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EDITORIAL

Complacency and crisis management in large organizations

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Abstract

Purpose – The purpose of this paper is to address the nature and importance of crises management in large organizations. The paper highlights factors that lead to complacency in large organizations and the dialectic relationship between complacency and crises.

Design/methodology/approach – The paper reviews current crises, especially at General Motors. It refers to recent debates on the state of management crises and the failure of some large corporations to tackle these crises effectively.

Findings – The paper differentiates between complacency and crisis and clarifies how the first leads to crisis. The paper, too, underscores that crisis should not only be viewed from an economic perspective. Rather, its social cost in today's world must also be considered.

Originality/value – The paper provides unique perspectives on the link between complacency and crises and explores avenues to prevent crises or neutralize their impact should they take place.

Keywords Organizational complacency, Crisis management, Large organizations

Paper type Editorial

Introduction

Whether or not there is a relationship between organizational size and crisis management (CM), the fact remains that in smaller organizations it is difficult for complacency to take root. In small organizations, neither organizational history nor culture supports a sense of complacency. Furthermore, even if the latter takes place, its impact, socially and economically, is limited in scope. However, once organizations have a longer history, an insulated culture and grow in size, there is a tendency to ignore certain wrongdoings, underestimate challenges and show a preference for pressuring regulatory agencies and politicians rather than using business logic.

Although complacency is thought to be a personal trait, it is common among institutions, be they government or private. Across organizations and throughout history, complacency has taken different forms and appeared at various times. Its impact is varied, and its lessons often overlooked by existing organizations and by successive generations. This is what makes complacency a potent and destructive factor; one that organizations should always monitor and take note of. This is because the cost of no action is high, and the consequences are difficult to neutralize.

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Indeed, complacency can have a devastating impact on organizations and endanger their market position, often leading to their demise.

Because complacency manifests negligence and lack of foresight, addressing it in the context of large organizations becomes an imperative. The recent fiasco at General Motors (GM) demonstrates that complacency is deeply rooted. For a decade, GM missed opportunities to rectify a safety problem that had been detected. In fact, GM engineers had known about the problems with its ignition switch since 2002 but opted not to tackle them (see for detail Stout *et al.*, 2014). This crisis demonstrates that even the most sophisticated corporations can easily be lured by economic considerations, ignoring the issues, which can have devastating impact on their market position and future.

Though GM was fined millions of dollars by the government and its executives were publically grilled by politicians and the media, it is its market reputation that is at stake. In another example, Reuters (2014) unveiled documents that show how the Credit Suisse for decades helped wealthy Americans conceal their assets through clandestine accounts. For its wrongdoings and deceptions, the bank was fined 2.60 billion dollars by the US government.

Swiftness and unexpectedness are two of the most potent components of a crisis. These can paralyze an organization and its senior executives. The swiftness of a crisis is important to consider, as it is often difficult to anticipate where and when a crisis will emerge and recognize in time its seriousness. The speed in which a business can find itself in a state of crisis often highlights its executives' negligence, lack of foresight and the delays or inadequacies of their response to a crisis situation. Unexpectedness of a crisis, though it is related to swiftness, leaves executives with no clue as to when a crisis might take place. Indeed, there is no possible and practical way to pinpoint exactly when a crisis may take place and how devastating it might be. This makes CM a subject that organizations, especially large ones, should integrate into their strategic planning.

Generally, complacency facilitates and deepens crisis. Indeed, the presence of complacency in organizations blinds executives to emerging crises and curtails the ability to counter them by deploying needed resources. Furthermore, as complacency takes root and becomes a hallmark of organizational culture, crises become a normalcy. This is exactly what happened with GM. For years, many executives knew that there was something wrong with the switch ignition, but no one pressed to rectify the problem in a timely manner. When organizations reach this stage, none of their executives is willing to confront the rising problem, thus, complacency becomes a form of crisis. This form is a threat to organizational survivability and impedes an organization's ability to serve its customers and compete in the marketplace.

Most importantly, executives in a culture of complacency and in a chronic crisis usually focus on tactical rather than strategic issues. These issues are neither integrated in strategic planning nor are they considered urgent. In this case, executives tend to be more receptive to feedback that reinforces their thinking. This ultimately leads, in the absence of an active and strong board of directors, to the belief that the crisis either does not exist or is not serious. However, the deepening of the crisis signals to outsiders and even to employees that the company is on a risky path.

The three reasons above makes CM an imperative undertaking in any organization aspiring to avoid lasting damage in the marketplace and to effectively deal with rising problems. That is, CM is about cultivating the ability to respond to unexpected market and non-market challenges by deploying the needed resources to overcome them. CM should be viewed as a way to respond to mounting crises and prevent any complacency when tackling them systematically and effectively (Ali, 2014).

Previously, we reiterated (see Ali, 2014) that crises are often unpredictable, sudden and ambiguous, and efforts to control or neutralize them may not necessarily lead to satisfactory outcomes. The latter is a direct outcome of the blurring of executives' judgments and the existence of confusing priorities. This manifests lack of strategic thinking and foresight. In this situation, executives may engage in activities that are not designed to deal directly with the current problem. Rather these activities give the impression of normalcy despite the organizational dysfunction. Furthermore, these activities, even under the best scenario, are not based on sound assumptions and logical analysis. Sound assumptions demand solid foundations and pragmatic views of internal and external factors that shape organizational operations.

There are three elements that constitute CM: tackling unexpected events, complexity of events and prevention. The case of the Tylenol tampering in 1982 was completely unexpected and forced Johnson & Johnson to take swift action and regain its market reputation. However, the crisis at Lehman Brothers induced the company to file for bankruptcy in 2008. The problem was a monumental one that must have been brewing for some time. The collapse of Lehman Brothers triggered, among other factors, the financial crisis in 2008. The collapse underscored three things: the negligence of executives at Lehman Brothers; the complexity of the financial sector in the USA and how it is interwoven with other financial institutions across the globe; and the necessity for an effective CM system with the ability to prevent crises from happening or neutralize their impact. For example, when faced with workers misbehaving, FedEx and Burger King, respectively, took responsibility and dealt with the crises swiftly, correcting the problem to the satisfaction of customers. This allowed both companies to uphold their standards and principles.

As we indicated before, CM might be easy for small organizations to uphold. In the event that an unfamiliar crisis occurs, dealing with a crisis is relatively easier than in larger organizations, and the damage may be comparatively limited. In large organizations, senior executives are usually far away from where operational activities take place and are unfamiliar with the daily aspects of work. Likewise, large organizations have a relatively long history with a well-established organizational culture. In addition, large organizations have various divisions. Coordinating them can be problematic. As the size of these divisions and that of the whole organization increases, reactions to various alarming organizational signals may be slow. Most importantly, executives of large organizations may look at past success as a validation of their actions. This is further complicated by over confidence and loss of touch with changing circumstances in the marketplace.

Therefore, having CM capability in large organizations is a strategic imperative. There is no doubt that the occurrence of crises is costly and demoralizing. However, absence of CM can be instrumental in transforming crises into chronic habits. This can eventually weaken the competitive position of firms and lead to economic consequences that hurt employees' futures and market stability.

One of the most dangerous aspects of dealing with a crisis is to view it strictly in terms of economic cost. This is a mistake that augments the problem and leads to further economic setbacks. For example, GM reportedly refused to replace the faulty ignition switch that would have cost the company less than one dollar per car (Stout, 2014). This attitude led to the deaths of several individuals, placed stress on senior executives, cost GM millions of dollars more, and damaged the reputation of the company, while leaving employees wondering about their careers. Likewise, other stakeholders were left guessing what else GM might have neglected and failed to make public. In fact, viewing the eradication of a problem or preventing a crisis only in terms of cost is unwise and demonstrates a lack of strategic outlook. Preventing or dealing with a crisis effectively represents optimism and a growth strategy that ensures the vitality and viability of a firm. It is not only safeguards a firm and its reputation in the marketplace but exhibits, too, a willingness to protect public interest and prevent any harm to stakeholders and society at large.

When a crisis takes place, competitive corporations, especially those led by competent executives tend to acknowledge their mistakes, swiftly correct the problem, articulate effective responses to the media, utilize social media, uphold their values, reach out to customers and deal with the crises by institutionalizing CM. There are certain elements that are essential for effective CM (Ronez, 2008). These are: company reputation and brand, trust and loyalty of stakeholders, safety and security initiatives, leadership development, talent management and solid communication plans.

In today's global capitalism, the fact remains that large corporations control a large amount of public wealth, have an unrivaled capacity to invest in research and engage in creative and innovative activities, and generate vast numbers of jobs and wealth. These firms, despite the growing role of small and medium-sized organizations, dominate the global market, and it is impossible to imagine a dynamic world economy without them. At the same time, these firms, due to size, success, tradition and longevity, have a tendency to underestimate the severity of certain crises, ignore customers' reactions to misconduct and fail to be responsive to a crisis situation. It is vital that these firms frequently reexamine their culture, revitalize it, confront complacency and, most importantly, organize and deploy resources through CM to prevent or neutralize crises.

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