Crisis management

Introduction

Crisis management is a situation-based management system that includes clear roles and responsibilities and process related organizational requirements company-wide.

The response shall include action in the following areas: Crisis prevention, crisis assessment, crisis handling and crisis termination.

The aim of crisis management is to be well prepared for crisis, ensure a rapid and adequate response to the crisis, maintaining clear lines of reporting and communication in the event of crisis and agreeing rules for crisis termination.

The techniques of crisis management include a number of consequent steps from the understanding of the influence of the crisis on the corporation to preventing, alleviating, and overcoming the different types of crisis.

Crisis management has become a defining feature of contemporary governance. In times of crisis, communities and members of organizations expect their public leaders to minimize the impact of the crisis at hand, while critics and bureaucratic competitors try to seize the moment to blame incumbent rulers and their policies. In this extreme environment, policymakers must somehow establish a sense of normality, and foster collective learning from the crisis experience.

In the face of crisis, leaders must deal with the strategic challenges they face, the political risks and opportunities they encounter, the errors they make, the pitfalls they need to avoid, and the paths away from crisis they may pursue. The necessity for management is even more significant with the advent of a 24-hour news cycle and an increasingly internet-savvy audience with ever-changing technology at its fingertips.

Crisis management is the process by which an organization deals with a disruptive and unexpected event that threatens to harm the organization or its stakeholders

Crisis Management

Crisis management often requires decisions to be made within a short time frame, and often after an event has already taken place. In order to reduce uncertainty in the event of a crisis, organizations often create a crisis management plan.

How Crisis Management Works

Any business, large or small, may run into problems that may negatively impact its normal course of operations. Crises such as a fire, death of a CEO, terrorist attack, data breach, or natural disasters can lead to tangible and intangible costs to a company in terms of lost sales, customers, and a decrease in the firm’s net income. Businesses that effectively put a business continuity plan in place in case of unforeseen contingencies can

mitigate the effects of any negative event that occurs. The process of having a continuity plan in place in the event of a crisis is known as crisis management.

In order to have business continuity plan in the aftermath of a crisis, most firms start by conducting risk analysis on their operations. Risk analysis is the process of identifying any adverse events that may occur and the likelihood of the events occurring. By running simulations and random variables with risk models, such as scenario tables, a risk manager can assess the probability of a risk occurring in the future, the best- and worst-case outcome of any negative event, and the damage that the company would incur should the risk actually happen. For example, a risk manager may estimate that the probability of a flood occurring within a company's area of operation is very high. The worst-case scenario of a flood will be destroying the company's computer systems and hard drives, thereby, losing pertinent data on customers, suppliers, and ongoing projects.

Once the risk manager knows what s/he is dealing with in terms of possible risks and the impact to the firm, a plan is developed by the crisis management team to contain any emergency if and when it becomes a reality. Following the example above in which a company faces a high probability of flood damage, a back-up system for all computer systems might be created. This way, if a flood occurs that affects the company,

it would still have a record of its data and work processes stored. Although business might slow down for a short period of time while the company purchases new computer equipment, business operations would not be completely halted. By having a crisis resolution in place, a company and its stakeholders can prepare and adapt well to sudden, unexpected, and adverse developments.

Three elements are common to a crisis:

1. (a) A threat to the organization
2. (b) The element of surprise

(c) A short decision time

Crisis management consists of different aspects including:

- Methods used to respond to both the reality and perception of crisis.
- Establishing metrics to define what scenarios constitute a crisis and should consequently trigger the necessary response mechanisms.
- Communication that occurs within the response phase of emergency-management scenarios.

Types of Crisis

During the crisis management process, it is important to identify types of crises in that different crises necessitate the use of

different crisis management strategies. Potential crises are enormous, but crises can be clustered.

Types of Crises

Crisis can either be self-inflicted or caused by external forces. Examples of external forces that could affect an organization's operations include natural disasters, security breaches, or false information about a company that hurts its reputation.

Self-inflicted crises are caused within the organization, such as when an employee - smokes in an environment with hazardous chemicals, opens or downloads questionable files on an office laptop, offers poor customer service that goes viral online, or an accounting department cooking the books. Internal crisis can be managed, mitigated, or avoided if a company enforces strict compliance guidelines and protocols regarding ethics, policies, rules, and regulations among employees.

Lerbinger categorized eight types of crises

1- Natural disaster
2- Technological crisis
3- Confrontation
4- Malevolence
5- Organizational Misdeeds
6- Workplace Violence
7- Rumours

8- Terrorist attacks/man-made disasters.

A brief description of the five facets of crisis leadership includes:

Sense making may be considered as the classical situation assessment step in decision making.

1. Decision making is both the act of coming to a decision as the implementation of that decision.
2. Meaning making refers to crisis management as political communication.
3. Terminating a crisis is only possible if the public leader correctly handles the accountability question.
4. Learning, refers to the actual learning from a crisis is limited. The authors note, a crisis often opens a window of opportunity for reform for better or for worse.

Crisis Management Coverage

Crisis management coverage is insurance coverage designed to help a business limit the negative impact of events on the business' reputation. It is an insurance agreement usually made as part of technology errors and omissions and Internet/online property and liability insurance policies. Previously concerned with reputation management, crisis management coverage is increasingly used to cover expenses incurred to restore confidence in the security of the insured's computer system in the event of a cybersecurity or data breach.

It also covers reputational threats such as product contamination or recall, terrorism and political violence, natural disasters, workplace violence, and adverse media exposure.

Larger corporations are the most frequent buyers of crisis management coverage, but any business whose profitability is closely linked to its reputation is a potential customer.

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How Risk Analysis Works

Risk analysis is the process of assessing the likelihood of an adverse event occurring within the corporate, government, or environmental sector.