

RESEARCH ASPECTS OF CRISIS PREVENTION AND RISK & CRISIS MANAGEMENT IN ENTERPRISES – EMPIRICAL DATA FROM AUSTRIAN ENTERPRISES

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I. INTRODUCTION

Economic development and the dynamic environment of enterprises today make Risk and Crisis Management more and more important. It is essential to implement effective strategies of problem solving, appropriate prevention strategies and a comprehensive Risk and Crisis Management. High complexity implicates many risks so that vulnerability partially assumes alarming proportions. Both public and private sector organizations have to prepare for potential crises and catastrophes. In the course of modernisation and globalisation the demands in Crisis Management have changed rapidly. The effects of crises and disasters are often supra-regional; so interdisciplinary and scientific methods are required. Companies have to develop adaptation strategies for discontinuously shifting conditions in short term. A dynamic management of strategic and operational risks is necessary to be able to solve complex problems. An environmental analysis (identification of potentially threatening external influencing factors in the macro-economic, ecological, sociocultural, political, legal and technological field) as well as a business analysis (identification of threats within a business) are necessary to develop effective strategies of prevention and intervention.

an important part and community as well as businesses are integrated into planning, implementation and communication. (Pearce, 2003)

II. CRISIS PREVENTION AND RISK & CRISIS MANAGEMENT

The early involvement of community and enterprises in Disaster Risk Management strengthens their actionability. An appropriate risk communication strategy aims to establish a comprehensive risk awareness and risk sensitisation, to heighten the willingness to set individual precaution measures and to support the corporate handling of risk through participation. The attitude of the public concerning risks and Emergency Management in connection with disasters is influenced by the way the authorities in charge of Emergency Management communicate with the public and by the way the media report on risks and on possibilities to handle them. The public and enterprises have to know the potential risks so that they can set preventative measures, take part in individual risk control (additionally to risk control on technical and political level) and that they can act to avert negative consequences. (Schuchardt, et al., 2008)

Despite the dynamics in the business environment a corporate stability is needed to achieve a good competitive position. Therefore a comprehensive Issue and Risk Management, an interdisciplinary prevention and a holistic Crisis Management are essential.

There is a skills shortage both in proactive Risk and in reactive Crisis Management, in particular in terms of cross-disciplinary skills. Risk Management needs to provide solutions for analysing and controlling risk.

Professional Issue, Risk and Crisis Management need to deal effectively with potential threats. Management approaches are not applied in isolation but in concerted efforts. The focus should be on preventative measures with the objective to maintain assets. An adequate Management needs to provide for the whole gamut of measures from coping with threats and consequences of destruction, to timely prevention and maintenance of assets. Prevention necessitates Risk Management and a precursory stage of Issue Management. (Töpfer, 2006)

The objective of Risk Management is security. Two aspects need to be considered. On the one hand, existing risks need to be minimised. On the other hand, after implementing precaution measures, remaining risks have to be controlled.

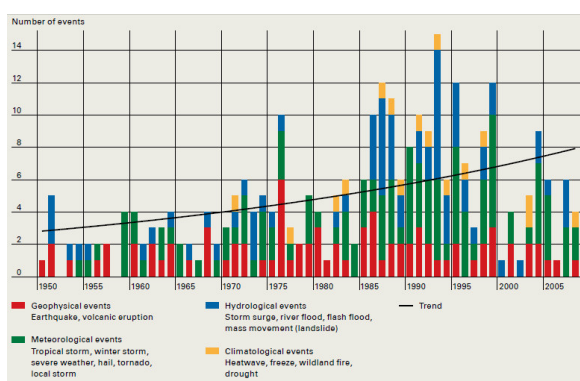


Fig. 1.: Number of great natural catastrophes, 1950–2008 (Munich Re Group, 2009)

Natural disasters are collectively increasing in frequency and measure of damages. (Münchener Rück, 2009) Catastrophes are a menace to the assets of organizations. Therefore companies need to be aware of their vulnerability to disasters, they have to take preventative measures and develop effective response strategies. (Al-Badi, Ashrafi, Al-Majeeni, Mayhew, 2009) In Disaster Management a shift is noticeable into a proactive and multidisciplinary direction, whereas Risk Management plays

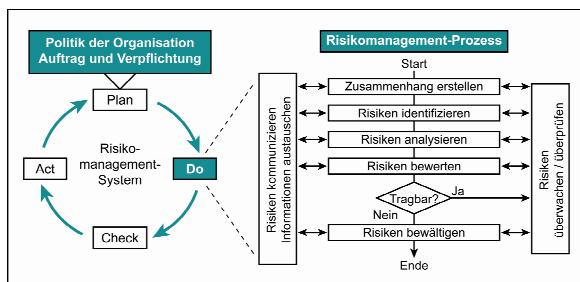


Fig. 2: Risk Management Cycle (Brühwiler 2009)

Concerning Risk Management it is important to establish the context, identify risk, analyse and assess risk, reduce risk by prevention and heightened state of alert and observe risk levels. Risk communication plays an important role in the Risk Management Cycle. (Brühwiler, 2009; Merz, 2006)

Empirical research of Risk and Crisis Management in 755 businesses in Austria documented the state of Crisis Prevention, as well as Risk and Crisis Management.

The study revealed how many businesses have made provisions, installed crisis staff and implemented training. Over 70% do not have any contingency plans, and over 79.3% of those have not even thought about drafting any. The mentioned reasons for the absence of a contingency plan are no necessity for such a plan, a lack of knowledge concerning the creation of a contingency plan, the time-factor followed by the cost-factor. There is a positive correlation between the number of employees and the existence of contingency plans as well as between the implementation of trainings for staff and the existence of contingency plans.

Dynamic and complex processes cause a constant change concerning the exposed risk. Therefore a continuous update of the contingency plan is necessary. The study showed that the conventional time interval for the update is annual.

In a crisis a frictionless intervention should be assured; therefore competence and responsibility should be defined in the contingency plan in advance. The organisational structure in a crisis should assure an efficient and qualified troubleshooting. The emergency task force in a company is a specific form of organisation that is established to manage incidents that go beyond competence of "normal" organisation. Just 21,6% of the polled businesses have installed such an emergency task force. A positive correlation could be identified between the international orientation of a business and the existence of an emergency task force.

Trainings are also an essential factor for an efficient Crisis Management as crisis specific knowledge is necessary to take appropriate and target-oriented decisions. Trainings are important to strengthen the troubleshooting skills, to deepen knowledge concerning strategic and operational Crisis Management and to strengthen "hard skills", "soft skills" and crisis specific "emergency skills". Just 16% of the polled companies arrange Crisis Management trainings for their employees.

50,7% of the companies declared that there exists an sensitisation for potential crisis within the company, whereas 24,5% of the polled businesses have already been affected by a crisis. There could be identified a positive correlation between "having already been affected" by a crisis and the sensitisation for potential crises.

A risk culture should be implemented within a

company. It is very important to create risk awareness – just 21,7% of the polled businesses declared that there exists a risk awareness on several enterprise level. Risk communication contributes considerably to the whole Risk Management Cycle. (Kulmhofer, 2007)

III. RESULTS AND CONCLUSIONS

Disasters cause value destruction. Therefore Risk and Crisis Management as well as Contingency Planning are basic duties of corporate governance.

Empirical research of Risk and Crisis Management in 755 businesses in Austria revealed that there is a huge need for action in Issue, Risk and Crisis Management. Many companies do not have any contingency plans and just a little number of businesses have established emergency task forces and do Crisis Management trainings. This underlines the necessity to create overall awareness, intensify prevention measures and take action.

Issue, Risk and Crisis Management should be implemented as an integrated, interdisciplinary management approach. For the maintainance of assets prevention should be accelerated. In this way sustainable, dynamic businesses can be established that are able to cope with the turbulent transformations. Prevention is an investment in future.

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