1 SETTING THE FRAMEWORK

CHAPTER OBJECTIVES

This chapter will help you to:

+ understand the basic outline of issue management and crisis management
+ recognise the link to risk and reputation
+ assess the impact of the internet and social media
+ distinguish different approaches to defining an issue
+ learn how issue process models evolve
+ evaluate tactical crisis response versus strategic crisis management
+ differentiate between the categories of crises
+ appreciate how issue and crisis management align with other management disciplines.

Issue management and crisis management are core management disciplines, and they are also two of the most important elements of communications practice. Together they provide organisations with tools and processes to identify risks and issues early; take planned action to influence the course of those issues; respond effectively if issues develop into crises; and protect organisational reputation during and after a crisis.

Yet despite the acknowledged importance of issue management and crisis management to organisational success and the achievement of strategic goals, both disciplines suffer from a perceived lack of clarity about what they contribute and about the parameters that define them. In addition, the emergence of the internet and social media has added to this lack of clarity by further blurring the interrelationship between activities.

Not only has social media blurred distinctions, but it has also had a profound impact on each of the concepts addressed in this book—issue and crisis management, risk and reputation. While each of these concepts has its own established history, processes, tools and theoretical basis, the internet and social media now add a new dimension to the framework and operation of these activities.

For example, in issue management, social media has largely democratised the discipline by creating the capacity for individuals and community organisations to compete on a level playing field with big business and big government in identifying and engaging on issues.

In crisis management, social media now demands higher standards of transparency and consistency, and has introduced new methods of very rapid communication with stakeholders, both locally and around the world. In fact, the changes social media has made to crisis management have been branded 'the new normal' (Ziemnowicz, Harrison & Crandall, 2011).

In risk communication, the internet and social media have revolutionised the way in which people perceive risks, and brought with them new opportunities for improved understanding of risks, as well as new threats of increased misunderstanding and deliberate misrepresentation.

The cumulative effect of social media can be seen at perhaps its most striking when it comes to the crucial area of reputation, where threats to reputation—both for individuals and organisations—can emerge and escalate more quickly and dangerously than ever before. As the US reputation expert Leslie Gaines-Ross (2008, p. 18) commented:

> The Internet has spawned a new breed of critics and reputation assassins. Armed with little more than a computer and an opinion, these chat-room transmitters and bloggers can undo a company's reputation by disseminating misinformation and innuendo.

These and many other aspects of the importance of social media are explored and developed in the chapters that follow.

WHAT IS AN ISSUE?

In order to understand a concept well it is often most helpful to both define it and describe it. In other words, to present a concise definition—a carefully determined formula of words—and then characterise and describe it by discussing what it is and what it isn't, its shape and size, and how it relates to other things around it. This book follows that approach.

One reason why the term 'issue' is hard to define is because the concept is just not that simple. In the mid-1960s, in a US Supreme Court case about whether a particular film should be classified as obscene, Justice Potter Stewart famously wrote: 'I shall not today attempt to further define the kinds of material I understand to be embraced [as 'hard core pornography'] ... But I know it when I see it.' Issues are a bit like that. It is not easy to agree on defining exactly what an issue is. But for organisations that find themselves facing an issue, they 'know it when they see it'.

There is not much to be gained from getting caught up in duelling definitions. How to define an issue has been an acknowledged challenge since the discipline was first developed in the late 1970s and remains a subject of contention today.

The detailed nature of issues, and how they differ from simple problems, is addressed in Chapter 3. But for the present it is important to recognise that there are three main approaches to defining an issue—categorised as disputation, expectation gap and impact—and each has its advocates.[1]

DISPUTATION THEME

In the early days of issue management an issue was sometimes defined as 'a contested matter that is ready for decision'. This approach developed into what is now known as the 'disputation theme', which argues that an issue arises when there is a social and/or political dispute.

Heath and Coombs (2006) typified this approach when they characterised an issue as 'a contestable matter of opinion, a matter of fact, evaluation or policy that is important to the parties concerned' (p. 262). While the disputation theme is still used—sometimes called the controversy theme—some critics claim this approach is too broad. They argue that there are many disputes or contested matters that don't necessarily qualify as issues in the context of public relations. In other words, although every legitimate issue involves matters of dispute, not every dispute constitutes an issue.

EXPECTATION GAP THEME

Another common approach is the 'expectation gap theme', which says an issue exists when there is a gap—real or perceived—between an organisation's performance or the way it behaves, and the legitimate expectations of key stakeholders about how they think that organisation *should* behave.

The expectation gap—sometimes referred to as the legitimacy gap—remains a popular approach, first because it is simple to understand and communicate, and second because it aligns closely with the thinking of many activist and community groups who often have

1 For more discussion on the three approaches to issue definition, see Jaques (2010) in this chapter's Further reading section.

very firm opinions about what they regard as poor performance by target organisations, especially big business and big government.

Here, too, some critics think this approach is limited because it tends to focus on past events and behaviour, it can promote discord, and it can focus on a desire to punish perceived transgressions. As a result, the expectation gap approach can occasionally be confrontational rather than cooperative. This runs contrary to the view of some modern experts who believe issue management should, in fact, be used to promote social harmony. Robert Heath, for example, has defined issue management as 'a strategic set of functions used to reduce friction and increase harmony between organisations and their publics in the public policy arena' (2005, p. 460).

It can also be argued that the gap itself does not constitute an issue. However, a gap in stakeholder expectation can certainly *lead* to an issue, and analysis of the gap can help to *characterise* that issue. In addition, the expectation gap theme in particular has been boosted by the rise of social media, as is described in Chapter 2.

IMPACT THEME

The third approach is known as the 'impact theme', which characterises issues by their capacity to seriously impact the organisation concerned. Put simply, the impact theme defines an issue as any development that could have a serious adverse impact on the organisation and its interests.

Some critics suggest the impact theme minimises the fact that some issues contain opportunities as well as threats, and that this approach may divert attention from what might prove to be a positive opportunity. Some also argue that the impact theme is less appropriate for activist and community groups who often become involved in an issue, not necessarily because it impacts them directly but because they believe they are acting in the interests of a wider group or society as a whole.

Despite these shortcomings, the impact theme has been widely adopted, not least because it aligns closely with the processes and objectives of similar management disciplines, including crisis management, strategic planning and risk management.

Given that strategic alignment is an important theme of this book, the following modern version has been adopted as a working definition of 'issue' (adapted and updated from a version originally developed by the Conference Board[2] back in 1979):

> An issue is any trend or development—real or perceived—usually at least partly in the public arena which, if it continues, could have a significant impact on the organisation's financial position, operations, reputation or future interests, and requires a structured approach to achieve positive, planned outcomes.

2 The Conference Board is a New York–based organisation committed to the prosperity and security of business and improved business leadership (see www.conference-board.org). It published one of the first 'how to' manuals for issue management—see Brown (1979) in this chapter's Further reading section.

Within this definition are four important aspects that need close attention to fully understand the nature of issues.

The first is that an issue may not necessarily be 'real'. There is an old saying in public relations that 'perception *is* reality' and this applies nowhere more so than in issue management. Belief in an issue—even if it is false or doubtful—can create just as much public concern and consequent demands for action as one founded on solid fact.

An example might be the case for inoculation of young babies against common childhood illnesses, which is almost universally supported by medical experts around the world. Yet an international campaign by determined activists has made this a high-profile *perceived* issue of concern, especially among young mothers, whose decisions not to inoculate can have very real adverse health consequences for their own children and the wider community.[3] Dismissing an issue on the grounds that it is 'perceived and not real' can equally have serious consequences for the organisation concerned.

As Holladay and Coombs (2013, p. 452) concluded: 'A tenet shared by both risk communication and crisis management is that stakeholder perceptions matter. If stakeholders *think* there is a risk or crisis, there *is* one'.

The second important aspect of our working definition is that issues occur—at least in part—in the public arena. This doesn't necessarily mean the issue is on the front page of the newspaper or on the evening television news, or even trending on social media. But it is at least partly external to the organisation, which means it is not just an internal problem and, as a result, the organisation is usually not in control of all the contributing factors.

Also significant is the word 'significant' itself. Issues are not simply the passing 'problem of the day'. They genuinely threaten the well-being of the organisation and typically extend over weeks, months or even years. Although organisations face problems every day, of varying nature and importance, issue management is not a general-purpose problem-solving tool, but is most appropriately used when the impact is, or is likely to be, significant. The important difference between a day-to-day problem and a legitimate issue is explained in Chapter 3.

The final important element of our definition is that, regardless of which of the three approaches to defining an issue is used, one concept common to them all is that an issue 'requires a structured approach'. That means the need for an agreed, formal process, not just an ad hoc response. This importance of a planned issue strategy is a central principle of issue management.

Table 1.1 provides definitions of four important concepts discussed in this book and how they interrelate: issue, emergency, crisis and disaster. The further term 'catastrophe' is not included here, but is discussed in detail in Chapter 9.

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3 For an overview of the anti-vaccination movement and its use of social media, see Kata (2012) and Shetty (2010) in this chapter's Further reading section.

Table 1.1 Definitional guide to key activities and their interrelation

Challenge	Management activity	Key focus
ISSUE Any trend or development—real or perceived—usually at least partly in the public arena, which, if it continues, could have a significant impact on the organisation's financial position, operations, reputation or future interests and requires a structured response.	**Issue management** A coordinated cross-functional effort to identify, prioritise and actively manage towards resolution those developments that most impact the organisation and where there is a capacity to make a difference.	To utilise resources across the organisation to make a difference and work towards planned, positive outcomes.
	Issue communication An element of the broader issue management process that contributes to and supports development and implementation of the strategic plan, including message development and effective delivery.	To ensure all communication meets stakeholder needs and supports and is consistent with the strategic plan.
EMERGENCY An unplanned or unwanted event that impacts the organisation locally and calls for immediate action. Low potential for adverse impact beyond the initial event. If badly managed can become a crisis.	**Emergency response** An immediate action plan to identify and manage the emergency. Local management is in charge and risk to reputation and media interest beyond the nearby area are low.	To bring the emergency under control and to prevent it from escalating.
CRISIS An event or development that can focus unwanted visibility on the organisation and is likely to endanger health or the environment, or seriously impact reputation or ability to do business. High potential for adverse impact beyond the initial event.	**Crisis management** A coordinated action that mobilises many functions to respond to the crisis, to assess potential impact, to provide resources, to minimise physical and reputational damage, to manage all stakeholders, to protect the organisation, and to capture post-event learnings.	To use resources from throughout the organisation to bring the crisis under control as quickly and effectively as possible and to minimise damage.
	Crisis communication What gets said by the organisation during and after the crisis. It also provides insight into societal concerns to help develop and communicate strategy.	To prioritise concerns among key stakeholders to ensure consistent accurate messages, and help protect organisational reputation.

Challenge	Management activity	Key focus
DISASTER A major adverse event that affects the broader society, such as natural disasters (floods, earthquakes, storms), social unrest (riots, political upheaval) or infrastructure breakdown (power outages). May trigger a specific crisis for individual organisations.	**Disaster management** A coordinated response, often managed by statutory or territorial authorities, that mobilises diverse forces. While the event may affect individual organisations, they face less risk to reputation and there is less focus on direct blame or accountability.	For government authorities, to protect people and property. For individual organisations, to protect people and business, with a focus on restoring normal operations and how to play a role in assisting the community.
	Business continuity Coordinated action to ensure an organisation's ability to do business during and after a crisis or disaster. Includes effective back-up and redundancy systems and key stakeholder communication.	To restore physical operations or to sustain supply to customers.

WHAT IS ISSUE MANAGEMENT?

It must be stated at the outset that issue management[4] is not about spin. It's not about image creation. And it's not about using communication to put a gloss on poor performance or to hide mistakes. It is a proven executive discipline that aligns with strategic planning and contributes directly to the business bottom line.

> Issue management is about steering the ship out of troubled water, while crisis management is about saving the ship after it has struck an iceberg.
>
> Tony Jaques (2000, p. 93)

It is an effective way for organisations to proactively engage in social, regulatory and political debates that have the potential to inhibit business and damage both individual and corporate reputation.

Most importantly, issue management is not just an activity for public relations and communications professionals. Communicators often have 'ownership' of the process and

4 The terms 'issue management' and 'issues management' are both commonly used. Howard Chase, the acknowledged 'father' of the discipline, once quipped that it should always be issue management in the same way that it is 'brain surgery', not 'brains surgery'. This book uses the form 'issue management' throughout.

can play a significant role in strategy development and implementation. But best practice around the world demonstrates that effective issue management requires the involvement and support of leaders and top executives across many functions departments and businesses in order to deliver the organisation's strategy and to develop and safeguard its good name. (The role of leadership is explored in Chapter 12.)

Building on the impact theme discussed above:

> Issue management is a coordinated, cross-functional effort to identify, prioritise and actively manage towards resolution those developments that most impact the organisation and where there is a capacity to make a difference.

It is also widely regarded as providing a structured framework and tools for identifying problems early to avoid issues becoming crises. This description is particularly helpful as it emphasises that, while issue management is a genuine management discipline and mindset, it is also a process and a set of tools.

At its core is a deceptively simple process, which, from the beginning of the discipline, has been built around five basic steps:

1. identification
2. analysis and prioritisation
3. strategy options
4. action plans
5. evaluation.

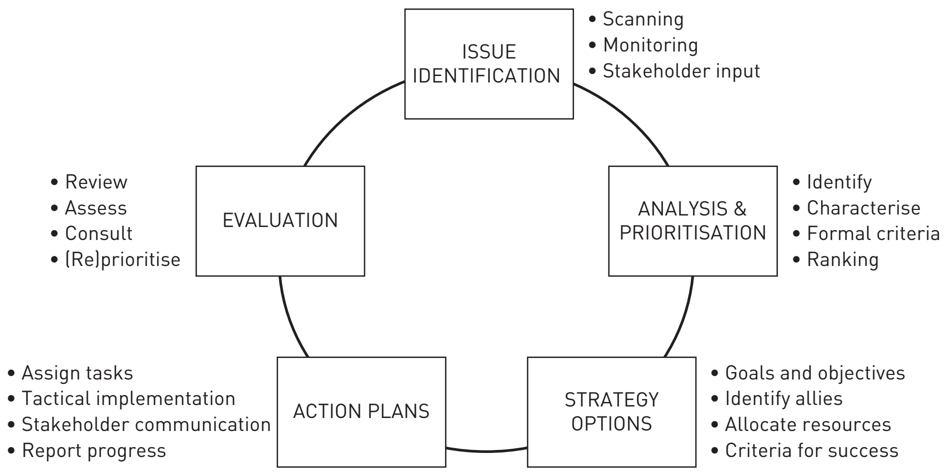
These steps—sometimes with different labels—are common across almost every issue management process today, irrespective of the industry sector, organisation size or organisation location. Many models add decision boxes at each stage, and some grow so complex and over-engineered that they become unwieldy and not particularly useful. But the basic idea of a formal process flow remains consistent. In addition, a variety of tools have been developed to support implementation of these process stages. Some typical tools are described in the next three chapters.

Yet the fundamental elements remain fairly simple and are based on the very first formal issue management process model, developed in 1977 by the pioneers Howard Chase and Barry Jones (see Figure 1.1).

This model shows the five basic steps in a continuous work flow, with key tasks at each step. Ray Ewing (1997), a colleague of Chase, asserted that all subsequent published models were based on this original construction, and, 30 years later, Coombs and Holladay (2007, p. 81) said it was still regarded as 'the most influential issue management model'.

The next chapter discusses the development of issue management, how it is applied and how it grew from a largely corporate discipline to be adopted by governments, activist organisations and community groups around the world. But first it is necessary to introduce crisis and crisis management.

Figure 1.1 Common steps in the issue management process



Source: adapted from Chase and Jones (1977).

WHAT IS A CRISIS?

Unlike the challenges around how to define an issue, there is much less disagreement about what is a crisis. The two are clearly linked, and issue management and crisis management have even been called the 'Siamese twins' of public relations (Jaques, 2002). In fact, there is a maxim that 'a crisis is an issue that wasn't managed' and many crises do arise from a mismanaged issue or a badly handled emergency.

Regardless of how crises originate, there is not much doubt about what a crisis is. Jaques (2009) cites well over a dozen definitions that reflect different approaches. A typical basic definition would be:

> A crisis is an event or development that can focus unwanted visibility on the organisation and is likely to endanger health or the environment, or seriously impact reputation or ability to do business.

However, many scholars believe this is too general, and one definition that is widely used was developed by Pearson and Clair (1998, p. 60):

> An organisational crisis is a low probability, high impact event that threatens the viability of the organisation, and is characterised by ambiguity of cause, effects and means of resolution, as well as by a belief that decisions must be made swiftly.

Following the principle of describing rather than defining something, Gregory (2005) undertook an extensive review of the literature and concluded that crises are characterised as 'high consequence, low probability, overlaid with risk and uncertainty, conducted under time pressure, disruptive of normal business and potentially lethal to organisational reputation' (p. 313).

An important aspect of all three approaches is the consistent reference to the importance of a high level of significance. Pearson and Clair, for example, described a crisis as threatening the viability of the organisation, and Gregory referred to it as being disruptive of normal business and potentially lethal to organisational reputation.

> At a time when almost anything and everything is called a crisis, recognition and diagnosis of a crisis has become a problem in itself. Although crisis is not a precise concept (quite the contrary, as a concept it is vague) it is important to understand its specificity to distinguish between a crisis and other situations that might be close but whose management would be significantly different.
>
> Michel Ogrizek and Jean-Michel Guillery (1999, p. xii)

This degree of impact is an essential element of a real crisis. Yet within business and society the word 'crisis' has been seriously devalued by overuse, until it is now sometimes applied to describe just about any embarrassment or minor problem.

When the keynote speaker fails to turn up at your conference it is embarrassing and awkward, but it is not a crisis. When a CEO inadvertently utters a profanity during a national television interview he or she might be revealing something about themselves, but it isn't a crisis. And, contrary to one IT reporter, when someone misplaces the piece of paper with the computer admin access passwords, it isn't a crisis (unless perhaps the passwords fall into the hands of a competitor, or a hacker determined to destroy the organisation's entire database).

The multiple impacts of a crisis were well captured by Weiner (2006, p. 1):

> Few circumstances test a company's reputation or competency as severely as a crisis. Whether the impact is immediate or sustained over months and years, a crisis affects stakeholders within and outside of the company. Customers cancel orders. Employees raise questions. Directors are questioned. Shareholders get antsy. Competitors sense opportunity. Governments and regulators come knocking. Interest groups smell blood. Lawyers are not far behind.

While it is true that crises come in all shapes and sizes, throughout this book the term 'crisis' will be used in the conventional sense of a serious development or event that can genuinely threaten the organisation's long-term reputation or ability to do business.

Experts have identified a variety of different types of crisis,[5] but broadly they fall into some fairly well-recognised categories:

5 For some analyses of crisis types, see Fearn-Banks (2011), Lerbinger (1997), Pearson and Mitroff (1993) and Rosenthal and Kouzmin (1993) in this chapter's Further reading section. See also discussion in Chapter 11.

1. *Operational crises.* Generally these originate in plant or operational facilities, and typically arise from physical incidents such as spills, leaks, fire or explosions, but might also result from sabotage, a workplace shooting, social unrest, riots or even terrorism.
2. *Environmental crises.* These often emerge in the aftermath of an operational incident and may include community exposure to pollution, or release of toxic substances into the environment, such as chemical emissions into the air, poisons discharging into lakes or rivers, or contamination of underground sources of drinking water.
3. *Management or employee misconduct crises.* These typically arise from moral or ethical lapses, such as misuse of company money, corruption, bribery, scandalous misbehaviour, nepotism, industrial espionage, theft or other criminal activity. These can occur at all levels of the organisation.
4. *Management/legal crises.* Negative structural decisions, such as layoffs or shut-downs or offshoring, can be a cause of potential crises, along with allegations of managerial wrongdoing, such as price-fixing, tax evasion, trademark, patent or copyright infringement, or claims of unfair or improper competition.
5. *Technological crises.* These usually result from a technology failure or breakdown, including collapse of computer systems, hacking, breaches of privacy, loss of data, or infrastructure breakdown such as a prolonged loss of power.
6. *Product crises.* Crises directly affecting products can be deliberate (such as product tampering or extortion) or accidental (such as contamination or manufacturing error, or a design fault which causes illness, injury or even death). Product crises can lead to recalls, boycotts or product liability litigation.
7. *Labour relations crises.* These may arise from specific industrial disputes, such as a strike or lockout, or from allegations of wrongful behaviour towards employees, such as racial or sexual discrimination, bullying, wrongful dismissal, or unfair or dangerous working conditions.
8. *Social concerns.* Organisations sometimes find themselves facing an operational or reputational crisis because they are caught up in a social concern, such as animal testing, use of genetically modified organisms or packaging derived from endangered rainforest, or suppliers who use exploited labour or underage workers.
9. *Natural disasters.* Crises may strike in the form of natural disasters such as floods, earthquakes, hurricanes and bush fires, but (as defined earlier in Table 1.1) disaster management is a standalone discipline usually implemented at a societal level. This means it is different from the response to organisational crises, even though a natural disaster can trigger an operational crisis for an individual organisation. Disasters are discussed as a separate topic in Chapter 9.

Although these categories capture the broad range of potential crises, it is essential to recognise that, depending on severity, some of the examples given would not necessarily develop into a full-scale crisis. They may have been successfully dealt with earlier as an incident, an emergency or even an issue. One of the key factors that can determine how far they develop is the effectiveness of crisis management.

WHAT IS CRISIS MANAGEMENT?

At one level it is not difficult to describe crisis management:

> Crisis management is often presented as a coordinated action that mobilises functions and resources from throughout the organisation to bring the crisis under control as quickly and effectively as possible and to minimise damage.

Over recent years that simple approach has been overtaken by a more sophisticated way of thinking about crisis management as a more strategic and proactive discipline.

The traditional view of what an organisation does to get ready *in case* a crisis strikes and how it acts *after* the crisis strikes (including communication) is now increasingly understood as being crisis *response.* By contrast, the wider concept of crisis *management* is now understood to include the steps an organisation takes to prevent a crisis happening in the first place, as well as its actions during the potentially dangerous phase after the triggering event itself has been resolved.

Referring to this important difference between largely tactical crisis response and more strategic crisis management, the pioneering scholars Pauchant and Mitroff (1992, p. 11) coined a vivid distinction:

> *Crisis management* is not the same as *crash management*—what to do when everything falls apart. Obviously this is important, but it is only one part of total crisis management effort. Here we focus not only on crash management—what to do in the heat of a crisis—but also on why crises happen in the first place and what can be done to prevent them.

Another easy way to remember this difference is to think about home security. A responsible homeowner will take out insurance to provide financial assistance in the event that the home suffers fire, flood or burglary. But the insurance policy itself does nothing to prevent the fire or flood or to deter the burglar. It comes into play only after the event, and can be seen as the equivalent of reactive crisis response—only useful when the event has already occurred. However, the responsible homeowner doesn't just take out insurance. They also install burglar alarms, smoke detectors and security locks on doors and windows. That is taking protective action before the event, and might be called the equivalent of crisis prevention.

Most importantly, the responsible homeowner would never do just one task and think the job was done. Effective home security requires both proactive actions to keep the home safe, and well as some advanced planning to provide protection if it all goes wrong. Or, in Pauchant and Mitroff's phrase, 'when everything falls apart'.

> Crisis management must not be viewed as another stand-alone program. Unless it is integrated with other programs, it will not succeed, and neither will the other programs.
>
> Ian Mitroff (2001, p. 30)

The need for an integrated approach lies at the heart of modern crisis management. Its development has seen a progression from largely tactical crisis response, closely linked to emergency incident management, towards a more sophisticated broad approach, more closely aligned with strategic planning.

This emergence of crisis management as a comprehensive, formal business discipline—and the role of public relations in all its phases—is expanded on in Chapter 6. But for now it highlights not just how crisis management developed but also how crisis management, issue management and the related management disciplines are increasingly seen to fit together into the broader spectrum of organisational activities.

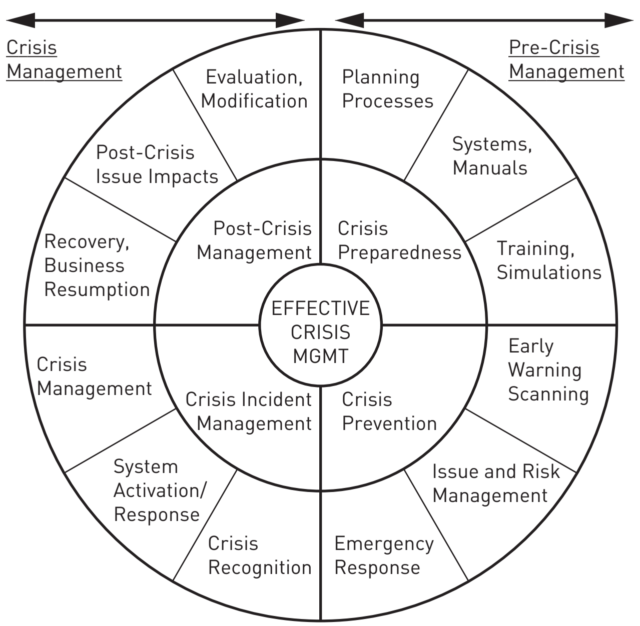
One popular way to illustrate this relationship is the graphic representation known as the 'issue life cycle', discussed in the next chapter. The life cycle illustrates that a public concern can develop into a problem, then into an issue, and can even develop into a full-blown crisis, which in turn reaches some form of resolution. This approach is useful in emphasising the basic importance of early intervention—taking steps to prevent the situation getting worse. But the reality is that issue management is seldom a linear process. Moreover, many crises don't move neatly forward to resolution, but circle back to a renewed phase of the original issue or even to a fresh or transformed issue.

As Bigelow, Fahey and Mahon (1993, p. 29) concluded:

> Issues do not necessarily follow a linear, sequential path, but instead follow paths that reflect the intensity and diversity of the values and interests stakeholders bring to an issue and the complexity of the interaction among the … factors.

Advancing this idea, the relational model illustrated in Figure 1.2 attempts to show that the relationship between different activities is not a stepwise, linear process (Jaques,

Figure 1.2 Issue and crisis management relational model[6]



Source: Jaques (2007).

6 This relational model was first published in Jaques (2007) and has subsequently appeared in other publications.

2007). It comprises clusters of related and integrated disciplines that may be undertaken in sequential fashion, but equally may operate simultaneously. In fact, two of the major segments—crisis prevention and crisis preparedness—most often *should* happen at the same time. It also shows that the flow of activities circles back to deliver learning and continuous improvement.

The model is divided into halves (crisis management and pre-crisis management) and comprises four major segments (crisis preparedness, crisis prevention, crisis incident management and post-crisis management), each built around clusters of activities and processes.

One important purpose of this construction is to illustrate how the various separate management disciplines fit together and how they comprise an integrated whole. The four major segments from the model are now discussed in turn.

CRISIS PREPAREDNESS

Crisis preparedness is the group of activities previously compared to taking out home insurance. These activities don't prevent a crisis striking, but they do help prepare the organisation to respond well and to minimise any damage.

The bottom-line importance of being properly crisis prepared was demonstrated by seminal research at Oxford University (Knight & Pretty, 1999). This respected study showed that companies with effective crisis plans in place suffered on average a 5 per cent fall in share value, and after 12 months their share value on average had recovered to 7 per cent above the pre-crisis level. By contrast, companies with no effective crisis plan in place saw their shares fall by an average of 10 per cent, and after 12 months their shares were 15 per cent below the pre-crisis level. In other words, for companies without effective planning in place, the share price initially fell twice as far, and a year later there was a difference of 22 per cent of the organisation's market value compared with the well-prepared companies.

Many subsequent studies around the world have reinforced the dire financial and reputational cost of *not* being prepared with effective crisis planning in place. For example, Coleman (2004) analysed Australian crises over an entire decade and found that more than a quarter cost the organisations concerned in excess of $100 million.

The first important aspect of crisis preparedness focuses on systems, manuals and other crisis management infrastructure, such as equipment in place, 'war room' established, resources allocated and documentation prepared. Key items typically include selection and induction of the crisis management team; agreement on reporting and authority lines in the event of a crisis; functional checklists; pre-prepared materials such as approved media statement templates, organisational information, product data sheets and executive profiles; stakeholder contact lists; and logistical resources for the centralised crisis management centre, such as phones, radio, television, computer access and back-up files of all material. (Details of elements of a crisis plan are discussed in Chapter 7.)

However, none of this preparation is of real value without familiarisation programs such as table-top exercises, live simulations and communication system testing. While most organisations regularly practise emergency response, such as fire drills and office evacuation, experience shows the crisis management manual is often left unrehearsed in a dusty three-ring binder, and when a crisis strikes the team is unprepared and the manual itself is out of date. To be properly prepared, crisis management response should be exercised at least once, if not twice, a year. And the manual should be a 'living' electronic document, easily updated and remotely accessed.

Organisations are often reluctant to talk about crisis preparedness (or lack of it), but an example of effective crisis planning can be seen in the case of financial services giant Morgan Stanley, which was the single largest tenant in New York's World Trade Center. Following the 1993 terrorist attack on the building, the company upgraded its crisis plan and evacuation procedures, including establishment of a back-up site twenty-two blocks away.

When the first plane hit the World Trade Center more than eight years later on 11 September 2001, Morgan Stanley immediately started evacuating almost 3000 employees, even though the public address system was telling occupants to remain in place. Within 20 minutes the back-up site had been activated and senior management had established a command centre at a second back-up site. Thousands died when the twin towers collapsed and over 500 businesses in the buildings were destroyed. But only thirteen Morgan Stanley employees lost their lives and 2687 were safely evacuated. When the New York Stock Exchange resumed on 17 September the company was fully functioning.[7]

CRISIS PREVENTION

It is a truism that the best method of crisis management is to take steps to prevent the crisis happening in the first place. Unlike the previous segment of the model—which focuses on getting ready to respond when the triggering event has occurred—the activities and processes under the crisis prevention segment are designed to help reduce the likelihood of the crisis occurring at all. This second section also highlights the link to the preventive role of other management disciplines.

The first step is early warning and scanning, which includes processes such as audits, preventive maintenance, issue and environmental scanning, social forecasting, anticipatory management and future studies. However, receiving a warning of advance information and doing something about it are obviously not the same thing. Case studies of real-life crises repeatedly reveal that there were ample early warnings or 'red flags' that were either ignored, or that were reported but no action was taken.

For example, in the aftermath of the $65 billion Madoff investment fraud scandal in the USA, SEC Inspector General David Kotz admitted that his agency missed 'numerous red flags' from 1992 until the fraudster was arrested in December 2008. Kotz conceded that five separate failed investigations into Madoff's operation had been bungled (Jaques, 2013).

Similarly, following Victoria's Black Saturday bushfires in February 2009, which resulted in 173 deaths, it was revealed that there had been clear warnings about allegedly inadequate maintenance of power lines, which caused at least some of the fires (see the case study on the Victorian bushfire disaster at the end of Chapter 9).

7 For a fuller description of Morgan Stanley's experience after 11 September, see Couta (2002) in this chapter's Further reading section.

Taking action on early warnings is where issue management and risk management link directly to other management tools and processes. Both of these disciplines are strategic activities with significance far beyond just early warning for crisis prevention. But they provide a vital framework to help identify problems early, and to effectively manage those problems to reduce the chance of them becoming a crisis.

The third area of crisis prevention is less obvious, but no less important, and that is emergency response. Not every crisis is triggered by an emergency, but any emergency that is badly handled can lead directly to a crisis, especially when the impact of the emergency starts to spread because of mismanagement.

For example, a small fire in an electricity substation could cause a brief power blackout, and that would be classified as an emergency. But if the recovery system failed because of management mistakes, or the blackout spread to other areas and lasted hours or even days, then the power company could be facing a real crisis. Similarly, if a chemical company had a moderate-sized spill it would probably constitute an emergency. But a series of repeated spills over a short period could well trigger regulatory intervention, a crisis of confidence and damaged reputation.

Organisations need effective emergency response, and public relations can be an important part of that response.[8] Moreover, they also need training that would enable emergency responders and local communicators to identify the possibility that it *could* become a crisis, plus processes which allow the organisation to escalate in a planned way from emergency response to crisis incident management.

> Sooner or later every business will be confronted by a crisis of some type. Its ability to manage the crisis successfully can mean the difference between survival and disaster.
>
> John E. Spillan (2003, p. 61)

CRISIS INCIDENT MANAGEMENT

Much of the crisis management literature is very tactical in nature, and often focuses primarily on the segment called crisis preparedness—planning, manuals and training—and then on management of the crisis itself. Crisis incident management is certainly a critical and high-profile phase, and it is also a period when public relations professionals are likely to play a key role as crisis communicators.

When a crisis arises from an emergency or major physical incident, it is usually easy to identify. It is much harder to identify when an ongoing problem has the potential to become a crisis. In fact, crisis recognition is a definite skill. It requires judgment, leadership and honesty, and sometimes senior managers will try to deny that a crisis is threatening or has already happened. Indeed, one of the important roles of a crisis leader is to recognise that a crisis exists.

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8 For discussion of the role of communication in emergency response, see Hyer and Covello (2005) and Jabro (2013) in this chapter's Further reading section.

Steven Fink (1986) wrote one of the most important early books on crisis management, which firmly positioned it as a formal executive responsibility. He warned: 'You should accept almost as a universal truth that when a crisis strikes it will be accompanied by a host of diversionary problems. As a manager your task is to identify the real crisis' (p. 73).

Of course, crisis recognition alone is not enough. Response systems must be activated immediately and rapidly. When Hurricane Katrina struck Louisiana in 2005, system activation and response at many levels was slow and inadequate. The report of the Congressional Committee set up to investigate the preparation and response was tellingly titled *A Failure of Initiative*. It concluded that while there was no failure to predict the inevitability and consequences of a monster hurricane, there was a failure of initiative to take action and improve the level of protection in place (Select Bipartisan Committee, 2006, p. 97).

Managing any crisis incident has two distinct streams of activity. One is responding to the triggering event and mitigating subsequent damage. The other critical stream is stakeholder management and media response, and this is where the public relations professional can be so important. Experience shows that although the incident itself is well handled, mismanagement of communication—or even *perceived* mismanagement of communication—can prolong the crisis and contribute to lasting financial or reputational damage.

POST-CRISIS MANAGEMENT

The fourth segment of the relational model addresses this risk of lasting financial or reputational damage that is sometimes the main concern after the crisis incident itself has been resolved.

The obvious first step is recovery and the resumption of operations—sometimes known as 'business continuity'. This generally sees a focus on operational resumption, financial costs, market retention, business momentum and share price protection. Many business continuity programs concentrate primarily on protecting the organisation against infrastructure problems such as power outages, computer failure and breakdown of logistics and distributions systems.

But it is a major mistake to think that post-crisis management is limited to business recovery and continuity. The reality is that the risks to an organisation post-crisis can be even greater than during the crisis itself (sometimes described as the 'crisis after the crisis').

Long after the organisation has returned to 'business as usual' there remains the very real threat of post-crisis issue impacts, such as coronial inquests, judicial inquiries, prosecution, litigation, prolonged reputational damage and seemingly endless media scrutiny.

These need to be effectively managed and this is where issue management is the preferred discipline to support the broader strategy. Lawyers and public relations professionals have to be ready to work together to face months or even years of effort to address these longer-term issues. A study in Australia (Coleman, 2004) showed that about one in four organisations struck by a crisis do not survive in the long run. Organisational survival has also been studied in many other countries. Importantly, the capacity to survive is often directly related to how well the organisation tried to prevent the crisis and how well its plans and processes operated in response, including how well it managed communication to the public and key stakeholders.

The final stage of post-crisis management is evaluation and modification—to undertake a root cause analysis; to honestly assess the performance of management and the organisation; to review the existing process; and, possibly, to implement change and improvement.

This phase can be difficult, because there is a very human desire to move on rather than to dwell on what went wrong. But the post-crisis phase provides a genuine opportunity to change whatever helped create the potential for a crisis in the first place, which in turn leads us right back to crisis preparedness and crisis prevention.

This chapter has introduced issue and crisis management and outlined how these disciplines fit together with other management activities. The remaining chapters address in detail the essential elements of issue management, crisis management and risk communication and their impact on reputation.

Note: parts of this chapter draw on Jaques (2007).

KEY POINTS

+ There are three approaches to issue management: the disputation theme, the expectation gap theme and the impact theme.
+ Issue, emergency, crisis and disaster are distinctly different concepts and must be separately defined.
+ Issue management is a stepwise process to identify potential threats or opportunities early in order to deliver planned, positive outcomes.
+ Crisis management is not just about incident response, but also about preparing for a crisis before it happens and taking proactive steps to prevent it from taking place.
+ Issue and crisis management are closely linked and need to be well integrated into a comprehensive continuum of management activities.

ACTIVITIES AND DISCUSSION

1. What are the strengths and weaknesses of the disputation theme, the expectation gap theme and the impact theme when it comes to defining an issue? Which approach do you think is best suited to a social-media driven issue. Why?
2. Review the nine categories of crises and identify some high-profile cases within each category. Are some categories of crises typically more difficult to manage than others? Why?
3. Lawyers and professional communicators often need to work very closely in responding to an issue or a crisis. Discuss why you think this relationship is sometimes so difficult and challenging.

4. Identify possible reasons why some senior managers are reluctant to properly examine what went wrong during a crisis. How does this inhibit organisations in learning from what happened?

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