Crisis Management And Organisational Agility: A Theoretical Review

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Abstract: Crises are a natural and inevitable part of doing business. For an organization to continue to exist, the management of crisis must be effective. This study adopted a theoretical review of crisis management and organisational agility from extant literature. The various strategies adopted in effective crisis management were analyzed as well as the measures of organisational agility. The study concluded that organizations should develop effective crisis management strategies such as proactive, responsive and reactive in order to curtail and prevent crisis when it occurs. It recommends continuous training of staff and management on crisis situation and that organization’s responses to crisis situation should be quick and flexible.

Keywords: Crisis, crisis management, organisational agility,

I. INTRODUCTION

Organisations are confronted with different crisis of varying degrees and levels. It is immaterial whether impact of these crises is low or not, they have a way of adversely affecting the goals and objectives of such organizations. The toll crisis has on organizations; be it big or small could be financial, reputational, and emotional/public safety among others. There is therefore an advantage for organizations to take preventive actions so that crises that will affect the organization are mitigated or have limited impact. The question is no longer whether an organization will face a crisis or not, but when they face one, what will be their responses and approaches towards handling and reducing their effects. Very often, some managers assume that the probability of a crisis happening are so thin that the extra effort to plan for them is not necessary. However, the management of crisis has always been a critical exercise in organizations, one that is more often than not overlooked. In a world that is highly characterized by complexity, organizations will continue to face a good number of threats and crises emanating from both internal and external sources. Due to technologically, politically, economically and socio-cultural growth of our environment, the degree at which crisis will confront organization will become more frequent. Therefore, the ability of organizations to cope and be responsive while being flexible in their strategies is of utmost importance. Crisis management is therefore an interesting research topic that has through the years captured robust importance within organizations.

According to Fredrik and Karl-Rikard (2015), the Crimean crisis of 2014 and the oil crisis in the Gulf of Mexico in 2010 are some crises that have happen in the world during the last years, and within a globalized and fast-growing world, which have had adverse effect on organization and individuals and across international borders. Also, economic recession experienced in some part of the world including Nigeria between 2016 and 2017 is another crisis that our economy is yet to recover from. The COVID 19 is another pandemic which is already having a huge adverse effect on the world. For instance, the impact of this pandemic or crisis will be felt both politically, economically, socio-culturally, technologically, ecologically, legally and demographically across the globe, especially in Nigeria. Shutdown of some business activities is already the order of the day, how an organization is able to survive and still maintain her going
concern in the face of this global crisis should be given importance. The effects of this will cause multiple reactions because there will be a reduction in the income of organization, this may warrant organization not been able to meet up with their obligations towards their employees and redundancies may seem the only way out, also, the boomerang effect on the government are diverse, notable among them is the reduction in income from income taxes, tariff, excise duties, import duties and value added tax, etc. temporary unemployment or loss of job may begin to stare at some persons in the face. The legal effect of this crisis may result in delayed dispensation of justice as well as curtailment of fundamental human right because of restriction on freedom and social liberty of people. These crisis and many more are what individuals and organizations must handle properly in order to avoid chaos and entropy.

Organization is a coordinated social unit that involves people who work together to achieve a common goal. This social unit is the most hit in the event of crisis because it consists of people, the ability of an organization to remain strong after going through crisis will determine the going concern of such organization. Organizations that are weak and not able to stand crisis may die resulting in loss of vision and mission for both the organization and its environment.

The concept of Organisational agility is derived from performance characteristics of an agile organization and is rooted in two related concepts; organizational adaptability and organizational flexibility. Organizational adaptability deals on how an organization’s form, structure, and degree of formalization influence its ability to quickly adapt to its business environment (Sherehiy, Karwowski, & Layer, 2007). The creators of this concept at the Iacocca Institute, of Lehigh University (USA), defined it as a manufacturing system having capabilities of hard and soft technologies, human resources, educated management and information to meet the rapidly changing needs of the marketplace (speed, flexibility, customers, competitors, suppliers, infrastructure, and responsiveness). Agility is a new concept in contemporary administrative thought that has been defined several. According to Yusuf, Sarhadi & Gunasekaran (1999), agility is the successful application of competitive bases such as speed, flexibility, innovation, and quality; it is a way of the integration of reconfigurable resources and best practices of knowledge-rich environment to provide customer-driven products and services in a fast changing environment. According to Erande & Verma (2008), agility is the ability to respond to unpredictable changes with quick response and profitability. According to Oosterhout, Waarts, & Van (2006), organisational agility is not only about being flexible to cater for predictable changes but also is able to adapt and respond to unpredictable changes quickly and efficiently. They added that agility is an organizational ability to react quickly and effectively to an environment which can change radically. Sherehiy (2008) posits that organisational agility consists of several key elements. They are speed and flexibility, response to changes in the surrounding environment, high quality products, products and services of accurate information, interaction with social issues and the environment, different technologies collection, and internal integration inside the institutions and among each other.

Several studies has been carried out on crisis management across the globe using different variable and context, for example, Karam (2018) did a study on crisis management with focus on strategic planning in 5-Star Hotel, Fahaz (2016) examined the role of public relations in organisational crisis management, Wobodo and Oparanma (2019) investigated crisis management and corporate resilience of multinational companies in Port Harcourt while Bakos (2018) examined crisis management between public relations and holonic multi-agent approach. Also, Oparanma and Wechie (2014) investigated crisis management processes to ensure effective and continuous performance. Surprisingly, In view of these studies, no research has been done on crisis management in relation to organisational agility. Thus, this study intends to fill this gap through a theoretical review.

A. CONCEPTUAL FRAMEWORK.

![Figure 1: Conceptual framework indicating the relationship between crisis management and organisational agility](Image)


II. LITERATURE REVIEW

A. THEORETICAL FRAMEWORK

a. SITUATIONAL CRISIS COMMUNICATION THEORY (SCCT)

The situational crisis communication theory was developed to anticipate how stakeholders would react to a crisis and how that reaction would impose a threat to the organizational reputation. The anticipation of the stakeholder reactions also considers how crisis response strategies are perceived and thus what strategies should be used to mitigate any negative impacts. The theory was developed based on the attribution theory as a framework to protect reputational assets (Coombs, 2007).

SCCT centers on examining the level of reputational threat that a crisis presents. Comb posits that this reputational threat can be determined by three factors. They are: Initial crisis responsibility, stakeholders’ attributions of the organizations control over the crisis (Coombs, 1995). Secondly, crisis history, whether similar crises has been present in the past (Kelley & Michela, 1980) and thirdly, prior relational reputation; how well or poorly an organization has
or is perceived to have treated stakeholders in other contexts. Thus, making huge profits at the expense of stakeholders’ in the past would imply a negative or unfavorable reputation. (Porritt, 2005)

B. CRISIS AND CRISIS MANAGEMENT

The first step in effective crisis management is to understand the definition of a crisis and to watch out for those crises in the context of a business or organization. Crises are a natural part of doing business. When properly handled, it can demonstrate the ability of an organization to put the interest and feelings of people before profits thereby creating good reputation and image to such organization. When not properly handled, a crisis can cause unrecoverable damage to the organization’s reputation. Pearson and Clair (1998) defines an organisational crisis as a high impact and low-probability event that threatens the viability of an organization, characterized by ambiguity of cause, effect, and means of resolution, as well as swift decision making belief.

Crisis is described as an event that is unpredictable in nature having a high level of unreliability and capable of threatening goals achievement. (Lucero, Kwang & Pang 2009). Brent (2003) describes crisis in an organization as a condition in which phenomenon roots can be issues and concerns that includes; improper managerial structures and actions or failure in accordance with adapting to a change. A true crisis occurs when the institutional structure of a social system experiences a relatively strong decline in legitimacy as its central service functions are impaired or suffer from overload (Dayton, 2004 as cited in Sonia, Mildred, Scott, & Aura (2014). When anticipating such a crisis, there is need for a good predictable capability and scenario planning as well as an executable action plan, they added. An organizational crisis is not only a catastrophe, like an economic recession, plane crash, terrorist attacks but can take various forms, such as product tampering or defaming, product, boycott, strike, rackete, core rumors, assault, hostage situations, kidnap and ransom threats, cyber extortion, bribery and corruption, hostile conflict, natural catastrophe, products’ devastation, damage of organizational system or information system of mother companies (Behnamiri, 2012). This threats/crisis can cause serious operational disruption, financial loss or adverse publicity that can impact an organization and its profits. Nevertheless, a crisis could also be small but still have significant adverse effects on the organization and its stakeholders. Example could be loss of market share, failure of equipment, plant and or machinery, death of an organisational staff or even union strike. Hence, the need to understand crises and the steps needed to manage them.

Crisis management deals on the various processes which an organization adopts to be able to deal with unexpected and disruptive happenings that threaten the organization or its stakeholders. Crisis management has to do with the entire efforts an organization puts in place to manage and reduce the effect of crisis when it occurs. This includes plans and action put in place before the crisis, when the crisis occurs and after the crisis must have taken place. The essence is to reduce the impact and havoc created on the organization to enable her quick recovery. Thus, the predominant factor to a successful crisis management is to start planning for the crisis as early as possible as if the crisis has taken place including limpid communication, comprehensive records of decisions taken and an effective leadership. Organisational crisis are identified with three unique elements, firstly, due to the severity of the crisis, it must pose an imminent threat to the organization. Secondly, an element of shock or surprise must accompany the situation and lastly, pressure will be placed on such organization to make prompt and effective decision as a result of the severity of the problem.

C. TYPES OF ORGANISATIONAL CRISIS

There are quite a number of crisis that can befall an organization. According to Mitroff (2008), there are seven types of major crisis which he terms families.

The first is Economic crisis. He portrays this to be those factors within the internal and external business environment that threatens an organization’s goals and objectives, they include but not limited to the following; labour strike, market and product crashes, unavailability or limited labour opportunities. The second family is physical, it includes but not limited to significant disruption of a key operating plant or equipment, loss of major suppliers and distributors and loss of major clients. The third is informational, this represent a situation where there is a loss of sensitive and confidential organisational data, information, records or files. Human resources is the fourth in the family, this represents a situation where there is a loss of a key executive employee or member of a team, unavailability of required technology, violence in the workplace or vandalism. Reputational crisis like gossips and malicious news which can injure the organization’s reputation is the fifth in the family. The sixth in the family includes psychopathic acts, it is an unthinkable acts such as kidnap and ransom threats, terrorist attacks or even tampering with organisation’s services or products. Finally, the seventh in the family is natural disasters. This includes tornadoes, volcanic eruptions, tsunamis, earthquakes, fire and flash floods (Mitroff, 2008). It therefore behooves on organisational leaders to consider the possibilities of facing this entire crisis in order to have strategic plans in place to either prevent or minimize their impact when they happen as well as prevent them from reoccurring.

D. STAGES OF CRISIS MANAGEMENT

Comb (2010), identifies three stages of crisis management, the pre-crisis stage which is the preparations before the crisis, the crisis stage which is a stage where you respond to the damages in the course of the crisis and the post-crisis stage which is the feedback after the crisis, in this stage, lessons must have been learnt.

a. PRE-CRISIS PHASE

This stage deals on plans, strategies, procedures and systems put on ground to manage a crisis even before such crisis surfaces. Here, assumptions is made about the likelihood of a crisis happening. Planning for a crisis in this stage or phase is very essential for effective crisis prevention as well as
responding to them when it eventually happens. According to Coombs (2006), prevention has to do with efforts aimed at reducing known risks that may lead to crisis. He further explains that preparation involves developing a crisis management plan, selecting the crisis management team as well as training such team created and also organizing exercises to test the effectiveness of the plan and team. Barton (2001) and Coombs (2006) opines that for an organization to be able to handle crisis effectively, they must have an up to date crisis management plan, have a responsive crisis management team, carry out exercises regularly to test the team and plan and lastly pre-draft some crisis messages by creating a scenario of crisis. The planning and preparation enables the crisis teams to respond quickly and to make more effective decisions when one arises.

b. **DURING THE CRISIS**

This stage is the response to an ongoing crises; it is the real crisis management. This stage is characterized by short decision time, complexity, and ambiguity because of the damage occasioned by the crisis. Every effort must be geared towards curtailing and minimizing the effect of the crisis as quickly as possible. According to Hale, Dulek, Hale (2005), the organization navigates through the process of observation, interpretation, choice, and dissemination—repeating the process steps a number of times. Thus, assessing the situation and gathering as much accurate information as possible is required. (Baubion, 2012) A pinchpoints that after assessment, the crisis management team must mobilizing the necessary resources i.e, information technology experts would be required if the crisis involved the computer system. The scope of the crisis will also be determined as to know which category of stakeholder is affected in order to determine the capacity of crisis team to be mobilized. Another step to take in this stage is to communicate the situation to stakeholders and public. This is because the stakeholders’ perception at this point is critical as they would expect immediate response and a need for reassurance (Smith, 2003). Hale et al (2005) also asserts that communication is effective if accurately, directly and quickly disseminated to stakeholders and the media at this stage thereby preventing the spread of inaccurate information and assumption about the causes of the crisis. Coombs (2011) further opines that communication should include sympathy and empathy for victims and where necessary, rehabilitation and compensation of those and things affected.

c. **POST-CRISIS PHASE**

This is the phase after the crisis. Evaluation is made, situation is analysed to know the remote cause of the crisis and lesson learned. One important attribute of this stage is that it helps the organization to learn. Hence, mistakes that led to a previous crisis will not be repeated. Measures to avoid further crisis would have also been known and put in place. Subsequently, the organization comes out better and stronger. Madsen and Desai (2010) affirms that the seriousness of a crisis could serve as a source of learning and motivation to the organization. Reputational repair will be initiated or continued at this stage by following up on communication processed (Coombs, 2011).

III. **DIMENSIONS OF CRISIS MANAGEMENT**

Apparently, there are a number of strategies that could be used in crisis management. Some are the external and internal perspective (Zygliodopoulos, 2001 and Ulmer 2001). The internal perspective focuses on the organizational learning while the external perspective focuses on social evaluation of the company by stakeholders. Shrivastava and Mitroff (1987) proposes internal-external and technical-social dimensions. Also, El-Mahdi and Abd-Ellaal as cited in Wobodo and Oparanma (2019) asserts that the containment, cooperation, confrontation and escape strategy can be used to deal with crisis. Others are the proactive and reactive strategy (Laitinen, 2000), defensive and denial etc. The responsive, proactive and reactive strategy will be used for the purpose of this study’s suitability.

A. **PROACTIVE STRATEGY**

Miles, Snow, Meyer, and Coleman (1978) in their study on organizational strategy, structure and process created a typology that categorized organizations as prospectors, defenders, analyzers or reactors. They opine that the defender, prospect, and the analyzer can all be proactive with regards to their environments. Nevertheless, each of them is proactive in a different way. This strategy deals on anticipating that crisis will happen, this enables them to do a likely vulnerability analysis in order to deal with the expected crisis. Therefore, having a proactive strategy could avert the crisis completely (Spillan & Crandall, 2001). According to (Claver-Cortes, Molina-Azorin and Pereira-Moliner 2007), this strategy is aimed at achieving operational efficiency, market leadership or a combination of both. This strategy deals with crisis by a way of preparing and preventing it through strategic planning such as studying past or likely crisis history and their impact, designing crisis management manual and having a responsive crisis management team, carrying out exercises regularly to test the team and plan and lastly pre-draft some crisis messages by creating a crisis scenario. This is just one of many ways of planning a crisis.

B. **RESPONSIVE STRATEGY**

Being responsive is the ability to react or respond quickly in a positive way. An organization that uses this strategy must first identify the remote cause of the crisis and be successful in minimizing the impact to stakeholders. This is very crucial to repairing and maintaining the organization’s reputation. Cornelissens (2011) buttresses that communication plays a significant role at this stage. Being transparent in disseminating information, being able to attend to the media and more importantly, telling stakeholders the truth are very crucial communication policy framed within a crisis situation. Public opinion has to be structured through the media by having a swift and appropriate information and also observe any feedbacks. According to Barton (2005), organization
should monitor the media reportage very keenly because the media can be a major adversary in a crisis situation. The primary objective of this strategy is to regain as much as possible, the control of the situation, thereby taking the lead initiative that involves implementing quick action to minimize the crisis while redeeming the image of the organization.

C. THE REACTIVE STRATEGY

The reactive crisis management strategies are concerned with salvaging what’s left of a crisis situation. This strategy aims at providing relief to an organization after the crisis. This relief could be asset reduction or cost cutting (Pearce and Michael, 2006). Miles et al. (1978) categorized these strategies as ad hoc, unstable and inconsistent. Pun (2005) describes these strategies to include importing technologies, horizontal integration and divestment. Cost reductions through layoffs, service reductions, expenses reduction, salary freezing, or inventory realization are some of the outcome of this strategy (Laitinen, 2000; Kamoche, 2003). In many studies, reactive strategies are the most preferred because they are geared towards ensuring the survival or going concern of an organization (Taylor and Enz, 2002). A crisis management reactive strategy displays an organisation’s tendency to adjust to its environment. This pattern can both be highly inconsistent and unstable because spontaneous reactions are demonstrated to environmental changes. In the study undertaken by Zatzick, Marks and Iverson (2009), the framework of reactive strategy was applied to personnel development by instructing organizations’ on how to downsize during a crisis while at the same time retaining talent and reducing costs.

For an organization, this crisis management strategy is about the most difficult because it is highly complex and involves unknown number of unpredictable risk. It is therefore important for an organization to implement a communication strategy that is clear, brief, straight to the point and action oriented. Since decisions and actions must occur quickly.

IV. ORGANISATIONAL AGILITY

The concept of agility gained credence in the 1990’s after the Lehigh report of Iacocca Institute in the 1991 was published. Later on, after 2000, researchers began to examine the concept of agility from the area of organisational perspective (Forster and Wendler, 2012). This brought about increase in the proactivity and orientation of customers as against reactivity. Sharifi & Zhang (1999) developed one of the earlier framework and in their study created a distinction between agility providers, agility capabilities and agility drivers. They describes agility drivers as mainly changes in internal and external environment of a business; agility providers are means towards achieving capabilities in the areas of people, technology, organization and innovation while agility capabilities such as flexibility, responsiveness, speed and competency are the essential abilities of an organization in responding to change. Later on, the framework was refined by other researchers according to (Sharifi, G. Colquhoun, I. Barclay, and Z. Dann, 2001). Nevertheless, the main structure remained stable; however, this has led to theoretical development of agile manufacturing strategies (Zhang and H. Sharifi, 2007) as well as within other industries.

Organisational agility is its capacity to successfully sensor response to threats and opportunities in the market in a timely manner (Overby, Bharadwaj, and Sambamurthy 2006). According to Dove (2001), organisational agility defines the ability of an organization to survive and prosper in the face of uncertain and unpredictable environment. Bessante, Knowles, Francis, & Meredith (2001) defines it as a proactive response to changes in the environment.

A. MEASURES OF ORGANISATIONAL AGILITY

a. FLEXIBILITY

Flexibility is seen as an aspect of agility that is applied for the changes which can be predicted. Zhang (1999) portrays it to be the tendency to initiate variety of processes to achieve variety of goals with the use of the same facilities. In other words, it is about cost effectiveness. According to Huang and Simon (1999), they define flexibility as agility and quick response to market demands. Dove (1996) acknowledged flexibility to be the basis of agility in an organization. This was also confirmed by Swafford, Soumen and Nagesh (2006). The ability to act in accordance with the goals of an organisational and remain consistence with the environment is what flexibility entails. In the research undertaken by some authors, they opine that flexibility could be considered from four fields, they are: organization and organizational issues flexibility, product volume flexibility, people flexibility and product model/configuration flexibility (Narasimhan, Swink, & Kim, 2006).

Gerwin (1993) defines flexibility as the ability to respond effectively to changing circumstances. He offers two main strategies for using flexibility: adaptive and redefinition. The adaptive strategy refers to the reactive or defensive use of flexible competencies to accommodate unknown uncertainty, while the redefinition strategy refers to the proactive use of flexible competencies to increase consumers expectations, gain competitive edge and also increase uncertainty.

b. SPEED

When activities are performed in the least possible time, it is referred to as speed.

Kumar and Motwani (1995), defines speed as the ability to accelerate in critical and sensitive times. Christopher (2000) defines it as ability to complete an activity, as quickly as possible. In several sports activities, speed has been identified as a change of orientation making it a significant component of agility. Nevertheless, the technical expressions may be different among different scholars. For instance, being quick, sharp, acceleration all refers to the same thing as speed.

After organization must have made decision on how to respond to changes and crisis, the implementation of such decision must be very quick, it must be attended to with all the speed and urgency it requires for that decision to be relevant. According to Sharifi and Zhang (1999), speed is one of the necessary capacities of an agile organization. They further
butresses that speed is the ability to execute operations and tasks in the shortest possible time.

V. RELATIONSHIP BETWEEN CRISIS MANAGEMENT AND ORGANISATIONAL AGILITY

In times of global crisis and uncertainty, organisational agility becomes more and more significant. Strategies are designed and implemented to improve how business operate, new ways of adapting to changes in the face of crisis and turbulent times are embraced and more especially, organizations are adapting to their environment in order to continue to survive. The proactive strategy employed by an organization in preparing for crisis has to be flexible. These strategies must have the ability to change from time to time; this is because one strategy may not be appropriate for every kind of crisis at any given period in time. According to Faizi (2007), organizations must find new ways to adapt to changes and global developments so that they can remain in the domestic and international scene.

Crisis has been described as an event that is unpredictable in nature having a high level of unreliability and capable of threatening goals achievement. (Lucero, Kwang & Pang 2009). Brent (2003) also describes crisis in an organization as a condition in which phenomenon roots can be issues and concerns that includes; improper managerial structures and actions or failure in accordance with adapting to a change. The effective management of crisis in an organization has to be done with all the speed it requires as well as being timely. This means that decision must be taken as quickly as possible in order to forestall or minimize effects to stakeholders.

Going by the definition of Overby, Bharadwaj, and Sambamurthy (2006), these authors sees organisational agility as its capacity to successfully sensor response to threats and opportunities in the market in a timely manner. The timely manner here refers to the speed. This enables the organization to minimize risk to the barest minimum. Flexibility is seen as an aspect of agility that is applied for the changes which can be predicted. A proactive crisis management strategy enables this to be successful; this is because when crisis is envisaged, adequate preparation is made for its occurrence thereby reducing the impact on stakeholders. For an organization to strategically manage crisis, the response and speed with which situation of crisis is handled are of serious importance. Thus, organization must remain agile in order to survive the effect of crisis at every point in time.

VI. CONCLUSION

The concept of crisis and its management has even extensively covered in this review. Having or experiencing a crisis is nothing new or strange, they don’t just happen, they are caused. It is not all crisis that can be prevented, especially crisis that is beyond the internal environment of a business. A look at the COVID 19 pandemic has a lot to learn from. Countries and organization that does not have an alternative plan in the event of crisis will be the most hit and may likely not be able to recover from it. It therefore behooves organisations to have proactive, responsive and reactive strategies in place to be able to minimize the effect of crisis situation when it eventually happens. Also, organisations should be flexible in their responses to crisis situation and their responses should be as quick as possible. They shouldn’t be rigid in their plans and their decision must be prompt and situational. This will help to curtain the spread and keep their reputation intact. Crisis are bound to happen and must be expected.

VII. RECOMMENDATION

Organisations should have an action plan put in place before they experience a crisis. Managers should have effective crisis management procedures for prevention and management of crisis. Continuous training and re-training of team members must be encouraged and awareness of action plans, protocols and procedures should be put in place, this would be use when there is an impending crisis. This procedures and action plans must be regularly updated.

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