ABSTRACT
        The management strategy of calling attention to
problems and labeling them as crises is discussed as a method of
coping with prolonged periods of shrinking resources. Part I,
"Entering the Realm of Crisis," discusses the importance of defining
a crisis, the crisis as an organizational good, and when to declare a
crisis. Two types of crises are identified: (1) the manifest crisis,
which is one readily apparent and whose menacing nature speaks for
itself and commands attention and (2) the opaque crisis, which barely
is visible, if at all, and often reflects a chronic problem which,
while weighty, does not dramatize itself. Part II, "Six Cases of
Response to Organizational Adversity," examines the experiences of
the following: Flagship University; Rockroad Community College;
Industrial City High School District; State Board of Higher
Education; and Hillside State College. Part III, "The Rules of Crisis
Management," offers five conclusions: (1) effective declaration of a
crisis is contingent on the credibility of an institution's
management and perception; (2) a declaration of a crisis, to be
successful, must lead to substantial benefit to the organization; (3)
the declaration of a crisis should be highly visible and
unequivocable; (4) after the crisis is declared it must be managed
conspicuously; and (5) the crisis needs to be terminated. Several
management tactics employable for crisis termination are illustrated
in the case examples, such as: deriving strength from weakness by
binding oneself to a future that would be distasteful to the
institution if allowed to take place; to make use of an interviewing
outside party to dramatize the seriousness of the problem; and to
make use of a crisis council. References are provided. (LC)

THE USES OF CRISIS: TAKING THE TIDE AT THE FLOOD

by

Charles T. Kerchner and Jack H. Schuster

Claremont Graduate School

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THE USES OF CRISIS: TAKING THE TIDE AT THE FLOOD

Crisis is a word of many connotations. The poets of adventure (and some organizational pep-talkers as well) sound sanguine about the topic. They remind us of that "tide in the affairs of men, which taken at the flood leads on to fortune."[1] Or more prosaically, they enjoin us to make lemonade out of our lemons. Yet for most managers, crisis connotes a state of affairs to be avoided, for the outcome is risky and may very well be prejudicial to personal and organizational health.

The management literature tends to be uncompromisingly unenthusiastic about crises. Indeed, the dominant theme holds that good managers avoid crises; they foresee problems, anticipate the unexpected, and plan in advance--even for contingencies that ordinary mortals have not yet imagined. The avoidance of crises has become a standard by which managers judge themselves and by which they are frequently judged by their superiors[2].

Instead of adopting this conventional line of thought, we wish to argue for a management strategy that approaches heresy. We will argue here that crises, although they are inherently risky, under certain conditions can be transformed into instruments of organizational good. Further, we want to argue that undergoing crisis in an organization--and that calling attention to problems and labeling them as crises--may be a preferable management strategy to coping with prolonged periods of shrinking resources. If our argument is accurate--that declaring a crisis can be an organizational good--the resulting prescription for managers is to know when to declare a crisis and how to

utilize one. These are the topics covered in the body of this paper.

I.

Entering The Realm of Crisis

The argument presented here is derived from the literature and the authors' field experiences over the past two years. As we worked on separate research projects, we found ourselves exposed to examples of educational institutions reacting to rapidly changing, usually deteriorating, conditions. One of us had been studying labor relations in 80 school districts in California and Illinois; the other had been studying the effects of constrained resources at a sample of two- and four-year public colleges and universities in California. In each setting it became apparent that there were some instances in which a particular stimulus provoked a crisis response and that there were other instances in which comperable stimui did not. We became curious about the differences in managerial treatments that were accorded similar events. Eventually, we became convinced that the differences were not simply those of style, but that the organizations were responding to essentially different contextual circumstances. Thus, we came to believe that the declaration of a crisis was contingent upon the conditions that were present in the organization and its environment.

Defining a Crisis

Before proceeding further, the word "crisis" needs more explicit definition. The word itself is of Greek origin, meaning "a point of culmination and separation, an instant when change one way or another is impending," or, more colorfully, a critical moment "big with destiny."[3] In

organizational terms, a crisis may be defined as a "situation in which goals are at stake that are of high importance to the system when the probability that the goals will be achieved is small."[4] To convey further what we intend, we appropriate from a discussion of crisis management in international relations:

> Crises are matters of degree, being emotionally linked to
> such subjective terms as _calamity_ and _emergency_. . . .
> Crises are generally distinguished from routine situations
> by a sense of _urgency_ and a concern that problems will
> become _worse_ in the absence of action.[5]

While some authors favor a definition of crisis that includes the elements of suddenness and surprise,[6] our view of crisis extends to conditions that may also result from a "slowly maturing process," that is, evolving situations that could perhaps have been anticipated.[7]

An additional distinction is central to the discussion in this paper. Most of the literature concerns what we call a _Manifest Crisis_. Such a crisis is readily apparent; its menacing nature speaks for itself and compels the close attention of management. The conventional wisdom obliges the manager in such crises personally to appear to "take charge"--even if there is very little that can be done. Managers, then, stay cool and act decisively.[8] There are, of course, numerous examples of these manifest crises in educational institutions. The recent financial crises of public schools in New York, Chicago, and Boston are cases in point. So are employee strikes in any number of school districts, colleges and universities, as well as, of course, natural catastrophies or disasters.

The Manifest Crisis can be contrasted with the _Opaque Crisis_. The latter is barely visible, if at all, and often reflects a chronic problem which, while weighty, does not dramatize itself. Such crises are not self-evidently

perceived to be organizational turning points. They remind us of Burton

Clark's phrase, "crises of decay."[9] It is these opaque crises that we wish to

address in this paper, and, particularly, to consider the role of management

in declaring and managing such crises.

To declare a crisis, in our usage, means that top management--ordinarily,

for these purposes, a college or university president or a school

superintendent--takes specific actions calculated to dramatize the seriousness

of a situation. This declaration of crisis might be accompanied by the

establishment of extraordinary decision-making procedures to deal with the

situation or by a proposal for a radical course of action.

The Crisis as An Organizational Good

Crises are neither inherently good nor bad for an organization. Their

total impact may cut in either direction:

> The crisis may be associated with the closer integration of the
> organization, the appropriate innovations for meeting the
> crisis and the clarification of relevant values, or at the
> other extreme it can lead to behavior which is destructive
> to the organization and seriously limits its viability.[10]

Crisis management differs from routine management in at least four

important respects. First, it allows the leader to suspend the normal

authority system and to draw together only those persons who genuinely need

to be involved in a temporary task unit.[11] In this paper, we refer to such ad

hoc organizations as "crisis councils" although in their actual occurrances

many different names are used. Divisions and hurt feelings about proprieties

are less acute during crisis periods, and thus failure to include everyone in

the process or in the information network, which is a serious protocol problem

during routine operations, is a matter of less concern. Proprieties of

hierarchy can be bypassed.

Second, crises enable the leader to suspend standard operating procedures. Reporting and communications channels can thus be shortcut, and more direct communication is likely. Moreover, the crisis council often works in close physical proximity, thus serving both the timeliness and directness of communication.[12]

Third, crises allow almost unlimited attention of the organization's top leadership. Leaders are enabled, even commanded, to ignore other aspects of their work during a crisis. The ceremonial and routine aspects of work which ordinarily usurp managerial time can be pushed aside for a while.

Fourth, in general a crisis promotes and requires a more active search for alternatives. It also establishes conditions in which bold actions are more acceptable than during "normal" times. Thus, a crisis performs the function of liberating organizations from past commitments, practices and psychological constraints.

In short, a crisis has the potential of focusing organizational energy in new directions. The declaration of crisis may create an opportunity for organizational elan, teamwork, and a spirit of compromise, even sacrifice, on the part of individuals within the organization and its subunits. In other words, crisis can become a "vehicle for organizational growth."[13]

By way of contrast, persistent, hard financial times or unstable leadership, without the benefit of a declared crisis, tend to promote the hoarding of internal resources and across-the-board deterioration rather than a sharp recalculation of priorities and a targeted redeployment of resources. Indeed, "business as usual" in the face of a steadily dwindling resources is likely seriously to compromise the organization's mission. As Herbert Kaufman

has noted with regard to public agencies, "the thrust of the incentives is toward spreading resources over as broad a front as possible, which often allows so little for each program as to prevent the mobilization required to set out boldly in any new direction."[14]

To Declare or Not Declare

In looking at organizational response styles to serious adversity, some decision rules about the declaration of crisis have become apparent. Those rules have to do with two criterion variables: (1) the extent of organizational slack or resources to respond to apparent and discovered problems, and (2) the credibility of the organization's leadership regarding the declaration that a crisis exists.

Slack is simply the resources of the organization less the demands put upon it. Slack does not imply flushness or a surfeit of resources; rather, the concept is one of an organization's ability to respond to external and internal demands. One of the difficulties of organizational crises is that they are frequently manifest only when the organization has run downhill so far that it has little slack left to reorganize itself, to experiment or to change its behavior.[15]

Credibility is central to the crisis declaration. If the problem that the institution faces is not so apparent that it is manifestly of crisis proportions, then the person making the declaration must be believed in order to have the intended crisis effect take place. If the leader's declaration of crisis is not believed, then a reverse reaction will likely take place. The nonbelievers strive hard to show that the institution does not have any problems or at least any problems that could not be overcome by the dismissal

of its current leadership. This type of reaction is frequently found in labor-management relations, particularly the reaction of employees to management's declaration of financial crisis.

To summarize, the real challenge to management is to make a present serious but not fully manifest problem--that is, an "opaque crisis"--appear to be one of major proportions or to make an impending crisis sufficiently proximate in the perception of others so that it can be acted upon in the present. In other words, we have set out to describe the circumstances in which it is possible, indeed responsible, for managers to declare a crisis and thereby enable them to invoke the special type of management that it requires.

The literature and our field experiences have provided us with six distinct types of responses to organizational adversity. These correspond to different levels of organizational slack and the presence or absense of credible leadership. Briefly, the six categories and their appropriate responses are:

1. High Credibility/High Slack: This is a situation in which the institution continues to enjoy a relatively high level of resources, but it cannot meet all the demands put upon it. Its leadership commands a high level of confidence, and statements by the leaders are generally believed. Such a situation invites declaring what we have called a Consolidating Crisis, essentially a prioritization of resources supporting the historic or generally accepted mission of the institution.

.2. Low Credibility/High Slack: The leadership here has a similar resource base as in the first situation, but it does not enjoy the confidence of the followers and constituents. The leader cannot declare a crisis except in situations where one is clearly manifest. The only choice open to leaders who wish to remain in office is to fall back on Distribution of Adversity, thus creating equity among ₋e divided constituents.

3. High Credibility/Moderate Slack: We have characterized
as moderate slack a condition in which the institution can
continue to protect its basic functions, but only through
the redistribution of resources, and there is a substantial
degree of flexibility in the allocation of resources. In
situations of moderate slack, where the leadership enjoys
high confidence, there is a possibility of a Leader's
Declaration of Crisis--the making manifest of a chronic
problem and dealing with it through skillful management.

4. Low Credibility/Moderate Slack: In this situation the
leader must be prepared not to be believed. The resource
situation is more serious than in the high slack cell and
thus the consequences of continuing to distribute adversity
are more pronounced. As a result, the bold leader may
choose to invoke a Missionary Declaration of Crisis, knowing
at the outset that the message will not be accepted, but
being prepared to evangelize until enough converts are
found.

5. High Credibility/Low Slack: The basic functioning of
the institution is threatened, and everybody know it.
Leaders who enjoy high confidence in bad times (often they
are new leaders) may declare a Mandatory Crisis and expect,
at least for a time, high levels of support for
extraordinary procedures and actions.

6. Low Credibility/Low Slack: In this situation, the
leader has little choice but to declare a crisis, to
dramatize the seriousness of the situation even though the
leadership may not be believed. In doing so the leader may
suffer heavy penalties, including removal from office.
Hence, our label: Pyrrhic Declaration of Crisis.

Management reaction to each of these six conditions are illustrated in

the cases which follow. Some of the situations illustrated led to successful

conclusions, some were clouded by complications, and some seemed to be

situations of lost opportunity. Yet, we must be mindful of the fact that

these investigations are post hoc, and that reading organizational

environments, like plotting military strategy, is more safely done after the

battle is over.

II.

Six Cases of Response To Organizational Adversity

To illustrate the variety of organizational responses, the following cases correspond with each of the six cells in Figure 1.

1. <u>Flagship University</u> (high credibility/high slack).

Flagship University is a place of carefully constructed prestige. The institution ranks among the best research institutions in the country. Yet, following the passage of a tax limitation measure (California's Proposition 13) Flagship faced the prospect of budgetary cuts and steady revenue attrition for the forseeable future. The administration was nonetheless credible in the sense that within the institution its words were generally believed.

Figure 1

The Contingent Requirements for A Crisis Declaration

CREDIBILITY OF LEADERSHIP

AVAILABLE INSTITUTIONAL RESOURCES	(High)	(Low)
(High)	1. Declare Consolidating Crisis. (Prioritize and re-inforce basic mission.)	2. Distribute Adversity. (Reinforce equality; refrain from declar-crisis.)
(Medium)	3. Declare Leader's Crisis. (Emphasize redir-ection through leadership.)	4. Declare Missionary Crisis. (Emphasize redir-ection through education.)
(Low)	5. Declare Mandatory Crisis. (Emphasize redir-edtion through common committment to goals or goal formation.)	6. Declare Pyrrhic Crisis. (Emphasize redir-edtion through coalition formation.)

When faced with the impending fiscal limitations, the chancellor undertook a clear prioritization and a selectivity in the way the cuts were apportioned. Virtually the first step the administration took was to declare a crisis. Then, after detailed consultations, especially with representatives of the faculty senate, the administration asserted that research and the maintenace of academic staff were to receive top priority and that administrative services were not. Several dozen administrators, ranging up to assistant vice chancellor ranks, were advised that their positions were to be abolished at the end of the academic year (about ten months hence). Some administrative functions were consolidated. Some were phased out via attrition by year's end. In all, the campus announced that some 35 administrative positions were to be eliminated with a projected annual savings of $1-million. Heavy cuts were ordered in the administrative analysis unit and staff, an area in which Flagship had developed special competence, but one which related more to organizational maintenance than to scholarship. By way of contrast, the academic side of the institution was left unscathed. As the vice-chancellor for administration noted, conceding that campus priorities had to be kept straight, "We weren't about to cut out the fire department."

In the case of Flagship, declaring a crisis was not only possible and desirable but comparatively easy. Despite the fact that the campus may have been stretched thin financially, relative to its own past, compared with some other institutions, Flagship possessed both a measure of budgetary slack and enormous amounts of human talent. In all, bold administrative action was feasible. The ability to "pull off" that consolidation of administrative positions hinged on the administration's dramatizing to the campus community that extraordinary measures were necessary, even if the situation did not

constitute a five-alarm crisis that jeopardized institutional survival.

The leadership of the institution was considered legitimately, authoritative, and the academic mission of the institution was widely (perhaps universally) perceived to be the highest priority. Even the demoralized administrative support staff, confronted so bluntly with their status of secondary importance within the institution, could not disagree with the prevailing campus value that protection of the academic core of the university was essential. The chancellor's decision reinforced that central mission, and, even though the measures taken were painful in administrative circles, they were accepted organizationally because they were consistent with the dominant values of the institution. In the final analysis, the administration was able to seize upon the campus community's heightened awareness of Proposition 13's implications to make an opaque crisis condition more manifest, and thereby, to accomplish through bold action a modest administrative restructuring that some administrators candidly conceded was overdue.

. In the case of Flagship, there appears also to have been an element of a "cosmetic crisis" insofar as the action of the administration, however desirable, was not absolutely essential. The administration exercised an option. Declaring a crisis afforded an opportunity, at a bearable cost, to telegraph dramatic messages, beyond hollow rhetoric, to the state legislature, to the governor and, indeed, to the public. To the policy-makers, the message was: "Even in the absence of drastic cuts, our situation requires some very painful bloodletting. You are on notice that further cuts mean more heads will roll; there's no more fat to be trimmed." To the public, made aware of the situation by the considerable attention the press throughout the state

paid to the campus' bold action, the message was: "Your great university has been forced to the brink." If you condone further cutbacks by the politicians, the quality of the place will be seriously jeopardized."

Assessment: Successful outcome. High credibility plus (relatively) high resources yielded organizational opportunities to consolidate and prioritize and political opportunities to demonstrate the seriousness of the situation.

2. <u>Rockroad Community College</u> (low credibility/high slack).

The president declared an all-out crisis at Rockroad Community College, but it did not have the galvanizing influence that the president intended. There were two apparent reasons: First, the president lacked the believablility that he, presumably, felt he possessed. Second, the campus community perceived that the institution had sufficient resources to respond to the situation without making drastic changes in its operations.

When the tax limitation measure that affected Flagship University was enacted, the president calculated that campus revenues would be sharply curtailed. He further concluded that, if the required cutbacks were distributed evenly throughout the campus, the college would be left with a less-than-attractive program, one which would continue to be particularly heavily staffed in areas of low student demand. The president declared a fiscal crisis and proceeded to initiate program consolidations and to dismiss faculty in some areas. A hailstorm of protest followed, eventually leading to a recall campaign led by faculty activitists against the president's supporters on the board of trustees. In the midst of the campaign, the president abruptly resigned to accept a position elsewhere.

In addition to the president's lack of popularity, there was several

mitigating events that lessened the financial impact of the tax limitation and, thereby, helped to erode the president's credibility. Following the enactment of Proposition 13, the state legislature passed "bailout" legislation to replace revenue losses from property taxes with state general funds. In addition, the community college district was in an area of sharp population growth, and the concomitant building boom aided local property tax revenues despite the severe restrictions of the tax limitation measure. Thus, rather than drawing the administration and the faculty together in the face of common adversity, the attempt to declare crisis led to the activation of factions within the faculty and, eventually, fostered the president's departure. Rockroad serves as an illustration of an institution whose condition was perceived differently by important people. The president thought of the institution as being in serious financial condition, which it ultimately was, but he was unable to create a sense of that crisis credible enough so that others would allow him to act in ways that departed from the traditional sharing of the burdens.

Assessment: Unsuccessful result. With a relatively high degree of organizational slack, but with very little credibility, the president's declaration of crisis and attempted sweeping reorganization triggered a campus-shattering response. Perhaps a milder management response--distributing cuts--coupled with intensive efforts to establish crediblity, would have bought needed time for subsequent, more serious redeployments.

3. Industrial City High School District (high credibility/medium slack).

The situation in the Industrial City High School District was

characterized by a series of crisis declarations. For some years, this school district had experienced a gradual decline in its own productivity and a decrease in political support within the community. It's strong faculty union operated with what could be best considered a sweetheart contract. The administration was basically comfortable with the union, and, consequently, teachers got most of what they sought during contract negotiations, including highly protective work rules.

The deteriorating political situation became untenable for two reasons. First, there was growing perception in the community that the schools were not doing a satisfactory job, in part because public expectations were high. Industrial City was a well established town of second and third generation European immigrants who kept old family, church and organizational ties. Sons and daughters returned to town with law degrees in hand, and they brought with them increased expectations for the schools. They fit in well with the existing community and its influence patterns. The teachers, on the other hand, lived mostly outside the community, and they were never considered to be part of it. Second, the school board became a political embarrassment. Even in Industrial City, which had never been known as a "good government" town, the infighting and antics of the partisan and divided school board became a visible public issue. There were frequent unfavorable notices in the local papers and allegations of favoritism on decisions ranging from the letting of construction contracts to the hiring of janitors. Teachers were regularly advanced on the rank-and-column schedule by appeal to their favorite school board member, who in turn would work with the administration to find a highly original way of counting the teacher's years of service and educational attainment.

The dissatisfaction in Industrial City came to a head in two successive school board elections in which the discredited school board was, with one exception, replaced. The new board declared a crisis. It worked quickly to facilitate the superintendent's retirement and soon secured a superintendent who was both tough-minded and a skilled labor negotiator. The new superintendent took office with what he called "the mandate from heaven" to restore administrative leadership to the school system. He resorted to crisis declarations at two points. The first period lasted from the time of his arrival until the settlement of the first collective bargaining contract several months later. The superintendent essentially formed a cabinet government with the school board, which became quite active in the management of the district--much more so than merely ratifying the activities of the superintendent. The board wanted an active superintendent, but it was determined to be a part of the action, too.

The second use of crisis management techniques was more bounded and episodic. It took place during the superintendent's second year at the end of bargaining—a period frequently known as "crisis bargaining" in the labor relations texts. The superintendent personally directed the bargaining strategy in an attempt to rewrite some of the language in the contract. A confrontation with the teachers was inevitable. In their terms, what the superintendent was attempting was called "a take back," the elimination of contract provisions favorable to the union. The bargaining team, headed by a school board member, became the institution's "crisis council" for several months. On behalf of the board, the superintendent presented a package to the teachers essentially on a take-it-or-leave-it basis. Predictably, that angered the union representatives. The result was the contract provisions

found to be so offensive by the board, dealing with teacher evaluation and class scheduling, were substantially modified. The administration, in fact, succeeded in taking them back without having to make significant concessions. Despite the short strike, conditions approaching normalcy were soon restored.

Assessment: Successful result. The board and administration were able to redefine authority relationships within the school district, reversing the trend toward disproportionate employee influence.

The characteristics that made the declarations of crisis possible in Industrial City were a combination of high credibility of the new administration (and school board) and a moderate amount of running room. In this case the slack was more political than it was financial. The school district experienced tight, but not impossible times. The ability to make changes came from the superintendent's solid, 7-0, support on the school board, and both the board's and superintendent's willingness to devote time and attention to the reordering of employee relations in the district.

4. State Board of Higher Education (low credibility/medium slack)

Occasionally a declaration of crisis is made by persons who know, at the outset, or should know, that they lack the essential credibility to be taken at face value. These crisis actions are taken either through miscalculation, as appeared to be the case at Rockroad Community College, where the strategy backfired, or through deliberately casting oneself in the role of a missionary, as in the successful strategy employed by the State Board of Higher Education.

This particular confrontation took place at the end of the 1960's, just as Allan Cartter's research, predicting an oversupply of graduate education,

was starting to make an impression. The State Board, never a popular

organization with its constituent campuses (arguably no State Board ever is or

can be), had acquired a new executive director who had been a second echelon

administrator at one of those campuses. The state's university leaders

expected him and his agency to follow in the tradition of loose coordination

of higher education, coupled with agency advocacy of the university system's

needs to the governor and the legislature. Those expectations proved to be

incorrectly placed.

The State Board, rather routinely, asked each of the constituent campuses

for a survey of program expansion plans. The Board and its staff were shocked

at the answers. Nearly 800 new doctoral programs were envisaged! A dramatic

response took place. The Board declared a moratorium on new programs and

commissioned a "blue ribbon" committee to fashion a new master plan for the

state's higher education. Viewed within the context of the agency's

traditional behavior, this action constituted a blunt declaration of crisis.

The committee was met with incredulousness at the campus level where

administrators with single-minded determination were bent on expanding the

capacity of their institutions to accommodate (in their view) anticipated

expansion in enrollments. Moreover, campus ambitions, fueled by the growth of

the previous decade, were ever expanding. The prospect of moving up the

ladder of academic status was powerfully alluring, especially among the former

teacher colleges and state colleges which had only recently taken the title

"university." "They all want to be little Harvards," muttered one State Board

staff member.

The Board's committees worked for over a year gathering demographic data

and holding scores of public hearings around the state. The action did not

fall within the conventional bounds of crisis management in that the Board was not directly responsible for any campus operations. Nevertheless, the Board, led by its new executive director, clearly had assumed strategic coordination of the state's higher education system--or at least it sought to do so. The predictable reaction to the committee's planning report, which recommended severe reductions in the plans for expansion of graduate programs, was pure outrage. The institutions were furious with what they felt, with more than a little historical justification, was a usurpation of their self-determination. Individual faculty and departments were also gravely concerned that their aspirations not be fulfilled. This concern was made more acute, it would be revealed later, because many of the institutions had been recruiting faculty with assurances that full-fledged graduate and professional departments would be developing in the near future; it now appeared that those promises would not be fulfilled.

In the face of challenges to its authority and credibility, the Board invoked a well-used strategy of calling on ostensibly credible outsiders to reinforce its reading of the environment. The "blue ribbon" committee gained substantial credibility with the legislature and the executive officers of the governor. The committee itself also employed outside experts--demographers, labor market scholars with independent (out of state) credentials, and academic planners--to buoy its position that graduate enrollments had expanded beyond the ability of the academic labor markets to absorb its outflows.

As one might expect, a series of political contests ensued over which aspects of the committee report would be adopted by the Board and ultimately reflected in budgetary recommendations and program approvals--an area in which the Board had final approval power, but power only lightly used in the past.

Eventually, the Board adopted a new master plan for the state that severely curtailed the growth of graduate and professional education and dashed many institutional visions of glory. That accomplished, the blue-ribbon committee was disbanded, and business, more or less as usual, resumed.

The crisis declared by the State Board essentially involved educating a constituency. While at the outset that task involved a great deal of coercion, the weight of the information eventually took over. As the Board's committees did their work, institutions came to understand that their enrollments actually might decline in the near future. In the months and years after the Board's new, more restrictive master plan was adopted, the campuses came to operationalize the vision of reality called for in the plan. As history caught up to that vision of reality, making decisions in accordance with the plan became politically easier on the campuses. The dream of launching countless new doctoral programs gradually faded. Indeed, within a few years even the Board's plan came to be looked upon as a highly optimistic document.

The strategy used by the Board was intervention by an outside party. For a situation to be regarded as serious frequently requires an outside authority to reinforce the necessary internal belief. In this case the "blue ribbon" committee fulfilled the position of the outside, and hence credible, experts. Similar examples abound in higher education. Accreditation teams, particularly those in the professional/occupational areas, commonly act in explicit or implicit collusion with deans and department heads in declaring that programs are substandard to the point of risking a loss of licensure or accreditation status. Such "missionary statements," coupled with the threat of sanction are often sufficiently powerful to jolt the organization into a

crisis management response. The use of consultants can have a similar effect, although faculties in particular have become increasingly critical of management consultant work, partly because it is often not very good and partly because it is frequently transparent advocacy pleading for a course of action that the administration wanted to take in the first place.

Assessment: Successful result. Low levels of organization credibility were largely offset by enlisting the assistance of outside credible parties. This enabled the agency, after much conflict, ultimately to win at least the reluctant acceptance of its constituents.

5. Hillside State College (high-credibility/low slack)

The case of Hillside State College represents an instance of a campus administration opting not to declare a crisis. It chose thereby to forego opportunities for revisions that, arguably, would better have prepared the campus to meet an uncertain future.

Hillside, from its inception in the early 1960's, strove hard to achieve a satisfactory level of enrollments in a metropolitan area congested with competitors. But the cement had hardly dried before the 1970's arrived to deflate most campuses' heady dreams, including Hillside's. Through much of that decade the campus fought back, vigorously and creatively, to carve out a respectable share of the student market. Programs fashioned to appeal to shifting student interests abounded. And yet enrollments, which had crept upward in the campus' early years, began to slip backward. There was no single calamitous year, just steady, debilitating erosion. The cumulative effect was destined to cripple the campus unless the trend somehow was

reversed.

As a result of enrollment shortfalls and shifting student interests, the campus soon found itself with a number of undersubscribed departments. Over the years, the administration had resorted to the commonplace strategy of protecting faculty members in overstaffed departments while hiring part-timers to meet the needs of students in such popular areas as health sciences, communications, and business administration. The use of part-timers was especially attractive in view of the fact that the proportion of faculty enjoying tenure had risen to nearly 80 percent.

The threat posed by Proposition 13, reinforced by mandates from the systemwide office to effect some significant belt-tightening, confronted the campus administration with the necessity of revising previous coping strategies. The need to act decisively was underscored by the campus' own projections for still fewer students the following fall.

Numerous meetings were convened. Alternatives were considered. Three options or models emerged which soon were labeled (1) "muddle through," (2) "moderate cut," and (3) "deep cut." A Council on Programs and Priorities, which had been established two years before and was comprised of representatives from all campus constituencies, began to function as a crisis council of sorts.

The option of making deep cuts in the core faculty was handily rejected, though a few vocal dissidents expressed strong opinions that "facing the music" now was preferable to other courses of action. Muddling through, a time-honored strategy much in evidence in organization life, was likewise rejected. The campus chose, instead, a strategy which required that about one-fourth of the full-time faculty be assigned to teach one or more courses

the next fall in areas outside their "home" departments. The central idea,
though never explicitly conceded, was to preserve the core faculty virtually
at all cost. To achieve this end in the light of budgetary constraints and
declining enrollments, part-time faculty were laid off in droves.

As events evolved, administration and faculty alike--including both the
faculty senate and the embryonic faculty union organization--embraced this
inventive approach with great enthusiasm. Indeed, the campus congratulated
itself for having found a way to save the core faculty and keep the campus
afloat--for the time being.

The point for present purposes is that the administration opted not to
declare an all-out crisis. Instead, in the face of a variety of strong
pressures and the desirability of maintaining "peace on the block," the
administration chose to adjust without resorting to laying off core
instructional staff. The merits of such a decision can be argued either way.
The important value of avoiding demoralizing layoffs of full-time faculty was
pitted against the institution's obligation to provide its students with
acceptable quality in its academic program, an objective put hard to the test
given the reassignment of a quarter of the instructional staff to courses
outside their own disciplines. And then again, one can appreciate a campus'
natural disinclination to sound the alarm and thereby to draw the public's
attention to its plight.

Assessment: Result unclear. By not declaring a crisis, opportunities
surely were sacrificed to accomplish some significant and apparently
much-needed restructuring of the instructional staff. It will take some time
to gauge the consequences of the administration's decision not to seize the
opportunity afforded and instead to institute a strategy almost certain not to

suffice over the foreseeable future. Given the administration's advantage of
high credibility combined with the disadvantage of depleted organizational
slack, our bias holds that this administration should have sought to
transform the opaque crisis into a manifest one. The conditions at Hilside
made declaring a crisis virtually mandatory. Such a declaration might have
enabled the administration to attack the severe staffing problem head-on
rather than trying desparately to buy still more time while any remaining
institutional flexibility was evaporating.

6. Highwood Unified School District (low credibility/low slack)

   Collective bargaining had traumatic birth in Highwood, a large suburban
school district which had been rapidly growing in the two decades following
World War II, but which was now suffering both declining enrollments and a
substantial slowing of its tax revenue growth. It had undergone a prolonged
strike, bitter feelings and continued hard negotiations. For years, the
district's employee relations had never really approached normalcy. Still
unresolved were the ultimate questions about staff cutbacks. In the charged
labor relations atmosphere, the superintendent and board had been reluctant to
carry out any staff reductions other than those wh   ook place through
attrition: the cost of the inevitible bitter conflict was just too high.

   Late one fall after months of negotiation and mediation, the district
finally settled its bargaining contract. Clearly, the settlement called for
programmatic rearrangement. Both labor and management knew that the budget
would not cover the agreed upon salary increases for the current-sized staff.
Because staff reductions had not been carried out in the past, class sizes
were already very low, and there was, thus, a general anticipation that staff

reductions would be made. But few were prepared for how drastic those reductions would be.

A conventional management strategy would lead to closing one or two schools with teacher reductions falling perhaps in the 25 to 30 range. The superintendent looked at the district's declining enrollment projections and came up with a much bolder recommendation: shut down ten schools! The superintendent thereby very deliberately declared a crisis. The shock value of his recommendation was clear; the school district's financial situation was front page news, and discussion about it was on everyone's lips.

A succession of crisis responses took place. The first was a public explication of the district's financial condition. There was little doubt that the district had financial problems, and the drastic recommendation had made the financial plight more believable than it had been before. A crisis council was formed, actually several of them. One committee, highly visible with membership drawn from both the community and the school board, was formed to review the recommendation about the number of schools to be closed and to recommend which sites ought to be eliminated. Another "council", although it was less an organizational unit than a matter of working cooperation, was formed between the administration and the leadership of the teachers' union. They traveled together from school to school, explaining how the cuts would be made, the operations of the reduction-in-force provisions of the teacher's contract, and the due process protections that existed for teachers who received dismissal notices. Another message was also conveyed: the administration was not "playing games." Teachers could not expect that the dismissal notices were merely a matter of the district's legally safeguarding itself and that revenues would eventually be found to rehire them.

The union leadership's presence and cooperation was, at first blush, remarkable. The union had never been considered legitimate, and the district still did not enjoy anything approximating cooperative labor relations. However, the union leadership knew that it would be hard pressed to fight the layoffs. It had neither the staff nor the treasury to carry on a prolonged fight, and the probability that it would lose was high. Procedural due process was about the best that it could offer its members. In addition, there was a felt need for an establishment of normality in labor relations and a general belief in the seriousness of the situation.

There was, however, a pyrrhic aspect to the crisis declaration. The superintendent resigned, largely because he anticipated his inability to continue or to achieve reappointment by the school board. As he said later: "I have no illusions about my own tenure. I just want to get this problem taken care of in the district. We could have approached the situation gradually, closing one or two schools a year. But that would have taken years before we worked it out. Each year, school attendance boundaries would have had to be realigned, there would have had to be additional layoffs, and everyone would have had to attend to the process. It was better to get the problem taken care of at once."

Assessment: Successful outcome, in terms of organizational needs. Although the strategy invoked by the superintendent resulted in his self-perceived inability to continue, his bold declaration of crisis led to decisive (though painful) action that avoiding interminable, debilitating organizational atrophy.

III:

The Rules of Crisis Management

A series of basic rules are suggested by the cases illustrated above.
The first of these is that the effective declaration of a crisis is contingent
on an accurate self-perception of the credibility of an institution's
leadership and an accurate perception of the extent of organizational slack.
Given the proper conditions, a declaration of crisis is an appropriate and
viable option. We should make explicit, however, that we are not advocating
sham or deceit. The situation or problem around which a crisis is declared
may be in part symbolic, but at the root there needs to be a genuine problem
of grave dimension. It may simply be less apparent.

Second, a declaration of crisis, to be successful, must have the
potential of leading to substantial benefit to the organization. Crisis
management is risky, and therefore assuming the risk should be exchanged only
in return for the prospects of a substantial payoff.

Third, if a crisis is declared, the act of declaration should be highly
visible and unequivocable. There should be no mistake in anyone's mind that
the organization is in crisis and that it is being attended to. A
half-hearted declaration is surely self-defeating.

Fourth, after the crisis is declared it must be managed conspicuously.
It provides a window of opportunity that allows action with sometimes sweeping
results. On the grandest scale, Franklin Roosevelt's famous Hundred Days,
predicated on widely perceived social and financial stress of the times,
permitted the president to move in dramatic fashion toward a series of
unprecedented legislative and executive actions that fundamentally changed the

nature of the federal system. The crisis having been acknowledged, radical counter-measures were more digestable. It remains to be seen how successful the current Reagan administration will be in appropriating a similar strategy.

Fifth, an array of crisis management tactics are available to the crisis manager. Several are illustrated in the case examples:

1. To derive strength from weakness by binding oneself to a future that would be distasteful to the institution if allowed to take place;

2. To make use of an intervening outside party to dramatize the seriousness of the problem; and

3. To make use of a "crisis council."

The strength-through-weakness strategy is basic in negotiations, and is appropriate to declaring a strategy, too. The underlying idea is to bind or commit oneself, however reluctantly, to a course of action which has disastrous overtones unless another powerful party, such as a legislature, takes clear action to rescue the situation. The strategy is useful only when the potential rescuer has a stake in avoiding the action--for instance, closing a campus--that the crisis declarer is committed to in the absence of relief. The rescuer must also have the resources to stop the impending disaster, and he must be convinced that the principal party is not bluffing. One commonly used form of strength-through-weakness is known as "coercive deficiency"--the deliberate exhausting of funds before the end of a project, a school year or the like. Thus, funding agencies or donors face an interruption in services or a mission uncompleted if additional resources are not forthcoming, and they may be motivated to support the enterprise in order to avoid the catastrophy looming large.

Frequently it becomes necessary to have a situation designated as serious by an outside party. Thus, intervention (for example, as practiced in the State Board case) becomes an important strategy. Institutional managers may be able to trigger an intervention, but they may not always be able to control one.

The crisis council is a standard fixture of managerial response, and some of its advantages have been addressed above. They were used in quite a few situations following the passage of Proposition 13 in California (for example, at Flagship). Even so, they do not meet with universal approval, and, if the crisis is not terminated, the regular operating procedures of the organization will swamp the crisis council.

A fifth and final rule holds that the crisis needs to be terminated. If the crisis team simply drifts apart, the organization will be left confused about what, if anything, has been accomplished. A preferable response is to abolish the crisis council, close temporary offices, and distribute what organizational rewards are available to those who distinguished themselves during the period.

*   *   *

To summarize our thesis, we submit that our field observations suggest patterns of administrative responses to less-than-fully-mature crisis situations. We have ventured beyond those observations to suggest conditions under which management should and should not opt for particularly bold action. More specifically, we have contended that an astute manager (perhaps a college president or school superintendent), when confronted with a non-dramatic but

serious threat to the organization, under some circumstances should, in our terminology, seek to transform that opaque crisis into a manifest one. That is, on balance, the option of "declaring a crisis"--of escalating perceptions of the problem--may well become attractive. For while crises in some respects limit management's degress of freedom, in other quite important respects the widely shared perception of crisis provides management with the latitude to deal more effectively with problems menacing the organization.

Tom Paine, that fiery patriot of revolutionary times, hardly evokes images of an analytically oriented management consultant. But, perhaps he would have been better at it than many latter-day managers anxious to avoid the stigma of organizational crisis. He once observed:

> The nearer any disease approaches to a crisis, the nearer it is to a cure.

NOTES

[1] Shakespeare's _Julius Caesar_, Act IV, Scene 3, Line 118.

[2] Theodore Caplow, _How To Run Any Organization_ (N.Y.: Holt, Rinehart and Winston, 1976), p. 7-8.

[3] Samuel Henry Prince, _Catastrophy and Social Change_ (New York: Columbia University, 1920), p. 16.

[4] Mauk Mulder, Jan R. Ritsema van Eck, Rendel D. de Jong, "An Organization in Crisis and Non-crisis Situations," _Human Relations_, v. 24, n. 1, 1971, p. 21.

[5] Robert H. Kupperman, Richard H. Wilcox, Harvey A. Smith, "Crisis Management: Some Opportunities," _Science_, February 7, 1975, p. 404.

[6] See discussion in Charles F. Hermann, "Some Consequences of Crisis Which

Limit the Viability of Organizations." Administrative Science
    Quarterly, v. 8, 1963, pp. 64-65.

[7] Prince, op. cit., p. 17.

[8] Caplow, op. cit., p. 43-47. For a vivid example of the use of crisis
    councils see: Graham T. Allison, Essence of Decision: Explaining the
    Cubin Missile Crisis (Boston: Little, Brown & Co., 1971).

[9] Burton Clark, "The Organizational Saga in Higher Education," Administrative
    Science Quarterly, v. 17, no. 2, June 1972, reprinted in Gary L. Riley
    and J. Victor Baldridge, eds. Governing Academic Organizations
    (Berkeley, CA: McCutchen Publishing Corp., 1977), at p. 103.

[10] Herman, op. cit., p. 62.

[11] Caplow, op. cit., p. 46.

[12] Ibid.

[13] Stephen L. Fink, Joel Beak, Kenneth Taddeo, "Organizational Crisis and
    Change," The Journal of Applied Behavioral Science, v. 7, n. 1, 1971,
    p. 16.

[14] Herbert Kaufman, The Limits of Organization Change (University, Alabama:
    University of Alabama Press, 1971), p. 47.

[15] Richard M. Cyert and James G. March, A Behavioral Theory of The Firm
    (Englewood Cliffs, N.J.: Prentice-Hall, 1963), p. 36-38.