

1 Managing Crises

Five Strategic Leadership Tasks

1.1 Crisis Management and Public Leadership

Governance has increasingly become a matter of crisis management. Crises routinely shatter the peace and order of societies. They arrive as “rude surprises” and “inconvenient truths” wreaking havoc and destroying the legitimacy of public institutions. Natural disasters, the collapse of financial systems, high-tech catastrophes, lone-wolf terrorists, mass revolts, new pandemics, geopolitical powder kegs, and cyber attacks – the list of potential crises is long and growing.

Disruptions of the dominant order are as old as life itself. The Bible can be read as a catalog of the frightening crises that have beset humankind since time immemorial. Most of the world still confronts these “old” crises on a regular basis. But we also see new crises – and new twists on more familiar ones – that define the times we live in: Lehman Brothers and the Euro crisis, Arab Spring and failed states, Fukushima and Deepwater Horizon, Mumbai and Paris, Ebola and ISIS.¹

In such times of crisis, citizens look to their leaders. The system is out of kilter, and leaders are expected to chart pathways out of the crisis. The public expects them to avert the threat or at least minimize the damage of the crisis at hand. They must explain what went wrong. They must adapt, change or abandon routine ways of operating where needed and create public confidence in the new status quo. They should work toward enhancing community resilience, preparing society for future shocks.²

Crises provide real-world “stress tests” to the resilience of political systems and the crisis management capacities of leaders. They play out against a backdrop of public expectations (influenced in part by leaders themselves) that can be very challenging to meet. In some cases, the quality of crisis management makes the difference between life and death, chaos and order, breakdown and resilience. When governments and their leaders respond well to a crisis, the damage is limited. When emerging vulnerabilities and threats are adequately assessed and

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addressed, some potentially devastating contingencies simply do not happen. When crisis management fails, the impact increases.

Crisis management bears directly on the lives of citizens and the well-being of societies. The notion of “crisis management” as used in this book is shorthand for a set of interrelated and extraordinary governance challenges. Crisis management is effective when a combination of tasks is accomplished: an emerging crisis is swiftly detected, responders understand what is happening, critical decisions are made by the right people, the efforts of responders are orchestrated, government communicates with its citizens, and the aftermath of a crisis is marked by proper accountability procedures and a willingness to collectively learn the lessons of that crisis.

None of these tasks are easy to perform. Information may not be forthcoming and communication is often difficult. The crisis response typically involves many organizations, public and private, preexisting as well as newly emerging, increasingly also beyond national borders. Mass and social media scrutinize and assess the performance of crisis leaders and the impact of crisis response strategies, providing critics with many fora to air their grievances. It is in this atmosphere that governments and their leaders must shape response and recovery operations, communicate with stakeholders, discover what went wrong, account for their actions, initiate steps for improvement, and eventually, seek to (re-)establish a sense of normalcy. Crises create extraordinary circumstances for governance.

At the same time, crises provide leaders with extraordinary opportunities to demonstrate their capacity to lead and fulfill aims that would be impossible to achieve under normal circumstances. When a sense of shock, vulnerability, loss, and outrage pervades a community, crisis can produce strong criticism of the existing institutional order and of the policy processes that underpin it. Many crises nurture an appetite for radical change. Astute leaders will not hesitate to exploit this “window of opportunity.”³ As Rahm Emanuel, President Obama’s chief of staff during the financial crisis, put it: “you never want a serious crisis to go to waste.”⁴

This book is about public leadership in times of crisis. It discusses how presidents and mayors, local politicians and elected administrators, public managers and top civil servants answer to public expectations, or fail to do so, when leadership is needed most. It examines how political, organizational, and community leaders take up this essential and increasingly salient task of contemporary governance. It maps the manifold challenges that leaders face in a crisis and identifies the pitfalls that they face in their efforts to manage crises.

This introductory chapter outlines our perspective on crisis management. We discuss the nature and dynamics of crisis events. We explore their origins. And we outline the strategic tasks of crisis management around which this book revolves.

1.2 The Nature of Crises

The term “crisis” frequently appears in book titles, newspaper headlines, political discourse, and social conversation. It generally refers to an undesirable and unexpected situation: when we talk about crisis, we mean that something bad threatens a person, group, organization, culture, society, or, when we think really big, the world at large. Something must be done, urgently, to make sure that this threat will not materialize.

In academic discourse, a crisis marks a phase of disorder in the development of a person, an organization, a community, an ecosystem, a business sector, or a polity.⁵ A personal crisis denotes a period of emotional turmoil or illness, preceded and followed by mental stability or physical repair. An economic crisis refers to a period of severe decline in business activity and profitability, consumer confidence, and overall economic strength. An ecological crisis refers to a changing environment that threatens the survival of a species or population. A political regime crisis refers to a situation in which political elites and institutions are at risk of being replaced by an alternative set of actors and arrangements.

Crises, in other words, are critical junctures in the lives of systems – times at which their ability to function can no longer be taken for granted. We speak of a crisis when people experience (or, as we shall see later in this book, deliberately “frame”) such critical junctures as urgent threats that must be addressed as a matter of top priority. In our definition of crisis, a social system – a community, an organization, a policy sector, a country, or an entire region – experiences an urgent threat to its basic structures or fundamental values, which harbors many “unknowns” and appears to require a far-reaching response.⁶ This definition has three key components: threat, urgency, and uncertainty. Let us take a closer look at these crisis components.

Crises occur when members of a social system sense that the core values or life-sustaining features of a system have come under *threat*.⁷ Think of widely shared values such as safety and security, justice and rule of law, welfare and health, integrity and civil liberties, which are jeopardized or de-prioritized as a result of (looming) violence, public disorder, destruction, erosion, or other forms of adversity. Consider the cascading impacts when critical infrastructures supporting our way of life – such as electricity, gas, water, or communication systems – break down

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and disrupt lifelines and daily routines for a prolonged time period. The more important the value(s) or structures under threat, the deeper the sense of crisis.

In many crises, it is obvious what is at stake. For instance, when a wildfire threatens the lives and livelihoods of people, many will share the same deeply felt sense of crisis. But it is not always this clear cut. A threat is not always measurable in terms of widespread physical or material damage. For example, acts of terrorism typically hit comparatively few, but instill fear and outrage among many. The death toll may be insignificant in comparison with the insidious threats of daily life (e.g., traffic deaths, air pollution, deadly diseases), but it is the very act of terrorism, the timing, location, and target, that creates a widely shared sense of threat. Many terror attacks are specifically designed to make people worry not only about what has happened to others (somewhere else) but what *might* happen to them.⁸

We only speak of crisis when a salient threat generates a sense of *urgency*. It is important to understand that urgency, like threat, is often a socially constructed rather than an inherent property of a situation. Some serious threats do not pose immediate problems: think of climate change or future pension deficits. A crisis denotes a situation when people experience threats as “clear and present dangers” that must be addressed now rather than later. The perception that time is at a premium is therefore a defining element of crisis: the threat is here, it is real, and it must be dealt with as soon as possible.

Urgency can be experienced quite differently depending on one’s proximity to the crisis. Personally threatened individuals will have a more pressing sense of urgency than distant observers. Similar differences can be found within a response network. Urgency is more self-evident and non-negotiable, for instance, at the tactical and operational level of disaster management, riot policing, or counterterrorism: incident commanders sometimes have to make life-or-death decisions within minutes or seconds.⁹ Leaders at the strategic level of a disaster response rarely experience the same sense of extreme urgency. They rarely have to make split-second decisions. Their attention is mostly focused on issues that play out over hours, days, or weeks. At both levels, however, urgency is experienced as a compression of time. What normally may be done in months or weeks should now be done in days, hours, or minutes.¹⁰

Authorities may choose to play up or play down the need for a quick decision. In crisis negotiations, for instance, adversaries use urgency as a strategy: they impose ultimatums or deny the time sensitivity of a problem. Authorities can and do treat time and urgency as a lever to increase or release pressure on their colleagues and adversaries. But adversaries

do the same, as they try to coax government into action or seek to delegitimize governmental intentions.

We only speak of a crisis when in addition to perceptions of threat and urgency, there is also a high degree of *uncertainty*. This uncertainty pertains both to the nature and the potential consequences of the threat: what is happening, how did it happen, what's next, how bad will it be? Uncertainty affects the search for solutions: what can we do, what happens if we select this option? Uncertainty typically applies to other factors in the crisis process as well, such as people's initial and emergent responses to the crisis.

Threat, urgency, and uncertainty are not necessarily objective, situational parameters of unsettling events; they also are semantic and strategic levers that actors can pull to influence how we think about such events. Perceptions of the same crisis events will differ among different actors in the system, sometimes even among members of the same crisis response team. Their specific roles, responsibilities, values, interests, expertise, and experiences will lead different actors to articulate and communicate their distinct views. This gives rise to the "politics of crisis management" that forms the heart of this book: in a crisis, leaders and other stakeholders will seek to impose upon their key audiences competing views about the nature and depth of the problems facing the system.

Crisis Typologies

Crises come in many shapes and sizes: man-made and natural, local and international, economic and cultural. Consequently, scholars have devoted considerable effort to developing typologies, and using these to outline approaches to managing different types of crises.¹¹ None has become dominant; they all serve different purposes. The three key elements of crisis identified above – threat, urgency, uncertainty – help us to understand how crises can differ and how these differences shape distinct challenges for crisis leaders.

When we focus on the threat, we can make a distinction with regard to the *locus* of crisis, in other words, what it hits. Some crises threaten the health and safety of people and their possessions as well as the community's critical infrastructures, its economic viability, and the norms and values that hold it together. These situations are usually referred to in terms of emergencies or disasters (depending on the outcome).¹² But sometimes crises pertain to the ways a community or organization is run. The performance of organizations, or the competence and integrity of key officeholders, threatens the legitimacy of an organization

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or public institution. We then speak of an institutional crisis.¹³ As we will see, the challenges that leaders face are shaped by the nature of the crisis at hand.

We can also make a distinction about *where* the crisis hits. Crises that threaten multiple geographical or policy domains – we call them trans-boundary crises – are much harder to manage than crises that respect the man-made borders that are used to organize administrative and political response capacities. These are usually “cascading” crises: a crisis in one societal subsystem (e.g., geophysical, socio-technical, political, economic, information, or service supply) causes disruptions in others.¹⁴

Second, we can make a distinction based on the perceived *urgency* of the threat. The more people agree that a problem needs to be resolved quickly, the higher the crisis level. So-called creeping crises provide leaders with plenty of time to develop solutions, but the lack of urgency typically makes it harder to create the winning coalitions that are needed to push through required policy changes. When there is little time to act, on the other hand, leaders may have more authority to unilaterally impose changes.

Third, we can distinguish crises based on the level of *uncertainty*. U.S. Secretary of Defense Donald Rumsfeld famously suggested that there are “known unknowns” and “unknown unknowns.”¹⁵ When it is understood what can and should be done to counter an urgent threat, the crisis falls within the category of known unknowns. For instance, many local governments are well prepared to deal with threats that periodically recur and are relatively well understood, such as moderate hurricanes, floods, or demonstrations. Contingency plans and well-rehearsed escalation scenarios provide them with standard operating procedures well suited to situations that arise with some sort of regularity. These dangerous events can usually be dealt with through planning, training, exercising, and sufficient allocation of resources.

The hardest crises are marked by unknown unknowns. They surprise in various ways; they are fundamentally ambiguous, even messy. So much happens in such a short time, so many problems appear simultaneously or in rapid succession, so many people do not know what to think and whom or what to trust, that a generalized sense of uncertainty emerges. These are unique events that defy conventional approaches to planning.¹⁶ It is very difficult to plan in detail for unexpected and unknown events.

These dimensions suggest that crises can prompt different leadership challenges in different phases of the crisis trajectories. Some crises may require the rapid application of plans and professional skills; the leadership challenge is to have good plans and professional responders in

place. In this book, we refer to these events in terms of emergencies. The leadership challenge presented by slow-onset, creeping crises is quite different: to detect early what is often hard to spot, grasp its long-term implications, and mobilize momentum for tackling the emerging threat before it passes some critical threshold and becomes a crisis. An institutional crisis brings yet different challenges: leaders will have to shape stakeholder perceptions that underpin the legitimacy (and thus the functioning) of public organizations. A hitherto unknown transboundary threat that unfolds in real time – the ultimate “black swan” – may well bring seemingly impossible challenges for crisis leaders. In this book, we seek to relate how these differences affect and inform the challenges that crisis leaders face.

1.3 The Origins of Crises

If a particular type of crisis were to occur repeatedly, governments could design coping strategies, write plans, and train responders. If governments could understand the causal trajectories of these events, they could even work to prevent them altogether. In fact, governments have prevented many crises over time and are prepared to deal with crises that regularly emerge. Yet, new types of crises continue to emerge, time and again. Why is that?

Theory and research about the causes of crisis have evolved over the years. Linear thinking (“big events must have big causes”) has given way to a more subtle perspective that emphasizes the unintended consequences of increased complexity.¹⁷ Crises are now understood as the result of multiple causes, which interact over time to produce threats with devastating potential. In the process leading up to a crisis, seemingly innocent factors can combine and transform into dramatically disruptive forces that threaten the system. These factors are sometimes referred to as pathogens, as they are typically present long before the crisis becomes manifest.¹⁸ Students of natural disaster have noted, for instance, that modern society increases its vulnerability to disaster by building in places where history and technical expertise warn not to build.¹⁹ These are “disasters waiting to happen.”

An oft-debated question is whether modern systems have become less or more vulnerable to these critical breakdowns. Contemporary systems typically experience fewer breakdowns, one might argue, as they have become much better equipped to deal with routine failures. Several “modern” features of society – hospitals, computers and telephones, fire trucks and universities, safety regulation, and training – have made some types of crisis that once were rather ubiquitous relatively rare

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(these crises are pushed back into the emergency box). Others argue that modern society is becoming increasingly vulnerable to breakdowns: when a threat does materialize (say an electrical power outage or a train derailment), the consequences in modern, technology-dependent mass societies can be much bigger than they used to be (lower frequency but higher impact).

The notion that crises are an unwanted by-product of modernity has been popularized by Charles Perrow's theory of disasters in technological systems.²⁰ This theory recognizes two factors that lie at the heart of both modernization and system vulnerability: complexity and coupling. As socio-technical systems become more complex and increasingly connected (tightly coupled) to other (sub)systems, their vulnerability to disturbances increases exponentially.²¹ The more complex a system becomes, the harder it is for anyone to understand it in its entirety. Tight coupling between a system's component parts and those of other systems allows for the rapid proliferation of interactions (and errors) throughout the system. In these complex, tightly coupled systems, we should thus expect periodic failures that have the potential to escalate out of control. Perrow argued that crises and disasters should be viewed as "normal" outcomes of our continuing efforts to make systems increasingly complex and tightly coupled.²² In this perspective, the very qualities of complex systems that drive modernity also precipitate or exacerbate most, if not all, technological crises.

Perrow's theory finds support in the many empirical analyses of the financial crises that started in 2007. The world of global finance saw remarkable changes in the years leading up to the crisis that enhanced its systemic complexity and created lengthy chains of factors causing its eventual near-collapse.²³ Financial institutions had created a variety of instruments that even the experts did not fully understand. These institutions had become global behemoths, with ties to many industrial, public, and societal sectors. Capital flows occurred in highly complex and tightly coupled systems: billions could be moved in seconds, to and from places few fully grasped. When the sophisticated financial instruments began to malfunction, the global system quickly became unhinged. Unsuspected and unstoppable contagions wreaked havoc everywhere.²⁴

The subsequent Euro crisis showed how collaborative arrangements designed to deal with glitches in such systems may actually further increase complexity and tighten interdependencies. As a result, structural vulnerabilities in relatively weak economies can suddenly "explode" and drag down the entire system. This creates a massive set of challenges for the crisis managers of such systems. The Eurozone crisis has exposed just how hard these challenges can be.