Organizational Crisis. Part I: Definition and Conceptualization[1]

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Initially, a two part definition of organizational crisis is presented, related to their significance and prevalence and reflecting either (a) opportunities to meet organizational goals or (b) demands or threats that may prevent an organization from attaining its goals or limiting its abilities to meet them and (c) which the organization seeks to resolve because outcome stakes are important and the ideal resolution strategy uncertain. Thus, crises have both objective and subjective aspects. A number of elements of the definition are discussed in terms of their implications for organizations and their subsystems. Finally, three major aspects of our conceptualization are described in terms of empirical examples from our investigations followed by a typology of eight kinds of organizational crisis based upon three dimensions, (1) control, (2) opportunity-threat, and (3)

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organizational susceptibility and vulnerability to crisis. Part II will deal with strategies and responses to crisis.

IMPORTANCE

One of the most significant influences on an organization and its members is an organizational crisis. Its significance derives from its impact on the most vital aspects of the organization, with implications for its very life. In turn, an organizational crisis directly influences the well-being of its members and less directly those on whom the organization depends for providing its inputs (e.g., suppliers of resources and the labor market), for taking its outputs (customers and clients), on those with whom the organization must compete, and on society itself. Furthermore,

> Crises and their management or mismanagement are omnipresent in human society. They occur on many levels other than national and international, and in many realms other than financial, political, and military. Universities, business organizations, political parties, families, and even individuals face periodic crises created by a variety of situations. For example, business crises may include those produced by a threatened loss of present markets to newer products, the threat of lost profits, the threat of diminution of management prerogatives, a potentially costly strike in some labor-management dispute, or the threatened loss of control by experienced decision makers or top management. Universities, another type of formal organization, have lately confronted not only financial shortages, but crises concerning groups who wish to be heard, including students who feel threatened or frustrated by their sense of being ineffective and by their not being in the locus of power to make and implement decisions within the university. (Milburn, 1972, p. 259)

Organizations also face crises that occur with growth and that provide for growth. As organizations go through the stages of birth, youth, and maturity, they face a predictable series of organizational crises (Lippitt & Schmidt, 1967). Organizations may go from youth to old age in two or three decades or in a matter of centuries (Gardner, 1964). Influencing the duration of organizations in each stage are not only the crises of loss but also the crises of opportunity. Often the opportunity for great organizational growth produces the same air of excitement and anxiety as the threat of great organizational loss and retrenchment (Smart, Thompson, & Vertinsky, 1978). In addition, the extent of gain or loss to the organization is determined in part by how effectively the crisis is managed. Effective management of crises of threat minimizes potential loss and effective management of crises of opportunity maximizes potential gian. Since organizations often encounter both types of crises and since their potential consequences are so great, it is important that they be dealt with as effectively as possible either to minimize potential loss (crises of threat) or to maximize potential gain (crises of opportunity). This paper is written to that end.

While many excellent presentations have been made of examples of organizations in crises (cf. Dunbar & Goldberg, 1978; Hall & Mansfield, 1971; Billings, Milburn, & Schaalman, 1980; Smart & Vertinsky, 1977), general models of organizational crises have not been presented. Nevertheless, suggestions for dealing with crises have been made either implicitly or explicitly (Milburn, 1972; Lippitt & Schmidt, 1967; Billings et al., 1980). These suggestions, however, while representing important insights into crisis management, generally focus on specific crises or on a limited set of organizational and individual phenomena related to organizational crises. This is due in part to the way "organizational crisis" is defined and in part to the authors' conceptualization of crisis.

Drawing extensively upon previous literature and research on organizational crises, we propose a definition and conceptualization of organization crisis which will: (a) be as inclusive of the crisis relevant organizational and individual phenomena as possible; (b) be as suggestive as possible for effective crisis management strategies and; (c) be as fruitful as possible for generating hypotheses about organizational crises. In addition to drawing upon previous research to serve these purposes, we will also present evidence from several new case studies of organizations in crises.

WHAT IS AN ORGANIZATIONAL CRISIS?

Organizational crisis has been defined or explained in many ways. For example, Hermann (1972) defines *crisis as a situation that threatens the high priority goals of the organization, restricts the amount of time available for response, and surprises decision-makers by its occurrence, thereby engendering high-levels of stress* (p. 13). Billing et al. (1980) explain an *organizational crisis as a situation involving a probability of a valued loss to the organization and one having time pressure to resolve.* Hall and Mansfield (1971) utilize Selye's (1956) notion of individual stress and describe *organization stress* (crisis) *as resulting from any demand placed on the system* (organization). While these depictions imply that organizational crises threaten harm to the organization, other authors describe crises *as associated with either opportunities or threats* (of loss of harm)*that must be resolved* (Kotter & Sathe, 1978; Lippitt & Schmidt, 1967; Smart et al., 1978). Kirby and Kroeker (1978) provide further elaboration on what organizational crisis is by referring to *controlled and uncontrolled crises* and others distinguish between *the predictable* and *unpredictable nature of crises* (cf. Lippitt & Schmidt, 1967; Milburn, 1972). Also implied in the discussion and use of examples is that time pressure is not necessarily a defining attribute of crisis (Dunbar & Goldberg, 1978; Lippitt & Schmidt,

1967). The implication here is that crises do not necessarily occur suddenly, nor are solutions to them necessarily required immediately. Time pressure, however, may intensify a crisis (Billings et al., 1980).

There are several important elements of these expositions of organizational crises:

1. Organizational crisis produces individual crisis (stress) (Hall & Mansfield, 1971; Hermann, 1972; Milburn, 1972);
2. Organizational crisis can be associated with positive or negative conditions (Smart et al., 1978);
3. These positive or negative conditions have associated value to the organization and probabilities of gain or loss associated with them (Billings et al., 1980);
4. Organizational crises can be situations having been precipitated quickly or suddenly (Hermann, 1972; Billings et al., 1980) or situations that have developed over time and are predictable (Lippitt & Schmidt, 1967; Whetten, 1979);
5. Regardless of the type of crisis, resolution is necessary; and
6. Organizational crises have probabilities associated with their occurrence and resolution (Billings et al., 1980).

Based upon these various ways of viewing organizational crises and the elements often associated with the different viewpoints, we define organizational crisis as: (a) *opportunity for the organization to attain its current goals;* or (b) *demand or threat on the organization which either prevents the organization from attaining its goals or actually removes or reduces an organization's ability to attain its goals, that the organization seeks to resolve because the outcomes at stake are important and the resolution strategy is uncertain.* This definition incorporates the views that organizational crisis is subjective, or perceived, as well as objective. The subjective view is based on the notion that a situation is a crisis only if it is perceived as such. Organizations do not have a crisis until it has been perceived. The objective view, on the other hand, rests in large measure on the concept of organizational effectiveness and of organizations as systems (Steers, 1977; Katz & Kahn, 1966). "Organizations as systems" represents organizations as being composed of interacting parts (subsystems) constructed for the purpose of attaining goals. The subsystems of organizations are labelled productive, supportive, maintenance, adaptive, and managerial. (Steers, 1977, p. 13)

1. The productive subsystem, which is concerned with the major functions or work of the system (for example, a department or group of departments that manufacture a product or provide a service).

2. The supportive subsystem, which secures needed inputs for the productive subsystem and distributes the system's outputs (for example, the purchasing, marketing, and public relations department of a company).

3. The maintenance subsystem, which focuses on maintaining and protecting the organization's structural integrity and character (for example, training functions, compensation plans, company newspapers).

4. The adaptive subsystem, which concentrates on the survival and adaptation of the organization in a changing environment (for example, research and development department, long-range planning functions).

5. The managerial subsustem, which focuses on coordinating, controlling, and directing the other subsystems so that maximum effort can be directed toward desired ends.

In order for these *subsystems* to contribute to organizational survival, several needs of the total *system* (organization) must be met, including (Steers, 1977, pp. 14-15):

1. *Resource acquisition.* Organizations must be able to compete successfully for scarce and valued resources to serve as inputs for organizational work activities.

2. *Efficiency.* Organizations must strive to secure the most advantageous ratio of inputs to outputs in the transformation process.

3. *Production/output.* It is necessary that organizational systems be capable of steady and predictable delivery of the goods or services it intends to provide.

4. *Rational coordination.* The activities of the organization must be integrated and coordinated in a logical, predictable fashion that is consistent with the ultimate goals of the entity.

5. *Organizational renewal and adaptation.* In most organizations, it is necessary that some resources be set aside and invested in activities that will enhance the net worth of the organization in the future. Without such renewal efforts, organizational survival is easily threatened by short-term shifts in market demands, resources, and so on.

6. *Conformity.* Because of the close interrelationship between an organization and its external environment, it is often necessary that organizations follow the prevalent dictates and norms of the environment. Wide deviation from social norms, laws, regulations, and moral prescriptions can result in a variety of sanctions being

levied against the organization that serve to reduce its sources of legitimacy and threaten its survival.

7. *Constituency satisfaction.* Organizations are composed of a variety of constituencies, including employees, investors, consumers, and so forth. It is important for system effectiveness that organizations strive to satisfy the various—and divergent—needs of these constituents if they are to continue receiving necessary support and cooperation. Given the often conflicting demands made by the various constituents (for example, employees want more money, while investors want increased profits, and consumers want lower prices), a major function of modern management is to somehow achieve a workable synthesis that at least marginally satisfies all parties.

Since meeting these needs is a necessary condition for organizational survival, organizations should regard them as of outmost importance. But meeting these needs is only a necessary, not sufficient, condition for organizational effectiveness unless survival is the only goal. Typically, however, organizations have several goals unique to them, including survival, such as growth, profitability, size, and stability. Organizational effectiveness is then measured by how well the organization attains its goals. But regardless of how well each organization attains its unique goals, the organization must do well in attaining its survival goal. This is true whether the organization is aware of it or not. If an organization ignores its survival needs it will cease and desist. But to do more than survive, it must not only meet its survival needs, but attain its unique goals as well.

Therefore, since the concept "organizational crisis" is used in reference to an organization's important goals, and what is more important than survival, crisis must be defined to include objective as well as subjective (perceived) conditions. The discrepancy, in fact, between the objective and subjective aspects of a crisis can contribute to the severity of the crisis as discussed more fully in the following.

There are several other important aspects of our definition of crisis including:

1. The more important the goals are relative to the threat or opportunity, the more severe the crisis situation.
2. The greater the uncertainty about resolving a situation, the more severe the crisis.
3. Crisis is an additive concept such that in more dynamic situations, whether opportunity or threat, with resolution uncertainty, the greater the level of total organizational crisis.

4. Crisis is precipitated by an organization-environment (O-E) mismatch: Either environment demands exceed the abilities of the organization or the environment is not able to serve all the goals of the organization.

5. This misfit condition destroys equilibrium (either as an opportunity or threat) and the organization seeks to restore equilibrium. This is an important aspect of systems, that is, that systems seek a dynamic homeostasis.

6. Crises can really be positive (the opportunity to reach goals and even to set new ones and attain those) as well as negative (the demand or threat to prevent reaching goals or to destroy the ability to reach goals).

7. Crises need not be precipitated by surprise. What often happens, however, is that organizations are unaware of the implications of organization-environment mismatch for their survival needs of those of specific subsystems. With subsequent neglect the organization may be objectively experiencing crisis. Then, and perhaps all of a sudden, the organization actually perceives the crisis. Although this subjective perception may be sudden, many crises, especially ones in the growth cycle of organizations, are very predictable. These predictable situations often become crises because the organization is either naive to patterned organizational characteristics and/or fails to plan for them.

8. The term "organization" implies all the members, the parts, and interactions thereof that together are used to attain stated goals. As such the organization is a system and thus takes on the properties and needs of systems.

9. "Stated goals" of the organization refer here to those the organization is trying to attain and against which its effectiveness is being determined.

10. To the extent "stated goals" fail to reflect the needs of the organization as a system, the greater the chance the organization will experience a crisis situation. Goals serve to direct behavior, attention, and resources. Without a goal reflecting system survival needs, the less likely the organization will subjectively perceive a crisis (at least vis-à-vis the survival needs).

11. Because the term "organization" incorporates the individual members, the individual members experience the organizational crisis personally. They, however, experience the crisis as stress as such stress responses occur in individuals who are influenced by the crisis.

12. Not all members experience the effects of crisis with equal severity. Some members meet it with high severity and others with much less.

All of these aspects of our definition of organizational crisis serve as a focus upon which to develop management strategies to deal with crises. Defining crisis as we have facilitates the development of strategies because it distinguishes what a crisis is from what the responses are and the antecedents are to crises. These distinctions, in turn, allow us to develop a conceptualization of organization crisis that does incorporate the antecedents and responses of crises, as well as individual and organizational characteristics that serve as moderators, thereby facilitating strategy development. It is the conceptualization of organizational crises to which we now turn. It should be noted that this conceptualization, though based upon some research and discussion, should be regarded as tentative and subject to revision.

CONCEPTUALIZATION OF ORGANIZATIONAL CRISIS

There are three major aspects of this conceptualization of organizational crisis:
1. Antecedents
   a. External Environment
   b. Internal Environment
2. Responses
   a. Individual
   b. Organizational
3. Moderators of
   a. Antecedent-Crisis Relationship
   b. Crisis-Response Relationship

The arrangement of these three aspects and characteristics of each are shown in Fig. 1.

Antecedents of Organizational Crises

The External Environment

The two major classes of antecedents are the external environment and the internal environment. The characteristics of the *external environment* include:

1. *Competitors.* Khandwalla (1978) finds the degree of competition not only an important precipitator of crises but also an important
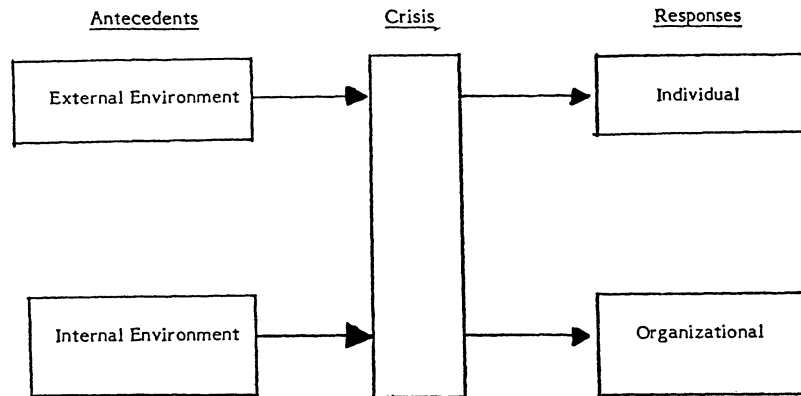
Fig. 1. Conceptualization of organizational crisis.

influence on an organization's response to a crisis. The important qualities of competitors here are their number and intensity. These qualities obviously influence an organization's goal attainment.

2. *Suppliers.* This includes those units in the environment supplying the land, labor, and capital to the organization. To the extent that these are not under the control of the organization, it will try to engage many means by which to include them, such as bargaining, cooptation, cooperation, and having many alternative suppliers (see Thompson, 1967, and Galbraith, 1977, for a more complete review of these techniques).

3. *Customers/Clients.* These essentially are the market for the products of the organization. Key qualities of the market are the homogeneity, size, location, and trend in demands (particularly regarding growth or decline).

4. *Regulators.* These represent the groups that constrain the organization legally such as the Equal Employment Opportunity Commission, Federal Trade Commission, and Occupational Safety and Health Administration. Important aspects of these groups are the extent of their demands, the difficulty the organization has in meeting them, and, the lack of predictability of new demands. Lack of predictability, of course, is also an important aspect of all of the external environment of an organization.

5. *Society.* The norms, values, technology, education, and political system are just some of the important societal aspects influencing organizations. The values of society can influence the goals an organization establishes. For example, in the United States many

organizations have embraced growth as an important goal. This goal, however, has merely reflected the "society of abundance." Now, however, a shift is occurring signaling a change to nongrowth (Whetten, 1979).

6. *Owners, Boards of Directors.* They also have important financial and legal power to direct the organization in its selection of goals and its manner of operating among other things. In some cases the stated goals of the organization are those of the owners who may be distinguished from the managers of the organization. Although potentially important, Boards of Directors have been shown in some cases to play an extremely passive and laissez-faire role even in an organizational crisis (Dunbar & Goldberg, 1978).

7. *Natural Disasters.* These include floods, droughts, freezes, tornadoes, whether predictable or unpredictable. Although often regarded as uncontrollable, organizations can still possibly develop contingency plans to deal with them, especially when they are predictable.

Each of these components of the external environment represents an important potential antecedent of organizational crisis. The extent to which a component becomes an antecedent is the degree to which it causes an organization-environment mismatch. An important determinant of its potential is the degree of control the organization is able to exercise over the environment. As suggested by some (Thompson, 1967; Galbraith, 1977) extensive organizational energy is utilized in attempts to increase control over the external environment. But even if the organization exercised a fair degree of control over its external environment, it must still deal with its internal environment.

The Internal Environment

The internal environment is crucial in explaining the development of organizational crises. One could argue that unless the external environment is completely uncontrolled and its effects unpredictable, it is the internal environment that is often the culprit in an organization's crisis even if the culprit appears to be the external environment, for example, a decline in market demand resulting in a profit crisis (Dunbar & Goldberg, 1978). Characteristics of the internal environment can be grouped into four classes: executive characteristics, experience and history, demographics (values, age, size, location, products), and attributes. Each of these is important and will be discussed in detail.

Executive Characteristics. Mintzberg, Raisinghani and Théorêt (1977) and Hannan and Freeman (1977) have suggested the importance of the *duality of decisions* made by the key decision-makers in precipitating crises. They emphasized that in many organizations the decision-making activities are not well-integrated and as a result the organization cannot adapt to the external environment. Other qualities of decision-makers that prevent their adaptation to the external environment are the tendencies for habituation to old programs and insensitivity to the uniqueness of new problems (Weick, 1969; Whetten, 1979). Lack of integration of decision-making implies that the three aspects of strategic decision-making—problem identification, solution development, and solution evaluation and implementation (Mintzberg et al., 1977)— are either not done or just not coordinated.

Although the quality of decision-making is important for dealing with organizational crises, "high-quality" decision-making is *not* a sufficient condition for long-term viability. In some environments, management styles and strategic postures seem to be more important. The *style of managers* frequently identified with organizational crises is best described as a passive approach to the actual cause of the situation. Characteristics of the approach include: blaming the system (Summers, 1977); denial of the crisis; delaying tactics; and living in collapsing palaces (Starbuck, Greve, & Hedberg, 1978).

Strategic postures that can be taken by managers in the face of crises vary from mobilizing to resolve the situation based on adequate information and a rational economic decision-making approach (model) to becoming defensive, concerned with face-saving (Goffman, 1955), and using a political approach to decision-making (see Whetten, 1979 for a fuller discussion of these two styles and their consequences). Organizational crises are more closely associated with defensive posture than the more positive, offensive posture.

The *personality* of the decision-makers also influences the extent of perception of organizational crises. Anxiety of decision-makers can influence their perceptions of the severity of a crisis situation: The magnitude of the situation is seen as more severe to the extent individual has a high level of anxiety (Jackson, 1978; Billings et al., 1980). Those with high self-esteem should expect themselves to be more capable of handling a crisis situation, and thus should have a lower uncertainty of resolution than those with low self-esteem (Jackson, 1978). Some people probably overreact to situations and either perceive more threats or more opportunities than there actually are. Particularly likely to overreact are those who tend to catastrophize (Ellis, 1962) and those who have Type A personalities (Friedman & Rosenman, 1974), especially when these individuals are under time pressure (Billings et al., 1980). Qualities of a Type A are: (a) an

intense, sustained drive to achieve self-selected but usually poorly defined goals, (b) a profound inclination and eagerness to compete, (c) a persistent desire for recognition and advancement, (d) a continuous involvement in multiple and diverse functions constantly subject to time restrictions, (e) an habitual propensity to accelerate the rate of execution of many physical and mental functions, and (f) an extraordinary mental and physical alertness (Cox, 1978, p. 99).

Another set of individual qualities (similar to management style, although less broad in scope) associated with organizational crises is the *degree of detachment* an individual has in the crisis or the degree of emotional inoculation (Janis & Mann, 1977; Hammermesh, 1977). Similar concepts that have been shown to be associated with less effective handling of crises are individual, structural, and strategic commitment (Hammermesh, 1977). The relative effectiveness and use of the committed versus detached qualities in organizational crises is shown in this quote:

> Three types of commitments may be identified: individual, structural, and strategic. Top and intermediate managers, such as executive vice presidents and group vice presidents, make individual commitments to key managers at the divisional level. When operational issues are determined at the divisional level, top and intermediate managers must assure that competent managers occupy key divisional positions. Since top and intermediate managers appoint and re-view the performance of key divisional managers, over time they can become committed to those individuals whom they have appointed to divisional positions. positions.
>
> The rub, of course, comes when declining divisional profits call the performance of divisional management into question. The managers who must make these judg-ments are often the same intermediate general managers who are the most likely to be committed to divisional personnel. To reach a negative conclusion often requires intermediate general managers to admit previous errors of judgment, or, as I choose to emphasize, "to reverse their individual commitments." Reversing these is nearly always a lengthy and painful process. (Hammermesh, 1977, p. 126)

The detached (emotional inoculation) management quality thus appears more effective in crises than the involved (commitment) quality. Often an individual's involvement results in stress that distorts the ability to process information and accept new information (especially if divergent), reduces his or her span of attention and time perspective, and increases his or her cognitive rigidity (Schuler, 1980; Holsti, 1978). These in turn obviously make the individual far less capable of dealing with crises than those individuals less involved (although not uninvolved).

Besides actual physical removal from a situation, emotional detachment can be reached in part by good *planning*. Planning can allow an individual to change his or her definition of the situation and reactions to the situation. Planning also works by just reducing the potential of a

condition becoming a crisis and reducing its severity by reducing uncertainty of response to it. Planning to avoid or escape the effects of a crisis typically includes working to make alternative resources or markets contingently available.

Another important executive characteristic is the appropriateness of role assumption. For example, it is generally a

> "mistake for the top managers to act as strategy-makers. The special responsibility of top management is to direct their attention to "ideological phenomena such as morale, enthusiasms, beliefs, goals, values and ideas."' (Smart & Stanbury, 1978, p. 10)

The staff analysts should be left to formulate strategies and invent new methods. As a part of top-management's role, they should also encourage the organization to break out of its old ways and old assumptions (Starbuck et al., 1978). Nevertheless, the realities of the organization, the face-saving concerns, the political model of organizations, and the momentum of stability weigh heavily against the top management in throwing out the old assumptions. That is one of the reasons given by Starbuck et al. (1978) for suggesting that

> the veteran top managers (of crisis ridden organizations) ought to be replaced even if they are all competent people who are trying their best and even if the newcomers have no more ability and less direct expertise than the veterans. (Smart & Vertinsky, 1977, p. 9)

An example of the importance of appointing new managers and the challenging of old assumptions is:

> Successfully responding to existing crises requires the rejection of implicit assumptions. They must be made explicit, challenged and then changed. This point is clearly illustrated by the experience of Kalmar Verkstad, following the Swedish Railroad's (its owner and chief buyer) announcement in 1963, that it would be placing no more large orders for rolling stock. The company experienced some successes, financial and otherwise in the first few years after 1963, but it began to suffer losses in 1970. Before the end of 1971, the decision was made to shut the firm down by the middle of 1974. Yet, the newly appointed, young managing director initiated changes which resurrected the company. By 1975, the firm's profit was six times the largest profit previously earned. The resurrection altered three assumptions basic to Kalmar Verkstad's behaviour prior to 1971: first, that rolling stock could be sold only inside Sweden; second, that the remedies lay within production rather than within sales; and third, that managers alone should manage the company, that is, union officers and blue-collar workers should not participate in managerial decisions. (Smart & Stanbury, 1978, p. 9)

Three final executive characteristics are *knowledge, skills,* and *attitudes.* Although these may overlap with some of the characteristics already identified, they are identified here in relationship to organizational demographics, particularly stage in the organization's life cycle (Lippitt &

Schmidt, 1967). The central concern or goal of an organization helps determine the most appropriate type and level of knowledge, skill, and attitudes. The appropriate type and level of knowledge, skills, and attitudes are in turn associated with an organization's life cycle through the cycle's association with the central goals of the organization.

Organizational Demographics. Three key demographic characteristics of organizations are their values, their goals, and their stage in the lifecycle. Organizations are more susceptible to crisis (objectively) to the extent they are concerned with the inappropriate goals and are more susceptible to crisis (subjectively) to the extent the inappropriateness results from an incorrect perception of the stage the organization is in. Closely related to organizational demographics are the experience and history an organization has with crises.

Organizational History and Experience. "The past holds the key to understanding the present." Organizations tend to be inherently conservative and to rely on established procedures. Consequently the way situations were handled previously will often be the way they are handled in the future. In such a context, decisions are part of the political rather than the economic-rational model (Pfeffer, 1978). Thus the way crises were handled before will be how they will be handled in the future. However, since crises tend to have unique features, past responses will tend to be inappropriate for future crises. Nevertheless, past responses will most likely be used in the future, especially if they have been perceived as successful in the past crises.

Organizational Attributes. A final aspect of the internal environment is that of organizational attributes. The attributes most closely associated with organizational crises are the degrees of centralization, buffering, self-containment, diversity, stability, structural flexibility, and information transmittal and processing ability. These are all characteristics of the managerial subsystem of organization and as such become critical in organizational crises.

> The liability of administrators over-emphasizing stability is that every effort to standardize organizational activities costs the organization a degree of feedom in its potential for adapting to changing environmental conditions. (Whetten, 1979, p. 17)

Thus while stability is an inherent tendency of organizations and a politically expected strategy of most top managements, it is maintained at the cost of the organization's need (as a system) to adapt and grow. The organization's ability to adapt and grow is a function of its internal variety and structural flexibility. Variety in terms of individuals' backgrounds, skills, values, and attitudes aids the organization (especially in a rapidly changing environment) in detecting changes to which the organization should respond if it is to adapt and grow (or at least survive). Structural

flexibility can also aid an organization's ability to adapt. Therefore, the following procedures may be utilized to increase an organization's structural flexibility:

1. Discrediting the natural tendency to rely heavily on precedents and standard operating procedures (Pfeffer & Salancik, 1978; Weick, 1977).
2. Reducing the requirements for tight coordination between task units and hierarchical levels, so as to achieve a state of "loose-coupling" wherein semiautonomous units are encouraged to adapt to localized environmental conditions (Landau, 1973).
3. Building redundancy into the organizational structure as a means of stimulating competition and debates, and reducing the probability of systemic failure (Wildavsky, 1972).
4. Simulating environmental crises (administrative fire drills) to determine whether the organization's structure facilitates rapid and creative responses (Smart & Vertinsky, 1977).
5. Utilizing consultants (e.g., retired "sages") to spot bottlenecks in the administrative apparatus (Whetten, 1979, p. 19)

In addition to having variety, organizations that are less susceptible to crises also have an appropriate level of coupling among their subsystems and an appropriate degree of decision-making nearest to where decisions need to be made and implemented (Weick, 1977). The appropriate level of coupling allows organizational subsystems to attain diversity yet still provide the managerial subsystem with the ability to integrate effectively the three phases of strategic decision-making. The appropriate degree of decision-making at levels where decisions need to be applied (in essence determining the degree of centralization) allows the organization to make decisions with the necessary local information. When needed for coordination purposes, some centralization of decision-making may be necessary. In either case, however, an efficient management information system can aid the decision-making.

The essence of all these aspects of the internal environment is the degree to which they determine *organizational susceptibility*. Although there can be varying degrees of organizational susceptibility, for ease of presentation we discuss susceptibility as either being high or low. High susceptibility indicates that the chances are high that the organization will face a crisis (objectively or subjectively). Low susceptibility indicates that the organization's chances for a crisis are low. Based on our review of the literature and the new crisis data we collected, the qualities of the internal environment that increase susceptibility include: (a) lack of integration of

the components of strategic decision-making; (b) decision-makers with a passive approach, Type A personality, low self-esteem, high anxiety, and high commitment; (c) a lack of balance of flexibility, adaptability, and stability; (d) unwillingness of management to cast aside old assumptions and to unburden themselves of overcommitments to subordinates or to their own careers; and (e) inappropriate levels of diversity and decentralization. Qualities opposite to these, of course, would describe the internal environment with low susceptibility. While these qualities are used here to denote the likelihood of an organization experiencing crisis, many of them are also criteria in determining the severity of the crisis and how effectively the organization will respond to a crisis. Although susceptibility is conceptually independent of the external environment, several qualities of low susceptibility, for example, planning, may be used actually to increase the organization's control over aspects of the external environment.

Using the notions of controllability and susceptibility, we submit that the *likelihood of an organization having a severe crisis is highest when it has low control over the environment and when it has a high level of susceptibility.* Likewise, *its likelihood will be lowest when it has high control over the environment and a low level of susceptibility.* These two notions also influence how the organization will respond to crises, but this influence is best described in light of whether the crisis is an opportunity (positive) or a constraint/demand (negative) situation.

TYPOLOGY OF ORGANIZATIONAL CRISES

Based upon our definition and conceptualization of organizational crises, we developed a tentative typology of crises for consideration in future research. The typology suggests eight different types of crises distinguished by three dimensions:

1. The degree of the organization's control over the external environment. (Although the control is a matter of degree, for purposes of illustration, it has been dichotomized into high and low control.)
2. Whether the crisis situation is perceived as positive (an opportunity to attain our goals and potentially reach even higher ones) or negative (a constraint or demand on the organization attaining its current goals or reducing the organization's ability to attain its goals).
3. The degree of the organization's susceptibility such that the organization is more likely to have crisis situations and less likely to initially respond effectively to them.
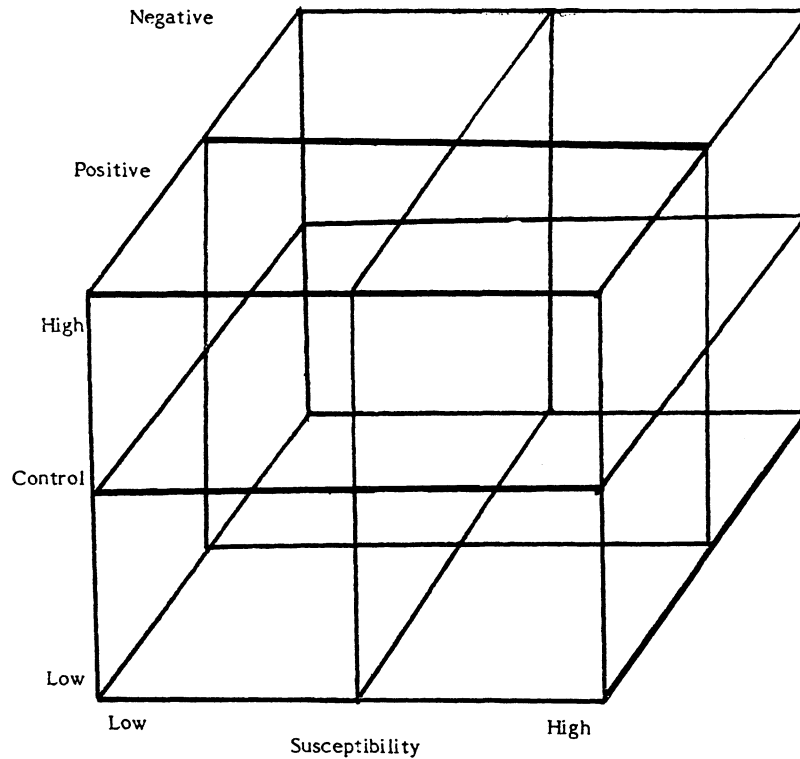
Fig. 2. Typology of organizational crises.

Combining these three dimensions results in the eight-cell typology shown in Fig. 2.

The three dimensions of the model (and the eight cells) can have a potential impact on our understanding of organizational crises in at least two ways: (a) to comprehend the nature of crises and more thoroughly to identify cases of organizational crisis so as to fill each of the eight cells. The most severe examples of crisis should include those from susceptible organizations with less control of their external and internal environments in situations of demand or constraint rather than opportunity, and (b) hypotheses that reflect the model may be readily generated, fitting both previous research and our conceptualization of crisis. Here are a few examples:

1. The better the fit (actual) between the needs and goals of an organization (as a system and as a unique entity) and what the external

environment is supplying, the less likely the organization will face a crisis (perceived *or* actual).

2. A lack of fit between the needs of the organization and the environment can result from the organization's lack of control of the external environment or susceptibility due to its own internal environment.

3. The more uncertain the organization is about responding to the crisis situation, the more severe the crisis.

4. Success in dealing with crises continues as long as the organization maintains diversity, flexibility, and an integrated decision-making structure.

Beyond the description of antecedent aspects of organizations that lead to or away from crises, it is worthwhile to consider also the nature of responses to organizational crises, both individual and organizational responses. These will be described in the second part of this discussion. (Milburn, Schuler, & Watman, 1984).

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