



Crisis? What crisis?

By Richard Martin

A crisis is any situation that poses a threat to the viability or survival of an individual or organization. Crises demand decisive steps to arrest their development and then turn them around in one's favour. The problem is that we often don't realize we're facing a crisis until it's too late, or we fail to understand the dynamics at play. I would therefore like to propose the following typology as a way to better understand the types of crises that we can face. When we understand what we are up against we can find a way to cope or to profit through sound analysis and strategy.

I propose that crises can be viewed according to two dimensions. Crises can have relatively known or unknown parameters. In other words, some crises can be predicted and readily described beforehand, whereas others are inherently unpredictable and unknowable beforehand. In the other dimension, crises can also develop and resolve quickly, or they can evolve over (much) longer periods. In other words there are sudden crises and there are slowly evolving crises.

	Unknown Parameters	Known Parameters
Evolving Quickly	IV	I
Evolving Slowly	III	II

When we combine these two dimensions we get a four quadrant model that describes a number of crisis situations. The interesting part is that analyzing an organizational situation in this manner often highlights the possibility of crises that are not necessarily readily apparent at first glance. Let's look at each quadrant in turn.



I - Known Parameters – Quick Evolution

- These are often emergencies and accidents that can be readily described beforehand.
- They appear suddenly and resolve quickly and are usually amenable to procedural response and advance preparation.
- They call for a near automated response as well as intuitive decision making.
- Examples: aircraft crash, tornado, bomb threat, medical emergency

These types of crises are often amenable to probabilistic analysis and are relatively easy to describe and prepare for. They occur suddenly and are usually over quickly. A prototypical example would be an airliner crash at an airport, or a building fire. Many natural disasters fall into this category, such as an earthquake or a tornado strike. In most cases, the major parameters of this type of situation can be identified in advance, even though the details of occurrence would be a matter of happenstance. Consequently, organizations can develop well rehearsed plans and procedures to deal with such a situation. These types of crises can also be insured against as the insurers are confident of the risks involved. Failure to prepare for this type of disaster or crisis is a major failure in leadership and management.

II - Known Parameters – Slow Evolution

- These are usually crises that can be identified as they happen and are often easily described.
- This means they can often be averted or mitigated through proactive measures.
- Amenable to prevention and mitigation as well as well developed contingency planning as a situation evolves.
- Examples: strikes, bankruptcies, weather, long-term illness of a principal in a firm

This type of crisis has known parameters but tends to develop much more slowly. It can even occur over months or years. An example would be a company with a deteriorating competitive position. Everyone can see what is happening as it is happening. Another example would be a situation of poor industrial relations eventually leading to a strike. In most cases, these types of crises can be dealt with in real time and can even be stopped and reversed. If a company is facing a deteriorating relationship with a major union then, assuming management can see what is happening, steps can be taken to improve relations and reverse the decline. These types of crises require good awareness of developing situations and a willingness to deal with them rationally and deliberately.

III - Unknown Parameters – Slow Evolution

- These are unpredictable crises that can appear quickly or slowly, but that evolve and/or resolve slowly
- How one reacts can have a major impact on the evolution of the crisis.
- Requires a mix of proactive and reactive measures based on contingency planning and deliberate decision making.
- Examples: new competition, PR crisis, unexpected political change, war

In this type of crisis, the situation develops or evolves slowly, but when it resolves, there is still no telling what the full impact of events will be. War is probably the best example of this type of crisis. However, there are many other events that are not as dangerous and physically threatening as a war. These nonetheless have essentially unpredictable outcomes, the full extent of which is hard to determine ahead of time. New competitors or new competition can often be viewed in this way, where management realizes very late that a new product by an obscure



company is taking over the market. Many public relations crises also fall into this category. They usually start with some innocuous sounding news report and become full-blown crises without the organization or individual knowing fully why. This can happen suddenly, but the source of the unfavourable news report is almost always “old news”. Moreover, the crisis can last for a long time if it is not managed properly.

IV - Unknown Parameters – Quick Evolution

- These are inherently unpredictable crises that appear suddenly and evolve quickly, though they don't necessarily resolve quickly,
- They are discernable ahead of time in theory but it is difficult in practice to do so because they often involve warped thinking and extreme views.
- They require contingency planning and deliberate decision making even though a hasty and intuitive initial reaction is often required.
- Examples: organized crime, terrorism, stock market crash

These crises are highly unpredictable and happen quite suddenly. In fact, in many cases they are the complete outliers that no one predicted and that are essentially unpredictable. The most extreme example is terrorism. In that case, organizations and society in general are up against a thinking enemy who uses highly imaginative means of inducing carnage and terror in a population. I'm not talking about the “usual” car bombs and self-immolations that are tactics in a protracted struggle, but rather the truly surprising acts. The perfect example is, of course, 9/11. It is easy now to say that authorities should have predicted that terrorists would attempt (and succeed) to fly hijacked airliners into high-rise buildings. However, this type of event is so daring and inconceivable ahead of time that rational individuals can be forgiven for not imagining it. Moreover, the second, third, and fourth order effects are even more unpredictable. It is very difficult to prepare for these types of crises, but preparing for the other types and using the techniques to react to them are useful and will help mitigate the carnage.

Initially, this may seem like a daunting, and perhaps even scary, task, but any analysis and subsequent preparation you undertake will pay dividends when the inevitable occurs and you must deal with a crisis. Take the time to explore your own situation and make an attempt at categorizing the types of threats, risks and crises that your organization could face using the crisis typology proposed in this article. You may be surprised at the results and the increase in confidence that comes from understanding the true risk profile of your company or organization.

When you have done identifying potential risks, you can use a method to prioritize and prepare for the most likely and the most threatening possibilities. My article ***Do You See the World through Rose Colored Glasses?*** provides additional insight and techniques to help in this regard. (on the web at <http://www.alcera.ca/do-you-see-the-world-through-rose-colored-glasses.php>).

Richard Martin is President of Alcera Consulting Inc., a management consulting firm that helps excellent executives become world-class leaders and that assists individuals and organizations to thrive in the face of risks, threats and uncertainty. He is known for his intellectual breadth and has led teams in critical and sometimes life-threatening situations as an infantry officer in the Canadian Army. Areas of expertise include crisis leadership, strategy, risk management, disaster preparedness, coaching, mentoring, speaking, and training.