What causes organisations to suffer crises?

A Guest Article by John Basinger
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Why the lessons aren’t learned

This article examines the elements that create crisis situations, and why organisations fail to learn from this collective experience. It describes the particular features that characterise crisis-prepared organisations, as opposed to those organisations that have been proved to be crisis prone.

To label a particular organisation as crisis prone can be misleading, because all organisations are potentially crisis prone.

Crisis-prepared managers do their best to reduce the likelihood of crises – and their effects when they do happen. They “get” risk management and business continuity.

Crisis-prone managers, on the other hand, completely deny the possibility of crises, or genuinely believe they can manage them perfectly! Funnily enough, these guys don’t call me for advice on business continuity!

What is a crisis?

Although there are a number of differing definitions of crisis, there is a fair consensus as to the essential elements:

- The telltale signs are overlooked.
- There is little time in which to act (or respond).
- There is a threat to people and resources.
- The resources required to resolve the situation exceed the resources available.

It is apparent that a real crisis seems to catch people by surprise and to overwhelm those involved.

Crises – or disasters, to use another term – have been happening for a very long time. With the improvements in communication, we learn of new crises every day. Each one generates intensive media interest, and invariably the authorities undertake investigations.

Nevertheless, despite this heightened awareness and scrutiny, such events keep happening. Lessons appear not to be learned. Why have managers of organisations around the world not heeded the lessons and acted to prevent recurrence?
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A crisis event will create a set of circumstances that lie outside the normal management process and will threaten the organisational abilities to cope with the demands of the event. The more enlightened organisations will have business continuity infrastructures, which will include crisis management capability, to undertake the appropriate responses.

Although each crisis has an element of uniqueness, there are generic features and effective procedures to handle them. The conclusions are that disasters are effectively incidents created by people operating within complex systems. The incubation period varies in length, but essentially problems build up unnoticed, either within an organisation or between multi-organisational systems, until an event sparks the disaster.

At the heart of the conditions set up in the incubation period is a group of regularly recurring factors:

- communication problems within and outside the organisation
- inadequate understanding of the environment within which the organisation operates
- rigid management behaviour patterns
- ill-defined roles and responsibilities
- poor control over technology
- blinkered or remote senior management
- lack of corporate responsibility
- faulty decision-making processes.

So, what makes an organisation crisis prone?

It is apparent that certain types of managers fail to admit the limit of their knowledge base in making decisions. Even when problems are brought to their attention, they go into denial.

This notion of denial has deep roots in the management psyche. Managers do not choose to face up to potential crises. On the one hand they prefer to underestimate the risk because they cannot face up to the potential consequences. On the other, they do not choose to believe that the worst can happen from an inherent perception of invulnerability. This very denial allows incubation to take place.

Another feature that can develop in organisations is “Groupthink”, where the particular views of the dominant culture predominate and go unquestioned. This
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invariably creates a very myopic sense of the environment within which the organisation operates. As a result, decision-making is undertaken in a vacuum, allowing serious miscalculations of risk exposure to be made.

**Short-sighted view of the world**

In addition to these barriers to learning, some organisations suffer from what Thierry C. Pauchant and Ian I. Mitroff, in their 1992 book *Transforming the Crisis-Prone Organization*, termed “institutional sickness”.

At its most extreme, senior management of such an organisation has the philosophy of a self-absorbed person, with very selfish attitudes, little respect for staff, and an exaggerated view of the control and effectiveness of the organisation. This produces a simplified, short-sighted view of the world and a lack of appreciation of the wider environment within which that organisation operates.

In such an environment, the wider ramifications of an organisation’s strategy and operations are not even considered, let alone appreciated. The pressures of operating in the modern global competitive market frequently lead to concentration on the bottom line and short-term wins. Shortcuts are taken, and rules and regulations can be overlooked or ignored in the hurly-burly. Consequently, employees are not encouraged to blow the whistle, standards drop, and the organisation collectively puts its head in the sand.

**Employee malaise**

There is growing evidence of employee malaise within the modern corporation, brought about by a sense of powerlessness and manifesting itself in drug or alcohol abuse, absenteeism, sabotage and apathy.

The culture engendered in many organisations is to conform and to reinforce long-standing (and probably therefore out-of-date) practices and attitudes: “That’s how it’s done around here ... If you want to get on, keep your nose clean.” There is every reason to keep quiet about problems that arise. The result of all of this is that things get missed and mistakes are made. These accumulate over the incubation period, just waiting for a “spark” to create a full-blown crisis.

**Crisis-prepared organisations**

Pauchant and Mitroff (1992) point to crisis-prepared organisations being aware of the complex wider environment in which they operate. They inherently accept that business has risk, and that there are both positive and negative aspects.
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The managers in such organisations accept the notion that mistakes are made, and engender a no-blame culture. This allows an open exchange of information within the organisation and between all stakeholders.

Consequently, managers develop an understanding of the systemic nature of crisis and the interrelationships between the technologies, the processes and the people. They therefore have a much better chance of detecting errors or problems within the system early on in the incubation period, and can intervene as appropriate.

Conclusions

It is apparent to me that those businesses or organisations that keep their heads out of the sand and spend time scanning the horizon are more likely to avoid suffering crises, be more profitable, and be great places to work.

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If you would like more information on any of the points covered in this Guest Article, please contact TCii on 020 7099 2621.