

<論 說>**“CRISIS MANAGEMENT”**

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1-1. Crisis Management and Risk Management

It is commonly acknowledged that the term “crisis management” was first used by U.S. President Kennedy during the Cuban Missile Crisis of 1962. Therefore, at the outset crisis management was considered an issue of political decision-making, the domain belonging to nations and its leaders in response to a national crisis or unexpected developments in society and the economy or in international politics, such as the Lebanon Crisis, the Berlin Crisis has been expanded to include not only matters of national survival or international conflict but also economic uncertainty and social unrest ; unexpected developments that are caused by natural disasters (earthquakes, floods, volcanic eruptions, etc.), industrial accidents (explosions, fire, etc.), civilian riots (destructive demonstrations, organized protests, etc.) and terrorism (kidnapping, assassinations, etc.). Nowadays dealing with unexpected developments has become a matter of interest not only for nations but also for corporations and individuals (G.L. Head, 1986).

A). Crisis Management in America

In 1978, the National Association of State Governors decided to consoli-

date into a single organization their response to emergency situations, and to create the FEMA (Federal Emergency Management Agency). the FEMA successfully dealt with emergency needs that arose in 1979 from radiation leakage in the nuclear reactor accident at Three Mile Island, and as a result, the following 5 institutions were integrated to further strengthen its functions :

1. Department of Defense (Civilian Defense Reserves Agency)
2. Department of Housing and Urban Development (Disaster Aid Agency)
3. Procurement Agency (Federal Reserve)
4. Federal Insurance Agency
5. Department of Commerce (Fire Defense Agency)

In addition, in 1988 the Disaster Relief Act was revised into the “Stafford Act” (R.T. Stafford Disaster Relief Emergency Act), which provided wider powers such as the extension of subsidies from the Federal Disaster Relief Fund to state governments.

The FEMA is based in Washington, D.C., has 10 regional offices in major cities, a staff of 2,700 and a budget of \$900 million (1995), with \$1.3 billion more reserved as aid funds. The basic role of the FEMA is to act as a general liaison between related institutions, but at times of widespread disaster it sets up its own on-site offices, oversees the 25 national search-and-rescue squags, cooperates with other institutions on gathering necessary information, and follows Presidential orders. Specifically, it provides information on damages nationwide, offers financial aid to cover the costs of restoring public facilities, distributes subsidies to disaster victims, provides total housing, gives legal advise to victims and psychological counseling

(Ishinazaka 1995). These activities are undertaken through the following process :

1. Occurrence of a major disaster
2. Local government takes initial response measures
3. City mayor requests support from State Governor when necessary
4. State Governor notifies the regional office of the FEMA
5. Regional office manager reports to the head of FEMA
6. Head of FEMA reports to the President
7. The President declares the situation an emergency or a major disaster
8. Federal Investigator is named

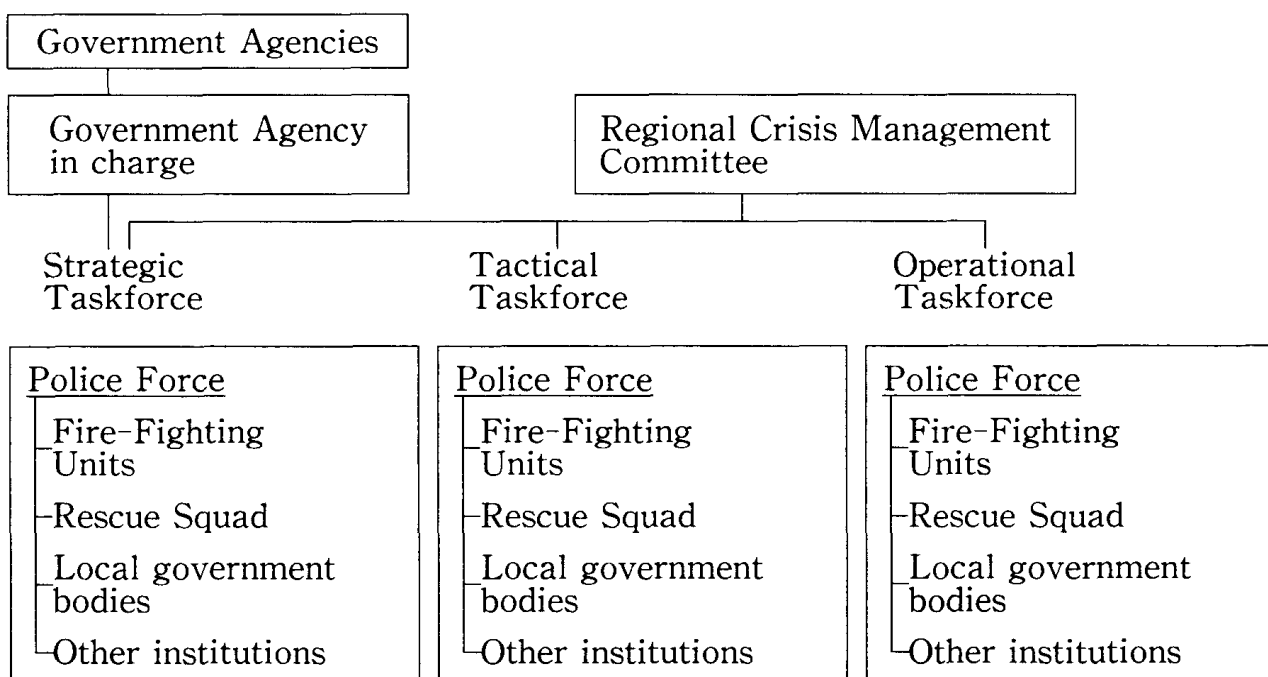
The Federal Investigator sets up on-site Emergency Headquarters

9. On-site Emergency Headquarters provides support to emergency response teams
10. Emergency Response Teams begin relief operations

B). Crisis Management in The United Kingdom

In The United Kingdom, the Government Department of Interior con-

Chart 1-1. Crisis Management Organization in the U. K.



siders “the creation of a national crisis management organization responding to disasters useless,” delegating the main responsibility of dealing with disasters to the local level, where the actual resources and professional expertise are to be found. Therefore, the British system of emergency response is run on a bottom-up basis. In the U.K., disaster relief is undertaken on 3 levels, which are : a. the strategic level ; b. tactical level and c. operational level.

C). Crisis Management in France

In France, crisis management is defined by a piece of legislation that became effective in 1987, and is undertaken under the “Detailed Program for Emergency Management,” which was drawn up in accordance with an administrative directive issued in 1988.

In France, crisis management is divided into three levels :

the national level, regional level, provincial level (France has 96 provinces)

D). Crisis Management in Germany

In Germany, the responsibility for crisis management and civilian disaster prevention systems will be completely entrusted to each Federal State by no later than 1998 or 1999.

The involvement of the Federal Government will be limited to providing supplementary support to State governments in the areas of fire-fighting, social welfare and health care. The German crisis management structure is organized as follows :

E). Crisis Management in Switzerland

In Switzerland, “Civilian Disaster prevention Activities” began in 1959,

Chart 1-2. Crisis Management Organization in France

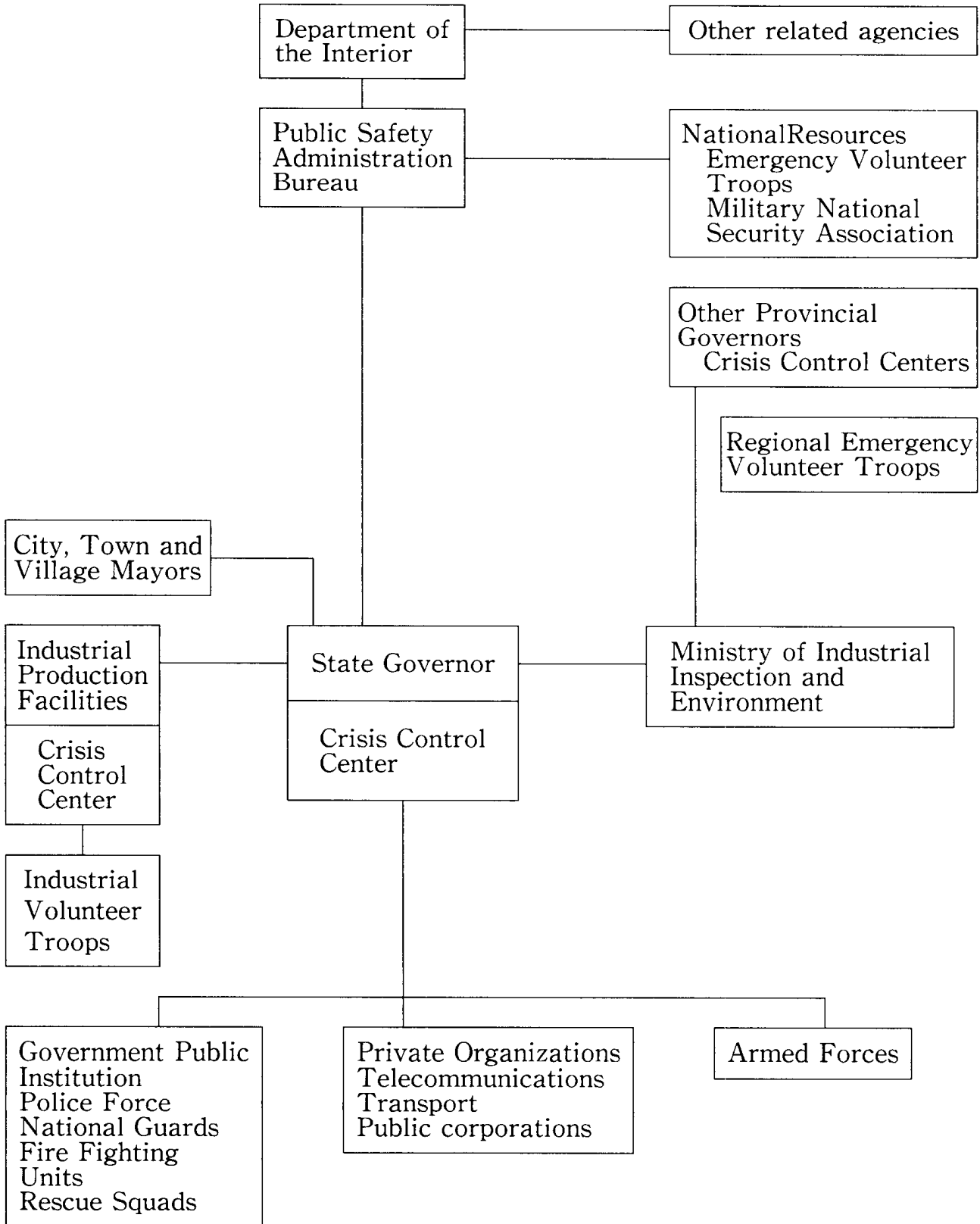
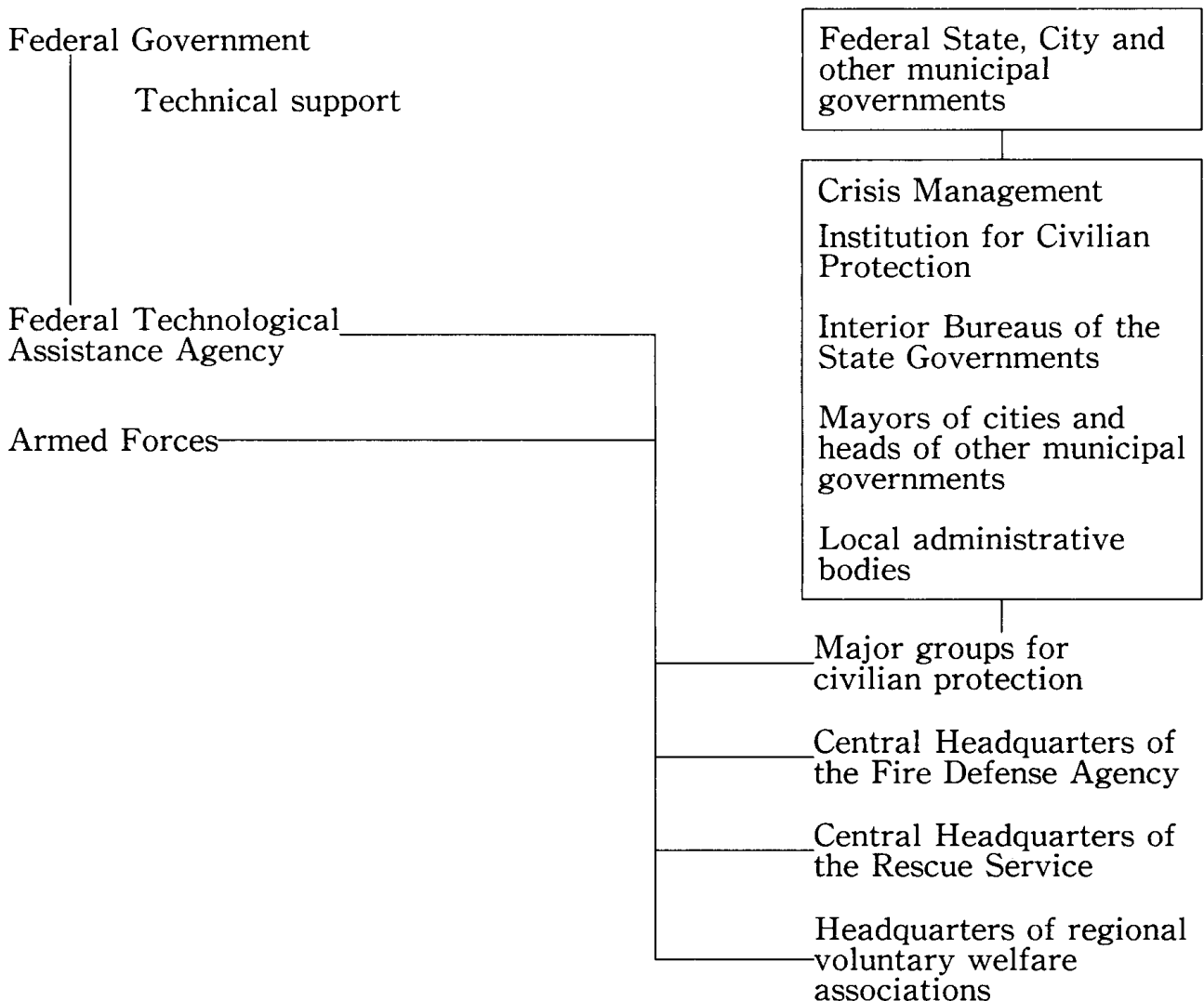


Chart 1-3. Crisis Management in Germany



the same year the Swiss Federal Constitution was adopted. Then in 1992 guidelines for a civilian disaster prevention system was issued, defining rescue activities for peace-time disasters and emergency circumstances. Furthermore in 1995 the “Civil Defense Act” was revised, making it mandatory for all Swiss citizens except those serving in the armed forces and public offices to participate in civilian disaster prevention activities.

The civilian disaster prevention system is organized by the Federal Government into : a. Federal Government, b. States, c. Local Governments and d. Private Citizens, and activities at each level are defined.

a. Federal Government

The Federal Government is the main supervisor of civilian disaster prevention activities, responsible for maintaining civilian disaster prevention facilities as defined by law, which are utilized by the civilian disaster prevention bureaus of legal authorities and the police force. The Federal Government has responsibilities related to civilian disaster prevention in planning, regulation and legislating, overseeing implementation, training and development, training of senior staff members and approving public shelters.

b. States

Responsible for implementing Federal regulations, issuing regulations related to neighboring and regional assistance, mid-level training and supervision of construction works.

c. Local Governments

As the core of the civilian disaster prevention system, they implement orders issued by the Federal Government and the states, undertake construction works, distribution of materials, training and education, maintenance of stand-by structures pertaining to the system of civilian disaster prevention, as well as methods for disaster prevention and rescue operations.

d. private citizens

A private citizen must set aside space for shelter when constructing a building. A private citizen must provide compensation according to the legal framework or local government regulations.

F). Crisis Management in Japan

Our country has only recently compiled a crisis management manual, progressing one step from disaster prevention measures. According to this

manual, items related to the management of government organizations, such as delegating emergency leadership in case the Prime Minister is involved in an accident, location and method of assembly, the means for communicating with Cabinet members and their secretaries, and method of decision for designating Emergency Disaster Response Headquarter were defined. Also, a building that will be used by senior government staff under emergency circumstances was constructed in Tachikawa City within the metropolitan region. Crisis management entails the prediction and prevention of emergency situations that may arise under unexpected circumstances at any time or place, and to respond with speed once faced with such an emergency in order to minimize the damage. Predicting emergencies, taking necessary preventive measures and responding immediately to accidents to minimize damage are necessary actions for governments corporations and individuals alike, and crisis management should not be limited to the government-level. Solid implementation of crisis control is needed more at the corporate-level.

In Japan, the term “crisis management” was first used in 1974 when Mitsubishi Heavy Industries head office building was bombed by terrorists. And it has come to be widely accepted by the Japanese through the Glico-Morinaga Incident in 1984, the Gulf War in 1989-1990 and the Great Hanshin Earthquake in 1995. After the Great Hanshin Earthquake, Japanese corporations compiled manuals on in-house crisis management systems and crisis control. According to a survey conducted by the Mitsubishi Research Institute titled “Survey on Corporate Disaster Prevention Measures,” 87% of the companies were interested in corporate disaster prevention, responding that they are “actively participating in information gathering and attending lectures on corporate disaster prevention.” In addition, 61% of the companies said they had “created or revised their manuals” (Ishiwaki, 1996).

Crisis management means “predicting emergency situations that arise under unexpected circumstances at any time or place, to minimize its impact on corporate assets when such situations occur and to restore normal conditions as fast as possible.”

In other words, “crisis management is the response to a corporate crisis that cannot be dealt with through normal corporate activities but through efficiently utilizing the best corporate assets to ensure the overall survival of the corporation.” Crisis management is “to predict unexpected situations such as natural disasters, industrial accidents and terrorist activities and to minimize the damage when it occurs.” However, there is also risk management, which aims to

“control risks to corporate assets and revenues, aiming for the maximum effect at minimum cost through practical and scientific means.” Therefore risk management is considered an area of management control. Risk management deals with crisis through two major techniques, risk control and risk financing. Risk control is to defend corporate assets from risk, and risk financing is to plan ahead to reserve fund for protecting corporate assets when faced with risks in the future. Thus, crisis management is understood to form a part of risk management. According to George Head, “crisis management is to undertake risk control under risk management” (G.Head, 1989). And planning for crisis management involves utilizing risk control measures for preventing and minimizing losses and setting up back-up systems.

1-2. The Goals and Systems of Crisis Management

Crisis management, in a broad sense, is a part of risk management, and involves planning, organization, instruction and integration of corporate

assets and activities.

the aim of crisis management is to minimize losses from major disasters. In other words, the aim of crisis management is to protect a corporation's a. facilities, b. personnel, c. production plants, d. working capital, markets for products and services, from 1) fires and explosions, 2) floods, 3) hurricanes, 4) earthquakes, 5) hazardous materials, 6) corporate accidents, 7) riots, 8) kidnapping for ransom and 9) others.

Kirin Brewery Corporation Co. has defined its basic principle and standards of action on crisis management as follows (Ishiwari, 1996) :

Basic Principle For the continued development of the corporation, it is essential to respond with precision to various crisis that could significantly affect corporate management.

Therefore the basic principle would be to prevent possible crisis and to minimize damage to management in the event that such a crisis should occur.

Action Standards 1. All sections and sites should, even under normal circumstances, make it their responsibility to prepare measures to prevent the occurrence of a crisis on both "hard" and "soft" aspects.

2. In case a "crisis" occurs, initial measures should be taken immediately, and all actions to minimize damage should be put into effect speedily and precisely.

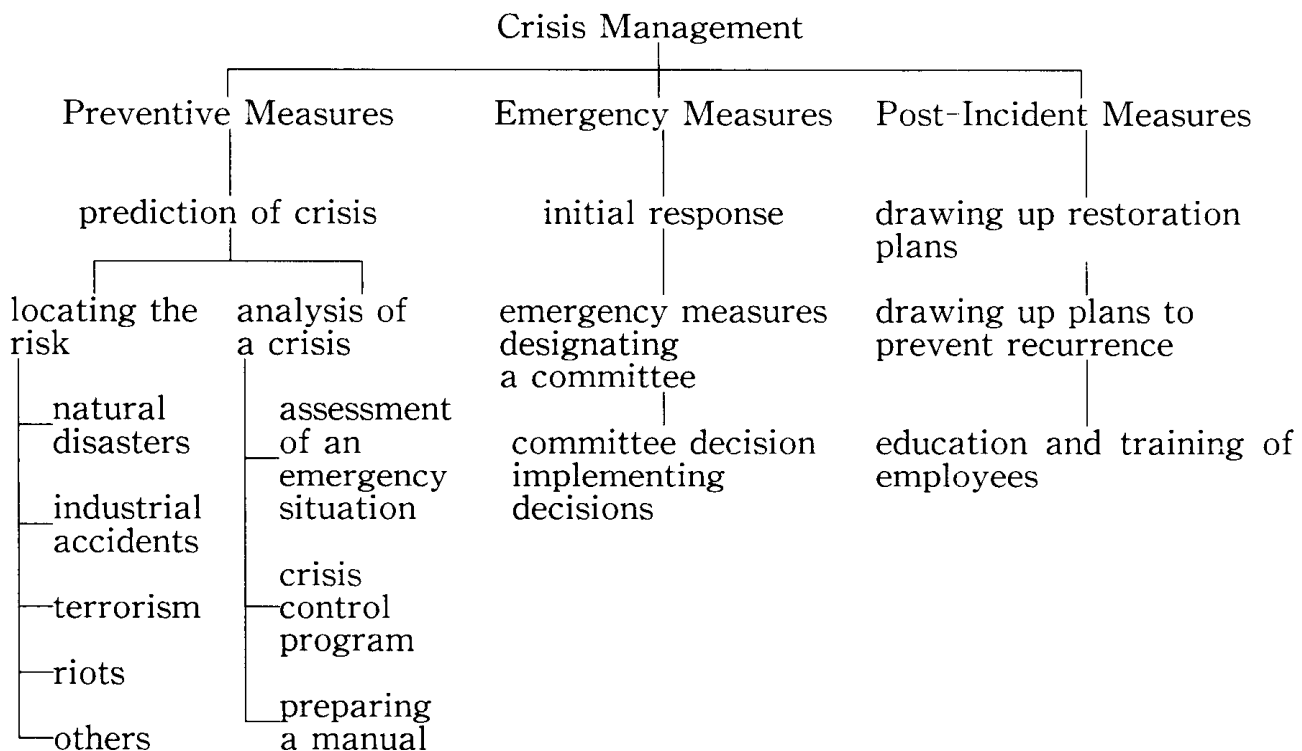
Kirin Brewery Co. futher defines crisis, crisis management and emer-

gency situations :

Crisis The occurrence of a serious incident or accident that could result in a significant loss to corporate management or activities, or could be expected to affect the company as a whole.

Crisis Management All activities related to predicting a crisis beforehand as much as possible, taking measures to prevent it from happening and minimizing losses should it happen. For emergency situations.

Emergency Situations1. Matters concerning life and death
2. Serious incidents, accidents
3. Serious misconduct that could diminish trust



Crisis management process is undertaken on 3 levels.

* Preventive Measures

For a corporation, a crisis is an unexpected situation. Unexpected situation include death and injury, material damage, loss of assets and loss from incidents that occur beyond normal business conditions that could have unexpected repercussions on the corporate organization. These loss-causing incidents can be isolated by dividing them into natural disasters (natural phenomena such as earthquakes, floods, hurricanes, volcanic eruptions, etc.), industrial accidents (damage caused by corporate activity such as explosions, fires, toxic leakage, etc.) and terrorism (external, intentional incidents such as kidnapping, assassination etc.).

On analyzing a crisis, it is important to ascertain the frequency and impact of the unexpected incident. When analyzing a corporate crisis : 1) define that which should be protected to ensure corporate survival ; 2) select and prioritize important aspects of the given corporation's operations and 3) assume all possible losses that could threaten priority issues and draw up countermeasures. When assessing unexpected situations it is important to assume the "worst case-scenario" for the corporation. When the possibility of an unexpected incident is low or when there is a lack of experience of such unexpected incidents, corporations and its employees tend to ignore the worst possible outcome. However, lack of awareness is no excuse when it comes to avoiding unexpected incidents or serious loss-causing accidents, and an assessment of the worst possible outcome is necessary for corporate plans for overall crisis management.

Crisis management planning is to create a program for dealing with emergencies that will be followed as emergency measures in future. The content of the crisis management plan is as follows :

- 1) putting principles on crisis management into written form
- 2) Notification of employee about the emergency program
- 3) Maintenance of machinery and facilities used at time of fire and other emergencies
- 4) Employee education and training on emergency actions at times of accidents
- 5) Restoration Program for corporate buildings and facilities .

*** Emergency Measures**

It is best to tailor manuals to specific corporate characteristics.

Initial response is undertaken as part of the emergency measures, in accordance with manuals drawn up by the given corporation. Rescue activities within the first 72 hours is decisive when undertaking initial response, which lays bare the good and bad aspects of the crisis management manual. Saving lives takes priority in initial response, and could influence the corporation's reputation in the aftermath.

An emergency response committee is set up when an emergency occurs. However, it is also one that is defined in the crisis management manual.

Needless to say, emergency measures should be implemented with utmost effort to minimize the loss on material and human assets of the corporation, and appropriate measures should be taken against psychological damage suffered by the victims and public relations damage caused by public opinion towards the corporate image. Relief activities and efforts to communicate with the regional community comprise an important part of the emergency measures.

*** Post-Incident Measures**

The final goal of crisis management is to restore corporate activity to

Chart 1-4. Crisis Management Committee

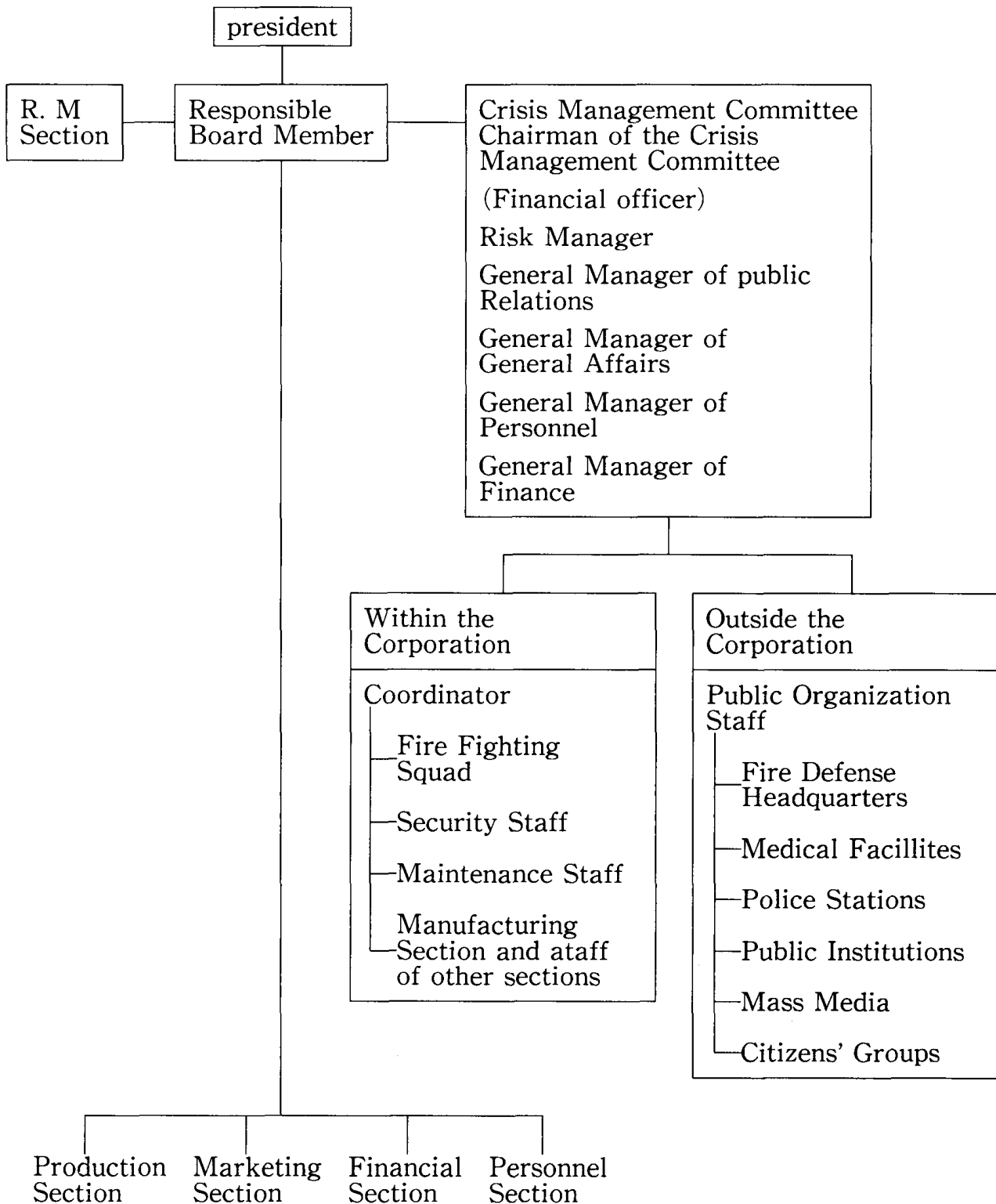


Chart 1-5. Organization

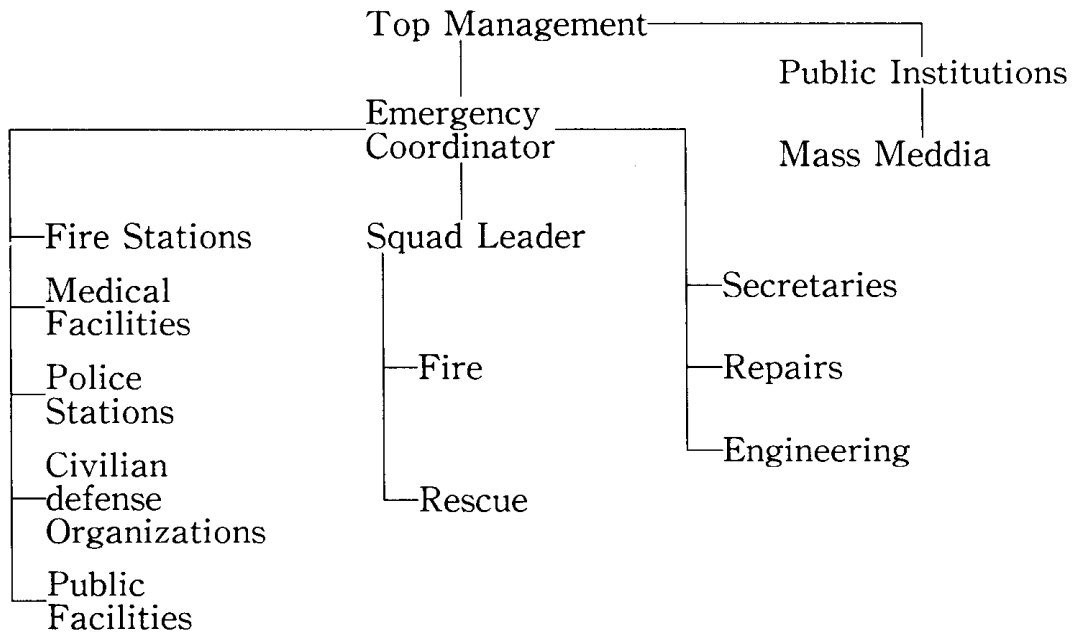
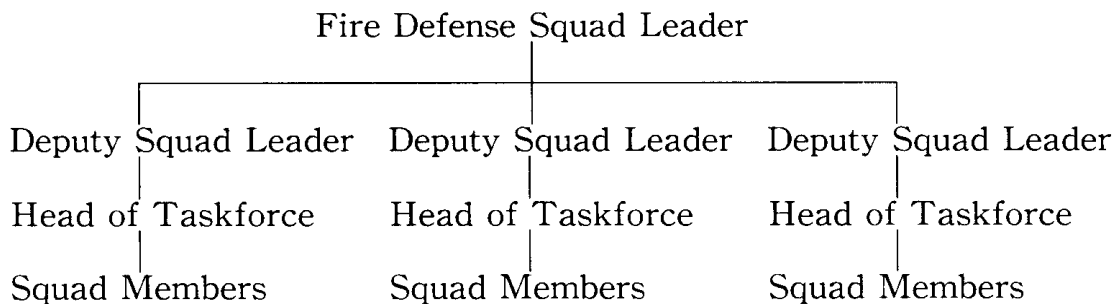


Chart 1-6. Corporate Fire Fighting organization



normal conditions. The corporation’s overcoming of the crisis and transition to normal business activities are the primary condition of corporate survival. Furthermore, it is necessary to draw up plans to prevent the recurrence of the incident, to revise previous crisis management manuals and to educate and train employees anew.

The Crisis Management Committee locates hazards and ascertains dangerous materials, collects information related to damage prevention, and draws up an emergency plan that protects the safety of a corporation’s material assets, facilities and its employees. It conducts inspection and

assessment of buildings, activities and facilities on a regular basis in conjunction with the responsible on-site personnel and implements revisions or changes in accordance with the crisis management plans. Furthermore, it makes reconstruction plans for important facilities. Lastly, it keeps track of activities and records of all stages involved with crisis management.

The Maintenance Staff undertakes direct repairs of many parts of the plant after a disaster and supports the corporation's overall reconstruction project including resuscitation of corporate facilities and restoration of equipment.

Staff in Manufacturing Section implements measures to ensure prevention and safety against fires, reports immediately on the state of damage caused by the disaster, procures new material necessary for production and gives advice on removing obstacles to production activities.

The public Organization Staff creates a favorable environment within the region, set up close communications with public institutions, and ascertain the status quo on damages and provides an accurate account to the mass media.

1-3. The Crisis Management Manual

In Japan, manuals generally serve as guidelines or standards of action. Manuals for crisis management are drawn up for major disasters that cannot be dealt with under normal corporate business conditions, describing the means for corporate survival, and must be given an important place in corporate management strategy. The crisis management manual ascertains and prioritizes what the corporation must protect at all costs, and is compiled with the worstcase-scenario in mind (Hanshin daishinsai kikanri kenkukai, 1996).

The goal of the crisis management manual is set down corporate principles in written form. For example, the following rules are aimed at minimizing the damage and ensuring the safety of employees, the return to normal business and the security of the region surrounding the offices at time when a major fire is expected as well as during an emergency situation. The following are the kind of corporate principles for times of disasters that are expressed in the manual, which are divided into preventive measures, emergency measures and post-incident measures.

1. Preventive Measures Against a Crisis

1) Prediction

Locate inherent risk, analyze the impact on corporate assets and compile an assessment. Risk differ according to industry, size of the business and the top management's view on a crisis, as well as the times and the social environment. For example, for an airline, plane crashes and hijack may be considered the two major crisis, and an electric utility, radiation leakage at a nuclear power plant may rank highest as a crisis. In general, fires and explosions, natural disasters (earthquakes, hurricane, volcanic eruptions, floods, etc.), kidnappings, terrorist bombings, labor disputes, riots, power outages, sprinkler leakage could be considered corporate crisis.

2) Prevention

To prevent the occurrence of the discovered risk, it is necessary to put in place preventive measures from ordinary times, to perfect the countermeasures and disseminate down to the lowest levels of the organization. To do that, facilities must be thoroughly inspected for complete familiarity. Full preparation of tools, training of designated staff.

2. Emergency Countermeasures

1) initial Response

These are measures taken within 72 hours of the occurrence of the incident, and comprises on-site rescue activities, disaster prevention activities and reconstruction activities. The reason initial response is set at 72 hours is due to the general understanding that it takes that much time to prepare and launch official rescue operations and other supportive teams. Therefore it is necessary to provide for emergency needs such as food and water, to last the 72 hours without external help.

2) Emergency Response

Act in accordance with unified programs under the Emergency Response Headquarters for the first few days or several weeks after the crisis. Get facts confirmed and collect information, conduct a realistic assessment of the situation and implement overall measures for corporate survival.

3. Post-Incident Measures

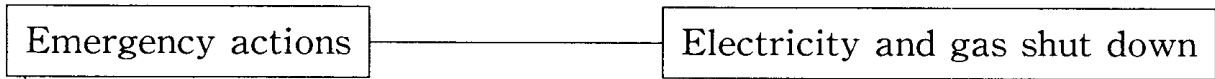
1) Restoration Program

Activities for resuming business and restoring ordinary conditions. Mobilize the entire corporation for reconstruction work in accordance with decisions made by members of the head office's Crisis Management Committee.

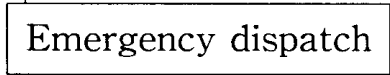
2) Reconstruction Program

Draw up a program for preventing recurrence, make revisions to the crisis management manual and undertake preventive maintenance after returning to ordinary business conditions.

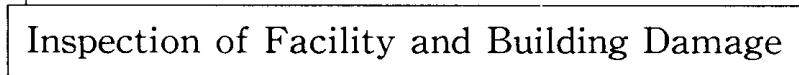
*** Flow Chart for Facility and Building Restoration Program**



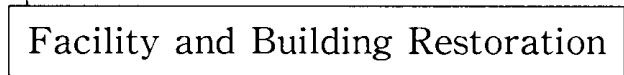
Rescue operation
 Initial response (initial fire extinguishing, prevention of short circuits and electric shock, prevention of diffusion of hazardous materials)
 Emergency personnel arrangement
 Emergency rescue of assets



Designation of danger zones (off-limit zones)
 Decision to dispatch and gathering of facility staff
 Start of special activities
 Establishment of program control office
 Decision on allocating responsibilities



Inspection activities lifelin
 damage to production facilities
 damage to production equipment
 Grasping the extent of damage
 Report on findings



Inspection and confirmation of priorities in restoring production
 Arrangements for procuring emergency materials (parts, raw materials)
 Request for dispatch of facility staff in other regions, cooperative

companies, specialized manufacturers

Organization and procedural preparations for the activities

Inspection and repair of facilities

Confirmation of procedures for the hand-over of restored facilities

Resumption of Operations

* Bombing Threats

- order employees to conduct daily inspections for unidentified objects.
- inspect areas that are vulnerable settings for bombs (boilers, electronic equipment rooms, control rooms, computer rooms).
- inspect all buildings for clarification.
- train operators to distinguish characteristics of blackmailers.
- contact the police and fire defense forces and follow their orders.
- evacuate employees to a safe place.
- request specialized services for clean-up.
- prepare to minimize damage from explosions in case the bomb cannot be located.

List 1-1. Earthquake Standards (Level-5 Tremor)

Primary Response	Secondary Response
During the earthquake	During and After an Earthquake
immediately halt operations extinguish fires shut off the main power source, close valves, press emergency button evacuate to safe areas, passageways if action is limited, crouch on the spot or hide under tables	switch off electricity distribution and allocation panel close main gas valve close valves for water and air conditioner close valves for hydrochloric acid and waste acid tanks these decisions should be made by the foreman, or by a team leader in the foreman's absence

★ Riots and Civil Unrest

- remain alert and strengthen security systems
- force public institutions to provide special patrols
- make speedy repairs to buildings
- defend important corporate facilities
- fully implement anti-fire measures
- secure the safety of employees and neighboring residents
- apply lock to all entrances, patrolling activity

Lastly, a crisis management program requires a crisis management manual which includes a list of contacts covering the police, fire defense forces, medical institution, local government offices, waterworks bureaus, electric utilities, gas providers, airports, newspaper companies, various rental services (trucks, computers, furniture, etc.), food companies, department stores, hotels and other important institutions (Ishinazaka, 1994).

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