

Unit 7 Crisis



OUTLINES

- Introduction to a crisis
- Types of Crisis



What is Crisis?



Crisis refers to sudden unplanned events which cause major disturbances , unstable and dangerous situation affecting in the organization and trigger a feeling of fear and threat amongst the employees.

- Can be Physical and non physical Damage

Types of Crisis

- **Natural Crisis**

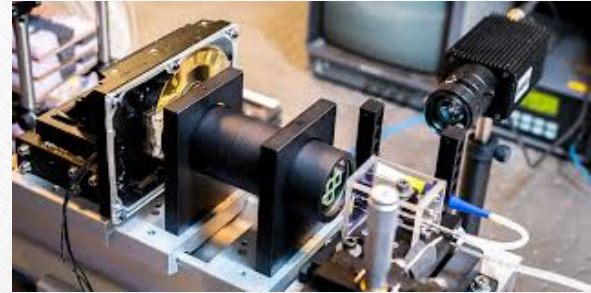
- Disturbances in the environment and nature lead to natural crisis.
- Such events are generally beyond the control of human beings.
- Tornadoes, Earthquakes, Hurricanes, Landslides, Tsunamis, Flood, Drought all result in natural disaster.

Examples of Natural Crisis ;



The Indian Ocean earthquake (Tsunami) , in 2004





- **Technological Crisis**

- Technological crisis arises as a result of failure in technology.
- This occurs when technology becomes complex and the system breaks down
- Breakdown of machine, Software failures, Industrial accidents etc.

Examples of Technological Crisis

- Exxon Valdez, oil spill in Alaska, on March 24, 1989.
- Union Carbide India Ltd, gas leak in Bhopal, on December 2, 1984.



- **Crisis of Malevolence**

- Organizations face crisis of malevolence when some notorious employees take the help of criminal activities and extreme steps to fulfill their demands.
- Acts like kidnapping company's officials (Product tampering), false rumors, terrorism etc.
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- **Example of Malevolence Crisis**
- The Tylenol (Extra-Strength capsules) murder case in Chicago, on 29 September, 1982.



- **Financial Crisis**

- These are the crisis that occur in an organization due to its prevailing financial conditions.
- Losses, increase in costs, non-availability of funds, bankruptcy, unable to pay back loans, etc.



- Examples of Financial Crisis

- Kingfisher Airlines, recently faced a financial crisis. Deutsche Bank faced a financial crisis in USA, in 2009.





- **Confrontation Crisis**

- Arise when employees fight amongst themselves. Individuals do not agree to each other and eventually depend on non productive acts like boycotts, strikes for indefinite periods.
- Employees disobey superiors; give them ultimatums and force them to accept their demands.
- Internal disputes, ineffective communication and lack of coordination give rise to confrontation crisis.

- **Crisis of Organizational Misdeeds**

- Arise when management takes certain decisions knowing the harmful consequences of the same towards the stakeholders and external parties.
- Superiors ignore the after effects of strategies and implement the same for quick results.
- Crisis of organizational misdeeds can be further classified into following three types:

- **Crisis of Skewed Management Values**

Arises when management supports short term growth and ignores broader issues, Ex: Sears

- **Crisis of Deception**

- Management makes fake promises and wrong commitments to the customers. Communicating wrong information about the organization and products. Example Dow Corning's silicone- gel breast implant controversy in Michigan, USA. The Satyam scam, which came into light, in 2009

- **Crisis of Management Misconduct**

- Management indulges in deliberate acts of illegality like accepting bribes, passing on confidential information.

- **Crisis due to Workplace Violence and Rumors**

Employee or former employee commits an act of violence against other employees on organizational grounds or beating employees, superiors in the office. Rumors are, when false information about an organization or its products creates crises hurting its reputation.

- **Example of Workplace Violence and Rumors**
- A workplace violence had occurred between the laborers and higher authority, in Vardhman Group of Companies. Procter & Gamble's Logo controversy in 1985.



- **Sudden Crisis**

- Circumstances that occur without warning and beyond an institutional's control. Arise all of a sudden and on an extremely short notice.
- Managers do not get warning signals and such a situation is in most cases beyond any one's control.
- Institutional and its leadership are not blamed.

- **Smoldering Crisis**

- Neglecting minor issues in the beginning lead to smoldering crisis later.
- Managers often can foresee crisis but they should not ignore the same and wait for someone else to take action.
- Warn the employees immediately to avoid such a situation

How to determine which crises could strike your company

- Analyze the Threats
- Predictability
- Frequency



Q & A



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