CRISIS MANAGEMENT - ETHICAL DILEMMAS AND LESSONS LEARNED

Daniela Ilieva

VUZF University, Bulgaria

Abstract

Crisis management has been a central topic for organizations not only in the years of pandemic or war. And it will continue to be a topic of development and deep analyses, resulting in protocols to be followed in turbulent times. Even the best developed protocols hardly ever include the ethical dilemmas which emerge, and even more rarely provide solutions for when and how to act upon the collision of demands, resources, organizational plans and human ethics. Even the best of leaders are not always equipped with the right skills, mental resilience and the moral compass to proceed with pressing matters. This article aims to explore the up-to-date elements of crisis management, and to focus on the moral grounds and ethical aspects of the topic.

Keywords: *crisis management, crisis ethics, moral dilemma, management, organizational development, leadership*

1. INTRODUCTION

Due to the unpredictability of global events, many modern organizations attempt to identify potential crises prior to their occurrence in order to devise responses. If the organization is to survive in the event of a crisis, it must be able to alter its course drastically. The COVID-19 crisis that began in early 2020 is expected to become a textbook example of crisis management. Businesses across the globe were compelled to close. Millions of workers were dismissed. Essential services functioned with difficulty. Historiography will evaluate the crisis management skills of those in authority.

Any business, regardless of size, is susceptible to encountering issues that interfere with normal operations. A crisis can take many forms; an office fire, the death of a CEO, a terrorist attack, a data breach, or a natural disaster can result in tangible and intangible costs for a business, including lost sales, reputation damage, and a decrease in income.

A Harvard Business Review article by Wedell-Wedellsborg (2022) discusses how the psychological toll of the pandemic has posed numerous difficulties for workers and managers. As Covid enters its third year, a new issue has emerged: "splitting," a mental defense mechanism that allows us to tolerate difficult and even unbearable emotions by categorizing people and things as heroes or villains, good or evil, "with us" or "against us." This can lead to conflict and tension. To manage it, leaders must focus on three areas: recognizing their own splitting triggers, recognizing splitting behavior on their teams, and reuniting and reintegrating relationships.

Recent studies have emphasized the ethical aspect of crisis management as one of the most important components, recognizing that the ethical element is crucial to the mental image rebuilding process and to regaining public confidence (Austin et al. 2015). Ethical communication during times of crisis appears to be a recurring theme in stakeholder communication research and practice today.

In a crisis, the physical and psychological needs of the stakeholders should be the top priority (Coombs 2007). A crisis should be managed ethically, and "decision-makers who understand the diverse needs of stakeholders as part of their strategic decision-making, will make more ethical decisions during a crisis" (Coombs 2006, Snyder et.al. 2006). Therefore, ethical rationality must be ingrained in the organization's culture and daily operations (Fritzsche 2005). Throughout the duration of the crisis, this ethical rationality requires the careful management of the organization's internal and external stakeholders. In addition, numerous studies have highlighted the correlation between the moral aspect and the practical elements of credibility, objectivity, and accurate knowledge in the field of public relations (Coldwell 2017).

As global citizens, it is impossible to live in a crisis-free zone; therefore, it is recommended to develop the so called "crisis literacy" - awareness similar in some ways to media literacy. The core concepts of media literacy can also be applied to crisis literacy, and crisis literacy expertise will provide the ability to encode and decode meaningful crisis situations. Today's information landscape derives from an abundance of sources. Individuals' judgment may be distorted by these skillfully crafted powerful illusions, and the reality may be purposefully omitted from creatively constructed crisis communication media messages. The efforts to mediate crisis management may obscure the stakeholders' understanding of the facts. Audiences attempt to influence perceptions of the crisis in the same manner as the media and the organization.

Ethics is at the heart of organizational crisis management. Pauschant & Mitroff (1992) share that problems in crisis management are "fundamentally ethical". They support the theory that following simple, predetermined methods of determining action often downplays critical issues. The aim is not to formulate a certain amount of fixed principles, but rather to participate in a process that improves the human condition as a whole. In a similar context, Srivastava (1993) also refers to ethics when discussing the personal obligations needed to study and improve a crisis. In his work, he shared that courage and integrity are extremely important for the effective suppression of a crisis, and that open discussion with more powerful people is of great importance. Shelden Simola (2003), an assistant professor in psychology at the University of Guelph, presents two ethical aspects of crisis management, building on Seeger & Ulmer's (2001) idea of "virtuous ethics" - "Ethics of Justice" and “Ethics of Care”, pointing out that despite the great benefits and importance of business ethics, there is a lack of academic literature to support it. Simola (2003) supports her theory by pointing to specific examples of crises and the attitude of companies towards them. One of the cases that the author presents and proposes for further research in his conclusion is that the examples presented represent decision-making considered morally mature according to the framework of Kohlberg (1981) and Gilligan (1982). The study does not reflect decision-making at lower moral levels, where leaders may not act in the best interests of most people, but make decisions based on "whether it will hurt me" or "whether they will catch me."

The aim of this report is to endure the study of Simola (2003) by presenting and analyzing more corporate crises and trying to fit them into the framework of "ethics of justice" and "ethics of care" to determine whether it is an objective measure of value to determine the response in a crisis moment. Specifically, this paper will present specific corporate crises and determine the level of moral maturity of the decisions made according to Kohlberg (1981) and Gilligan (1982) to test the validity of Simola's (2003) theory that ethically more mature solutions lead to better management and prevention of crisis situations in corporations.

The ethics of justice shows the different forms of decision-making in times of crisis. According to Kohlberg (1981), as individuals develop cognitively, they also develop morally, increasing their experience and knowledge in their ability to make decisions. He points out six stages of moral development, grouped into three levels - preconventional, conventional and postconventional moral reasoning. The preconventional level is considered the most immature because it reflects an egocentric point of view in which morality is determined by individual needs. A good example is the concept of political corruption in Bulgaria and worldwide, where often elected officials sacrifice the public interest at the expense of personal gain. In the conventional point of view, there is a basic shared understanding of social values, norms and laws. At the post-conventional level, decisions are made on the basis of reciprocity and equality. These ethical decisions are not limited by legal or conventional norms, but follow generally accepted universal principles. According to Kohlberg, in order to achieve a level of post-conventional reasoning, the ability to think abstractly is needed - to be able to put an individual in the place of every other participant in the moral dilemma (Kohlberg 1981).

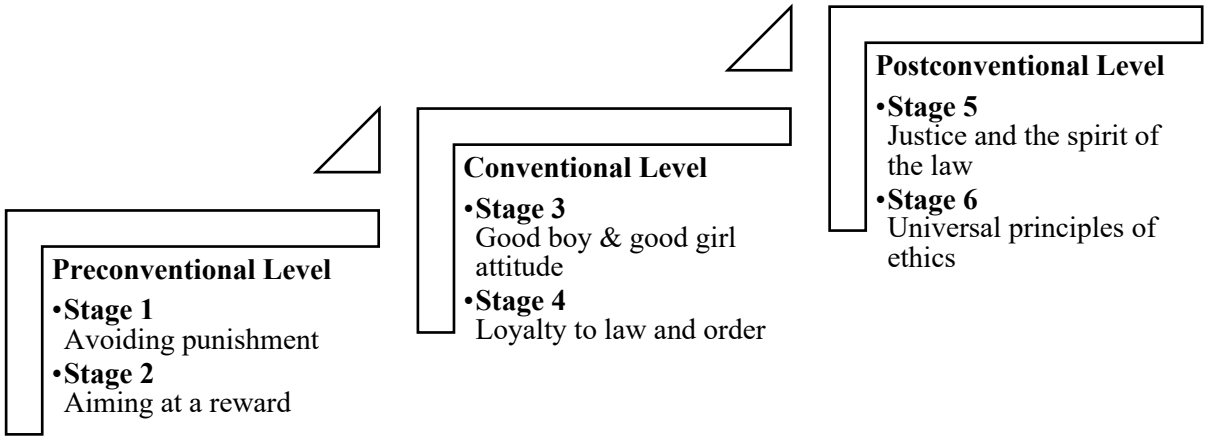

Fig. 1. Stages of moral development based on Lawrence Kohlberg

Source: Author's adaptation

The ethics of care is closely linked to one of Kohlberg's students, Carol Gilligan. She found interpretive and methodological errors in her teacher's theory, namely testing the theory only on men. Gilligan believes that Kohlberg's theory is wrongly generalized for both sexes, despite the lack of research on the female sex, thus harming women, often identifying them as morally backward. In his future research on the moral development of women, Gilligan (1982) found that women are not morally backward, but simply have other views when it comes to moral decision-making. Studies show that instead of relying solely on objective moral criteria in decision-making, like men, women also try to assess the situational and interpersonal aspects of the moral case. The ethics of care does not rely on "male" levels of conventionality, but on "female" levels of care - self-care and/or care for others.

The selection of corporate crises takes into account the relevance of each event, so that a comparison can be made between the "old" and "new" approaches.

2. MATERIALS AND METHODS

British Petroleum oil spill

In April 2010, BP's oil platform (British Petroleum) exploded in the Gulf of Mexico. Damage to flora and fauna was catastrophic in both short and long term. It took months for the company to stop the spill, with an estimated 4.9 million barrels of oil spilling into the ocean, making the incident the biggest spill ever. BP has been forced to pay billions of dollars in compensation in the coming years (Spencer & Fitzgerald, 2013). Guess the company's ethical approach can be found in the word "forced". In their detailed study of so-called "green criminology" (Lynch, 1990), Spencer and Fitzgerald described the corporation's actions during and after the crisis. They mention that in the days after the spill began, BP was trying to hide as much information as possible about what actually happened and the actual amount of oil spilled. The company often changes the assumptions about the extent of the damage - initially reported a spill of 5,000 barrels / day, but with the prolongation of the crisis these statistics rise until the officially accepted data of 60,000 barrels / day, 12 times more than the original data. "This ignorance was combined with an apparent lack of care and sensitivity to the victims of the BP spill; for example, the company's then CEO, Tony Hayward, commented on how he simply wanted his life back and was seen watching his yacht race in the midst of a crash. "(Spencer & Fitzgerald, 2013). In their study, they also point out that the media and BP representatives used the word "catastrophe" to cover the case, in order to arouse people's sense of imminent natural disaster, refuting at least some of the company's actions. It is also stated that in the year before the spill, the company spent over $200 million on

advertising, presenting itself as a strong advocate of corporate social responsibility (Spencer & Fitzgerald, 2013). From the point of view of ethical measures taken independently by the corporation and not legally imposed, such do not exist. Directly compared to the theories of Gilligan (1982) and Kohlberg (1981), it can be found that the sixth largest oil company in the world acts unconventionally, taking care only of itself, which shows incompetence in crisis management and threatens both its reputation and the well-being of flora and fauna on a huge scale. (Spencer & Fitzgerald, 2013). There is a cognitive dissonance between how the company presents itself in the eyes of the population and what its reactions are in times of crisis. The only efforts that BP makes are to maintain the already shattered image of the company as environmentally friendly and sustainable, and all this is in order to maintain market share. According to Simola (2003), the two ethical aspects manage to characterize the approach to and outcome of this crisis.

Batterygate scandal

In December 2017, a user on the social network Reddit shared that a new software update makes his phone "act" and "think" much slower than usual. Over time, the user realizes that the problem is in the battery, because after replacing it with a new one, the problem disappears (Reddit, 2017). The post gained a lot of publicity and was supported by many users suffering from the same problem, and only a few days later the benchmark company "Geekbench" published the results of an analysis (Paul, 2017), which shows that the performance levels of iPhone6 and iPhone 6s announced by the company, are not reached. The author of the study speculates that Apple introduces a limitation of software performance after the battery capacity falls below a certain level (Paul, 2017; Dashchenko, 2020). The great publicity given to the problem, puts Apple in crisis. The company had to react quickly and adequately so as not to lose market share and potential profits. Apple was facing a communication crisis, which is based on distrust of the brand. The company's chief executive did not deny speculation that Apple was deliberately slowing down its software, but confirmed it, adding that this was done to avoid critical situations that could cause the device to crash. Following this public appearance from the company's camp, there was even more mistrust and distance between the company and customers, which in turn prompted Apple to send a public letter of apology to customers and offer $ 50 dollars (62.5%) discount for change of the battery of affected devices (Lipton and Balakrishnan, 2017; Dashchenko, 2020). On the part of the crisis management, no reaction was seen before the crisis, and it can be said that the rapid spread of news in the media accelerated the process of reaction on the part of the company. The main claim of consumers was that the company was not transparent in sharing the new software feature to slow down the device and was literally "caught at the crime scene" (Dashchenko, 2020). Therefore, the essence of the crisis was the breach of trust between the company and the client. Before the problem was spread by the big media, the company did not take any action and often ignored "airborne" comments and speculations about the performance of the devices. Although they have faced similar problems in the past and given the risk factor, Apple ignores possible precautionary measures and is subsequently "discovered" by a third party. Apple is trying to erase the negative consequences with an apology that the company never intended to harm a device intentionally. According to Dashchenko (2020), this is the right way to solve such situational crises, but one factor is overlooked - previous bad relationships with customers caused by related problems, which makes these shrinking strategies ineffective. According to the theories of Kohlberg (1981) and Gilligan (1982), Apple acts unconventionally and takes care of itself, although it is aware of the possible consequences of its behavior. When the problem becomes public, conventional thinking and minimal care for others is shown. In this example, there is an awareness of the potential risk of the problem, and its deliberate disregard for the idea of avoiding it with minimal effort. The ethics of justice and care show character only when the company is in a crisis situation.

The Covid-19 pandemic

The Covid-19 pandemic that has ravaged the global population has caused an unprecedented influx of patients into intensive care units, raising ethical concerns not only regarding triage and decisions to withdraw life support, but also regarding family visits and the quality of end-of-life care. These components have the potential to shake up our ethical principles, heighten our ethical dilemmas, and cause significant caregiver suffering. There have been proposals to rationalize triage policies with ethical

justifications. However, regardless of the angle of approach, the imbalance between utilitarian and individual ethics will result in insurmountable difficulties for caregivers to overcome. With this in mind, we aimed to highlight some crucial ethical decisions ICU caregivers faced during the Covid-19 pandemic, as well as their limitations. The formalized strategies incorporating the pertinent ethical reflection tools were disseminated without deviating from standard procedures, leaving intensivists with the final decision-making authority.

To counteract the Covid-19 pandemic, new resources were developed rapidly in many parts of the world, dramatically increasing the number of intensive care unit (ICU) beds to accommodate a large number of critically ill patients. The massive influx of patients brought to light numerous ethical issues that ICU caregivers are likely to encounter. Some models have proposed deontological (or societal) rather than individual ethical justifications for difficult decision-making. We wished to draw attention to the danger of hiding behind ethical alibis despite the fact that there is no single satisfactory solution for the specific pandemic context. In such a circumstance, each option has its own advantages and disadvantages, and intensivists must make their decisions in full awareness of intractable ethical dilemmas. In many instances, caregivers are compelled to adopt suboptimal solutions, despite the fact that this compromises the psychological health of patients, family members, and themselves. In order to prepare for the possibility of a new pandemic in the near or distant future, lessons should be drawn from this experience and ethical reflections should be developed.

The war in Ukraine

The ethical aspects of a war, which from a crisis turns more into a circumstance, are still to come. However, the second trimester of 2022 faced the society and businesses worldwide with the social and ethical dilemma spread in between pro-Ukraine and anti-Russia. All Russians all over the world are not Russia and its leaders.

When the war started, there was no idea to anyone whether it will be a few days crisis or a long-term event. During the first days of turbulent events, when pulling people and employees out of Ukraine was a main priority to nations and organizations, the ethics of how to act upon protocols, how to surround prescribed internal and external regulations in order to secure the exit of more people and their families, was a burden for many. No matter how detailed internal protocols are, they could never include all humanly related possibilities and scenarios, and they could never educate leaders to act

Later, when the new business regulations and restrictions took place, the unpredictability of the future of business deeds posted even more ethical clashes for those involved – how to let long-term relations collapse, why sacrifice business' success for the sake of a war, why ruin personal relations because of company restrictions, etc.

3. DISCUSSION

The described ethics cases carry many lessons for leaders and society. However, we are still to see the ethical analyses and lessons learned from the Covid-19 pandemic, and from the war in Ukraine.

Leaders have collectively rehearsed, practiced, and perfected their crisis management abilities for several years. Just when it seemed that these skills could be put to rest and focus on normality, we find that we need them more than ever, and we must add conflict management to the leadership agenda.

The conclusion of any difficult period must be marked by a formal demobilization, as is the case with all crises. Typically, this is followed by a debriefing with the entire crisis team. This decompression airlock is an opportunity for all crew members to discuss the perceived strengths and areas for improvement during crisis management.

Within one month of the conclusion of the crisis, feedback (cold debriefing) can be organized with all the initial actors. This time, which is frequently overlooked, also enables the development of an action plan to strengthen the company, making it more resilient and responsive in the case of a new critical event.

Once crisis management is complete, managers evaluate and analyze the lessons learned:

- whether they were responsive enough;
- which dispositions have they adopted;
- were the strategies appropriate for crisis management.

Numerous lessons can be drawn from this feedback, and it seems necessary to mention them in order to recognize the progress made and to identify both the strengths and the areas for improvement – this is related to change management. Mastering nonviolent communication, learning to manage priorities, gaining confidence in oneself and others, and even attaining leadership are some of the skills that must be acquired or developed for management to be able to handle a crisis or any unexpected event.

In order to have a chance of escaping a crisis unscathed, or at least with minimal damage, it is crucial that managers receive adequate support and training upstream. Coaching, mentoring, and protocols development make it possible to provide them with the tools necessary to develop agility and improve their ability to listen to themselves and others. Despite this, the stakes remain high because the approach of managers to crisis management is contingent on the dedication of the teams and, consequently, the company's performance.

4. CONCLUSIONS

The aim of this report is to emphasize the importance of ethics while accepting that there are no universal protocols when it comes to dilemmas and situational decision-making in leadership. The analyses presented several crises and how to fit them into the framework of "ethics of justice" and "ethics of care", as well as characterize them according to Kohlberg (1981) and Gilligan (1982) to determine whether it is an objectively valuable measure for determining a crisis response. With the presented examples, it can be concluded that the presented theories of business ethics cannot give a reliable assumption of what should be the definitive reaction of a corporation, an individual or a nation in a crisis situation. The fact that multimillion-dollar corporations with entire departments dedicated to risk management act unethically and seemingly unconventionally may lead to the conclusion that morally immature behavior is completely intentional and typical of large companies. A question that could be the beginning of another study is "How could corporate protocols enhance the crisis literacy in order to act according to the postconventional level, guided by justice and the universal principles of ethics?"

REFERENCES

1. Austin L, Yan J. Approaching ethical crisis communication with accuracy and sensitivity: Exploring common ground and gaps between journalism and public relations. The Public Relations Journal. 2015;9(1):2-26
2. Chen, K. Y. (2019). Planned Obsolescence and Repurchase Intention: iPhone Batterygate as an example. (batterygate)
3. Coldwell D. Ethical Leadership in Crisis Management: The Role of University Education. 2017. Retrieved December 25, 2017, from https://cdn.intechopen.com/pdfs-wm/52477.pdf
4. Cookson, AH 1985, *Particle trap for compressed gas insulated transmission systems*, US Patent 4554399.
5. Coombs WT. Protecting organization reputations during a crisis: The development and application of situational crisis communication theory. Corporate Reputation Review. 2007 b;10:163-176
6. Coombs WT. The Underlying Role of Ethics in Crisis Management. 2006. Retrieved February 26, 2016, from: www.sagepub.in/upm-data/28757_10.pdf

7. Dashchenko, V. (2020). Crisis communication strategies for perceived breaches of trust (Doctoral dissertation, 한양대학교).
8. Exelby, HRA 1997, "Aspects of gold and mineral liberation", PhD thesis, University of Queensland, Brisbane.
9. Fritzsche D. Business Ethics: A Global and Managerial Perspective. 2nd ed. New York: McGraw-Hill; 2005
10. Huffman, LM 1996, "Processing whey protein for use as a food ingredient", *Food Technology*, vol. 50, no. 2, pp. 49-52.
11. Lynch, M. (1990). The greening of criminology. The Critical Criminologist, 2, 1–5
12. Lipton, J. & Balakrishnan A. (2017, December 28). Apple apologizes for iPhone slowdowns and offers $29 battery replacements. CNBC. Retrieved September 23, 2019, from https://www.cnbc.com/2017/12/28/apple-batterygate-letter-fulltext.html
13. Pauchant, T. and I. I. Mitroff: 1992, Transforming the Crisis Prone Organization (Jossey-Bass Publishers, San Francisco).
14. Poole, J. (2017, December 18). iPhone Performance and Battery Age. Retrieved September 19, 2019, from https://www.geekbench.com/
15. Reiff, N. (2022, March 7). *10 biggest oil companies*. Investopedia. https://www.investopedia.com/articles/personal-finance/010715/worlds-top-10-oil-companies.asp
16. Reddit user. [TeckFire]. (2017, December 10). PSA: iPhone slow? Try replacing your battery! [Blog post]. Retrieved September 23, 2019, from https://www.reddit.com/r/iphone/comments/7inu45/psa_iphone_slow_try_replacing_your_battery/
17. Seeger, M. W. and R. R. Ulmer: 2001, 'Virtuous Responses to Organizational Crisis: Aaron Feuerstein and Milt Cole', Journal of Business Ethics 31(4,2), 369–376.
18. Sheridan, C. Planning to Fail.
19. Shrivastava, P.: 1993, 'Crisis Theory/practice: Towards a Sustainable Future', Industrial and Environmental Crisis Quarterly 7(1), 23–42
20. Simola, S. Ethics of Justice and Care in Corporate Crisis Management. Journal of Business Ethics 46, 351–361 (2003). https://doi.org/10.1023/A:1025607928196
21. Simpson, L 1997, "Tasmania's railway goes private", *Australian Financial Review*, 13 October, p. 10.
22. Snyder P, Hall M, Robertson J, Jasinski T, Miller J. Ethical rationality: A strategic approach to organizational crisis. Journal of Business Ethics. 2006;63(1):371-383
23. Spencer, D. C., & Fitzgerald, A. (2013). Three ecologies, transversality and victimization: The case of the British Petroleum oil spill. Crime, Law and Social Change, 59(2), 209-223.
24. Statmuse. (2017, December). *Apple stock price in 2017 | StatMuse money*. StatMuse. https://www.statmuse.com/money/ask/apple+stock+price+in+2017
25. University of Queensland Library 2009, *Mechanical engineering subject guide*, University of Queensland Library, viewed 6 February 2009, <http://www.library.uq.edu.au/findits/findit.php?title=Mechanical+Engineering>.
26. Wedell-Wedellsborg, M. (April 2022). When Crisis Management Becomes Conflict Management, Harvard Business Review