



## 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.
3. Examples of effective crisis management in FDS's case include:
  - Rehousing the entire business
  - Data was backed up off-site.
4. 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.
3. 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.
4. 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.