

Leadership as (Un)usual: How to Display Competence In Times of Crisis

Original Publication by Erika Hayes James and Lynn Perry Wooten

In Organizational Dynamics

Elsevier, Inc, Vol. 34, No.2, pp. 141-152, 2005

Synopsis by **Athena Bernkopf**, Claremont McKenna College '09

The manner in which institutions react and respond to crisis situations is highly relevant to the general nature of the institution, as well as its future health as an organization. Action in crisis very much reflects the general competency of an organization, as the test of crisis demonstrates how well the institution's structure and policies have been formed to serve the institutions goals and withstand those circumstances which might interfere with them. This article by James and Wooten defines, from a business perspective, a distinction between crisis management and crisis leadership. Management of a crisis situation may or may not handle the logistics of the circumstance, such as PR and communication within the organization. Crisis leadership, however, takes a holistic approach to the situation, by addressing the damage done and the implications for the corporation's present and future conditions, as well as any opportunities for improvement. By defining crisis and delineating the process of a crisis situation, the authors are able to describe the essential criteria that distinguish a crisis manager from a crisis leader.

There are many different types and forms of crises, each of which require different methods of management. Defining a crisis situation, as well as general types of crisis situations, provides insight into the general applications of crisis leadership criteria. James and Wooten have described a crisis as, "Any emotionally charged situation that, once it becomes public, invites negative stakeholder reaction and thereby has the potential to threaten the financial wellbeing, reputation, or survival of the firm or some portion thereof."

Crisis may be further defined by examining the primary types of crisis situations. Using terminology of the Institute for Crisis Management (ICM), the two primary manifestations are sudden crises and smoldering crises. Sudden crises are circumstances that occur without warning and beyond an institution's control. Consequently, sudden crises are most often situations for which the institution and its leadership are not blamed. Examples of these may include natural disasters, terrorist attacks and sabotage. Smoldering crises differ from sudden crises in that they begin as minor internal issues that, due to manager's negligence, develop to 'crisis status.' These are situations when leaders are blamed for the crisis and its subsequent effect on the institution in question. Citing information from the ICM database, James and Wooten state that smoldering crises account for close to three-quarters of all business crises.

While these different crises have varying results and require distinct responses, the authors describe that the general phases of a crisis may be established to provide greater awareness of those leadership tactics that may be used to confront the situation. There are five phases: signal detection, preparation and prevention, containment and damage control, business recovery, and learning. Each phase reflects an obstacle that any given leader may overcome to improve the structure and operations of the organization he or she serves. For example, both the containment and damage control, as well as the business recovery phases are concerned with returning the organization back to the production level it had achieved prior to the crisis or “business as usual.” This, however, is a shallow management-style approach to the problem. Crisis leaders would use these phases as a means of learning, the last phase of a crisis, which generally does not apply to corporations led by corporate managers. Learning entails reflecting on the cause and effect of the crisis and developing a “business-anew paradigm” which restructures the institution to make it stronger on all levels.

James and Wooten distinguish six “competencies” which facilitate this restructuring, or the structuring in general of an efficient organization. The first entails building an environment of trust. There is a lot of human interaction involved in business as well as in other types of organizations; working in an atmosphere of trust cultivates better relationships within an institution as well as between a business and its customers. Another competency entails reforming an organization’s mindset. In business, for example, the mental inclination is to promote the interests of stakeholders. This, however, can lead to risky action that favors certain influential actors over a corporation’s entire customer base. As such, it is extremely important to emphasize thought that incorporates the broad needs of the organization, which will in turn lead to comprehensive operations that enhance the quality of the corporation. Supporting the creation of an expanded mindset is a third competency: identifying obvious and obscure vulnerabilities of the organization. Crisis managers prepare for “inevitable,” while crisis leaders will strive always to be aware of the less obvious contingencies. An important aspect of this particular competency is the consideration of specific threats that may seem counterintuitive. For example, the authors state that according to data from the ICM, over 50 percent of all crises are the result of manager’s actions. As such, it is essential to allow the possibility that some vulnerabilities stem from an organization’s own leadership.

Two other competencies include making wise and rapid decisions as well as taking courageous action. Crisis leaders should have the resources for a precise and complete understanding of the nature of the organization, and therefore the ability to make effective and innovative decisions in times of crisis. The understanding necessary for these kinds of decisions is achieved by the final competency: learning from crisis to effect change. Organizations, especially businesses, are perpetually disturbed by minor events that may distract from bigger issues affecting the institution. The authors refer to this problem as “firefighting.” James and Wooten continue to explain that crisis leaders will avoid firefighting to focus on larger issues, addressing the essence of crises and affecting reform accordingly. It is only with this policy that organizations will be most prepared and most effective in crisis situations.

In accordance with James and Wooten's philosophy, much of the criteria distinguishing between crisis managers and crisis leaders are deceptively simple. Trust and learning are schoolroom concepts, however the authors repeatedly emphasize their essential role in the structure of an organization with good leadership. James and Wooten seem to demonstrate that leadership in crisis requires the same qualities needed for general leadership; it is simply a case of enduring the difficult crisis conditions to perform those duties that are always demanded of a leader.