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### 6.0 What is Corporate Crisis?

As Webster's indicates, a crisis is a period of trauma, distress and inevitable change. While events triggering a corporate crisis cannot be predicted with absolute certainty, they always bring about change—often for the worse, and always involving the company's reputation, management, brand or market share. The goal of crisis management is to contain and/or prevent the impact on the various audiences that corporations must recognize; these audiences are customers, employees, communities, government, and of course, the shareholder/investment community.

### 6.1 Characteristics of Corporate Crisis

Ogilvy PR has discerned, through its successful management of hundreds of corporate crises, eight characteristics that underlie virtually all of them.

The eight characteristics are:

1. Surprise that is always driven by media exposure.
2. Insufficient Information about the relevant facts and the emerging public perception of the issue.
3. Escalating Flow of Events that hampers the ability of management to understand quickly that, like it or not, they "own" the problem and must quickly articulate a persuasive response.
4. Loss of Control over the way the growing crisis is perceived and the impact it is beginning to have on the company.
5. Intense Scrutiny from Outsiders/Insiders including media, government, regulatory agencies, activist groups, key stakeholders, and most importantly, the management team itself.
6. The Beginning of the Siege Mentality that causes company leadership to attempt to "hide" behind the legal aspects of the crisis, rather than confront the central issues, and thereby allows the crisis to inflict more damage on the organization.
7. Panic that perverts and/or paralyzes the decision-making process.
8. Issue Solved by Public Arena in manner designed to satisfy the interests of outsiders-including the media, government, regulatory agencies and activist groups-but never the interests of the company itself

### 7.0 Crisis Management

Research on organizational learning during and after a crisis suggests that there is an optimal time for learning to occur: after the immediate crisis has passed, but before forgetfulness sets in. Now is the time for many organizations to learn from these hurricanes, as well as derive lessons from 9/11. Who knows when, where, and how the next disaster will strike? It could be a result of terror, weather, chemical or industrial accident, earthquake—just about anything. Hurricanes Katrina and Rita offer many lessons for HR professionals, but the most important one is that they must take a leadership role in CM planning and implementation. Their companies and employees depend on it.

### 7.1 The Importance and Complexity of Effective Crisis Management

Organizations can limit injuries and damages and return to normal operations more quickly by implementing a well-thought-out crisis management strategy. Crisis management involves four major phases: readiness, recognition, response, and recovery (see figure 1). The readiness phase involves assessing risks, identifying vulnerabilities, mitigating vulnerabilities and risks, developing contingency plans, documenting procedures for the most likely emergency situations, establishing interactions that need to take place among organizations and agencies, training, testing preparedness, and continuously refining policies and procedures. Readiness also includes positioning critical resources for the time of need.

The recognition phase allows you to identify, when your organization is threatened and is accomplished by regularly monitoring events. Threats can exist both within your organization and external to your organization. The response phase involves deploying the crisis response team, establishing a command and control structure, providing team members information and guidance on what critical tasks need to be accomplished, maintaining information flow between team members and managing the crisis through resolution. The recovery phase includes necessary activities required to restore capabilities to normal operations. Organizations today are driven to implement a crisis management strategy for a variety of reasons. Not only is it the right thing to do, it is also the smart thing to do from a business perspective.
7.2 Creating A Crisis Management Plan

Each company must develop a written crisis management plan structured to fit its particular needs and resources, in the context of the industry in which it operates. Once a crisis has erupted, it is too late to plan. The first step is to form a crisis management team which can mobilize immediately following the occurrence of a crisis. At larger companies, the team typically includes the Chief Executive Officer, Chief Financial Officer, General Counsel (or an experienced litigator), Public Relations Officer, Investor Relations Officer, at least one senior level operating officer, the head of Information Technology, Security Director, Environmental, Health and Safety Director and a senior Insurance Officer.

Alternates for all positions should also be chosen.

‘The second step is to perform a risk assessment of a business’ vulnerabilities in terms of people, physical plant, products, information systems, communication systems, business prospects, practices and policies.

The third step is to develop a formal action plan which defines how best to reduce each identified risk (e.g. training, insurance, audits of systems, disbursing work centers etc.) and documents required actions in a manual which can help managers/decision-makers in the early hours of a crisis. Different crisis management plans may need to be drafted for a company with multiple facilities, different types of operations and diverse geographical locations.

The basics of any effective comprehensive crisis management plan are as follows:
7.2.1 **Employee Safety and Recovery**: One thing is paramount when disaster strikes: provisions for the safety of a company’s No. 1 asset — its people. The company must be able to deal efficiently, promptly and reasonably in providing care and assistance to the injured and their families.

7.2.2 **Facilities**: Consider what will be done if your company’s office space is damaged or is uninhabitable following a disaster.

7.2.3 **Preservation of Files and Records**: A company’s records and business files are its lifeblood. A company’s crisis management plan needs to address alternatives for duplicating or restoring critical damaged paperwork and electronic records.

7.2.4 **Preservation of Systems and Equipment**: While losses in some type of disasters that occur without warning (earthquakes, tornadoes, *fire*, etc.) and limit the capacity to preserve technology systems and equipment, considered assessments of these types of risks will generally dictate appropriate safeguards to minimize the loss of (most likely) irreplaceable data.

8.0 **HR’s Role in Crisis Management**

Crises can occur at any time and HR has to take the lead in protecting the welfare and safety of affected employees. HR professionals cannot ignore the issue of employee safety and security even in a company that already has a viable security function in place. HR professionals in any corporation are best trained to facilitate discussion among business units and crisis management plans must incorporate input from various departments. HR professionals also have the best understanding of the people side of business, and already serve as "keepers of the culture." Also,
HR professionals are in positions to provide the first line of defense when crisis strikes, and preparation reduces anxiety.

8.1 Looking at the Human Side of Crisis Management

Crisis management is a major issue that HR leaders should take charge proactively of because they are the primary caretaker of employee welfare and motivation. HR is in the best position to ensure that an organization’s human capital can be preserved and can continue to create value under any circumstance.

HR’s Strategic Role

HR can play this strategic role in organizational sustainability through advance preparation which includes safety and security initiatives to help prepare and reassure employees, leadership development, talent management and solid communication plans to support effective crisis management.

HR leaders have a strategic role and responsibility to ensure their organizations are aware of internal vulnerabilities on the human side to different types of crises and to ensure their crisis management plan covers all potential risks and concerns.

Preparing Human Capital For Crisis

Effective crisis response requires an understanding of what people need from management, and how to provide it. Following a disaster, beyond the obvious basic survival, employees and their family members need:

- Immediate emergency guidance, aid and assurance of safety
- Clear information, leadership and reassurance
- Understanding and ongoing psychological support during and after the crisis
- Post-crisis support for rapid return to normalcy

In developing a crisis management plan to provide for these needs, HR directly creates value for the bottom line by minimizing potential damages and downtime.

<table>
<thead>
<tr>
<th>Action</th>
<th>Purpose</th>
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<tbody>
<tr>
<td>Set up in advance a Humanitarian Response Team</td>
<td>To ensure adequate attention to human needs in the wake of a disaster</td>
</tr>
<tr>
<td>Establish a diagnostic of the human side vulnerability of your organization to crisis</td>
<td>To identify and prepare specifically for crisis scenarios affecting employees</td>
</tr>
<tr>
<td>Develop HR policies and procedures specifically related to crisis management</td>
<td>To avoid panic ad hoc actions and to ensure effective delivery of crisis-related human services</td>
</tr>
<tr>
<td>Provide training to address specifically, and only, the human side of what happens during a crisis</td>
<td>To provide employees with an opportunity to understand and learn to cope with the effect of stress and traumatic events</td>
</tr>
<tr>
<td>Conduct crisis simulation exercises</td>
<td>To train and program employees to know what to do during a crisis</td>
</tr>
<tr>
<td>Establish an online resource with information about crisis management, employee benefits and other employee-related policies and programs linked to crisis</td>
<td>To provide employees with 24-hour easily accessible information and communication means</td>
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</tbody>
</table>
**Preparation and Training**

HR should play a strategic role in CM preparation and training to facilitate organizational continuity (Lockwood, 2005). This role begins long before a crisis strikes and continues throughout the crisis response and recovery stages.

**Developing and Documenting the CM Plan**

HR managers are in a position to be a driving force behind the development of CM plans (Jones Walker, 2005). One critical role of HR in developing CM plans is to minimize these organizational losses, as well as the negative effect on employees themselves, by developing strategies that address the safety, health, and well being of employees before, during, and after an emergency (Lockwood, 2005).

**8.6 Training and Education**

HR can be a driving force in convincing top managers to test their plan to determine if it is actually going to work when needed. The plan should be implemented frequently and routinely to allow employees to practice the plan and to work out the kinks in the plan before disaster strikes (Danowsky & Poll, 2005).

**8.7 Communication**

One of the most important parts of CM is a continuous line of communication (Carides, 2005; Gurchiek, 2005, Oct. 19; Lookwood, 2005); however, communication is one part of disaster planning that is often taken for granted (Gurchiek, 2005, Oct. 19). Most CM planning is done with the expectation of a disastrous event happening to the company itself, not to the world around it (Woodward, 2005). HR must be ready to communicate with both internal and external stakeholders of the organization and should have a convenient and easily located source of communication available (Lockwood, 2005) no matter where disaster strikes.

**8.7.1 Contact Information:** Once a crisis strikes, a top priority of HR managers should be accounting for employees and maintaining contact with them (Jones Walker, 2005).

**8.7.2 Email:** If a company's email system is located on a server outside the disaster zone, email can be a powerful communication tool.

**8.7.4 Text Messaging:** Another possibility for maintaining communication is text messaging.

**8.8 Pay and Benefits**

**8.8.1 Pay:** After the storms, many employers announced, often through the media, that they would continue to pay workers for a set period of time.

**8.8.2 Benefits:** In addition to pay issues, CM plans should include policies and guidelines on the continuation and administration of employee benefits.
8.9 Employee Assistance Programs

Employee assistance programs (EAPs) can be an effective means of helping employees deal with the emotional grief and sense of loss that workers may experience after a crisis; however, before healing can begin, workers may need assistance with more basic needs such as food and shelter (Gurchiek, 2005, Sept. 11). EAPs can help with these needs as well as finding dislocated workers and educating workers about what benefits are available to them.

8.10 Employment

Once the initial crisis has passed, and the company moves from the response to recovery stage, HR can help the company return to some sense of normalcy as it attempts to get back on its feet.

8.11 Alternative Work Locations and Arrangements

Managers should consider the possibility the company will be unable to resume operations in its pre-crisis location and should have a contingency plan in place for varying levels of business disruption.

8.12 Layoffs and Reduced Work Hours

After a crisis, some businesses unfortunately will have no choice but to lay off employees or reduce their work hours for the business to survive. HR professionals need to be aware of this possibility, should be involved in the decision, and should have a plan in place for how to handle such an eventuality.

8.13 Flexible Leave Options/Leave Donations

HR personnel should examine company policies concerning illness, bereavement, or other types of leave and determine whether special leave policies should be developed specifically for catastrophes.

8.14 Recruiting and Housing

Another issue to consider in CM planning is that of recruiting new employees to replace those lost once the business attempts to reopen. Many businesses in the storm-damaged areas are having difficulty resuming operations because of a shortage of manpower.

8.15 Corporate Crisis Management Team

It is important that an appropriate administrative structure be in place to effectively manage a crisis. Clear definitions must exist for a management structure, authority for decisions, and responsibility for implementation. Most senior managers are not trained and typically do not have the resources to simultaneously manage a crisis and carry out normal business duties. Senior managers who are not members of the crisis management team should carry on with their normal business unless requested by the team leader.
The core Corporate Crisis Management Team (CMT) should include:

8.15.1 Team Leader: The team leader, or its designate, is responsible for managing the CMT, and is the primary contact with the site or incident scene team leader.

8.15.2 Team Coordinator: This person or persons (could rotate this position but it is always filled) stays in the crisis center and assures the members are working with the most current information. Appointed by and assists the Team Leader in managing the crisis team activities.

8.15.3 Team Resource (Admin Position)

If not a specific individual, these duties need to be assumed by one or more team members

- Provides computer support to access data and procedures
- Operates and relays fax(s)
- Provides copies of documents, such as of MSDS
- Provides weather conditions from the internet
- Gathers information that may be needed – e.g. trucking company, disaster contractor, access crisis calendar, etc. Helps to set up the room.
- Makes sure phones are ready to use.

8.16 Other Activity

Additionally, a number of other activities may be necessary such as to protect and backup HR records, to identify and reserve emergency office space and to provide sufficient manpower for business recovery.

8.17 Where Do You Start?

To be most effective, HR leaders should work collaboratively with other key organizational functions involved in crisis management such as risk management and business continuity management, build the case and obtain top management commitment to support the development of enterprise-wide crisis readiness plans that fully integrate the human side of crisis.

9.0 Preparing for Crisis

Is it possible to prepare for crisis? We think it is. In our work with clients, we find that savvy executives learn to expect the unexpected and take certain steps to prepare for the worst and to respond when the worst occurs.

9.1 Establish The Tone At The Top

While some companies invest heavily in producing and maintaining complex crisis management manuals, we have found that there is no substitute for embedding a meaningful set of values that govern behavior in times of crisis. An example involving two consumer goods companies illustrates the point. When Company A discovered that tampering had occurred to one of its products, it immediately pulled the product from the shelves. Consumer safety was a core value at Company A, and that value shaped the organization’s immediate and effective response. While some loss of market share occurred in the wake of the crisis, it eventually was restored and exceeded once the product had been repackaged and reintroduced. A long-term crisis was averted. Company B faced a similar problem but without strong corporate values in place, was unsure as to how to proceed. Management ignored the impending crisis and suffered the consequences. The cost in terms of money and damage to the brand were high, and the CEO lost his job.
9.2 Anticipate Likely Problems

While not every crisis can be foreseen, many can. CEOs and boards can and should be prepared
to deal with basic problems. To manage crisis effectively, companies must be aware of what is
being said about them and must be attuned to any warning signals that surface. Today’s
environment demands that monitoring activities go beyond the mainstream media. In response,
ew resources are becoming available, such as blog monitoring services added to the traditional
services of media research firms. Companies that anticipate problems avoid the Demise Curve by
periodically confirming that their strategies are in line with market needs and that their operational
efficiencies are maximized. To accomplish this, we advise clients to develop a dashboard of key
performance indicators and to monitor them regularly.

For example, when a major telecommunications company noted a decline in its key performance
indicators, its management looked to its strategy as a possible source of the problem. The
company had decided to target a foreign market, even though the technology in that market was
fundamentally different from its own. When the company adjusted its strategy to focus on domestic
markets, performance improved and crisis was averted.

9.3 Have An Alternate Plan

In a changing world, even carefully conceived plans may not work as anticipated. Under the best
of circumstances, only slight corrections are required. Under the worst, entire plans must be
abandoned, resulting in crisis.

A company subsidiary that was planning to go public learned this lesson the hard way.

9.4 Develop And Maintain Fitness And Resilience

Companies that are fit and resilient are better able to withstand crisis than those that are not. An
important aspect of crisis preparation is to work toward higher levels of fitness and resilience
throughout the organization. What defines fitness and resilience? Basically, two factors: First, the
fit and resilient company takes steps to maintain its bench strength. In times of crisis, key
members of the management team may be temporarily or permanently out of action. The fit and
resilient company has people under development to fill key positions, should they unexpectedly
become vacant.

Second, the fit and resilient company avoids excessive self-reliance. As one observer put it, “If you
do only one thing, it’s difficult to go on when that one thing is irreparably damaged by crisis.” In our
view, the fit and resilient company should be prepared to reinvent not only its leadership but also
its business should circumstances require it.

9.5 Intervening When Crisis Occurs

One need only look to the dot-corn era to find classic examples of ineffective crisis intervention.
Many dot-corn companies of the 1980s and 1990s were not prepared to recognize that a crisis
was looming involving lack of business fundamentals and cash-generating profit.

9.6 Use External Advisers

In addition to public relations professionals, other external advisers frequently are key members of
the crisis intervention team.
9.7 Develop A Long Term Reputation Recovery Plan

In the aftermath of crisis begins the critical task of restoring reputation—a task that is never really completed. While some accept that companies may go through crisis as part of their natural evolution, others, including the media, have long memories. Once a business has gone through a crisis, even positive stories in the press will continue to reference the crisis long after it has been resolved.

References