



Crisis Management & Contingency Planning



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What Is Crisis?

Any Unpredictable/ Unexpected Event That Puts A Business Into A Major Problem Is Called A Crisis. Few Instances Of Real- Time Crises Are: Theft, Technical Failure, Natural Disaster, Loss/ Damage Of Inventory, Power Cut, Lack Of Working Capital To Continue Regular Business Operations, Damage In Media Publicity, Etc.

Crisis Management

- Response/ Reaction Of Business To The Situation Of Crisis.
- Necessary Measures To Be Taken.
- Also Referred To As 'Disaster Recovery'.
- A Full-Fledged Contingency Plan Is Required To Deal With These Events.

Some Real-Life Examples Of Crises In Context Of Business Organizations:



- In 2016, Samsung Had To Recall Its 2.5 To 3 Million Galaxy Note 7 Phones That It Had Sold. It Was Forced To Discontinue Its Production And Sales After It Was Informed Of The Explosion Happening In The Phones Across The Globe Due To Excessive Heating.
- In 2006, Cadbury Suffered A \$ 30 Million Loss When A Burst Pipe In A Birmingham Factory Caused Salmonella Contamination To More Than One Million Bars Of Chocolate.
- In The Outbreak Of COVID-19, The Popular Food Ordering Apps Like Zomato And Swiggy Had To Halt Their Operations And Restart After Introducing A Safety Measure Of No-Contact Delivery For Their Customers. Moreover, They Had To Come Up With The Idea Of Selling Groceries To Deal With The Crisis.

Factors Affecting Effective Crisis Management:

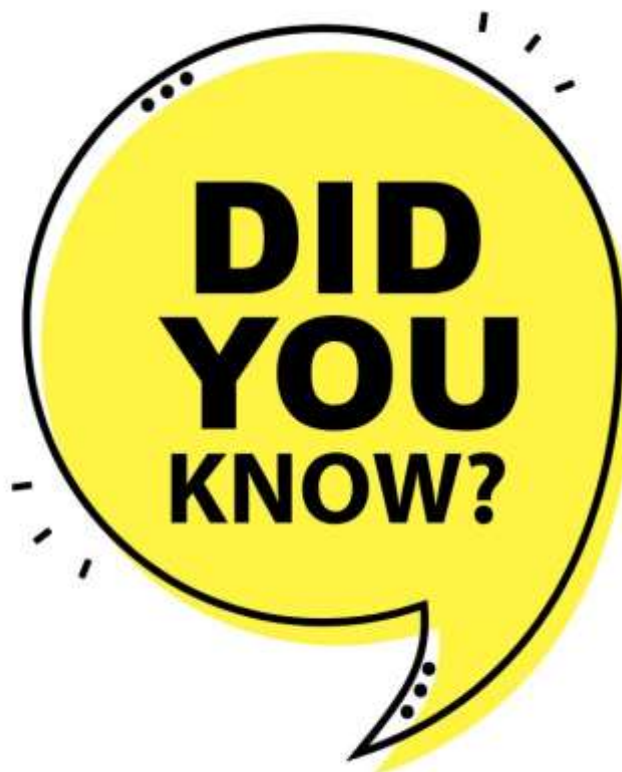


Crisis Management Of Soft Bank – Planning To Cut Costs As They See Foresee A Huge Loss

- **Transparency-** It Is Believed That An Organization Should Be Honest And Transparent During The Times Of Crisis. Instead Of Covering Any Issue To Keep The Public Image Intact, The Organization Must

Disclose The Situation In Front Of The Stakeholders And Behave In A Responsible Manner (By Taking Necessary Measures) To Save Its Brand Image In The Long Term.

- **Communication-** Effective Communication Of The Crisis With The Stakeholders Is Quite Important. This Provides Assurance To The Stakeholders. In Such Times, Arrangement For The Immediate Press Release And Communication With The Media Is Recommended To Contain The Crisis. Quick Communication With The Insurers/ Emergency Services During These Times Saves A Lot. Softbank, A Japanese Global Telecommunications Company, Reported Losses Of About \$12.5 Billion For The Financial Year 2020 And Informed Its Shareholders About The Loss Situation. The Reason For The Loss Was Clearly Stated, And The Necessary Steps Were Taken Timely To Deal With The Huge Crisis.
- **Speed-** This Is A Crucial Factor That Assists In Deciding Whether The Crisis Management Is Effective Or Not. Any Contingent Situation Needs To Be Given Immediate Attention And The Measures Must Be Taken Promptly For The Organizations To Save Themselves From The Adverse Effects Of The Crisis.
- **Control-** The Leader's And Managers' Ability To Control The Situation And Work Under Pressure Is Again A Significant Factor. A Crisis Demands The Leaders To Adopt Proactive Measures To Keep Things In Control.



Insurance Is Not The Solution To Any Crisis. If There Is Any Physical Damage, It Just Helps In Covering A Share Of The Losses Incurred. All Types Of Risks Are Not Covered Under Insurance And As Discussed Previously; A Crisis Can Involve Any Event Which Poses A Major Problem To The Business.

Now, What Is Contingency Planning?

- It Is Also Known As 'Disaster- Recovery Planning'.
- Contingency Planning Can Be Defined As The Proactive Approach Of Dealing With A Crisis In Advance.
- A Detailed Plan Is Sketched Out.

Key Steps In Contingency Planning Include:



- Identification Of Potential Threats Of A Crisis
- Assessment Of The Probability Of Its Occurrence.
- Minimize The Probable Risks By Effective Planning.

For E.G.: A Fire Damage Is Likely (Higher Probability) To Occur At A Workplace. For That, An Organization Must Install Fire Extinguishers, Fire/Smoke Detection Sensors And Alarms In Advance. Moreover, Proper Evacuation Plans Must Also Be Made In Advance.

Benefits And Limitations Of Contingency Planning:

Basis	Advantages	Disadvantages
Cost	Planning For The Contingent Events In Advance Helps In Saving The Heavy Cost That Might Incurred In The Absence Of These Provisions.	If The Crisis Never Happens, Then The Time And Money Invested In Making Such Provisions Would Go In Vain.
Time	Crises Are Uncertain. Detailed Planning Can Help Save Time In The Event Of Crisis Management In Future.	Contingency Planning Is Time Consuming. It Demands Valuable Time And Resources.
Risks	A Well-Thought And Structured Plan Can Be Helpful In Reducing The Risks Heavily On The Occurrence Of A Crisis.	If The Plans Are Not Updated Before The Crisis Happens, Then Inappropriate Actions Might Be Taken. This Might Affect The Business.

Crisis Management, Contingency Planning And The CUEGIS Concept

- Crisis Is A Threat To Business.
- Dealing With The Crisis Crisis Management
- Plans Made In Advance To Prepare The Management To Cope Up With The Crisis If It Occurs Contingency Planning.

- Since The Crises Are Uncertain And Unpredictable, In The Actual Event Of The Crisis, It Is Possible That The Management Ignores The Existing Plan And Might Take Up Alternative Initiatives To Deal With The Situation. This Is Because In Practice, The CUEGIS (Change, Culture, Ethics, Globalization, Innovation, And Strategy) Factors Must Be Considered By The Management While Dealing With Any Issue. Theoretical Plans And Theories Do Not Always Suffice.



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