

CRISIS

The Five Stages of Crisis Management

By D.L. Perkins

Crisis is a part of life. It will visit every person, relationship, family, community and business. In addition to the facts of the event, crisis brings chaos, confusion and emotion. Business owners and leaders will be tested in times of crisis, and their followers will either benefit or suffer from the leader's crisis management skills.

Jack Welch, former chairman and CEO of General Electric, penned an article that appeared in *The Wall Street Journal* titled "The Five Stages of Crisis Management." He said, "Hurricane Katrina is practically a case study of the five stages people seem to have to go through during severe crisis."

Stage One: Denial

"The problem isn't that bad, the thinking usually goes. It can't be, because bad things don't happen here ... to us." Mr. Welch goes on to say, "Denial in the face of disaster is human, but one of the marks of good leadership is the ability to dispense with denial quickly and face into hard stuff with eyes wide open and fists raised. Good leaders also define reality, set direction and inspire people to move forward."

Jack thinks denial in New Orleans started long before the storm with respect to the inadequacy of the levy system and the unacceptable depths of poverty.

Stage Two: Containment

Containment plays out in one of two forms, says Mr. Welch, with leaders either trying to keep the matter quiet or buck-passing. Keeping the matter quiet is useless, as problems ... especially the messy ones ... always get out. Buck-passing is "... where people, including perfectly capable leaders, try to make the problem disappear by giving it to someone else to solve."

In New Orleans, the city and state screamed for federal help; the feds said they couldn't send in the troops until such was requested; and round and round it went.

Stage Three: Shame-Mongering

"All parties with a stake in the problem enter into a frantic dance of self-defense, assigning blame and claiming credit." Katrina's shame mongering blasted into overdrive within

48 hours of landfall. The topic was not the devastation of the storm, but about who was to blame, the Republicans, President Bush, Michael Brown/FEMA, the mayor, governor, the uncooperative poor, etc.

Stage three activities simply waste precious time and energy. Strong leaders must avoid shame mongering and instead quickly and boldly define the problem, outline a plan of action, and get to work.

Stage Four: Blood on the Floor

In just about every crisis, a high profile person pays with his job. Sometime, they take a crowd with them. Mr. Welch explains that people need to feel that someone has paid dearly for what went wrong. Michael Brown, the head of FEMA, was the first to go in the New Orleans disaster ... then the police chief.

Stage Five: The Crisis Gets Fixed

"Despite prophesies of permanent doom, life goes on. Usually, for the better," explains Mr. Welch. "History shows that crisis almost always gives way to something better," because crisis primarily serves to show where the system is weak. Once stage five is reached, the affected galvanize their mutual commitment to a better future. They begin working together to prevent the crisis from ever happening again, often with great success.

Jack Welch cites the Tylenol tampering crisis as an example, explaining that such an event is unlikely to ever occur again at Johnson & Johnson as the company has permanently changed to one that goes to extremes to prevent product tampering. In New Orleans, Jack predicts that the city will soon rise as a city super-fortified against flooding, virtually eliminating the possibility of another Katrina-like disaster. The poverty problem is harder to solve, but Mr. Welch predicts substantial efforts will be employed to ensure a better future for the poor of New Orleans.

In conclusion, by understanding the natural human cycle of crisis response, business owners may be better able to lead their constituents effectively during times of crisis. After all, crisis is just another opportunity to learn, and then build something more sound, stable and durable ... once stage five is reached. ❖