# Linking Crisis Management and Leadership Competencies: The Role of Human Resource Development

Lynn Perry Wooten
Erika Hayes James

**The problem and the solution.** Most executives are aware of the negative consequences associated with an organizational crisis and focus on communications and public relations as a reactive strategy. However, many neglect the other leadership responsibilities associated with organizational crises. This may result from lack of formal training and on-the-job experiences that prepare executives to lead crises. Executive who enable their organizations to recover from a crisis exhibit a complex set of competencies in each of the five phases of a crisis—signal detection, preparation and prevention, damage control and containment, business recovery, and reflection and learning. In this article, through the use of qualitative research design and the analysis of firms in crises, we examine leadership competencies during each phase of a crisis. In addition, this article links the important role of human resource development to building organizational capabilities through crisis management activities.

***Keywords:*** *crisis management; leadership competencies; crisis leadership*

Newspaper articles, radio, and television almost daily feature some company in crisis. These organizational crises include events such as natural disasters, product recalls, corporate fraud, widespread sexual harassment, or employee discrimination against employees. In most cases, the leadership team is not prepared to manage the crisis, and mishandling an organizational crisis can have negative, long-term consequences for a firm's profitability, reputation, market position, and human resource management systems (Garcia, 2006). Knight and Pretty (1997) found in their research, for example, that companies

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that mishandled crises had a 10% decrease in stock price after the first week of the crisis and a 15% decrease below precrisis prices after the first year following the crisis. On the other hand, firms that effectively managed the crisis had only a 5% stock price decrease after a crisis, and during the subsequent year there was quick stock recovery.

Although most executives are aware of the negative consequences associated with an organizational crisis, their formal training and on-the-job learning experiences do not prepare them for crisis management. Behaviors such as sense making, managing the change process, taking risks, and fostering organizational agility during a crisis may take a back seat to managing the ostensibly more pressing matters associated with communication and public relations (James & Wooten, 2005; Shaw & Harrald, 2004).Yet, crisis leadership does require leaders to adopt a complex set of competencies (including but not limited to communicating effectively) to truly lead an organization through the various crisis phases and into a successful recovery (Bolman & Deal, 1997; Burnett, 2002). Furthermore, when these competencies are enacted, the likelihood that the firm will be resilient following the crisis is greatly enhanced. In summary, crisis leadership demands an integration of skills, abilities, and traits that allow a leader to plan for, respond to, and learn from crisis events while under public scrutiny. In its most ambitious form, crisis leadership is also about handling a crisis in such a way that the firm is better off after a crisis than it was before (Brockner & James, 2008; Wooten & James, 2004).

There has been little research to systematically identify crisis leadership competencies that are necessary in crisis management. Previous research has focused largely on framing crisis management activities. According to some authors (Mitroff & Pearson, 1993; Seeger, Sellnow, & Ulmer, 2003), a key aspect of the framing process is to gain better clarity or understanding about the situation, particularly the need to understand the 4Cs of crisis management: (a) cause, (b) consequences, (c) cautionary measures for prevention, and (d) coping mechanisms for responding (Pearson & Clair, 1998; Shivastava, 1993). Noticeably absent from this list are a set of leadership competencies that can help organizations effectively and efficiently resolve the crisis and achieve a resiliency in its strategy, human capital, and other resources. We believe that this gap is due in part to crisis research being housed in the communication domain (Preble, 1997; Seeger et al., 2003). As a result, the theoretical development of the crisis management field is centered largely on the development of communication strategies and frameworks (e.g., Coombs, 2004; Coombs & Holladay, 1996, 2002). Although the strategy literature discusses crisis management in the form of strategic issues (e.g., Dutton, Fahey, & Narayanan, 1983; Dutton & Jackson, 1987), not all strategic issues are crises. Therefore, the emergence of crisis management as a strategic topic has not strongly taken hold as it might have otherwise. In this article, we argue that viewing crisis management only from a communication lens undermines other important leadership responsibilities. In the subsequent sections we identify what those leadership responsibilities are and highlight a specific set of competencies that can be enacted to fulfill them.

Given that competency development is central to the work of human resource professionals, we recognized an opportunity to explore the role of human resource development (HRD) activities in cultivating crisis leadership competencies. In a volatile environment such as a crisis situation, HRD activities can contribute to the success of its organization by harnessing and developing employees (McCracken & Wallace, 2000). This is accomplished through a strategic partnership, where the HRD activities are proactively aligned with the goals of the organization's overall strategy in general, and crisis management plan in particular (Garavan, 1991; Wooten, 2005). These HRD alignment activities can include environmental scanning for opportunities and threats, developing crisis management policies and procedures, working with line management on operational issues, and fostering a learning culture (Ruona, Lynham, & Chermack, 2003). Each activity has a parallel focus in the various phases of a crisis life cycle.

In this article, we build on crisis management research by focusing on the leadership competencies associated with crisis management. The purpose is to use a grounded theory methodology to develop a leadership competencies framework for crisis management. Through our collection and analysis of qualitative data, we identify leadership competencies at each phase of the crisis management cycle. Moreover, we use the analysis of our data as an opportunity to identify leadership competencies that focus on the development of human capital as a strategy for preventing and resolving organizational crises.

## Linking Leadership Competencies and Crisis Management

Leadership can be conceptualized as a collective phenomenon where different individuals contribute to the organization (Pettigrew & Whipp, 1991; Spreitzer & Quinn, 2001). Leadership competencies, in turn, refer to the knowledge, skills, or abilities that facilitate one's ability to perform a task (Boyatzis, 1982; Ulrich, Zenger, & Smallwood, 1999). Researchers noted that leadership is viewed as a dynamic process in which roles evolve over time, and leadership's influence can extend beyond the focal organization's boundaries (Denis, Lamothe, & Langley, 2001). In a crisis situation, leadership is collective and dynamic, and it requires perception and sense-making skills by leaders in order for them to determine appropriate courses of action (Walsh, 1995; Weick, 1988). Therefore, we might expect crisis leadership competencies to include activities such as decision making, communication, creating organizational capabilities, sustaining an effective organizational culture, managing multiple constituencies, and developing human capital (Bolman & Deal, 1997; Schein, 1992). This poses a question: Do leaders actually enact these important competencies in a crisis situation? Research contends that leaders and their organizational members develop learning that codes inferences from past experiences into routines that guide behavior (Levitt & March, 1988). As crises by their nature are rare and unusual occurrences, the opportunities for leaders to draw on experiences to develop crisis leadership skills are limited.

## Leadership, Development, and Crisis Management

Organizational crises are described as low-probability and high-consequence events and are generally characterized by ambiguity (Pearson & Clair, 1998). The effective management of an organizational crisis is dependent on leadership behavior that encourages members to actively engage in knowledge acquisition and the formulation of strategies to resolve the crisis (Dutton & Jackson, 1987; Wooten & James, 2004). As business environments change and grow increasingly complex, it is particularly important that leaders develop a set of skills that will help them prevent and effectively respond to crisis and other strategic issues (Garcia, 2006; Mitroff, 2005).

Learning and development is at the root of what we consider to be crisis leadership. Crisis leadership competencies are particularly relevant in managing the operational, strategic, and human resource functions and outcomes when crises occur (Denis et al., 2001; Wang & Belardo, 2005). Thus, we argue that leaders must take direct responsibility for orchestrating a work environment that infuses a competency-based approach to crisis management (Bass, 1985; Wooten & James, 2004). This involves the identification of the critical tasks and activities needed during a crisis situation, the competencies (knowledge, skills, or abilities) required to successfully complete these activities, and an understanding of the context for executing the crisis management strategy (Yusko & Goldstein, 1997). In doing so, leaders create a culture where organizational members are encouraged and rewarded for thinking systematically (Senge, 1990). Creating such a culture requires a multifaceted analysis that considers both leadership competencies demonstrated during the different crisis phases and the crisis context. As a competency-focused approach to analyzing crisis management extends beyond outcomes and focuses on actual behavior during each phase of a crisis, it can result in useful information for training programs, the selection of business simulations, and managerial coaching sessions (Wang & Belardo, 2005; Yusko & Goldstein, 1997).

## Leadership and Crisis Management Phases

Examining leadership competencies exhibited during each phase of the crisis management process gives a structure for framing the process by filtering knowledge and by providing a roadmap for decision making (Bolman & Deal, 1997; Wooten, 2005). In general, crisis management researchers have identified five phases that represent a typical business crisis: (a) signal detection, (b) preparation and prevention, (c) damage containment, (d) recovery, and (e) learning (Coombs, 1999; Mitroff & Pearson, 1993; Pheng, Ho, & Ann, 1999).

The first phase, signal detection, requires leaders to sense early warning signals that announce the possibility of a crisis. In the second phase, prevention and preparation, leaders are expected to avert crises and prepare, should the crisis occurs. The third phase entails containing damage by keeping the crisis from expanding to other parts of an organization or its environment. During the recovery phase, leaders are responsible for implementing short- and long-term plans designed to help resume business operations. Finally, in the fifth phase of crisis management, leadership encourages learning and examines the critical lessons from the crisis.

## The Context of Crisis Leadership

Similar to crisis phases, contextualizing crisis types provides a framework that helps leadership address the uncertainty and confusion regarding the cause of a crisis and the stakeholders involved (Seeger et al., 2003). Therefore, understanding the context helps to define the crisis and can consequently guide the actions of leaders. Marcus and Goodman (1991) identified three categories of organizational crisis: (a) accidents, (b) scandals, and (c) product safety and health incidents. Accidents occur unexpectedly and are discrete one-time events. Furthermore, accidents usually have identifiable victims, enabling leaders to focus their crisis containment strategy on meeting the needs of that group. Relative to other types of crises, organizations can more easily deny responsibility for an accident. Scandals, however, are disgraceful or unsubstantiated events or communications that compromise the organization's reputation. Crises stemming from a scandal are difficult for an organization to deny because the events are usually the result of faults or misdeeds. In contrast to accidents, the victims of scandals are often more difficult to identify, thus making damage control a more challenging task. Finally, unlike accidents, a unique or one-time product safety or health event does not create mass suffering. Rather, it is the recurrence of the issue over an extended time that damages a firm's reputation, brand, and possible financial security.

We add a fourth crisis type to Marcus and Goodman's (1991) categorical descriptions: employee-centered crises. As described by James and Wooten (2006), employee-centered crises usually develop over time and result from faulty or poorly administered human resource management practices that result in perceptions of inequity or unfair treatment. Coombs's research (2004) described a related form of crisis as a preventable negative event that is incurred by organizational members and puts stakeholders at risk or violates the law. Likewise, Pearson and Clair (1998) listed employee-centered crises as ones that result from a collapse of sociopolitical systems or a violation of formal management procedures, policies, and practices. Examples of employee-centered crises include discrimination lawsuits and employee strikes (James & Wooten, 2005; Mitroff & Anagnos, 2001).

In the subsequent section, we describe our research methodology for identifying and analyzing the specific leadership competencies. Next, we delineate the core leadership competencies that emerged during each crisis phase. It is important to note that not all competencies were demonstrated in a positive or beneficial fashion. Rather, there were many cases in which leadership behavior was the antithesis of what might be considered a display of competence in crisis management. The negative examples, however, were just as important as the positive ones for delineating relevant leadership competencies throughout the crisis management life cycle. We conclude our article with a brief discussion of the importance of bridging HRD scholarship and activities with crisis management to better utilize the HRD function in developing organizational capability.

## Method

To explore leadership competencies related to crisis management, we identified a sample from the Institute for Crisis Management database by examining 7 years (2000-2006) of business crisis data. Each year, this institute identifies and categorizes major business crises compiled electronically from a database of more than 1,500 international business publications, including syndicated newspapers, business and financial wire services, national and regional business newspapers and magazines, and industry trade publications and newsletters. The news stories are screened by a proprietary crisis search logic program, and articles that qualify as crisis news are downloaded to a database. For the time period of our study, there were 59 cases. From the database, we identified a sample of 20 business crises for an in-depth qualitative analysis. The 20 cases selected were a purposive sample that represented different crisis types in the 7-year time period. It was our goal that a stratified sample based on crisis type would help to organize cases and facilitate comparisons by setting boundaries to examine leadership competencies (Kuzel, 1992; Miles & Huberman, 1994; Patton, 1990).

As summarized in Table 1, the sample includes 20 different companies who experienced an accident, scandal, product safety/health incident, or employee-centered crisis between 2000 and 2006.

Examples of the cases in the data set include the Alaska Airlines crash of 2000, the Tyco financial fraud of 2002, and the Morgan Stanley Dean Witter gender discrimination lawsuit filed in 2001. For two incidents in our sample, the firms were often paired together in the press because of the nature of the crisis—Martha Stewart and ImClone (insider trading) and Ford and Firestone (tire explosions on Ford Explorer sports utility vehicles). In addition, because of its size, Wal-Mart is in our sample twice—for its handling of Hurricane Katrina and a gender discrimination lawsuit.

**TABLE 1: Sample of Firms in Crisis from 2000 to 2006**

| Company | Initial Year | Specific Crisis |
|---|---|---|
| Accidents | | |
| Alaska Airlines | 2000 | In January 2000, Alaska Airlines Flight 261 flying from Puerto Vallarta to San Francisco crashed into water, approximately 20 miles north of Point Mugu, California coast. Eighty-three passengers and five crew members perished |
| American Airlines/ United Airlines | 2001 | On September 11, 2001, terrorists took control of four flights. American Airlines Flight 11 was crashed into the North Tower of the World Trade Center, American Airlines Flight 77 was flown into the Pentagon, United Airlines Flight 175 hit the South Tower of the World Trade Center, and the passengers of United Airlines Flight 93 gained control and crashed the flight in a field in Penn. This crisis not only changed the view of America throughout the world, but also heavily affected air travel for years in the United States |
| Detroit Edison (DTE Energy) | 2003 | Cities on the East Coast and the Midwest experienced blackouts ranging from several hours to 3 days during August 2003 |
| Wal-Mart | 2005 | During Hurricane Katrina of 2005, Wal-Mart stores in the hurricane area received a full stock of water, batteries, flashlights, and canned foods before the storm hit. In addition, Wal-Mart provided the first response in the form of donated goods and services while the government response was delayed |
| Scandals | | |
| ImClone Systems | 2002 | Imclone's CEO was found guilty of insider trading of Imclone stock and for providing information to Martha Stewart that resulted in a prison term for her |
| Martha Stewart | 2002 | In 2002, Martha Stewart and close friend Sam Waksal were arrested for their involvement in trading Imclone stock based on insider information. This resulted in her stepping down from President of Martha Stewart Living Omnimedia. |
| Tyco | 2002 | In 2002, the CEO and CFO of Tyco were found guilty of stealing more than US$170 million of unauthorized compensation |

*(continued)*

**TABLE 1: (continued)**

| Company | Initial Year | Specific Crisis |
|---|---|---|
| Worldcom | 2002 | Senior management altered the earnings report for 2001 by more than US$3 billion to appear that Worldcom was meeting Wall Street's expectations. As a result, Worldcom filed for chapter 11 bankruptcy. The CEO and chairman stepped down, and executives were sent to prison |
| Fannie Mae | 2004 | In 2004, after Freddie Mac admitted to manipulating earnings, an audit of Fannie Mae's financial statements revealed that Fannie also had committed fraud by altering the earnings to look less volatile |
| Product Safety and Health Incidents | | |
| Firestone/Ford | 2000 | Firestone recalled a type of tire popular on Ford sports utility vehicles in 2000 because of tire explosions. Both Ford and Firestone were heavily criticized for the length of time it took to make the recall and for the way in which they handled the situation |
| Chi Chi's | 2003 | Chi Chi's restaurant closes its doors after a breakout of Hepatitis A that occurred in several of its locations because of green onions |
| Merck | 2004 | In 2004, Merck announced total recall of Vioxx, a prescription drug used as a pain killer, because of an increased risk of heart attacks and strokes. The recall was highly debated as evidence of delaying the recall was brought forward |
| Employee-Centered Crises | | |
| Boeing | 2000 | During 2000, 17,000 Boeing engineers walked the picket lines for 40 days with the union winning almost everything by the end of the strike. Boeing's productivity and balance sheet suffered |
| Coca-Cola | 2000 | As Coke faced a class-action racial discrimination lawsuit in 2000, a major error was made by top management when they demoted the highest ranking diverse employee. Several additional discrimination lawsuits followed costing the company hundreds of millions of dollars |

*(continued)*

**TABLE 1: (continued)**

| Company | Initial Year | Specific Crisis |
|---|---|---|
| Comair | 2001 | Delta's Comair pilots went on strike for 89 days during the spring of 2001 resulting in a decline in the number of planes operating and flights offered. In addition, pilot layoffs occurred. It was estimated that Comair's cost per day during the strike ranged from US$2.5 million to US$4 million |
| Morgan Stanley Dean Witter | 2001 | Sex discrimination at Morgan Stanley was publicized when it fired an executive who consequently sued the firms for its discriminatory practices |
| Abercrombie & Fitch | 2004 | A class-action discrimination lawsuit was filed for retailer Abercrombie & Fitch in 2004. The retailer was found guilty of using race as a factor when hiring floor workers in the stores and in their advertising campaigns |
| Wal-Mart | 2003 | In 2003, Wal-Mart was sued for a pattern of sex discrimination behavior across its stores and for the use of race as a factor when promoting and hiring workers |

## Data Collection

After the identification of the business crises sample, the coauthors and two research assistants collected archival data about the management of each crisis. In the first phase of data collection, the primary sources of the archival data included news articles from the business press, such as *The Wall Street Journal, Fortune,* and *Business Week*, and from national newspapers, such as *The New York Times* and *The Washington Post*. During the second phase of our data collection, the research team triangulated the initial data by collecting additional articles on each crisis from local and regional newspapers, Web sites, transcripts from radio and television shows, case studies, industry trade journals, and annual reports (Denzin, 1970).

Our data collection efforts yielded more than 550 pages of documents. On average, there were at least 10 documents for each business crisis. The archival data collected represents public accounts of the crisis provided by organizational sources and industry experts. In general, these accounts were given in written or oral form as a response to the media or as a communication vehicle to organizational stakeholders. We acknowledge that crisis accounts released to the public have inherent biases because of content norms and the various influences on what gets reported. Despite these biases, these accounts represent formal documentation of how an organization defines a crisis and a public portrayal of actions for resolving a crisis (Forster, 1994). In addition, it should be noted that the accuracy of media-based, public accounts is important to organizations as this generally represents the primary source of communication from a company to its external stakeholders (Altheide, 1996).

## Data Analysis

The research team analyzed the data using ethnographic content analysis. Ethnographic content analysis is a qualitative method using a grounded theory research design that is designed to analyze secondary data (Altheide, 1987). Therefore, qualitative researchers use ethnographic content analysis to document and understand the communication and meaning of behavior, as well as to verify theoretical relationships. Similar to other grounded theory approaches, ethnographic content analysis entails constant comparison between data and theory.

This included the reading and coding of news articles by the research team. We began our coding process by creating cross-case display matrices for each crisis type (accidents, scandals, product defects/safety, and employee centered). Displaying the data in cross-case matrices enabled the research team to generalize patterns across cases and deepen the understanding of the phenomena under study (Miles & Huberman, 1994). In our cross-case display matrices, the rows represented companies and each column was a crisis phase (signaling, prevention, damage containment, recovery, and learning/reflection). Using the matrices, we systematically recorded leadership competencies as they emerged from the ethnographic content analysis by looking explicitly for displays of knowledge, skills, or abilities by leaders managing the crisis. In essence, the matrix technique allowed us to assess the leadership competencies that evolved through each phase by reconstructing a narrative of each crisis and crisis type (Langley, 1999). A summary of the cross-case display matrices is presented in Table 2.

Each article was coded by the authors and a research assistant. As described by Miles and Huberman (1994), we used a double-coding process. With double coding, each researcher codes the same data and then the coding is discussed until the researchers come to an "unequivocal and common vision" (p. 63) of what the codes signify, thereby obtaining the best classification for each block of data. Also, during this process, codes are expanded and amended. As a research team, we worked jointly to merge competency categories and to identify the relationships between competencies and crisis management phase and context. This was an iterative process that involved the constant comparison of theory to emerging competencies. This technique also allowed

**TABLE 2: Cross-Case Display Matrices: Crisis Leadership Competencies**

| Crisis Type/Company | | Signal Detection | Preparation and Prevention | Damage Control and Containment | Business Recovery | Reflection and Learning |
|---|---|---|---|---|---|---|
| Accidents | Alaska Airlines | | x | x | x | x |
| | United Airlines | | | x | x | |
| | American Airlines | | | x | x | x |
| | Detroit Edison (DTE Energy) | | x | x | | x |
| | Wal-Mart | x | x | x | x | x |
| Employee-Centered Crises | Abercrombie & Fitch | | | x | x | x |
| | Boeing | | | x | x | x |
| | Coca-Cola | x | | x | x | x |
| | Comair | | | | x | |
| | Morgan Stanley | | | x | x | |
| | Dean Witter | | | x | | |
| | Wal-Mart | | | x | | x |
| Product Safety and Health Incidents | Chi Chi's | | | | | |
| | Firestone | | | | | |
| | Ford | | x | x | x | x |
| | Merck | | x | x | x | |
| Scandals | Fannie Mae | | | x | x | |
| | ImClone Systems | | | x | x | x |
| | Martha Stewart | | | x | x | x |
| | Tyco | | | | x | x |
| | Worldcom | | | x | x | x |

us to identify certain competencies that were missing in various phases, such as if the company engaged in crisis prevention activities or organizational learning after the crisis.

## Results and Discussion

### Competencies Observed in Each Crisis Phase

Our data suggest that there are several key leadership competencies that emerge across the crisis life cycle (see Figure 1). In some cases, the crises examined offered effective or desirable behavioral examples of crisis leadership competencies. In other cases, the leadership observed represented poor or undesirable knowledge, skills, or abilities. The data also suggest that although firms may handle one crisis phase relatively poorly, they may be the model of effective crisis handling in another phase. Below, we highlight the findings of the core crisis leadership competencies across the five crisis phases. These competences are grounded in our review of both the crisis management literature and research that examines leadership competencies (e.g., Carrel, 2000; Preble, 1997; Robert & Lajtha, 2002; Wang & Belardo, 2005). In the phases of signal detection and crisis prevention, the competencies focus on how organizations can eliminate vulnerabilities to a crisis and minimize their weaknesses based on warnings. For the damage control phase, we identify operation-oriented competencies that help to contain a crisis. Last, for the business recovery and reflection/learning phases, the crisis leadership competencies focus on rebuilding the organization and knowledge creation.

### Signal Detection

*Sense making*. "Sense making involves turning circumstances into a situation that is comprehended explicitly in words and that serves as a springboard into action" (Weick, Sutcliffe, & Obstfeld, 2005, p. 409). According to Weick et al. (2005), the process of sense making addresses three fundamental questions: How does something come to be an event? What does the event mean? What should I do relative to the event? The ability to be attuned to each of these questions and organize the answers in a way that leads to credible action during the signal detection phase is a defining competency during this precrisis stage. Beyond these questions, though, the ability to manage a crisis involves not only sense making for individual discrete events, but the ability to make sense of a series of events that, superficially, may seem unrelated.

In the Coca-Cola discrimination lawsuit, there were several warning signals to which leadership should have been attuned prior to the lawsuit. For example, the firm's leaders had been told explicitly that there was a need for greater diversity throughout the organization. There was also a report by an external consulting firm that provided data on a glass ceiling—the invisible barrier preventing minorities from advancing beyond certain levels within the organization (Deogun, 1999). In the case of the Ford crisis where defective tires were used on their Explorer vehicles, there were also numerous signs of product failure that went ignored or undetected by Ford's leadership (Simison,

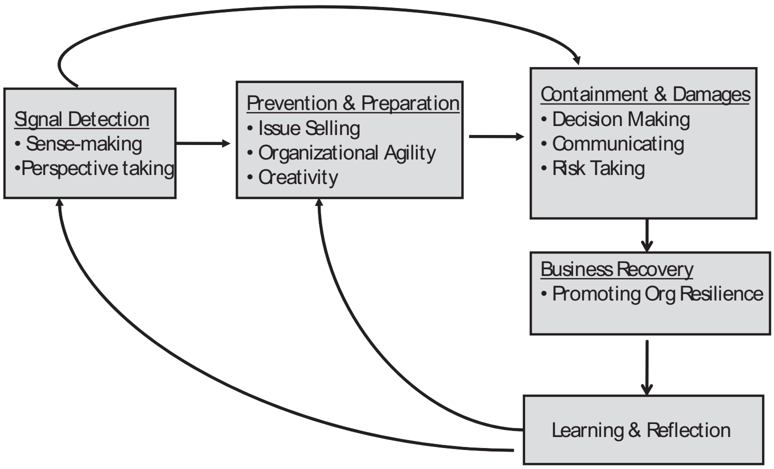


**FIGURE 1: Phases of Leadership Competencies in Times of Crisis**

Lundegaard, Shirouzu, & Heller, 2000). Some of these warning signals included a memo about supplier quality problems, reports of accidents and complaints about the vehicles in overseas markets, and reports from their own risk management department. In both the Coca-Cola and Ford crises, leaders failed in their sense making by not adequately attuning to or taking action on key events that presented themselves prior to the crisis.

*Perspective taking*. The ability to entertain or assume the perspective of another has been identified as a key element to social functioning (Galinsky & Moskowitz, 2000). Not only is perspective taking believed to inspire altruism, but it is also linked with arousing an empathic response toward another individual (Batson, 1998). During a crisis, one of the core responsibilities of a leader is that of ensuring the well-being of those affected by the crisis. We believe that taking such a perspective will allow leaders to better understand and empathize with others, and, in turn, act in the best interest of stakeholders. As Brockner and James (2008) noted, however, in times of crisis leaders may be inclined to take the perspective of and respond to the needs or demands of those who are most vocal in a crisis (e.g., activists or shareholders). This group may or may not be the most in need of empathy and constructive action in the midst of the crisis. We argue that misplaced attention that results from taking a narrow perspective can extend the crisis or, worse, expose the organization to additional liability.

The Firestone product recall crisis represents poor perspective taking. Had firm leaders put themselves in the place of the victims or victims' families they likely would have had a more empathic response earlier in their crisis management activities. As it stood, however, during the signal detection phase of the crisis, Firestone's leadership focused on the data (rather than the people) and interpreted the data as being of acceptable risk (Heller & White, 2000). In this case, the target of interest was the shareholder rather than the consumer, and in the absence of assuming a broader perspective, and one that would include the end user, Firestone was heavily criticized in the media for its slow and unemotional response.

Likewise, when 17,000 Boeing engineers threatened to strike, management focused on the efficiency demands of competitive pressures instead of the needs of its core engineering personnel (Online News Hour, 2000). During the strike, when the CEO was asked about the engineers' demand for respect and the return of a family-like culture that existed prior to the acquisition of McDonell Douglas, he emphasized performance instead:

> We are not a family; we are a team. And we're looking for the best performers on that team. We're looking for the best performance from that team. And that's not an easy transition, but it is very important to me. (Online News Hour, 2000)

This lack of perspective taking contributed to the largest white collar strike in American history. With 75% of its engineers on strike, delivery of aircraft was postponed, and new product development was delayed.

## Prevention/Preparation

*Issue selling*. Issue selling is the label used to characterize a set of behaviors used by middle managers to direct top management's attention to and understanding of important issues that otherwise would not be on their radar screen (Dutton & Ashford, 1993). Central to issue selling is the ability to be persuasive and influential to set or change the strategic direction of a firm. Issue-selling behaviors are especially important in highly competitive or high-velocity environments (Dutton, Ashford, O'Neill, Hayes, & Wierba, 1997). Despite not being limited to the role of middle managers, our data suggest that the processes and objectives of issue selling are relevant to managers and leaders in the crisis prevention and preparation stage. In particular, managers often find themselves needing to sell the idea of crisis planning within the organization. Given the unlikely occurrence of a crisis and the plethora of more immediate and tangible issues that a firm faces, activities associated with crisis preparation and prevention are rarely seen as a pressing concern among key decision makers. Occasionally, leaders will give pause to their firm's vulnerability to a crisis in the aftermath of another firm's crisis event, yet focused attention and action on crisis planning is usually not sustained long enough to result in comprehensive planning and preparation. For organizational leaders to pay attention to crisis preparation requires a change agent that is skillful in issue selling.

In the firms we studied, we found only a few examples of a champion for crisis planning prior to the crisis. We acknowledge, however, that this may be a limitation of our data in that generally information about a crisis event only becomes available once the crisis has occurred. A firm's preparation and prevention activities are not newsworthy, and, therefore, it is difficult to assess from public data sources the extent to which there are issue sellers attempting to persuade others in their organization to develop a crisis plan.

One exemplar of issue-selling crisis preparation was Alaska Airlines' handling of the Flight 261 crash from Puerto Vallarta to San Francisco. As a new CEO, John Kelly was able to build a case for overhauling the company's crisis management plan (Springman & Pellet, 2000). Based on his personal and professional experiences with tragedy, he convinced his staff that crisis preparation not only included operational issues, but also helped them understand the need to plan for how to manage grief and trauma associated with airplane crashes. Consequently, Alaska Airlines' crisis preparation included the creation of its Compassionate Assistance Relief Effort (CARE) program and the company's adoption of the Critical Incident Response Program (CIRP). CARE was established to provide emotional support for family members of passengers involved in an accident and to coordinate efforts with the National Transportation Safety Board. The CIRP provides stress management courses and coping strategies to reduce psychological trauma after a crisis (Tompkins, 1997).

*Organizational agility*. Crisis leaders who are competent in organizational agility have a thorough knowledge of all aspects of the business and can work across organizational functions, departments, or silos to accomplish a task. In preparing or planning for a crisis, the ability to be organizationally agile is critical because although a crisis event may initially affect one aspect of the business, ultimately the entire organization, including its reputation, may be at stake. Crisis preparation and prevention must consider the organization in its entirety. Moreover, to the extent that a crisis leader understands all aspects of the organization and is able to span organizational boundaries to get things done, the more comprehensive a crisis plan is likely to be.

Interestingly, Wal-Mart demonstrated organizational agility in its preparation and management of the Hurricane Katrina crisis. Before Katrina hit land, Wal-Mart marshaled its extensive distribution network and stocked its stores with the frequent supplies that are normally purchased during a natural disaster and was able to serve gulf coast areas better than other companies or public institutions (NewsMax.com, 2006). Its efficiency, in contrast to government agencies that did not react until days after the hurricane, was the result of a CEO who used his previous logistics experience to manage stores during Hurricane Katrina and was able to assemble a cross-functional emergency operations center designed to quickly bring together people from different groups in Wal-Mart to make decisions and set priorities for tasks (Sullivan, 2005).

*Creativity*. The concept of creativity in the workplace most often refers to the production of new or useful ideas, products, services, processes, or procedures (Amabile, 1996). In the context of crisis management, conventional wisdom might suggest that competence in creativity be most relevant for damage control and containment activities. Although we do not discount the importance of creativity in that phase, we posit that creativity is equally necessary during the crisis preparation and prevention phase. The ability to think creatively about how a firm is vulnerable to a crisis and then plan for multiple contingencies requires an ability to brainstorm and imagine in ways that go beyond the traditional thinking about corporate concerns.

In addition to brainstorming about potential types of crises a firm may be vulnerable to, the most competent crisis leaders will identify full-fledged scenarios of possible events. Those scenarios then would be used as the foundation for preparing the organization for how to respond should an actual crisis occur by allowing decision makers to experiment with possible actions and hypothetical consequences (Chermack, 2003). Also, scenario planning for a crisis helps leaders create cognitive maps that provide a reference point and increase one's ability to navigate unfamiliar terrain (Weick, 1990). Unfortunately, we found little evidence of the firms in our sample having displayed creativity during the preparation and planning stage. In fact, it was the antithesis of creativity that we observed in some firms that led us to identify creativity as an important competency.

## Containment and Damage Control

*Decision making under pressure*. Recently, Brockner and James (2008) identified the factors that influence when leaders will perceive crises not only as a threat, but also as a possible opportunity. They articulated that at the outset of a crisis, leaders are generally only able to experience it as a threat to themselves and to their organization. Within this frame, the corresponding behaviors that decision makers are likely to adopt are typically short-term actions associated with damage control. Moreover, during this stage the threatening event usually leads to an undercurrent of negative emotions such as fear and anxiety (Smith & Ellsworth, 1985). We believe that these types of negative emotions can severely and adversely affect a leader's ability to make wise decisions. Thus, the ability to make sound and rapid decisions under pressure becomes a core competency to effective crisis handling.

In addition to the emotional responses to crisis, characteristics of a crisis itself (time pressure, limited information, required action and change) are precisely what contribute to the difficulty of decision making. In situations where we have ample time to respond and abundant access to information, for example, leaders will likely engage in sound decision making. In the absence of these things, physiological, emotional, and cognitive (Smith & Ellsworth, 1985) constraints converge to interfere with decision making.

One firm that did demonstrate competence in decision making during the damage control stage of its crisis was Ford. Ford's leaders were perceived as being quick to initiate and perform its own investigation of the data related to the Firestone tire and its Ford Explorer sports utility vehicle. In addition, they opened call centers staffed by more than 700 operators to respond to customer questions and concerns; developed partnerships with Firestone, regulators, and the government; publicly pledged responsibility to customers; and worked with Firestone on the product recall. Contrast Ford's decision making and action taking to that of Firestone, which was repeatedly criticized for its slow response, opaque communication with customers, and blame the victim communication strategy.

*Communicating effectively*. Perhaps the competency most closely identified with crisis management is the ability to communicate effectively. Very often, the type of communication observed during a crisis event is one that is rooted in the public relations tradition and attempts to position the firm or the problem in relatively favorable terms. In other words, crisis communication is used to positively shape the stakeholders' perceptions of the crisis and the organization (Coombs, 1995; James & Wooten, 2006). During the damage control or containment phase of a crisis leaders will identify and connect with key organizational personnel, provide or solicit necessary information and instruction, and attempt to restore calm or provide reassurance to affected constituents. Depending on the type of crisis, leaders also may need to be persuasive, confident, or empathic in their messaging.

What elevates a leader's competency in communicating effectively during a crisis is his or her ability to connect emotionally and psychologically with an audience and influence the latter's opinion of the organization in such a way that opinions are the same or more favorable in the midst of and following a crisis than they were at precrisis times (Sturges, 1994). Moreover, effective crisis leaders will be proactive and forthcoming in their communication during a crisis and will adopt a posture of acknowledgment and accountability (James & Wooten, 2006)—actual fault notwithstanding. What often hurts a firm in crisis is a lack of transparency and communication messages that are interpreted as defensive. For example, in the Coca-Cola crisis, leaders conveyed a denial stance regarding discriminatory treatment of minority employees, despite mounting evidence to the contrary. Coca-Cola's brand and reputation suffered in the press because of its denial stance.

As a counterpoint to Coca-Cola's poor communication, Wal-Mart executives adopted a multimodal communication strategy that reached out to various audiences in the handling of its discrimination lawsuits. The company delivered a central message to each constituency, but tailored the message in a way that was meaningful to the target audience. Likewise, Ford's CEO successfully communicated through television commercials to apologize for its role in the death or injury to customers of its Ford Explorer equipped with the recalled Firestone tire. Finally, although Merck may not have handled all aspect of the Vioxx recall well, its CEO was aggressive in communicating its decision process and the rationale for its decisions on when to recall the drug. In addition, the firm was proactive in keeping hospitals, doctors, and patients informed through Web sites, print media, and television. Their communication message was consistent with the firm's core interest of putting patients first, at the same time balancing its adherence to the best scientific principles. In all these examples, leaders communicated effectively, to some extent, by subordinating their own concerns to that of their customers or other stakeholders affected by the crisis. Moreover, through apologies, emotional appeals, and expression of empathy, the leaders of these firms were able to connect with their core audience in a way that worked to the organization's advantage.

*Risk taking*. In their seminal work on strategic issues, Staw, Sandelands, and Dutton (1981) theorized about how organizations responded to threatening or crisis situations. Their model of threat rigidity suggests that organizational decision makers tend to become more conservative and restrictive in their information sharing when experiencing a threat. As a result, the authors argue that decision makers are more likely to narrow the scope of organizational activity and rely increasingly on well-learned or habitual behavior. To varying degrees, each of these responses moves the organization away from risk taking by narrowing the range of possible response options. To be clear, we do not advocate for unnecessary risk, but to the extent that risk taking is associated with creative thinking and innovation, the tendency to be risk averse may hinder the firm's ability to strategize novel ways for overcoming a crisis.

When Martha Stewart Omnimedia Inc. (MSO) was confronted with its CEO and corporate icon being prosecuted for insider trading of ImClone stock, its corporate board took a risk by moving away from an avoidance crisis management strategy to conceptualizing a business bigger than Martha Stewart (Alva, 2002). As a damage control strategy, the CEO repositioned the brands and reconfigured the organizational structure. The result was that Martha Stewart was taken off the magazine covers, and her name was deemphasized on other products. In addition, top management was reorganized into executive teams responsible for core areas of the business.

## Business Recovery

*Promoting organizational resiliency*. In responding to crises, management's focus is on business recovery. For most, recovering from a crisis has meant returning the organization to a precrisis state or, as has been described in our data, returning to "business as usual." Yet, there are leaders whose postcrisis vision for their organization is to move it beyond where it was in the past. Crises can serve as a catalyst for thinking differently about what is possible for the organization (Brockner & James, 2008). In the case of crisis leadership, we believe that the ability to see an organization through a crisis and, in the end, to help the organization to be better off following the crisis than it was before is an example of the most desirable form of business recovery. The ability to lead an organization to such an outcome can be described as resiliency. Sutcliffe and Vogus (2003) defined resilience as the maintenance of positive adjustment under challenging conditions. Resilience or resiliency is a competency in that it reflects a capacity for individuals to absorb strain and improve functioning in the face of adversity. Said differently, it is a person's ability to bounce back in a new and improved way following a difficult situation (Sutcliffe & Vogus, 2003).

After September 11, 2001, United Airlines worked diligently to bounce back from the decline in industry sales. Initially, these efforts focused on cost cutting by furloughing 20,000 employees, cutting salary of executives, and reducing flight schedules (Austin, 2002; PR Newswire, 2001). At the same time the airlines was implementing the cost-cutting strategy, it was aggressive at marketing the company and its services (PR Newswire, 2001). Days after September 11, marketing entailed print advertising that expressed condolences regarding the tragedies, but within a couple of weeks, the advertising campaigns shifted to emphasize a "Back to Business" fare sale. Also, senior management was shifted so there were roles clearly responsible for sales and revenue generation and safety operations (AFX News Limited, 2002).

*Acting with integrity*. Personal integrity and the ability to engage in ethical decision making and behavior are the foundation for organizational integrity and trust (Hyman, Skipper, & Tansey, 1990). Trust, although important to organizational well-being at all times, is particularly necessary following a crisis. When stakeholders perceive that an organization is at fault for a crisis, for example, stakeholders often experience that as a betrayal. The need to regain the trust of those stakeholders is crucial to the recovery stage, and a leader's ability to act with integrity is an important mechanism for rebuilding that trust. Simons (2002) coined and defined the term behavioral integrity as the perceived pattern of alignment between a person's words and actions. As James and Wooten (2006) observed, audiences are more forgiving of a leader when they believe that the leader's actions in response to the crisis are consistent with the initial communication about the crisis. Conversely, when words and deeds are inconsistent, leadership is presumed to lack integrity. For example, if a firm initially denies responsibility for a crisis event and subsequently enacts behaviors that suggest at least some degree of culpability (e.g., fires an employee alleged to be involved in the crisis), senior leaders are likely to be accused by audiences as lacking behavioral integrity.

Following WorldCom's financial scandal and the filing of bankruptcy, acting with integrity was a priority for the firm's leadership. The way in which the firm attempted to behave with integrity was through revamping its corporate governance. The new CEO actively participated in the process for board selection, establishing independence between the board of directors and top management, ensuring a system of checks and balances (Nevins, Bearden, &

Money, 2007). The CEO also spearheaded the creation of a code of ethics and revamped the firm's guiding principles. The goal of these actions was to restore public trust and encourage truthfulness, compliance, and transparency of its employees and corporate board. These behaviors can be interpreted as a consistent response, given the nature of the crisis faced by WorldCom.

## Learning and Reflection

*Learning orientation*. The prior crisis management phases largely address leadership responsibilities and requisite competencies at the outset and during a crisis. As we have discussed, effective crisis management skills in these prior stages can bring an organization back to at least a precrisis level. Unfortunately, there is often a tendency for leaders to stop crisis management activity at the business recovery phase. Yet some scholars (e.g., Mitroff, 1988; Wooten & James, 2004) suggested that exceptional crisis management also includes post-crisis activity in the form of learning and reflection. As Brockner & James (2008) pointed out, crises are more apt to be seen as sources of opportunity, rather than threats, when organizational decision makers adopt a learning orientation and use prior experience, or the experience of others, to develop new routines and behaviors that ultimately change the way the organization operates. Contrary to conventional wisdom, crisis can be a catalyst that produces individual and organizational learning (Sitikin, 1992). The best leaders recognize this and are purposeful and skillful in finding the learning opportunities inherent in many crisis situations. As Cron and colleagues (2005) found, individuals with a learning orientation elicit more adaptive responses to adverse conditions, and are described as being less easily discouraged by challenges and setbacks. These characteristics may influence whether leaders will engage in reflection and learning following a crisis and, if so, can potentially promote the innovative and creative problem solving with respect to the crisis management.

After the financial scandal at Tyco, leadership worked hard at learning how to instill high standards of business practices into its corporate culture (Pillmore, 2003). This reflective process began with the top management team conducting a root cause analysis of the organization's past mistakes. In addition, it assessed and adopted best practices from other companies. For example, the human resource group recognized that some of the company's ethical problems were the result of a lack of mentoring and rewards for ethical behavior. Now, Tyco has adopted General Electric's philosophy, "To get ahead, you must not only get the results; you must also live the values." To make this philosophy more explicit and embedded in the culture, Tyco's leadership drafted a list of 25 governance practices and a guide to ethical conduct that is used for employee and board training. In addition, board members are trained on the operational aspect as a control mechanism.

## Discussion and Conclusion

We began our research with a goal of advancing HRD theory and practice by identifying and linking leadership competencies to effective crisis management strategies. This article builds on earlier conceptual work by James and Wooten (2005) in which the authors articulated several crisis leadership competencies. Although there is some overlap in the competencies identified in the two articles (e.g., ability to learn from crisis), the current research differs in that it uses a qualitative methodological design to identify crisis leadership competencies that have been adopted by decision makers in the midst of a crisis. As a result, it offers a more comprehensive set of competencies than the earlier work. In addition, the current research focuses primarily on competencies that can be associated specifically with the HRD function, rather than crisis leadership competencies at large.

To review, we found that there are several skills, abilities, or traits that characterize crisis leadership and that these competencies are associated with key phases of the crisis management process. For example, the data show that within the initial signal detection stage of a crisis, leaders display competence by engaging in sense-making and perspective-taking activities that help them better understand the crisis situation at hand and appropriate actions for meeting the needs of multiple stakeholders. During the damage control and containment stage of a crisis, leaders find themselves needing to move beyond the emotional response to threat in such a way that enables them to engage in effective decision making, risk taking, and communication. In later stages of a crisis, effective crisis leaders must demonstrate resiliency and promote a resilient mind-set within their employees.

Until recently, the practice and scholarship associated with traditional human resources has been separated from the strategic functioning of the organization. In fact, the role of human resources has evolved over time. At the outset, the focus of human resources was on personnel issues and activities (e.g., record keeping, disciplinary systems, recruitment, safety programs). Over time, training and development became a more important aspect of the personnel or human resource professional. More recently, the HRD field emerged (Yorks, 2005) with a broad focus on integrating employee training, education, and development (Ulrich, 1997). Even more critical, in our opinion, is the trend toward including the activities associated with HRD into the strategic objectives of the organization (Dunn, 2006). In other words, HRD is now helping to build capabilities for organizations to act on their strategies (Ulrich & Brockbank, 2005).

In this article, our focus was on identifying a set of core competencies that are central to a firm's crisis management strategy. Although prior crisis management research has described how crises unfold across various phases, there is virtually no research that identifies the knowledge, skills, or abilities necessary to lead an organization through these phases. This research fills an obvious gap in the literature by articulating some of the critical competencies for effective crisis management, and in turn links the practice and scholarship of HRD to a critical strategic process. Hence, it contributes both to the strand of literature that emphasizes a competencies-based perspective of HRD and HRD as a strategic partner (Garavan, Heraty, & Barnicle, 1999). In the context of crisis leadership, our research supports the argument for a strong linkage between HRD activities that enhance the utilization of an organization's human capital and contribute to explicit business strategies (McCracken & Wallace, 2000). Moreover, we believe this research highlights HRD activities as a contributor to the learning organization perspective (Argyis, 1977; Senge, 1990). Future research can explore how HRD facilitates organizational learning during each phase of a crisis. This requires research that examines organizational learning as an iterative, continuous process involving the creating and importing of knowledge to prevent and recover from crises (Wang & Belardo, 2005).

In addition, our findings present several opportunities for building HRD and training programs that are summarized in Table 3. First, we can infer from the data that HRD practitioners should work with executives in the prevention and earlier phases of a crisis. This may require the HRD function to monitor environmental trends and assess internal areas of vulnerability. With regard to prevention and preparation, convincing leadership of the significance of planning for crises, helping with crafting crisis management plans, and developing alternative scenarios could be the functions of an organization's HRD staff. Second, there is a need to develop training programs that expose managers to the skills needed during the damage control phase of a crisis. The leadership competencies required of executives in times of relative calm are fairly distinct from the skill set required to effectively manage a crisis. Therefore, HRD plays an important role in identifying those managers who can be skillful under conditions of great uncertainty, time pressure, and stress, as well as help develop these capabilities in others who, because of their position or knowledge, should be a part of the crisis management team. This is important because during the actual crisis, leaders will likely not have adequate time to create new knowledge, especially around issues or events for which there is likely no precedent for the organization. Moreover, during the damage control and containment phase of a crisis, organizations must be agile so they can swiftly capitalize on the expertise of individuals from different operational areas of the company and, if necessary, call upon external experts. Finally, HRD should be involved as a strategic partner in the recovery, reflection, and learning phases of a crisis as this is a time for renewal and rebuilding of management practices and policies. In these phases, HRD can align training and development programs with the organization's recovery strategy. In addition, HRD issues should be an integral aspect of the decision-making process if leadership decides that restructuring is necessary.

As we stated earlier, during a crisis, leaders must draw on a specific set of competencies that will not only drive the crisis toward resolution, but also do so in a way that preserves or enhances the firm's operational capabilities, financial and other resources, employee morale and commitment, and overall

**TABLE 3: HRD Activities Identified by Crisis Type**

| Crisis Type | HRD Activities |
|---|---|
| Accidents | Scenario planning of accidents |
| | Creating crisis command centers |
| | Training for the prevention of accidents |
| | Emergency drills that focus on both operations and customer care |
| | Communication training with the media and other external stakeholders |
| | Training for design of websites that provide updates after an accident |
| Employee-Centered Crises | Working with the EEOC department to assess problematic areas |
| | Working with unions to address potential problems |
| | Labor negotiation training |
| | External benchmarking of best practices to prevent employee discrimination |
| | Diversity management and cultural competency training |
| | Creating inclusive cultures |
| | Training for the management of downsizing |
| | Legal training focusing on employee discrimination laws |
| | Training for internal communication that updates employees about the crisis |
| Product Safety and Health Incidents | Assisting with the reengineering of processes or products |
| | Implementation of Total Quality Management (TQM) practices |
| | Leveraging Six Sigma as a problem solving technique |
| | Bringing together cross-functional teams to help resolve a crisis |
| | Helping leadership reposition the organization's strategy after a crisis. |
| | Training for the design of websites that provide updates regarding product safety, warranties, and product recalls |
| Scandals | Training for board of directors on the role of corporate governance. |
| | Ethics training and mentoring of ethical behavior |
| | Training for Sarbanne Oxley compliance |
| | Succession planning for business recovery after a scandal |
| | Public relations and marketing training for business recovery after the scandal |
| | Assisting with restructuring of the organization after a scandal |

image with stakeholders. One could argue that these outcomes are what leaders strive to achieve in times of relative normalcy. We would agree, although it is important to acknowledge that there are at least two factors that distinguish leadership during a crisis. The first is the speed at which decisions must be made and action taken, and the second is the scrutiny and publicity that accompanies a firm and by extension its leaders during a crisis. To be competent at crisis leadership ultimately requires leaders to gain or enhance their human and social capital through education, training, practice, experience, or natural ability. This article served as an initial attempt to identify crisis leadership competencies and the role that HRD can play in providing an opportunity for organizations to create a competitive advantage.

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**Lynn Perry Wooten** is a clinical assistant professor of strategy, management, and organizations at the University of Michigan Ross School of Business. Her research interests include crisis management, workplace diversity, and positive organizing routines.

**Erika Hayes James** is the Bank of America associate professor of business administration and the associate dean for diversity at the University of Virginia Darden Business School. Her research interests include organizational crises and crisis management, workplace diversity and discrimination, organizational learning, and leadership.