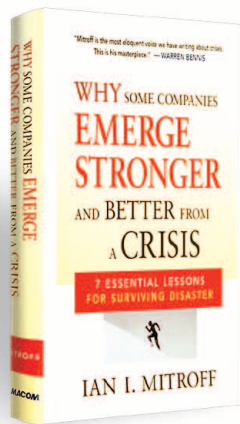


SOUNDVIEW Executive Book Summaries®

FILE: STRATEGIC MANAGEMENT



By Ian I. Mitroff

Seven Essential Lessons for Surviving Disaster

WHY SOME COMPANIES EMERGE STRONGER AND BETTER FROM A CRISIS

THE SUMMARY IN BRIEF

We've all seen companies that go through disasters, companies such as Tylenol, Enron, WorldCom, Firestone, Union Carbide and others. Some companies emerge stronger from such disasters and others fade away into oblivion. Was there something about their approaches to the problem that allowed them to survive or perish?

Why Some Companies Emerge Stronger and Better From a Crisis illustrates how to survive a crisis and grow.

In this summary, you will discover seven essential competencies that companies need to learn in order to survive a major crisis. Many of those answers are counterintuitive. For example, if you act in the public's best interest, you'll not only feel better, but it's more profitable in the long run. According to crisis management expert Ian I. Mitroff, the modern global enterprise has to be reorganized around crisis management.

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What You'll Learn In This Summary

- ✓ How crises can arise with unprecedented frequency, complexity and destructive power.
- ✓ How to face seven essential challenges for surviving disaster.
- ✓ How to equip your people to stay strong and focused in the face of a crisis.
- ✓ How the need for careful planning did not originate on Sept. 11, 2001.
- ✓ How crisis management is a systemic process of thinking about a range of potential crises, how they can happen and how one crisis can trigger another.
- ✓ How to assemble a crisis tool kit.
- ✓ Why every company should have a chief crisis officer and departments for crisis learning and early warning-signal detection.

WHY SOME COMPANIES EMERGE STRONGER AND BETTER FROM A CRISIS

by Ian I. Mitroff

— THE COMPLETE SUMMARY

Overcoming the Challenges of Crisis Management

America's organizations and institutions are in dire trouble on every conceivable front: physically, intellectually, morally and spiritually. First, their operations, plants and infrastructure have been the objects of direct terrorist attacks and other criminal threats. Second, the fundamental assumptions upon which their crisis plans and procedures are based have been seriously undermined, if not proven false, by recent events. Third, a series of unprecedented corporate scandals involving WorldCom, Enron and others has eroded their moral compasses. Fourth, they have been dismissive and destructive with regard to the spiritual needs of their employees and customers. In short, America's organizations and institutions are in crisis, big time.

Before 9/11, corporate America was basically unprepared for a wide variety of crises, including terrorism. Four years after the tragedy, the situation really hasn't changed that much. A crisis for an organization is an extreme event that literally threatens its very existence. At the very least, it causes substantial injuries, deaths and financial costs, as well as serious damage to its corporate reputation.

Surviving Today's Threats

Most executives and organizations, unfortunately, are prepared for only a small number of worst-case scenarios. There are seven potential challenges that all organizations need to face and overcome if they are to survive today's threats.

Learning the following lessons can help every organization to anticipate, plan for and survive the crises that are an inevitable part of life:

1. Right heart. Crises extract tremendous emotional costs. As a result, crises demand exceptional emotional capabilities, or emotional IQ. Effective crisis management demands high emotional capacity and sensitivity, and emotional resiliency.

2. Right thinking. Crises demand that we are capable of exercising on-the-spot creative thinking. They demand that we are capable of thinking "*outside of the box that contains the box!*" Effective crisis management

demands high creative IQ.

3. Right soul. Effective crisis management requires a special type of inner spiritual growth, or spiritual IQ. Without this, our world is rendered meaningless by a major crisis. Nothing devastates the soul as much as a crisis.

4. Right social and political skills. Effective crisis management requires a special type of political and social IQ. This is needed to get the leaders of an organization to buy into crisis management.

5. Right technical skills. Crises demand that we know different things and that we do things differently. This is technical IQ. For example, to outwit terrorists, we have to learn to think like a controlled paranoid without becoming a terrorist, a paranoid or a psychopath.

6. Right integration. Effective crisis management requires that we integrate previous forms of IQ; thus, integrative IQ is required.

7. Right transfer. New skills are needed in the new global economy. Without integrative IQ, more and more white-collar and professional jobs will be lost and the United States will become a jobless economy. New knowledge and new forms of IQ, such as aesthetic IQ, are needed because they allow us to see the world anew.

Proper Attitudes

Crisis leadership is not just good for business, it is also

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The author: Ian I. Mitroff is often called the father of modern crisis management. He is a professor in both the Marshall School of Business and the Annenberg School for Communications at the University of Southern California. He is the author of many books, including *Managing Crises Before They Happen* and *The Essential Guide to Managing Corporate Crises*.

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Overcoming the Challenges of Crisis Management

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necessary for the existential, emotional and spiritual bottom line. No person, business, organization, institution or society can survive for very long without crisis leadership. ■

The Crisis Society: The Rise of the Abnormal

Mary Douglas is the CEO of Rural Books, a company she established 10 years ago. Rural Books produces field books and guides for identifying and cooking wild fruit, nuts, berries and the like. In the 10 years of the publisher's existence, no one had ever suffered any illness from following its books' recommendations.

One morning, Douglas woke to the news that the media had linked one of the company's books to the deaths of a family of four, as well as the serious illness of many others.

On hearing the news and pondering the possibilities, she exclaimed, "Oh my God. What am I going to do? I don't have the foggiest clue as to where to begin."

Because Douglas and her top management team had never received the proper training in crisis management, they were unable to think outside the box. As a result, they were unable to imagine and anticipate the types of product tampering that applied to their business.

If Douglas and her top team had received proper training, they would have been prepared for the strong and often overwhelming emotions that are a critical part of every major crisis. If she and her team had faced the challenges and learned the lessons that successful crisis leaders have to teach, they would have been able to respond faster and better, substantially lowering both the economic and the emotional costs of the crisis or crises they were facing. Douglas and her team would have recovered sooner and with far fewer costs.

The first thing that Douglas and her company should have done is understand what is fundamentally different about today's world — that crises are literally built into the fabric of modern societies.

The Failure of Conventional Ways of Thinking

America's organizations and institutions have become breeding grounds for crises of all kinds. Conventional management is of little help in the face of major crises such as Enron, WorldCom, space shuttle explosions and mad cow disease — just to name a few. Conventional thinking simply can't anticipate and cope with "abnormal states of mind."

There is a difference between normal and abnormal accidents. Normal accidents are unintentional failures of

complex systems, where abnormal accidents result from intentional sabotage which is intended to destroy or severely disrupt the company. Leading-edge organizations have found a way to reduce — but not eliminate entirely, for that isn't possible — the potential for major crises, both abnormal and normal. This means that the business has to act like a controlled paranoid in order to anticipate the worst that can happen to it. ■

Right Heart: Emotional IQ

To understand why Mary Douglas and her top executives were unprepared for the crisis that occurred, it helps to look back to the year before the crisis happened.

Douglas was chairing the regular monthly meeting of her top executive team. In addition, Head of Risk Management and Security Bob Hunt, who was not a permanent member of the executive team, was there as a special guest. Hunt was invited to deliver a special report that he had prepared on the major risks facing Rural Books. His report showed that the most probable and costly risks facing the company were fire and water damage due to spring floods. With little fanfare, the Rural Books executive committee immediately approved an expenditure of \$250,000 to protect and upgrade the company's facilities.

The second part of Hunt's report was not as well received. He had recently attended a three-day seminar on crisis management. Hunt explained that crisis management took a much broader view of risks than traditional risk management. Citing the example of 9/11, Hunt suggested that Rural Books ought to brainstorm how other types of crises — for instance, product tampering — might apply to their business. Unfortunately, because Hunt could not suggest any specific examples of product tampering that might apply to Rural Books, his proposal fell on deaf ears.

Normal Vs. Abnormal Business

To understand why Rural Books' executive team was not prepared for the crisis that struck the company, one must understand that the qualities that make for success in running a business in normal times are not the same qualities that make for success in managing a major crisis, certainly not in abnormal times. Crises demand that we confront and overcome feelings of denial, fear, betrayal and the exposure to severely traumatic situations. To manage these kinds of feelings and emotions, one needs to develop a capacity for resilience. This requires Douglas and Rural Books' top executive team to undergo a rigorous and systematic program of pre-crisis psychological training. They need to take both a personal and an organizational audit of their psychologi-

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Right Heart: Emotional IQ

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cal capacities to confront and to survive major crises.

Denial and Trauma

Denial was the first defense mechanism that was at work in Douglas' response to Hunt. She denied outright that terrorism and product tampering were even remote possibilities. Unconsciously she diminished the potential size and the importance of a particular set of crises.

Denial involves denying unpleasant feelings associated with potentially traumatic events *before* they occur. In contrast, trauma involves the denial of feelings *after* a traumatic event has occurred. In either case, the feelings, fears and emotions surrounding a potential or already experienced crisis are too painful for the conscious mind to accept.

Betrayal

One of the most striking features of crises is that they are experienced as major acts of betrayal. In all likelihood, the leaders at Rural Books will be viewed as villains — as having betrayed their employees, their surrounding community and their customers — because they had not thought about the particular crisis that the company experienced and for which they were not adequately prepared. They will be vilified even though there may have been very little, if anything, that they could have done to prevent the crisis.

Crises are generally experienced as major acts of betrayal because people need to have someone to blame for a crisis. Blaming is one of the principal ways in which we cope with the strong emotions that crises stir up.

Betrayal is the failure of a person, organization or a society to act and behave in accordance with ways that they have promised. Most acts of betrayal are unintentional. However, in the case of Enron, there are strong reasons to believe that the company exhibited the characteristics of a sociopathic organization.

Recovering From Crises

We demonize those who have betrayed us. This is true whether the betrayer is an individual, organization, society or even a civilization. Someone or something is always demonized as a result of a major crisis.

To recover from a major crisis, one has to go back, to rebuild and to readjust the perceptions of those that one feels are responsible for causing the crisis in the first place. One has to “re-humanize” the dehumanization that has taken place with regard to one's betrayer. Even in the case where the betrayer, villain or guilty party has accepted responsibility for his or her actions, has admitted it openly and has even tried to make amends, it is still very difficult to accomplish this change in perception.

Train in the Psychological Impacts of a Crisis

It would be eminently desirable if Douglas and her top management team had been aware of all these forces and factors before the crisis, and trained in the psychological impacts of crises. Without such training, they merely react, and in most cases, poorly, to highly emotional, stressful and traumatic situations. The emotional crisis will be compounded by all of the powerful feelings that will be unleashed in Rural Books' leaders and stakeholders. They will most likely be blamed for the crisis, for their not having done more to foresee it, even if they couldn't have prevented it. This is why pre-crisis trauma and psychological training is essential.

Every organization should hire consultants who are experts in trauma and the psychological effects of crises. Such experts are invaluable in creating realistic simulations that will give people a feel for the strong emotions that they will experience as the result of a crisis. If an individual or organization is not prepared for a crisis, it will lose valuable time and energy in treating its own psychological wounds instead of responding to the wounds of others. The psychological factors are among the most important factors in how an individual, organization or society responds to a major crisis. To de-emphasize and to neglect them is merely another form of denial.

Crisis leaders learn one of the most valuable lessons of all: *the fact that one is aware of one's own denial does not mean that everyone else in the organization is aware of theirs.* They have also learned: *do not become paralyzed by your fears and those of others.* Give people time and space to vent and to work through their fears and anxieties. And never dismiss them: This only makes the fears and anxieties worse. ■

Right Thinking and Right Social and Political Skills

One of the most troubling aspects of major crises is that they “unravel the knitting.” Crises are crises precisely because they don't abide by narrow and artificial boundaries. The “key principles” that are suitable for running an ordinary business are not the same principles that will get you through a major crisis.

In today's world, all businesses are in all other businesses all of the time. In addition, all crises are in all other crises all of the time. Therefore, we need to “unbound” the assumptions we have about an organization.

For example, Rural Books is potentially in a large number of businesses, many of which are related only indirectly to the book publishing industry. It is also involved in a number of ancillary businesses that facilitate the conduct of its primary business. For example,

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Right Thinking and Right Social and Political Skills

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Rural Books is involved in finance, quality control, education, manufacturing, environmental and wilderness preservation, television and video, travel, retail, entertainment, health and publicity, and other businesses.

We need to unbound the pictures we have created. This is precisely what responsible troublemakers do very carefully, in stages, over time. For instance, in order to accomplish this “unbounding” for Rural Books, Bob Hunt would have to understand the company better than the organization’s top leaders do. He would have to develop a plausible scenario of how each kind of crisis could happen to the full range of businesses that Rural Books is in. He would have to sell *both* broad views of Rural Books *and* detailed crisis scenarios. He would have to develop scenarios over time as he learned more about the Rural Books system and as some crises developed. He would have to meet with other crisis managers in parallel organizations to learn from them what they had done to sell crisis management successfully to their respective organizations.

Gather Information From Multiple Channels

Hunt would also have to gather information simultaneously from multiple channels regarding the desirability and necessity of a broader crisis management program. Executives of other organizations would have to get together periodically to share information on the crises that they have faced and why other members of the industry should consider preparing for them. Hunt would have to convene an internal Rural Books stakeholder conference. He would also have to interview people in all of the company’s businesses to discover the “ticking time bombs” that they see in their respective parts of the organization.

Taking on this daunting series of tasks is precisely what differentiates those organizations that are in the “Crisis Prepared Zone,” or are constantly striving to be in the zone, from those that are not. Taking an unduly narrow view of the risks to which you are subject can lead to failure in a crisis. A narrow view of risks is insufficient for a company to be protected. ■

Right Integration: Integrative IQ

William James, founder of that distinct brand of American philosophy known as pragmatism, developed a unique theory of truth. His is a theory of problem solving for complex problems. It is a theory of critical thinking and of how to formulate complex problems from multiple points of view. For James, a single perspective of any problem is automatically wrong. A single perspective cannot hope to capture all of the subtleties and complexities that are characteristic of real problems.

Universities Are Complex Systems

Perhaps more than any other modern institution, the university illustrates how complex the world is today. Although education and research are the primary businesses of the modern university, the number of additional businesses that universities operate in order to accomplish their main mission is very large.

For example, most major universities are in the hotel business, serve thousands of meals daily, and have to service hundreds of rooms, both on and off campus. Therefore, safety and security are primary concerns. Most universities have their own police, safety and security forces. Thousands of meals are served daily. In recent years, selling clothing with the university logo has been a huge business and includes hats, sweat shirts, license plates and so on.

Universities are also in the entertainment and special events businesses. Sports are big business. Universities also host all kinds of visitors, from speakers to concerts, celebrity shows, traveling Broadway companies and the like. They are also in the facilities and property management business. In most major cities, a university is the city’s largest private employer. In fact, many major universities are on the order of billion-dollar-a-year businesses.

Truth

Truth is a thoroughly human creation. People create it through their actions in an attempt to achieve desired ends. For James, truth is not an abstract concept that is independent of human purposes and ends. Truth is not something that is “just out there.” Truth is in fact the management of ways and styles of knowing. Knowledge cannot be decoupled from knowers — that is, from the processes by which humans know things. Truth is thus the management of several different types of knowers. This is precisely what makes James so powerful and his ideas so relevant to crisis management.

Real problems are by their very nature ill-structured or ill-defined. At least in the very beginning, when problems first present themselves, they are not already or automatically well-defined or well-structured. Only for well-structured problems do we know all of the available courses of action, their outcomes, their consequences, and their benefits versus costs associated with them. In contrast, an ill-structured problem is precisely a problem for which the full set of means is not known, let alone their consequences.

All of us are problem solvers *and* problem managers. Whatever structure or definition a problem possesses is due to our efforts. Problems become defined and structured through our efforts — that is, through the process of our working on them.

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Right Integration: Integrative IQ

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The problems of the world are not normally the captive of a single academic discipline or corporate function, such as finance. Most real-world issues are complex mixtures of different disciplines and functions — they are interdisciplinary and cross functional. They are transdisciplinary because they are beyond any of the known disciplines.

The same is true of crisis management. Crisis management is inherently transdisciplinary. Different stakeholders do not see the same courses of action or the same outcomes of the “same” crisis. For instance, Rural Books’ crisis is not a single problem or a single crisis. Instead, it is a whole system of problems and crises that are highly interdependent and interactive. One cannot even begin to define the company’s crisis, let alone pretend to manage it, independently of all the other problems and crises to which it is connected and to which it gives rise.

Ill-Structured Problems

The basic problem with ill-structured problems is the presence of strong conflict over the definition as to the nature of the problem. The steps of problem formulation and problem representation are thus central to facing ill-structured problems. No two stakeholders or crisis management experts will have the same definition of a crisis or a minor problem. Indeed, intense disagreement is one of the major features of ill-structured problems.

A mess is the *product* of the interactions among all of the various problems that constitute the mess. Thus, *a crisis is an ill-structured mess*, a highly interactive set of problems each of which is ill-structured in itself.

Crisis management is essentially a theory of complex problems. Even more basic, it is a theory of critical thinking. This appreciation is absolutely essential to the management of fuzziness, for fuzziness is an inherent property of real-world problems.

There are no checklists for crisis management. Crisis management is open-ended, unbounded problem formulation. Everything connected with crisis management is inherently fuzzy. To put it mildly, crises are slippery. If every business is now in every other business, then every business has the potential to experience the crises of every kind of business. Crises demand that we take an expansive view of the world. This means confronting and mastering underlying emotions, fears and anxieties with regard to crises. ■

Right Technical Skills: Technical IQ

The tenets of crisis management that have been developed for treating normal accidents are no longer suffi-

cient. What is needed is the ability to think comprehensively about normal *and* abnormal accidents. Many companies develop and refine plans to improve the ways in which they handle emergencies of the kind they have confronted in the past. But they now face bigger threats from calamities they have never faced before. As a result, they are fighting new wars with old strategies.

All organizations need to develop special skills to come to grips with abnormal accidents and change their frames of reference. The key lays not so much in drafting manuals as in developing learning processes that give executives the mental capabilities, confidence and flexibility to envisage abnormal crises. Here are some tools to help them prepare for crises:

A Crisis Tool Kit

- **Wheel of Crises.** Some companies prepare effectively for abnormal crises by thinking of them randomly. One tool that can be used to help top-level executives think randomly is a giant wheel of crises. On the wheel, like the spinner on a child’s game, is a list of all the families of crises that a company can face. Executives take turns spinning the wheel, and when the pin stops, participants discuss all of the normal and abnormal crises of that particular kind that they can imagine.

- **Internal Assassins.** People who know the organization best can also develop abnormal situations for which they should be prepared. Special techniques such as role-playing can get them to temporarily think like villains, internal assassins or terrorists. They must suspend their rational thinking and use their intimate knowledge of the company’s products, procedures and systems to cook up ways to destroy it. Their scenarios can expose weaknesses in the system.

- **Mixed Metaphors.** Most crisis-prepared companies regularly send executives to crisis forums, where companies from diverse industries discuss crisis planning. They also rigorously apply the metaphors of other industries to examine themselves from unusual perspectives, and they learn from the scenarios for which other companies have prepared. For example, banks may be equipped to handle cyberattacks because computer crime is easy to imagine in the context of the industry. But they might be less likely to think about explosions, for which chemical companies must always be prepared.

- **Spy Games.** Proactive companies don’t hesitate to bring in outsiders to test their vulnerability to abnormal crises. Smart companies hire journalists, lawyers and consumer affairs experts to stage hypothetical attacks on them. During a security check at one U.S. company, a reporter discovered that there were a number of confidential files that had been dumped in a basement where anybody could access them.

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Internal Assassins in the Insurance Business

The “internal assassin” technique can change an organization’s attitude toward crises. A \$1 billion U.S. medical insurance company used the exercise to determine if financial fraud could force it into bankruptcy. The company created three fake terror teams made up of senior executives. Their jobs were to arrange swindles and schemes done by both crooked employees and crooked outsiders. The company was surprised and embarrassed by how many schemes could be performed without being detected by the company. Afterward, the company formed a number of counter-assassin teams to prevent and detect swindles. Several months later, the groups concluded that the company was most vulnerable to one fundamental situation and fixed the problem. By looking at its vulnerabilities systematically, the company was able to close the door on an entire category of threats.

Right Technical Skills: Technical IQ

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The criminal mind-set is so different from most people’s that executives can figure it out only by bringing it inside the organization. Banks hire former robbers to test security procedures. Casinos use professional gamblers to detect gambling fraud. Many companies use former hackers to identify weaknesses in their computer networks.

Think Like a Controlled Paranoid

There is a framework for thinking like a paranoid without being or becoming one. This framework is based upon the known types of paranoia. These pertain to a person’s body, a person’s immediate family and organizations, the culture of an organization or society, and the mind of a single individual.

Thinking like a controlled paranoid is merely one way of managing fear. On the one hand, too little fear leads to denial. On the other hand, too much leads to paralysis. Thus, one of the prime purposes of emotional or psychological preparation for crises is the ability to confront fear directly without being overwhelmed by it.

Here is one of the principal ways of thinking like a controlled paranoid: *Take every proposed action, or agent, that you can use to protect yourself from a major threat, and then flip its properties on its head.* For example, you might use Cipro to treat anthrax, but what if the Cipro supply itself has been sabotaged?

The purpose of thinking like a controlled paranoid is to help prepare the mind before horrendous acts occur by understanding how paranoids and terrorists think. The more horrific the act, the more this kind of thinking

is absolutely necessary. The more preparation that one has in thinking about the possibility of horrendous acts, the better one is able to cope with them. ■

For additional information on four reasons to have the right technical skills, go to: <http://my.summary.com>

Right Transfer: Aesthetic IQ

American corporations have been built on two powerful but faulty assumptions:

- 1. An organization is nothing more than the sum of separate, self-standing and isolated silos.**
- 2. As new problems and issues arise, new departments, functions and silos can be added to the basic design without disturbing it in any essential way.**

Both of these assumptions are dead wrong.

Today’s crises have the potential of wreaking extreme financial havoc and, in some cases, destroying the corporation. As recent history showed with the demise of Arthur Andersen, it is possible for large organizations to go out of existence as the result of a major crisis.

Too many executives believe that adding an infrastructure for crisis leadership is tantamount to adding another layer of corporate bureaucracy. This is not the case. All structures are not the same: Enabling structures are not the same as bureaucratic ones. The integration of appropriate structures allows global corporations to give proper autonomy to local operating units. This is because local units know local markets better than bureaucrats ensconced at headquarters. Yet, global corporations must have the machinery for responding to crises that affect the whole organization. A crisis in one locale can swiftly escalate to become a crisis for an entire organization. Therefore, both globally integrated and locally responsible structures are needed.

The Chief Crisis Officer

If today’s organizations are to respond effectively to the crises they face, they will need a chief crisis officer. There is no longer any excuse for every organization’s *not* having a full-time, senior executive in charge of the crisis capabilities of his or her organization. Organizations need world-class crisis learning and signal detection centers to monitor early warning signals for potential crises. A major function of crisis learning centers is to study the patterns associated with past crises, to distill critical lessons from these patterns, and to ensure that the organization puts these lessons into practice so that the potential for crises is lowered considerably. Although all crises cannot be prevented, being prepared for *any* crisis speeds up recovery time.

A crisis center conducts regular audits and training exercises, installs mechanisms to contain crises, and develops programs to help executives communicate with

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Right Transfer: Aesthetic IQ

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internal and external stakeholders during a crisis. It also identifies or sets up alternative work sites in case the company's plants or offices are destroyed. ■

Right Soul: Spiritual IQ

One of the reasons so many organizations are prone to major crises is that they emphasize the so-called rational aspects of the human mind to the exclusion of the so-called emotional aspects, or vice versa. For instance, if one emphasizes the supposedly rational aspects of a crisis to the detriment of its emotional aspects, then one will tend to prepare only for those crises that have a high probability of occurring *and* a high consequence associated with their occurrence. That is, one will not only use risk management but will believe also that risk management is the basis of crisis management. As a result, one will ignore not only certain types of crises, such as terrorism, which is extremely unpleasant to contemplate emotionally, but also the emotional and existential aspects of all other crises. The emotional and existential are integral parts of spirituality.

The Constant Search for Meaning

In order to understand how crises perturb our basic sense of meaning, purpose and justice in the universe, it is first necessary to have a deep understanding of spirituality. In the context of crisis management, being spiritual requires one to practice a systemic, integrative form of crisis management. If one practices spirituality primarily for financial or instrumental gain, then neither spirituality nor financial gain will result.

Dealing with emotions — indeed, even acknowledging them in the first place — is one of the most important struggles that takes place in every person's life. If we do not deal with emotions, we and our organizations remain underdeveloped. Spirituality deals with the whole person within the context of the whole organization. Here is an example:

How Benetton-Turkey Dealt With a Major Crisis

A crisis began when Italy refused to extradite a Kurdish leader back to Turkey. This particular rebel leader had been accused of being behind the deaths of over 30,000 Turks. As a result, Turks threatened to boycott and possibly attack Italian brands like Ferrari, Perelli and Benetton. The Turkish people felt as if they were betrayed by the Italians.

Most companies took a narrow, purely rational approach. The typical company response was to take out ads, for example, stressing that customers should not confuse the company's position with that of the official government of Italy. These were cognitive reasons that the ordinary people of Turkey dismissed as silly.

Benetton-Turkey, faced with the destruction of its stores and its brand, did the unthinkable and responded with an emotional response that sided with the Turks. Its ads proclaimed, "First and foremost, we are Turks too! Our first allegiance and loyalty is to Turkey! We feel the same way that you do about the Italians!" Yet it went further. The company removed the United Colors of Benetton from its ads and it placed black wreaths of protest on the fronts of all its stores as a show of protest — from a multinational corporation. And before that it lowered financial quotas during these difficult times — garnering trust with its employees — and consulted local store heads about the new policies. As a result, there was a general outpouring of support for Benetton-Turkey by the Turks.

Benetton-Turkey came up with this novel strategy by thinking creatively and emotionally. Other companies, without Benetton-Turkey's imagination, were tone deaf emotionally, and painted themselves as the victims. They simply lacked the emotional intelligence to weigh, judge and appropriately respond to the feelings of the Turkish people.

In the end, it is the split between cognitive IQ and emotional, ethical and spiritual IQ that is responsible for most of the major crises we have experienced. There is no doubt that the people running Enron were intellectually smart, but they were woefully lacking in ethical smarts.

Proactive organizations restore meaning through their actions before, during and after a major crisis. For instance, they allow people to grieve over the loss of their basic assumptions about the world, about themselves and about the organization itself. In this way, they allow new assumptions to emerge. ■

When a Whole Society Is in Crisis, All of the Challenges Apply

Recent crises, but 9/11 in particular, have revealed the serious inadequacy of the myths — the critical stories that we tell ourselves over and over to reassure and reaffirm ourselves — that serve the American people. In effect, these myths are grand assumptions masquerading as myths about the nature of the world.

The 9/11 attack was terrible not only because of the horrible physical destruction that it wrought, but because it demolished some of our most sacred assumptions about the nature of America and the world. The destruction of these assumptions has exacted a terrible blow on the American psyche. Worse still, there is no prospect for replacing them with others that are better suited for a complex world. ■

For additional information on a tale of two companies, go to: <http://my.summary.com>