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## Human capital and crisis management

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### ABSTRACT

Increasing accidents and dangerous events occurring at organizational and national levels have made it imperative that proper structural and cultural arrangements are established. One of the most effective approaches is crisis management (CM). Although CM is generally considered a recent rather than a customary approach, it is in the West that it has gained prominence and resources are allocated for effective performance. This study is designed to address CM and talent in the Arab World. The article draws on recent developments in a variety of fields, especially sociology, management, and international relations. More important, the article makes a strong argument that CM is doomed to failure without adequate training, learning, and development of human capital. For this very reason, the article outlines certain strategies to enhance effective coping with crises and better execution of CM. These strategies do not focus solely on the individual but also on the organization and its culture. The study develops a classification of Arab organizations in terms of their readiness to risk management.

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The recent GM (General Motors) crisis and the missteps taken by senior executives underline the fact that even the most sophisticated and tested corporations can easily fall victim to powerful economic and technological traps. Subsequently, they lose their ability to handle crises in a satisfactory way. Indeed, GM has not only found itself in a highly defensive position politically but also at a point where customer loyalty and its market position are in jeopardy. Though the fallout from this crisis for GM may not be fully known in the near future, what is certain is that corporations that fail to build the needed capabilities to effectively prevent or manage crisis will suffer deeply in the marketplace and regulatory agencies and legislators will not hesitate to take severe measures.

Corporate crises, especially those that stem primarily from corporate culture and management negligence, do not take place in isolation. Rather, they are characteristically linked to prevailing societal cultures and political

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and economic systems. Their occurrence, therefore, must be understood as evolving events that are likely to occur and when they do their disruptive impact to normal activities can be significant, paralyzing organizations and hindering their progress. Some crises, moreover, can lead to the demise of an organization (e.g., Enron, Lehman Brothers, etc.). Other crises are costly. For example, Energy company, Anadarko Petroleum Corp, in April 2014, agreed to pay more than \$5 billion to clean up areas in various parts of the United States polluted by Kerr-McGee energy and chemical company, which was bought by Anadarko in 2006 (see Brown, 2014 for details).

Some of the most destructive crises are related to the organizational and societal culture. In recent years, fraud and corruption have been instrumental in inducing crises that have far-reaching consequences. For example, the 2008 credit and mortgage crises in the United States and the multiplication of various forms of fraud point to a troubling era in which public faith in corporate ethical conduct has reached its lowest level. *Fortune* magazine (Morris, 2008) has labeled this period, “the wink-and-nod” era where senior managers “want results” at any expense and without knowing details. Faced with persistent pressures to perform and motivated to boost their year-end bonuses, employees are tempted to engage in questionable practices and to overlook the risky consequences.

The “wink-and-nod” in business culture trends has led to serious deceptions and frauds. A number of these have resulted in the collapse of corporations, displacement of workers, and suffering for millions of people. Most important, it has deepened mistrust in business institutions and the free market system and led people across the globe to question the viability of market mechanisms to deter bad practice and corruption (Ali, 2008).

Crises that are the result of natural disasters are not only unexpected and disruptive, but their damage to corporations and their vitality vary from limited to broad destruction. Such crises may generate uncontrollable waves that neither executives nor governments can handle easily. However, both executives and governments should cultivate capacities to minimize their damage and develop plans that reduce uncertainties and offer comfort to those affected by them. This makes crisis management (CM) an important instrument for saving money, lives, and the future of an organization.

This study is designed to address CM and talent in the Arab World. The article draws on recent developments in a variety of fields, especially sociology, management, and international relations. More important, the article makes a strong argument that CM is doomed to failure without adequate training, learning, and development of human capital. In fact, human capital plays a significant role in the success or failure of preventing and managing crises. For this very reason, the article outlines certain strategies to enhance effective coping with crises and better execution of CM plans. These strategies do not focus solely on the individual but also on the organization and its culture.

## Organizational crisis and CM

Crises in business organizations have seldom until recently been given broad publicity. Probably, the media is to blame. In a crisis that involves a nation or multiple nations, national sentiment fuels fear, excitement, anxiety, and despair and the media is expected to offer essential coverage of the events. In international relations, therefore, crises capture the imagination of policy makers and international organizations and subsequently the public is left wondering what might happen next. For this reason, and because crises in international relations are rooted in history and their impact engulfs communities at home and abroad, the subject of crises has become a well-defined and articulated field of study and practice. Stein (2008) identified sub areas of crisis in international relations as preventive diplomacy, crisis management, deterrence, and coercive diplomacy. She defines crisis as “a threat to basic values that simultaneously creates a sense of urgency and uncertainty among policy makers” (Stein, 2008, p. 554). She argued that threats differ in their severity but makes a powerful case that even if threats are “knowable,” and broadly familiar, what is “known and familiar, however, [can] not easily be prevented or managed effectively.” Nevertheless, she indicated that in international relations some crises can be prevented and most can be managed.

Crises, especially high consequences ones, are not mere incidents in history or passing events. Rather, they leave their mark on history and shape current and future events. Though they are often unpredictable, sudden, and ambiguous, efforts to control or neutralize them may not necessarily lead to satisfactory outcomes. The invasion of Afghanistan by the Soviet Union in 1979 and that of Iraq by the United States in 2003 have left these countries in a state of crises with no reasonable hope in sight. This makes it essential that such crises are either prevented or contained. The alternative can be costly in terms of blood and finance. Despite the flourishing of international agencies that deal with crises and conflict resolutions, no credible institutions have emerged so far to adequately address crises in international relations.

In the business field, the case is different; the subject of CM is relatively new (Pearson & Clair, 1998; Pearson & Mitroff, 1993). Indeed, Diermeier, Hopp, and Iravani (2006, p. 129) have argued that the existing management literature is ill-suited to studying CM. Instead of this assertion, it is possible to suggest that the articulation of the meaning of CM and its strategies have been driven mostly by the intensity of corporate crises in the past few decades. The current interest of scholars in the management field in CM, however, did not mean that CM was insignificant for business. Rather, it conveys that people have become increasingly sensitive to what is happening in the marketplace. Furthermore, the globalization of business, promotion of global capitalism as a proven salvation for economic woes to countries with weak legal and enforcement institutions, the rising power of multinational corporations

(MNCs) relative to governments in many countries, rapid deregulation and privatization of public enterprises, and the desire of executives to seize emerging business opportunities and to accumulate wealth, in a short time and by any possible means, have intensified the occurrence of corporate crises.

Though organizational crises (OC) take different forms, there are certain crises, if left without proper management, inflict lasting damage. These include, for example, serious product defects, safety violations, widespread boycotts, the spilling of hazardous materials, etc. Since organizations differ in their capacity to deal with or absorb threats, those corporations that are prepared to tackle crises are more likely to be able to cope with threats than those that lack preparation (King, 2002; Mitroff & Alpasian, 2003; Ronez, 2008). Before classifying corporations in terms of their ability to deal with crises, it is important to reflect on OC and CM. Both shed light on the antecedents of a crisis, organizational culture, and the mood of executives under pressure. More important, familiarity with both terms offers an opportunity to understand organizational readiness to prevent or deal with crisis. This is not difficult to grasp. For example, regarding the 2014 GM ignition switch recall, the company attempted to first downplay, after years of negligence, the seriousness of the problem. Its internal investigation of the safety issue and the recall of millions of cars were thought to be enough to ensure the public that the company was on the right track to effectively managing the problem. However, after the second day of testimony at a Senate hearing, the CEO and her team reached a conclusion that the problem was more serious than expected. Thus, according to the *New York Times* report, they decided to hire outsider crisis management experts including lawyers and lobbyists to help GM in dealing with the troubling issue (See Vlastic & Stout, 2014).

There are various definitions of organizational crisis. For the purpose of this article, the focus is on relevant definitions. Lerbinger (1997, p. 4) views a crisis as “an event that brings, or has the potential for bringing, an organization into disrepute and imperils its future profitability, growth, and possibly its very survival.” The author underscores the outcome and the difficulties that an organization experiences. Pearson and Clair (1998) place an emphasis on the nature of the crisis and its characteristics. They define crisis (p. 60) as “An organizational crisis [that] is a low-probability, high-impact event that threatens the viability of the organization and is characterized by ambiguity of cause, effect, and means of resolution, as well as by a belief that decisions must be made swiftly.” Sandin (2009, p. 109) defines crisis as “a situation in which there is a threat to a corporation’s basic values and limited time for response.” What is important to recognize is the fact that a crisis is an unexpected event that might have a devastating impact and weaken the competitive position of the firm in the marketplace. This makes it imperative that organizations not only plan for crises but set aside the needed resources to either prevent or manage the crisis. That is, managing crisis should be a top

priority of CEOs and their team. Stein (2008) defines CM in a narrow term; “manage the unexpected.” However, other researchers tend to define CM more broadly. Pearson and Clair (1998, p. 61) view CM as “a systematic attempt by organizational members with external stake-holders to avert crises or to effectively manage those that do occur.” Diermeier et al. (2006, p. 128) define CM differently by focusing on responsiveness, stating that CM is “cultivating an ability to respond quickly and adaptively to unfamiliar situations.” These definitions underscore three elements of CM: unexpected or unfamiliar events, crisis prevention, and effective and timely response to crises that occur. This leads us to state that CM is an institutional process for activation and deployment of organizational resources to prevent the occurrence of possibly harmful events and/or adequately manage those that take place.

Therefore, CM should be viewed as a way to respond to mounting business crises and the failure of corporations to adequately tackle them systematically and effectively. That is, CM is characteristically linked to rising complexities, ambiguities, and sophistication in the marketplace. Corporations, however, do not equally have the resources and the personnel to enable them to either prevent or limit consequences of crises. Though corporations might have plans and programs in place to tackle crises, their existence is not a guarantee of their effectiveness. This is because capabilities are more important than plans (Mitroff & Alpasian, 2003). Often these plans are remote from reality and do not take into account internal capabilities and weaknesses of the firm. Likewise, on many occasions, senior executives are more interested in projecting an image of readiness by having abstract rather than realistic contingency plans. Therefore, these plans may look impressive but are seldom revisited. Furthermore, many organizations experience a lack of effective coordination and others may accommodate competing logics of integrated contingency planning (Stein, 2008).

### **Organizational response to crises**

Companies differ in the ways they manage crises. Whereas resources and capabilities stand out as important, factors, culture and institutional tradition shape organizational response to crises and to the presence of CM teams. Indeed, the literature on CM ignores culture as a determinant force of CM and in activation and deployment of resources. Nevertheless, 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.

Not all companies, however, are endowed with the aforementioned factors. Indeed, some organizations completely lack plans to deal with emerging crises. In this context, Deverell and Olsson (2010) introduced three types of

organizations: fully adaptive organizations, semi-adaptive organizations, and non-adapting organizations. In their classification, the authors focused on organizational response to crises. The fully adaptive organization is characterized by an ability to change strategy and its adaptability to cope with the change. The senior executive and the crisis team evaluate a crisis in a timely way and if it is perceived to be a severe one, resources and strategies are made available to minimize or prevent damage. The semi-adaptive organization changes its strategy in facing challenges by demonstrated adaptability in management, as well as in the operational core of the organization. This adaptability, however, is not well fitted to the change of strategy. This is because this type of organization leadership lacks the capacity to make sound decisions. The third type, non-adapting organization, lacks strategic managerial response and is inclined to take an operational response that gives priority to technical aspects and overlook the essence of stakeholder relations. That is, this kind of organization shies away from undertaking strategy change and strategic adaptability is not a goal.

Mitroff and Alpasian (2003) divided companies into two categories: crisis-prepared companies and crisis-prone organizations. For crisis-prepared companies, any activity that is important for day-to-day operations is important. Such activities are considered essential for developing working capabilities. Crisis-prepared organizations also understand that no crisis ever resembles exactly what was planned or simulated and for this matter corporations should not fail to include each conceivable type in their crisis portfolio. The goal of these corporations, according to Mitroff and Alpasian (2003, p. 19), is “to have at least thought about the unthinkable as broadly as possible prior to its occurrence.” This is different from crisis-prone organizations, which design only a few sets of scenarios. These limited scenarios focus primarily on high-probability/high-consequence disasters and or events. Events with low probability but with high consequences are seldom considered.

Although classifying organizations into groups is a worthy cause, most of the emphasis in the literature is on factors that are company specific. However, societal culture shapes not only executives’ priorities but also their attitudes and perceptions of crises. This fact is neglected by researchers and thus is not investigated adequately. Though societies differ in their culture and related symbolisms, it is in traditional ones that norms and values are deeply rooted and thus change appears to take place at a slow pace. In the Arab World, this is highly noticeable, despite the tremendous progress in manmade or objective culture (e.g., buildings, highways, museums, etc.). In the context of crises and CM, the perception of crises and the crafting and executing of CM strategies are obstructed by two groups of forces: cultural factors that shape the workplace and organizational factors that are shaped by societal culture. These qualities are potent forces that paralyze not only



the prediction but also the management of crises. Nevertheless, these forces often are either completely ignored or not taken seriously. This results in inadequate responses to emerging and ongoing crises.

### **Cultural factors that shape the workplace**

At the societal level, four qualities hinder CM. These include unity of contradictions, self-censorship, personalism, and blindness of the heart. Though there are many other qualities, in terms of CM, the aforementioned ones stand out as the most troubling and, due their cultural roots, are the last to be changed adequately.

#### ***The unity of contradictions***

This is a deeply and widely shared cultural quality and the hope to eradicate it is a far-reach possibility. It is (e.g., vocal assertion to act, while taking no action; projecting the image of openness while showing unwillingness to accept or even consider any new ideas, etc.) a living example of how a crisis is perceived and dealt with. In the political arena, for example, policy makers consider certain global actors as a major force in plotting against the Arab causes. However, cooperation with such actors is always given priority. Also, even when crises are widespread and intensively discussed in the media, no attempts are made either to avert or manage them. This is more apparent especially in relation to high-probability, high-consequences events, such as the 1967 war where the security forces, for example in Egypt, were on maximum alert but senior air force officers were either on leave or off duty, leaving jet fighters on the ground; an easy target for the attacking forces. That is, instead of pursuing a strategy of deterrence, they waited for disaster to arrive.

#### ***Self-censorship***

This is one of the primary obstacles to crisis prevention. There is a tendency not to criticize, reveal, or inform about others' wrongdoings. Self-censorship takes on two forms: fear of harming members in the organization or carelessness. In either case, this aspect neither helps in averting nor managing a crisis.

#### ***Personalism***

This is another detrimental factor for an organization. It is a tendency to relate to others as individuals and treat them based on considerations independent of work policies or performance. In an organizational setting, priorities are selected subjectively and challenging organizational problems



are treated differently based on those who are involved irrespective of harm to the organization. Personalism is commonly manifested in two behaviors: subjectivity of organizational choices and randomization. This subjective view of problems and organizational matters often change depending on circumstances and mood. What is more critical for CM is that personalism stands as a formidable barrier to institutional arrangements and procedures.

### ***Blindness of the heart***

This is a state of affairs where employees pretend not to notice behavior that is detrimental to current business conduct and or the future of the firm. This overlooking of such behavior is motivated by personal interest. Though blindness of the heart may appear to be similar to self-censorship, it is different. That is because it is a calculated action and in no way naïve. The Quran warns (22:46): “Truly it is not the eyes that are blind, but the hearts which are in the chest.” Furthermore, several Arabic sayings also denounce this tendency, for instance, “blindness of the eyes is much better than the blindness of the heart.” The reason is that issues that can be fatal are given no advance warning to senior executives.

### **Organizational factors that are shaped by societal culture**

At the organizational level, certain factors that are shaped by societal culture leave their mark on the prevention and preparation of crises. These are silent noise, roaring thunder, disregarding urgency, and overestimation of capabilities. In terms of CM, these qualities generate devastating events that not only paralyze any action toward crises but may deepen the dysfunctionality of the firm.

#### ***The “silent noise”***

The “silent noise” is a phenomenon common in Arab organizations where employees talk about and exchange information regarding wrongdoing or corruption. Most of the conversation takes place in the hallways and is loaded with emotion and energy. Once an executive is sighted, all are quiet. However, none of the employees takes the initiative, either individually or in cooperation with others, to inform those in authority about the event and the gathering threat. Thus, time and resources are spent aimlessly, thereby weakening the organization and threatening its readiness to deal with unexpected events.

#### ***The “roaring thunder”***

“Roaring thunder” represents a situation in which an executive always talks big and warns that severe measures will be taken against those who do not

perform up to organizational standards. This executive not only sets a bad example but also contributes significantly to creating an organizational culture where indifference and negligence are the norm rather than the exception. Both “silent noise” and “roaring thunder” generate and reinforce irresponsible organizational behavior making crises a permanent aspect of the workplace.

### ***Disregarding urgency***

This is a different matter. It is possible that this state is related to negligence or lack of sensitivity to critical times and timely responses in a dynamic market. This attitude facilitates the rise of crises. Furthermore, it might be a manifestation of mixed priorities and or lack of clarity in direction. The end result, however, is that nothing is treated as important and needing immediate attention.

### ***Overestimation of capabilities***

This is a serious barrier for effective CM. Along with the disregard to urgency, the overestimation of capabilities prevents a response to any legitimate demand for establishing institutional procedures to deal and cope with crises. More important, both the rise of disregarding urgency and overestimation of capabilities make organization crisis readiness an impossible task. Furthermore, organizational resources are neither protected nor upgraded, leaving a firm in an uncompetitive position.

The interplay of the previous factors creates a situation where firms are unable to mount resources effectively to avert or cope with crises. This situation, along with lack of strong organizational traditions and weak legal institutions, allows us to group organizations in terms of their response to crises into four categories. These are briefly discussed:

### ***Crisis-laden organizations***

These types of institutions are overflowing from the day of inception with crises. For example, a recent event in Iraq demonstrates that crisis is considered a normal mode for carrying out a business. The Iraqi government announced that high-speed trains had been bought and would arrive soon. However, the existing railway tracks are old and are not designed for high-speed trains and it would take years to upgrade them (see Abbas, 2014). Whether the firm is a state or privately owned enterprise, there is no concern with preventing crisis. Affairs are left to chance, as no one in the organization is either prepared to tackle crises or responsible for CM. In this state, disillusion and chaos are widespread and normalcy is the exception. Although this

might be common in some government institutions, their presence in business organizations should not be underestimated. Many business organizations that were established through connections to government facilities and contracts have benefited from resources that have been made available to them and thus owners/managers behave as if the future is an extension of the present. This mistaken assumption precludes any need for a warning system and objective surveillance of the environment. Therefore, no possibilities or scenarios are considered.

### ***Crisis-prone organizations***

Unlike the crisis-laden firm where possibilities of changes and disasters are seldom considered, in crisis-prone firms, these are given some consideration. The problem, however, stems from lack of capabilities to tackle crises. Likewise, these types of firms are inclined to consider only familiar crises (Mitroff & Alpasian, 2003), while discounting that different crises may emerge that require different capabilities.

### ***Semi crisis-prepared organizations***

In the recent years, some firms have initiated programs to avert or prevent crises (e.g., like SABIC, ARAMCO). In addition, crisis teams have been established and some resources are devoted to dealing with crises. Nevertheless, systematic tackling of crises and continuing upgrading of capabilities have not yet reached the desired level of preparation.

The rise of these types of organizations is due to several factors: increasing presence of professional Arab executives, the new trend among major family businesses to hire professional managers to run day-to-day operations (some of these executives are Western, especially in the Gulf region), the venturing of Arab business organizations abroad, the thriving of consulting firms in the Arab world, the thriving of non-government organizations, and the increasing presence of multinational corporations (MNCs) in the region.

### ***Crisis-prepared organizations***

These types of organizations are not that common in the region, but there are signs that major corporations, especially those which operate across borders, have been gaining the needed expertise, experience, and the resources to put into place and activate CM to prevent or cope with crises. Furthermore, these organizations display adaptability and tend to systematically survey their environment, develop scenarios, and engage in simulations imitating various crises. Emirates Airlines may be considered an example of Arab-based corporations that are crisis prepared.

The first two types, however, are the most common organizations in the region. Although both organizational capabilities and cultural factors are the most prominent obstacles to institutionalization of CM, human capital or talent remains the most important factor that enables organizations to effectively avert or prevent crises. This is not mere speculation, but is based on evidence from successful CM examples (the Johnson & Johnson Tylenol Crisis, 1982; Pepsi crisis in 1993, etc.).

### **Talent and crisis management**

The reoccurrence of crises takes on an economic and organizational significance. This stems from the fact that in a dynamic world, the crisis impact is difficult to contain. Indeed, the reoccurrence of crises represents a talent, spiritual, institutional, and intellectual deficit. The pressing question is how critical is talent for CM? In today's organizations, three crisis challenges stand out: identifying, preventing, and managing (Ronez, 2008). These challenges are impossible to sort out without cultivating and retaining talent. Without talent, neither crisis prevention/ managing nor creating value to stakeholders will take place. Indeed, whether an organization is prepared for a potential crisis depends on existing talent, especially among senior executives (King, 2002). King further argues that firms with established crisis management teams are able to communicate and effectively respond in the event of a crisis. Borodzicz & van Harperen (2003) make a powerful argument in underscoring the relationship between talent and CM. They indicate that effective corporate crisis management and business continuity planning are characteristically linked to people and their awareness of their responsibilities and understanding of an existing plan. They further suggest that preparedness to respond to a crisis should include training and exercising to enhance the ability of personnel to cope with a crisis. This is because talent provides leadership before, during, and after a crisis (Ronez, 2008).

From Toyota to Coca Cola and from Caterpillar to Morgan Stanley, corporations have placed talent acquisition and cultivation on their lists of priorities. Furthermore, these corporations have established crisis teams to deal with potential crisis and to prevent any possibility of crisis occurrence. Nevertheless, crises do occur and the cost is often too high in terms of market reputation, emotion, and survivability. For this very reason, senior executives understand the role of talent in preparing organizational systems to be adaptive and having a timely response to unimagined or unknown events. Indeed, in today's business world, it is not enough for corporations to engage in knowledge creation and problem solving. Rather, they should understand how rapidly crises can be solved and with accuracy (Diermeier et al., 2006).

As discussed previously, in the Arab World, CM is obstructed by societal and cultural factors that leave their mark on the workplace. Confronting these

forces requires discipline, knowledge, initiative, imagination, and institutional procedures. These requirements situate talent at the center stage of change. Indeed, talent is strategically situated to play a vital role in predicting, confronting, and easing crises consequences. This was accentuated by *Trade Arabia* (2011), which stated that many companies across the region do not have a robust disaster recovery or CM programs in place, thereby endangering their businesses.

Without talent, organizations are left either teetering in their place or failing to contribute to societal progress and development. The current events in the region and continuing upheavals demonstrate that business organizations and government institutions have not yet developed the capacity to offer reasonable responses to crises, be they economic, social, or political. This makes it imperative that organizations are led by talented and creative individuals.

Though talent is defined differently, in terms of CM, talent is an ability to imagine the future and adapt to changing circumstances. Both imagination and adaptability are essential qualities for predicting, averting, countering crisis, and reducing its negative impact if it does take place. In the Arab World, imagination is an old quality that was once reflected by poets and artists, spiritual leaders and merchants. Adaptability conveys an ability to reconsider position and think and act outside the box. The Quran (16:44) instructs, “And We revealed to you the message that you may make clear to the people what was sent down to them and that they might ponder.” In the region, especially in the past four decades, there has been a remarkable adoption of some Western techniques and achievements (e.g., building huge organizations, applying new technology, etc.). However, organizations have not experienced the needed adaptability to cope with increasing complexities and respond to societal needs in a more responsive way.

Indeed, in the region, and for many years, creative involvement and discovery have not been prioritized. Countries in Europe and East Asia, for example, have steadily progressed as talent has been recognized, cultivated, and rewarded. Many Arab states, however, have only recently revisited their development priorities as economic development programs have generally failed to produce tangible improvement in the well-being of the people. Christine Lagarde, the managing director of the International Monetary Fund (IMF) Lagarde (2012), asserted that the Arab States have failed to deliver the right type of growth and the jobs that people need. These states have recognized that neither spending on security nor imitating Western institutions will ensure safety and prosperity without undertaking profound change in investing in human capital.

One of the most important indicators for nurturing, cultivating, and utilizing talent is the number of patents obtained each year. Table 1 shows U.S. patents granted in 2013 and the accumulate number over 2000–2013. Israel

**Table 1.** Number of U.S. patents granted as distributed by year of patent grant.

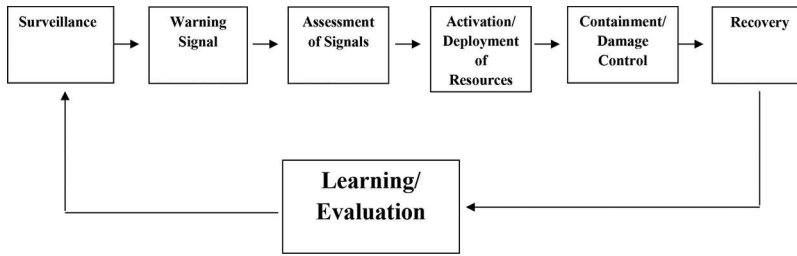
Country	Patents granted 2013	Accumulated patents (2000–2013)
Bahrain	2	5
Egypt	34	160
Jordan	6	26
Kuwait	86	238
Oman	3	18
Saudi Arabia	239	718
UAE	19	117
Yemen	0	1
Iraq	0	1
Israel	3,152	21,459
South Korea	15,745	112,367
Qatar	9	22
Tunisia	4	21
Lebanon	9	76
Morocco	1	25
Algeria	0	4
Djibouti	0	0
Total	19,309	135,258

Source: U.S. Patent and Trademark Office, March 8, 2014.

had 3,152, whereas the whole Arab World had 412 patents in 2013. The latter is conspicuously low relative to South Korea, which registered more than 15,745. The largest economy in the region in terms of GDP, Saudi Arabia had only 239, whereas Egypt, the largest in terms of population, had 34 granted patents in the same year. Looking at the accumulated granted patents for 2000–2013: South Korea and Israel had 112,367 and 21,459 respectively, whereas the Arab World had 1,433 patents. These statistics demonstrate that the Arab world either lags behind in utilizing talent or talent is not cultivated adequately.

Although talent acquisition and cultivation is the major challenge that corporations face in the region, institutionalization of CM is impossible without talent management. There are requirements for developing and nurturing CM programs and these are thinkable only if talent at all levels of an organization exists. Four issues should be highlighted. First, crises differ in their magnitudes, depth, and impact. Therefore, there should be teams with various skills and capabilities to tackle different crises. Second, companies differ in their capacity but all must nurture norms and beliefs to perceive and interpret warning signals and ensure a unified response to a crisis. Third, some crises may be turned into opportunities if they are managed effectively. Fourth, if a crisis takes place, managing it passes through several phases. These phases are essential for institutionalization. What should be kept in mind is that each phase demands certain capabilities, as the threat at each varies and the probability of reversing such a threat is different. [Figure 1](#) exhibits these phases.

At stage one there must be skilled employees who are capable of surveillance. At this stage, the emphasis is on general information, i.e., the surveillance is broad and unfocused. It tackles general events inside and



**Figure 1.** Phases of crisis management.

outside the organization, which if they take place might pose a real threat to the reputation and survivability of the organization. These events range from possible fraud to cyber attacks.

The warning signals should be detected at an early stage. These signals send a message that certain behavior within organizations could lead to improper actions and thus must be brought to the attention of those in authority. For example, an employee may suddenly start to bring concealed weapons to work. Likewise, outside the organization, the government is under pressure to change a course of action. If it does, certain regulations might limit the freedom of the firm.

Assessment of signals is the third stage. Signals vary in their intensity, reoccurrence, and speed. Experts should be on hand who can explore on a timely basis the possible threat and the degree of occurrence. The more likely and more threatening the signal, the more urgent the action needed to counter or prevent the event. If the team finds out that the government is under pressure, but it is not likely to change industry regulations, then the alarm should be lowered.

When an event is more than likely to occur and the consequences are harmful and broad, resources must be activated and deployed. This requires collecting more information, coordinating activities, and assigning skilled team members with a mandate to find solutions. In the case of the employee with concealed weapons, if the conclusion reached indicates that the weapons might lead to suicide or homicide at work, immediate coordination with local legal authorities is needed.

The next stage is containment of the crisis or damage control. This is relevant when a crisis takes place. The ultimate goal at this stage is to prevent the spread of the event and limit its impact on the organization or its relations with stakeholders. For example, if the government is determined to regulate the industry, the company may join other firms to lobby the government or the legislation authority for a favorable outcome.

The recovery stage is different. At this stage the company should engage in an aggressive public campaign, for example, to regain its initiative and gain public trust. When ARAMCO was targeted by cyber attacks, the CEO and



his team were in front informing the public and assuring them that things were under control and alternative action plans were on hand (Wahab, 2012).

The last stage involves learning and evaluation. The company team and senior executives ask and answer several questions related to the crisis. What has been learned? How can such events be prevented? Is our system capable of handling different crises at the same time? And what has to be done to upgrade our procedures and resources? The answer to these and similar questions might provide a clue to what we need to tackle crises effectively.

Again, the above phases have to be institutionalized. This enables the company to adapt easily to changing circumstances and change them favorably. Corporations that institutionalize CM procedures perform much better than those without procedures (King, 2002). However, sound procedures and institutionalization are easily envisioned when talented personnel are in charge and are responsible for setting plans. Therefore, both talent cultivation and institutionalization of CM procedures are the only suitable strategies for Arab organizations to avert or manage crises.

However, these strategies cannot be applied uniformly across organizations. For example, in crisis laden firms the priority should focus on cultivation talent. This can be done through active recruitment of professional managers and skilled labor along with motivating and training existing employees. Also, professional managers may find it useful to lessen dependency of the firm on government contracts while deepening organizational involvement in free market economy. In crisis-prone organizations, upgrading existing capabilities is a major concern. Although, this to a large degree is a talent issue, strengthening organizational procedures is a strategic imperative.

For the last two types of organizations, semicrisis-prepared and crisis-prepared firms, institutionalization of crisis response procedures and building relevant teams should be part of strategic initiatives and the organizational culture. Nothing is more essential at both types of organizations than clarifying institutional procedures and articulating other necessary steps to avert or tackle potential crises.

## **Conclusion**

This article addressed CM and the needs for establishing procedures for averting or managing crises. The article reviewed the current thinking on CM and attempted to highlight the relationship between effective CM and talent. In particular, the study underscored the fact that in the Arab World the tradition of CM is in its early stage of development.

Several types of organizations, in the context of CM, were presented. In addition, the article identified the cultural factors that make the application of CM in the region a difficult task. More important, the phases of CM were

identified and briefly discussed with some examples provided to make the point clear.

There are certain implications for practitioners and researchers. Practitioners have to rethink their attitude toward crises and the need to have special and skillful teams that can deal with CM. These practitioners have to address changing business environments, the changing orientations and positions of stakeholders, and the nature of competition where competitors not only come from various parts of the world but also display complex strategies.

Scholars in the region are faced with mounting pressures to increase awareness of the scope and depth of business crises. These crises are not independent of the social and political environment. Therefore, researchers should not only develop a sound framework for studying CM but also explore the cultural and organizational factors that constitute barriers for effective crafting and implementation of crisis management. In particular, the relationship between leadership and crisis management should be highlighted in a society where personalism shapes personal and professional relations.

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