A new crisis type: management-induced crisis (MIC) and the Qantas lockout

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Abstract

Organisational crises include financial scandals, hostile take-overs, and industrial confrontations. Existing clusters or crises typologies do not adequately explain a situation where management actions are an intentional catalyst for crisis intensity. This paper expands upon Coombs’s (2004) three cluster crisis typology and proposes a new category of intentional crisis: management-induced crisis (MIC). Such a crisis typically threatens the organisation’s immediate viability in a strategy, but aims to bring about longer term benefits. An example is Australia’s largest airline, Qantas, which intentionally locked out its employees and grounded its fleet in late October 2011. Through this MIC Qantas successfully coaxed the Australian Government to intervene, paving the way for resolution of an otherwise chronic unstable situation.

Keywords: Airline industry, Government, Management-induced crisis, Qantas
INTRODUCTION

Crisis management typologies typically examine crises in terms of causation, stages, severity and impact (Fink, 1986; Heath & Palenchar, 2009; Lerbinger, 1997; Meyers, 1986; Mitroff, 1998). Coombs (2004) proposed three crisis attribution clusters of responsibility: victim crisis; accidental crisis; and intentional crisis, such as human error accidents, recalls, and organisational misdeeds where ‘laws or regulations are violated by management.’ None of these typologies adequately describe a crisis type where management is the catalyst for crisis intensity.

As part of this high risk strategy, the outcome may remains ambiguous for an extended period of time. This article, based on a study of the Qantas 2011 lockout, proposes a new crisis type or frame known as management-induced crisis (MIC). The characteristics of MIC are three-fold: a) a deteriorating situation provides an opportunity for management, within legal parameters, to intentionally exacerbate the situation into a full-blown crisis; b) management strategically positions itself so that high level political or regulatory intervention is unavoidable; c) resolution of the crisis provides a watershed solution for the organisation.

In 2011 prolonged industrial disputation at Qantas, Australia’s largest airline, arose from a heavily unionised workforce disaffected with the company’s change in strategic direction and refusal to support new industrial agreements. Under the Fair Work Australia Act unions could engage in rolling stoppages under ‘protected industrial action’ (FWA, 2009). Such action caused major inconvenience for many thousands of passengers and a short-term financial loss of more than $AUD30M. While Qantas had sufficient financial reserves to absorb the impact, its management claimed that ongoing disputation had the potential to ‘bleed’ the airline.

Qantas’s CEO, Alan Joyce, with unanimous Board approval, locked out nearly 20 per cent of its employees, being members of three dominant unions – the Australian and International Pilots Association (AIPA), the Australian Licensed Aircraft Engineers Union (ALAEU), and the Transport Workers’ Union (TWU) – on Saturday, 29 October 2011. All local and international flights were also grounded (Qantas’s low-cost subsidiary, Jetstar, was unaffected). By taking its own ‘protected industrial action’, Qantas management created an unprecedented scenario in the Australian and international airline industries.

The Federal Government, which had previously hoped the parties would resolve matters by negotiation, referred the lockout to the workplace regulator, Fair Work Australia (FWA). An intense political and public relations crisis ensued. FWA directed that all parties cease industrial activities and gave them 30 days to negotiate. When no agreement could be reached the matter was referred to binding Arbitration by FWA for resolution. By the end of the crisis, the year long disputation and MIC had cost Qantas nearly $AUD200M (Qantas, 2011h; Ironside, 2011).
OVERVIEW

Literature review

This section defines a crisis, lockout and Australia’s *Fair Work Act* as well as crisis communication typologies. Traditionally a crisis has been defined as a sudden and unexpected event that has a critical impact on the immediate functioning of an organisation, and on its reputation over a longer period (Chia & Synnott, 2009, 281; Galloway & Kwansah, 2005; Seeger, Sellnow & Ulmer, 1998). A crisis can occur to any organisation and business crises, which occur almost daily, place stress on organisations’ financial positions as well as reputation (Gonzalez-Herrero & Pratt, 1995, 25). Similarly, Fink defined a crisis as a: loss of management control resulting in actual or potential threats to a company’s long term ability to do business due to the impact on its operability, image and reputation, and liabilities (1986, 16).

As Coombs notes, a crisis is the ‘perception of an unpredictable event that threatens important expectancies of stakeholders and seriously impact an organisation’s performance and generate negative outcomes’ (2012, 2-3). Not all scholars, however, support a sequential, linear approach. Crises can have an enduring legacy on an organisation. Jacques (2009), for example, argues that there is a difference between a crisis as a situation and a crisis where the processes extend over time. Kersten similarly said:

> While the crisis can represent a specific, critical turning point, it is connected to an already existing course of action with a past, present and future. Using this definition, crisis management focuses not only on the particulars of the crisis situation but on the entire system of which it is an integral part (2005, 545).

Scholars often group crises into clusters. An early theorist, Meyers (1986, 9) identified nine types of business crises: public perception, sudden market shift, product failure, top management succession, cash, industrial relations, hospital take-overs, adverse international events, and regulation and de-regulation. Lerbinger’s (1997) crisis typology included natural disasters, technological disasters, crisis of confrontation, acts of malevolence, misplaced management values, acts of deception and management misconduct. Heath and Palenchar developed a ‘hierarchy of health concern metaphors’, such as bed rest, medication, chronic, and fatal (2009, 281). They describe the last two as ‘true crises that pose major operational and policy changes for the organisation… may even lead to public policy action…the tendency is to create regulation of legislation to prevent incidents from recurring’ (2009, 281). Pauchant and Mitroff (1992) clustered crises into five distinct groups: external economic attacks, external information attacks, breaks, megadamage and psyco (cited by Chia & Synott, 2011, 282).

Confrontational disputes between management and organised labour, have traditionally resulted from actions *initiated* by employees or their representatives in response to unresolved issues of pay, employment conditions or safety concerns. According to Meyers’ concept of ‘public perception’, there is a presupposition that employees, not employers, are at fault. The literature has not considered overlooked organisational situations where management is the *intentional catalyst* for a crisis.
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A lockout of employees is a serious industrial management strategy adopted in fairly limited circumstances. Such action usually has the impact of intensifying, in the short term, confrontation between parties. As Briggs comments, ‘lockouts are in actuality just one way in which employers withdraw work to exert pressure on their employees’ (2004, 104). Historically, a lockout in Australia referred to an employer’s action to give notice to workers because the latter would not accept certain pay or conditions. In the last decades of the 20th century, lockouts occurred mainly in manufacturing sector. Between 1994 and 2004, for example, more than half Australia’s lockouts occurred in Victoria (Briggs, 2004, 109).

In 1993 a federal Labor Government provided ‘a legal right for employers to lock out their employees’ through the Industrial Relations Reform Act (Briggs, 2004, 102). In 1996, Patrick Corporation restructured its operations and locked out employees who were members of the Maritime Union of Australia (O’Neill, 1997-98). Recently, corporations have locked out employees in Western Australia (Hannan & Perpitch, 2011), New Zealand (Hembry & Nordqvist, 2011) and United States (valleynewslive.com, 2011).

In 2009 the Gillard Labor Government enacted the Fair Work Act, whose main objective was to ‘provide a balanced framework for cooperative and productive workplace relations that promote national economic prosperity and social inclusion for all Australians’ (Fair Work Act, 2009). Central to the Act was ‘introducing new protections for employees that for the first time went beyond industrial interests’ (Sivaraman, 2011, 62). Unions, therefore, could seek to address some non-industrial matters that had been prohibited under the previous Howard government’s Work Choices legislation. That represented a major challenge to management prerogative to make decisions as they saw fit. The Fair Work Act is relevant to this study, because Qantas’s lockout action appears to have been motivated by a desire to engage the independent arbitrator, FWA, to uphold the right of management to make strategic and operational decisions without deference to union demands.

Turbulent industry

Despite numerous scholarly studies about accidents and crises in the airline industry (Barnett, 2003; Downing, 2004; Howell, 2006), few writers have focused on the respective roles of management and government in airline crises (Valentini & Romenti, 2011, 360). In an Australian context, an increase in organisational crises since 1990 has led to the ‘strong need for further research and refinement in the areas of crisis prevention and crisis events management’ (Del Rio & Terziovski, 2005, 127).

Numerous external challenges and threats characterised the international airline industry in the first decade of the 21st century. With many airlines suffering large financial losses, some closed, or merged, such as Air France and the Dutch-based KLM airlines in 2004 (Buyck, 2011). International crises included September 11 (2001), the 2003 SARS crisis and many natural disasters. In 2001, Ansett Airlines, Australia’s second largest airline, collapsed due to a combination of bankruptcy and industrial unions’ rejection of proposed changes to workplace culture and conditions (Nahan, 2001). Another low-cost Australian airline to collapse was Compass (2003). In early 2011, a relatively new entrant, Tiger Airlines, was suspended from flying, due to safety concerns.
Qantas, standing for the Queensland and Northern Territory Aerial Services, was formed in 1920, and has grown to become Australia’s largest domestic and international carrier. Qantas has consistently recorded a profit (Turner, 1960; Qantas 2011), and has an unrivalled reputation for safety (Luck, 2011). The former publicly-owned Qantas was privatised in 1992. In 2001, increased operating costs led Qantas to start a low-cost airline, Jet Star. In the 2004-05 financial year Qantas recorded a profit of $760M profit or an 18 per cent increase (The Age, 2005). In 2007 Qantas experienced an unsuccessful though protracted and public battle for private equity entrepreneurs to buy-out the company (Westcott, 2009).

CRISIS EARLY STAGES

Airlines in Australia have traditionally been a ‘protected industry’, that is, heavily unionised. Twelve unions currently represent Qantas 35,000 employees. The three main unions are the TWU (ground crew), the AIPA (pilots) and the ALAEU (engineers). During 2011 Qantas experienced a range of financial, industrial and employee-related issues. In February, pilots’ claims were rejected (Qantas 2011a). Highly disruptive industrial action loomed. These three unions either engaged in direct strike action or in disruptive threatening tactics, which Qantas felt hindered its operations and image. Unions expressed concern about job security, members’ working conditions and the increasing outsourcing of jobs (TWU, 2011a) The TWU secretary said:

… it’s not acceptable that we could have a situation where an employer agrees with its employees that they are to be paid a certain wage, and then during the life of that agreement - when the employees are obligated to not take industrial action - the employer starts employing contractors at cheaper rates and making those employees redundant (TWU, 2011c).

Threatened industrial action by pilots, the first in 45 years (Qantas, 2011a) and stoppages by aircraft engineers (Qantas, 2011c & 2011d) exacerbated the situation. Pilots played short commercials inflight advising passengers of their concerns about Qantas management plans to restructure the airline. In May 2011, Qantas cancelled 32 flights as a result of engineers’ stoppages (Qantas, 2011d). By September 2011 an estimated 60,000 Qantas passengers had been impacted by rolling strikes. In one stoppage alone, 4,000 TWU members downed tools for four hours (Saurine, 2011). In October, Qantas cancelled 400 domestic flights blaming the disruptions on strikes by engineers and transport workers.

Exogenous events, including floods in Queensland, the Christchurch and Japan earthquakes, and the Chilean volcanic ash cloud, also impacted Qantas financially (Creedy, 2011b). Additionally, escalating fuel prices and increased competition from Middle Eastern and Chinese carriers, strengthened Qantas’s determination to restructure (Qantas, 2011b). In June 2011 Qantas offered voluntary redundancies across its 7,000 cabin crew. In its five year strategic plan unveiled in August, the centerpiece aimed to arrest the flagging international business, losing approximately $AUD200M per year, by establishing a premium carrier airline in South-East Asia. As a result, CEO Alan Joyce said up to 1,000 Australian-based jobs would be cut:
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Qantas International takes up enormous amounts of capital, and our cost base is around 20 percent higher than that of our key competitors. To do nothing, or tinker around the edges, is not an option (cited by O’Sullivan, 2011a).

Qantas’s plans to create a low-cost subsidiary in South-East Asia galvanised an already agitated union movement (Taylor, 2011). Qantas’s other operations, however, remained buoyant. In August the airline confirmed an annual profit before tax of $AUD552M. Joyce commented:

We achieved the result while overcoming significant external and operational factors, including a series of natural disasters, a 28 per cent increase in average fuel prices and an underperforming international business (Qantas, 2011e).

Nevertheless, Joyce spoke frankly of the challenges for Qantas, and predicted a negative future if the airline did not fundamentally change (Verrender, 2011, 9).

‘Trashing the brand’

Between May and October 2011 the bitter verbal battle between unions and Qantas management intensified. Unions claimed that Joyce was damaging the airline and threatening its survival by ‘asset stripping’. Similarities were drawn with Ansett Airlines, which had been majority owned by Air New Zealand before its spectacular collapse. When one union leader encouraged Australians to travel on non-Qantas flights, management accused the unions of ‘trashing’ the airline’s brand (The Age, 2011). In an attempt to convey the seriousness of Qantas’s international business problems, Joyce publicly stated that the vast majority of Australians did not choose Qantas when travelling overseas. This tactic appeared to backfire, as it generated considerable public discussion about Qantas prices and service levels.

Hostility between the parties included claims of anti-social behavior. When Joyce publicised death threats against senior executives, including him, several union leaders questioned the CEO’s motives. The TWU national secretary said: ‘I think there are two critical questions raised: whether this is a PR stunt or whether this is a serious allegation. These are serious allegations… whether this is a conspiracy by Qantas or a conspiracy by someone that’s lost their job in this issue’ (cited by Benson, 2011). In late November, without any commentary, the Police discontinued their enquiries (O’Sullivan, 2011b).

Joyce’s Irish-born status attracted racial intolerance:

It’s coming soon Paddy. You can't even see it! The Unions will fight you. ... Quantas is our airline, started and staffed by Australians, not foreign filth like you. All your evil plans. ... will come back to you very swiftly, & kick you (sic) Irish FOREIGN ARSE [original emphasis] out of the country (Irish Independent, 2011).

During October, also, negotiations between the AIPA and Qantas at Fair Work Australia broke down. A bitterly disappointed AIPA President, Captain Barry Jackson remarked:

There is no ambiguity here: Qantas management has officially opted to walk away from conciliation before FWA. Any claim to the contrary is a blatant and deliberate deception. Management has clearly informed us that they will not be attending negotiations before the independent umpire (AIPA, 2011a).
The day before Qantas’s Annual General Meeting (AGM), the company revealed the financial impact of industrial action:

$68 million is a significant impact on the company and the costs will continue to rise. In comparison, the impact on Qantas from grounding aircraft during the recent volcanic ash cloud was $49M. Agreeing to the union’s unreasonable demands would have a far greater cost on the company including risking the future of Qantas (Qantas, 2011f).

The tense AGM occurred at a major university venue in Sydney on Friday, 28 October. Police, private security and metal detectors were in place (Sydney Morning Herald, 2011c). Retail and institutional shareholders were divided over executive salary rises; many pilots and engineers walked out in opposition to a recommendation for a large increase in senior executive salaries. Nevertheless, more than 95 per cent of shareholders voted in favour of a report from the Remuneration Committee granting executives, and especially the CEO, significant pay rises if they met specific performance targets.

The above incidents during 2011 – especially the industrial disputes and heightened tension between the parties – reflect a combination of Fink’s first two phases of a crisis: prodromal and acute. By late October the Qantas crisis has escalated in intensity; there was daily media scrutiny, airline and airport operations were regularly disrupted and there was a large focus on the CEO’s dominant role (Fink, 1986, 15-16). On the eve of the lockout Qantas was in an acute crisis phase, and major parties exhibited strong signs of an ‘exhaustion of trust’ (Tobin, 2004). One public survey found little trust in Qantas management:

The National Essential Report poll shows overwhelming dissatisfaction with the Alan Joyce-led management team at Qantas and their proposed strategy for the airline. About 67 per cent of those surveyed agreed that Qantas workers have legitimate concerns, while just 13 per cent disagree (Sydney Morning Herald, 2011a).

**LOCKOUT**

The morning after the AGM, Joyce called an urgent Board meeting. Joyce’s central messages were that the company would continue to lose an estimated $AUD15M a week if industrial disputation did not cease, and forward bookings, especially amongst the more profitable premium-paying passengers, had declined markedly due to the airline’s chronic instability (Joyce, 2011a). The crisis had moved to a stage which DeVries and Fitzpatrick described as ‘lingering’ (2006). The Board unanimously supported Joyce’s recommendation for a lockout of employees (Qantas, 2011g). While the airline gave limited notice of its actions, its immediate
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Grounding of aircraft because it had concern that some, unidentified employees, might take action against company property, further increased tensions between the parties and demonstrated the virtual total erosion of trust between the main publics. Qantas’s attitude further disenfranchised management from employees.

Qantas’s immediate challenge was to communicate quickly to its main publics - staff, customers, unions, government, shareholders and the broader community. Printers, who had been on stand-by, began delivering notices to staff by late afternoon. Communicating with international staff, and 80,000 customers across the globe at short notice proved much more difficult.

In the lead-up to the crisis Qantas had been in close contact with Australia’s minority Labor-Green government and the Federal Opposition. However, Qantas waited several hours before (first) attempting to contact the Federal Minister for Transport (Jopson, Coorey & O’Sullivan, 2011). It was not until 2 p.m. on 29 October that the minister was notified. The Qantas CEO also contacted several other senior ministers, who in turn relayed information to Prime Minister Gilliard, who was hosting the Commonwealth Heads of Government forum (CHOGM) in Western Australia. Joyce warned government ministers that if news leaked of the lockout and grounding before his scheduled media conference (at 5pm eastern Australian time) he would immediately ground flights (Thompson, 2011).

Joyce’s late afternoon media conference was broadcast live on television and the internet. He acknowledged a ‘very tension environment’. The crisis, was not just about pay and conditions but ‘the unions trying to dictate how to run the business’ (Joyce, 2011a), a reference to the Fair Work Act. Joyce sought to garner support from the broader business community who he believed shared Qantas’s concerns about union attempts to dictate policy decisions. Joyce further claimed that given the unpredictability of individual workers’ reactions to the lockout he had taken the ‘precautionary’ step of grounding all flights immediately. He accused the three unions of ‘…deliberately destabilising the company… If the industrial action continued, Qantas would have no choice but to shut down its business "part by part" (cited by The Age, 2011).

The lockout left 48,000 domestic passengers and 20,000 international customers stranded, immediately. Long haul flights from the United Kingdom and Europe to Australia were terminated in South-East Asia. Media images of shocked international passengers dominated the media. In several instances planes that had been cleared for take-off were forced to turn back and disembark anxious passengers. Bangkok, which at that time was deluged by floods, appeared a poor location to offload thousands of passengers. Dozens of medical doctors attending a conference in Alice Springs in northern Australia, were another example of countless stranded groups.

The grounding stunned publics including most of the government and opposition, shareholders, competitors and the general community (ABC News, 2011a). Media organisations variously described Joyce’s action as ‘industrial terrorism’ (Keane, 2011) and the ‘nuclear option’ (Sydney Morning Herald, 2011b; 2011d). The unions’ hostile and polemic response against Joyce reflected what Coombs (2004, 267) described as personal causality, where publics attribute blame to an individual. An AIPA spokesman said the move was ‘pre-meditated, unnecessary and grossly irresponsible’:
Joyce is holding a knife to the nation’s throat. No-one predicted this – because no-one thought Joyce was completely mad. This is a stunning overreaction. It is straight up blackmail. I knew he was trying to kill Qantas… this is a grave and serious situation and the board should move to sack Joyce immediately (AIPA, 2011b).

The TWU national secretary described the company’s actions as ‘unwarranted’, a ‘national disgrace’ and a ‘premeditated action on a massive scale’. (TWU, 2011b; 2011c) Further, ‘Qantas wants to employ anyone other than Australian employees’ (TWU, 2011c).

As a result of the lockout the legal contract customers had with Qantas was null and void. And, a social contract, reflecting corporate social responsibility, had also evaporated. Qantas management justified its snap decision, less than 24 hours after the company’s highly publicised AGM, on the basis that no other course of action could alleviate sporadic industrial action that management claimed had ‘crippled the airline’.

Reputation implications

As Jacques has observed, ‘the risks to an organization post-crisis can be even greater that during the crisis itself’ (2007, 154). Qantas faced this situation after the lockout. It had catapulted itself into a political, reputational and public relations crisis. The post-crisis dominated Australian print and electronic media for at least a week, and remained strong for several months. Joyce continued to lay blame squarely with the unions:

The action I announced on Saturday was the only option available to Qantas to cut short the destructive industrial campaign that has devastated the airline over recent months. The unions’ clear preference was for a long, attritional industrial campaign, something that I was not willing to contemplate (Joyce, 2011b).

The lockout created new strain between Qantas and the Federal Government and gave added momentum to the crisis. Australia’s Prime Minister publicly declared that she did ‘not accept that Qantas’s only choice was to take the extreme action of grounding all planes and leaving tens of thousands of passengers stranded’ (cited by Grattan, 2011). Qantas claimed it had previously advised – or warned – the Gillard government that a lockout was possible if industrial matters remained unresolved. Joyce claimed he had warned Transport Minister, Anthony Albanese: ‘I said on multiple occasions [to the Federal Government] we could get to a stage where we’d have to ground the airline (ABC News, 2011a). An angry Albanese rejected Joyce’s statement (Grattan, 2011).

I’ve made it very clear and I had the discussion with Mr Joyce yesterday, and he agreed with me on the phone there was no occasion in public, in private, where Mr Joyce or anyone else from Qantas had raised with me the prospect of a lock-out [sic] of its workforce and a grounding of the airline (Albanese, 2011).

Qantas also attempted to lay blame for the lockout on the prime minister. Gillard was accused of being too slow to act and failing to declare the workers’ strike action illegal. In a sympathetic article to Qantas, the News Corporation internet site, citing an unnamed Qantas source, explained the company’s strategy: ‘We just wanted to force it to a head. Everything would be fine right now if the PM made a declaration’ (news.com.au, 2011a). It was several days before a (now) more defensive Joyce backed away from his earlier claim of giving...
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prior warning to the Gillard government. Joyce told a difficult – and at times hostile – Federal Senate Inquiry, which he labelled a ‘McCarthy trial’, that he had not briefed either the government or opposition of a potential lockout (Colvin, 2011; Thompson, 2011). Yet, he conceded that the airline ‘had done planning for a potential lockout’. Joyce repeated that although there were some ‘contingency plans’ he only made the decision to ground the airline on 29 October. Unions’ skepticism increased after several courier drivers disputed Joyce’s statement and claimed that they had advance notice to work ‘as part of a mass delivery of this lockout notice to at least

6,000 Qantas staff’ (AIPA, 2011c; Cannane, 2011). Joyce told a later Senate Inquiry that ‘we had plans going back weeks as contingencies for a lockout and a grounding... but the decision was made on the Saturday’ (ABC News, 2011b). Joyce’s situation resembled Tyler’s description:

The power elite within the organization usually determine whose truths count as true. If the power elite is particularly successfully at suppressing other truths, those executives within the elite then become particularly vulnerable should those truths erupt into public attention (2005, 68).

**Government intervention**

After the lockout the Federal Government, as per their existing powers, referred the crisis to FWA, the workplace regulator. Prime Minister Gillard said:

The Government in this matter is seeking to bring industrial action to an end and to have the dispute resolved so that we can proceed with certainty with our iconic airline Qantas proceeding properly and with circumstances where employees and Qantas know what the future holds for them (Gillard, 2011).

A marathon FWA hearing began with legal representation from 12 parties. Forty-eight hours later FWA ordered Qantas management and unions to terminate their respective disruptive actions (*Fair Work Act*, 2011). While some unions claimed the decision for a ‘slap in the face’ for Qantas, FWA’s binding decision brought to an end the industrial action and to that extent vindicated Joyce’s strategy (Colgan, 2011; Joyce, 2011c). FWA requested that the Qantas and the three unions negotiate within 30 days; and, if agreed upon, there could be a 21 day extension. Qantas, despite saying it was confident of reaching agreement with the unions during the first period of negotiation, was unable to do so (TWU, 2011d). On 21 November, Qantas refused to enter the negotiation extension period, which angered unions (TWU, 2011c). The AIPA’s Vice President Captain Richard Woodward, also expressed concern:

Today’s decision by Qantas management is unfortunate, because pilots have always been of the view that a negotiated outcome was eminently achievable. Pilots know we have a very strong case to bring to arbitration… it is a pity that Qantas as an airline will be subjected to this long, drawn-out process, when a negotiated outcome was possible (AIPA, 2011e).

Matters were listed for compulsory arbitration by FWA. Just prior to Christmas 2011, the engineers’ union and Qantas reached agreement on a 3 per cent annual wage rise, which included the union giving up several claims such as an A380 maintenance facility (Qantas, 2011j). In this respect, Qantas had a victory, because the new agreement upheld management’s prerogative in the strategic and operational direction of the company
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(Wilson, 2011). But disputes with the TWU and the AIPA remained unresolved. The pilots’ ‘complex’ case was not set down for a full hearing of FWA until June 2012, more than eight months after the lockout (O’Sullivan 2011c). Moreover, the pilots lodged a claim in the Federal Court of Australia challenging FWA’s October 2011 decision to terminate its protected industrial action against Qantas (AIPA, 2011d).

‘Thank You. We’re Sorry’

On 2 November 2011, 48 hours after planes started returning to the skies, Qantas resumed advertising. Qantas proclaimed - a little prematurely - in full page newspaper advertisements that it ‘is back to schedule’. Since the industrial action is over, no more aircraft can be grounded and no services cancelled as a result of industrial action’ (Qantas 2011k). A second set of advertisements hit airways and newspapers shortly after. Quickly some commentators suggested the damage to Qantas’s brand. One cited by The Australian, said Joyce ‘has done fundamental damage to the brand’ (Brook & Canning, 2011).

Throughout November and December 2011, Qantas expanded its large print and electronic advertising campaign. Qantas identified its customers, past and potential, as the key public. A slick marketing campaign followed. Slogans were central to Qantas’s campaign from ‘Thank You’, ‘We’re sorry’, We’re back to schedule: Book with certainty and confidence’ (Qantas, 2011i). Yet, as Lyon and Cameron note ‘reputation is not formed by packaging or slogans’ (2004, 215). ‘Reputation, unlike corporate images, is owned [original emphasis] by the publics. A good reputation is created and destroyed by everything a company does, from the way it manages employees to the way it handles complaints’ (Lyon & Cameron, 2004, 215).

Qantas focused its communication mainly on impacted passengers and its high-end frequent flyers. Its marketing response appeared to resemble the campaign adopted by its former main competitor, Ansett, whose strategy ‘was designed to focus on the inherent psychological need of consumers for status’ (Howell, 2006, 13). A decade later, Joyce said he was confident of customers sticking with an ‘amazingly resilient brand’. ‘We will be doing all we can to put things right’, Joyce said (Fenner & Schneider, 2011). On 16 November, Qantas announced special offers for its ‘most loyal customers’, that is, customers who most frequently fly with the airline (Flynn, 2011; Qantas 2011f). Bonus reward points were offered for Qantas’s high status frequent flyers.

New social media

Social media has quickly gained importance in crisis communication. One study confirmed that a majority of organisations have integrated new media tactics in their crisis response (Taylor & Perry, 2005, 212). Research also supports the view that during a crisis social media usage increases, notably in the acute phase (Liu, Austin & Jin, 2011, 346). Qantas’s crisis strategy included communicating to customers by social media. But when on 29 October Joyce said that customers could follow information updates on social media such as Twitter, he...
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overlooked that an unknown, possibly high numbers of customers, did not use such media; moreover, short comments on social media can be misread as insensitive.

Within a short period Qantas was criticised for its social media being ‘mechanical’, impersonal and unempathetic (Moses, 2011). Qantas, also, faced the possibility that its social media has an indirect influence on publics, such as journalists, during a crisis (Liu, Austin & Jin, 2011, 346). When Qantas ran a first class pajamas’ competition through social media, there was a large and negative response about the airline’s grounding of its fleet (mumbrella.com.au, 2011). Qantas also appointed new social media managers to monitor social media in the wake of the crisis. The company, though, tried to downplay this response, indicating that the strategy had been fast-tracked after the 2010 mid-air engine explosion over Singapore which highlighted the need to "increase social media resources quickly" (news.com.au, 2011b).

Joyce (2011b) also sent individually addressed emails to frequent flyers:

I apologise sincerely for any inconvenience that you or your family experienced during the grounding of the Qantas fleet... The decision to lock out some of our employees was an immensely difficult one…unfortunately, it was necessary as a precautionary measure to ground the fleet immediately… while I deeply regret the short-term impact of the fleet being grounded, following the FWA decision we now have absolute certainty for our customers.

Empowering staff

The lockout ultimately affected all Qantas employees. Management allowed employees from all but the three unions to continue working on full pay, despite the grounding of flights. Nevertheless, the lockout generated concern for many other Qantas employees. At a strategy day in December 2011, management presented research that showed that its staff engagement score was 70 per cent, compared with a national industry average of 82 per cent (Qantas, 2011l). Externally Qantas appears not to have heeded the employee communication strategy that Downing recommended after the September 2001 crisis: ‘corporate communicators should primarily focus their efforts on meeting employee needs after a crisis’ (2004, 37).

Joyce maintained his key message that no other course of action except a lockout was possible because the three unions had trashed the brand and destabilised the airline.

On Saturday, I came to the conclusion that this crisis had to end. I made the decision to proceed with a lockout, the only form of protected industrial action available to Qantas under the Fair Work Act, so that agreement could be reached quickly (Joyce, 2011b)

The crisis also created benefits for Qantas’s major domestic competitor airline, Virgin, in terms of increased passengers numbers in the short term (O’Sullivan & Coorey, 2011). It is too early to assess the longer term impact.
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Traditional crisis communication theory suggests that crises follow a fairly neat linear progression (Fink, 1986; Mitroff, 1996; Gonzalez-Herrero & Pratt, 1996; Fearn-Banks, 2007). Most approaches have a well-defined life cycle, and, ‘each stage of the crisis life cycle contains different themes in media coverage’ (Chia & Synnott, 2009, 283). Fink’s (1986) four part typology: prodromal, acute, chronic and resolution phases reflects a traditional cyclical model, as do the typologies proposed by Fearn-Banks (2007) and Mitroff (1996). Table 1, based on the Qantas crisis, contrasts those traditional typologies (as summarised by Chia & Synott, 2009, 283-87) with a seven stage management-induced crisis (MIC).

**TABLE 1: COMPARISON OF CRISIS TYPOLOGIES**

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<th>Traditional typologies</th>
<th>Management-Induced Typology</th>
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<tr>
<td><strong>Phase 1</strong></td>
<td></td>
</tr>
<tr>
<td>Prodomal (Fink &amp; Barton)</td>
<td>Issues emergence</td>
</tr>
<tr>
<td>Signal Detection (Mitroff)</td>
<td></td>
</tr>
<tr>
<td>Detection</td>
<td></td>
</tr>
<tr>
<td><strong>Phase 2</strong></td>
<td></td>
</tr>
<tr>
<td>Preparation (Barton)</td>
<td>Activism</td>
</tr>
<tr>
<td>Probing (Mitroff)</td>
<td></td>
</tr>
<tr>
<td>Prevention (Fearn-Banks)</td>
<td></td>
</tr>
<tr>
<td><strong>Phase 3</strong></td>
<td></td>
</tr>
<tr>
<td>Acute (Fink)</td>
<td>Dislocation</td>
</tr>
<tr>
<td>Containment (Barton, Mitroff, Fearn-Banks)</td>
<td></td>
</tr>
<tr>
<td><strong>Phase 4</strong></td>
<td></td>
</tr>
<tr>
<td>Chronic (Fink)</td>
<td>Acute</td>
</tr>
<tr>
<td>Learning (Barton, Fearn-Banks, Gonzalez-Herrero &amp; Pratt)</td>
<td></td>
</tr>
<tr>
<td>Damage Containment (Mitroff)</td>
<td></td>
</tr>
<tr>
<td><strong>Phase 5</strong></td>
<td></td>
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<tr>
<td>Resolution (Fink)</td>
<td>Catalyst (management inducement)</td>
</tr>
<tr>
<td>Recovery (Barton, Fearn-Banks, Mitroff)</td>
<td></td>
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<tr>
<td><strong>Phase 6</strong></td>
<td></td>
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<tr>
<td></td>
<td>Government/Regulatory Intervention</td>
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<td></td>
<td></td>
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<tr>
<td><strong>Phase 7</strong></td>
<td></td>
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<tr>
<td></td>
<td>Strategic uncertainty before resolution</td>
</tr>
</tbody>
</table>

**Key differences**
A new crisis type: management induced crisis (MIC) and the QANTAS lockout

A MIC has unique classifications and two extra phases. Phase 1, issues emergence, is the development of a controversial issue or set of issues, such as an industrial campaign. In Phase 2, activism, the organisation receives publicity from disgruntled activists, who often seek community and media support to promote their actions. As a result of this activism, Phase 3, dislocation, occurs. This phase may include strikes or stoppages by employees, as well as the lodgment of claims through industrial tribunals of other legislative bodies. Both organised labour representatives and employer’ representatives lobby government on behalf of their members. In Phase 4, there is evidence of harm to the organisation’s operations and financial activities, and also most likely, its image. Frustrated by the impasse, the organisation’s management acts as a catalyst and in doing so accelerates the crisis to Phase 5. The organisation intentionally makes the crisis worse by taking authoritarian though legal action. This could include, for example, a lockout of employees. This high risk strategy brings control back to an organisation, initially at least, but it creates a highly turbulent and political situation, which significant attribution focus. Despite management action, the crisis has reached a new acute level and requires the intervention in Phase 6 of judicial, regulatory and/or government to temporarily suspend critical actions that have fostered the crisis. Phase 7 is characterised by less overt tension and media focus, though strategic ambiguity remains for an undefined period. There is uncertainty as to what and when a resolution will occur.

Table 2 identifies some key characteristics of a management-induced crisis and how this differs from traditional crisis form.

<table>
<thead>
<tr>
<th>Traditional Crisis</th>
<th>Management-induced crisis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crisis seen as a specific event</td>
<td>Crisis seen as part of a broader process</td>
</tr>
<tr>
<td>Spontaneous</td>
<td>Expected</td>
</tr>
<tr>
<td>Management response</td>
<td>Management initiative</td>
</tr>
<tr>
<td>Loss of control</td>
<td>Control at the start</td>
</tr>
<tr>
<td>Initial containment difficult</td>
<td>Initial containment likely</td>
</tr>
<tr>
<td>Often empathy from employees</td>
<td>Virtually no empathy from employees</td>
</tr>
<tr>
<td>Impact can be fatal</td>
<td>Chronic impact</td>
</tr>
</tbody>
</table>

**CONCLUSION**

The Qantas case study provides important PR lessons and also a solid example of a new crisis type. The lockout represented a significant departure from the usual linear progression of an organisational crisis. First, while the airline contended with a series of debilitating issues during 2011, the ‘tipping point’ for a full scale crisis was management’s deliberate decision to shut down the airline and lockout employees. Qantas operated within the
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legal framework of Australia’s Fair Work Act, but it could be argued that its actions did not necessarily reflect the legislation’s spirit. Second, in many industrial confrontation crises, employees act – or are perceived to be the cause – of the crisis. Qantas repeatedly communicated that its decision, which exacerbated an already tense situation, was the only means to resolve the crisis. The company thus blamed employees/unions as per a traditional paradigm. Third, while the crisis contained some elements of Lerbinger’s (1997) confrontational crisis (e.g. disgruntled publics) and DeVries and Fitzpatrick’s (2006) ‘lingering crisis’ (e.g. escalating involvement of external organisations), it does not neatly fit into these or other existing crisis types. The Qantas crisis contained a new and powerful dynamic – management acting intentionally to exacerbate an already very difficult situation.

Through this strategy Qantas successfully forced government intervention. By (legally) locking out its staff, Qantas had a unique bargaining chip with the Federal Government. The MIC had the potential to generate a flow-on crisis for government if the latter did not act. Qantas entrapped a reluctant Federal Government to take an interventionist role in the crisis because the lockout and grounding had significant potential to damage Australia’s reputation, including an already sluggish domestic tourism sector. But not all commentators supported government intervention. A former Labor prime minister, Paul Keating, claimed that if the lockout had been allowed to remain in an acute, paralysed, phase for a week or two ‘the chances are there would have been no more Alan Joyce… having taken his airline out, how was he going to get it back? I think the shareholders would have moved and then the board would have had to do something’ (cited by Packham, 2011).

In mid-December 2011, a confident Joyce told a private briefing of analysts and investors that ‘all the signs are that the damage is neither extensive nor permanent’ (O’Sullivan, 2011c). ‘Domestic bookings, including those from corporate accounts, had recovered particularly well and were now back to normal levels’, Joyce claimed. (Creedy, 2011a). While international bookings were lower than pre-lockout levels, there were signs that 2012 would see a reversal. In a second sympathetic article in The Australian, Joyce claimed that despite the lockout Qantas was better positioned that many other airlines to adjust to the vagaries of the international airline sector (Creedy, 2011b).

Qantas’s MIC strategy was high risk but brought to a head a serious industrial disputation that it alone could not resolve. Management, acting within legal parameters, intentionally exacerbated the situation into a full-blown crisis. The government’s response of referring the matter to the industrial umpire signalled recognition of the crisis’s broader financial and political context. High level political and regulatory intervention became unavoidable and crisis resolution, although prolonged, proved to be a watershed for the airline.

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