Section 5.7

Activity 5.7.1

1. ‘Contingency planning’ is preparing the immediate steps to be taken by an organisation in the event of a crisis or emergency.
2. Advantages of FDS undertaking contingency planning might be:

* There are clear steps for management and employees to follow in response to a crisis situation
* Reassures stakeholders
* Promotes a culture of planning and safety.

1. Examples of effective crisis management in FDS’s case include:

* Rehousing the entire business
* Data was backed up off-site.

1. The advantages of FDS having contingency planning might be:

* There are clear steps for management and employees to follow in response to a crisis situation
* Reassures stakeholders
* Promotes a culture of planning and safety
* Minimises negative impacts of a crisis.

The disadvantages might be:

* Process is costly and time-consuming
* Needs to be updated
* Cost of training employees
* Difficult to plan for all eventualities.

**Activity 5.7.2**

The advantages to Cadbury of contingency planning might be:

* The procedure for Cadbury to deal with the crisis is clearly set out
* Stakeholders feel reassured
* Planning and safety are seen as important to the organisation
* It highlights the negative impacts of the crisis.

The disadvantages might be:

* It takes time to be produced
* The cost of producing the plan
* It needs to be changed during the process
* Employees need to be trained
* Planning for all outcomes is difficult.

**Exam practice question**

1. ‘Crisis management’ is the steps taken by an organisation to limit the damage from a signiﬁcant event by handling, containing and resolving it.
2. Steps BP would have gone through for a contingency plan include:

* Identifying the potential disaster
* Assessing the likelihood of it occurring
* Minimising the potential impact of the crisis
* Planning for continued operation.

1. Reasons for BP’s share price falling 50% might be:

* A potential future fall in sales and profits because of poor publicity for BP
* The high cost of cleaning up the area will reduce future profits for BP
* The cost of government penalties will reduce future profits.

1. The benefits of BP contingency planning for future disasters might be:

* There is a clear process for BP to follow in a crisis
* Stakeholders are comfortable that a plan is in place
* A sense that planning and safety exists throughout the business
* The worst aspects of the crisis can be managed.

The limitations might be:

* There is a cost to the process and it takes time to produce
* The plan needs to be updated over time
* There is a cost to training employees
* Not all outcomes can be planned for.

Key concept question

The impact of innovation on crisis management and contingency planning includes:

* Use of technology to identify potential disasters
* Development of methods to assess the likelihood of events occurring
* Development of planning methods to minimise the potential impact of a crisis
* How risky innovation may lead to situations where crisis is more likely to occur.

The impact of ethics on crisis management and contingency planning include:

* The responsibility of an organisation to have a contingency plan to deal with a crisis
* How an organisation plans to deal with a crisis and the impact it might have on employees and the local community
* The way the contingency plan is applied in terms of the priorities for different stakeholders.