CONTEMPORARY BUSINESS CRISIS

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ABSTRACT:
The article is focused on business crisis in contemporary world. The crisis around the world are monitoring by Institute for Crisis Management. The basic reasons of the business crisis can be divided into sixteen categories, which are monitoring every year and the changes in development are registered. The resources for analyzing of crisis are different from government, activist, media, managers, employees, consumers, costumers and so on.
KEYWORDS:
business crises, Institute for Crisis Management, reasons of business crisis, changes in reasons of crisis

1. INTRODUCION

The **Institute for Crisis Management** is a company that concentrates on crisis communication planning, training and consulting and serves clients throughout the US and abroad. ICM develops communication strategies that can avert or at least minimize the disruption and financial impact of a sudden or smouldering crisis so the client business or organization can return to normal as quickly as possible. The Senior Consultants of ICM bring more than 45 years experience in media, government & public relations to help clients plan, train, and when necessary, manage their organization's crises.

Figure 1. Sources of crisis information

In 1990, ICM began monitoring 1500 print business sections of newspapers and magazines, business and financial wire services, regional business publications and industry and trade publications world-wide. They use also another information sources and their usefulness is illustrated on figure 1.
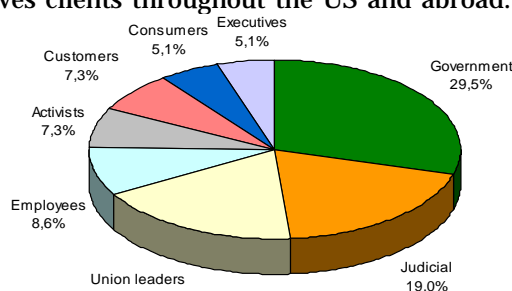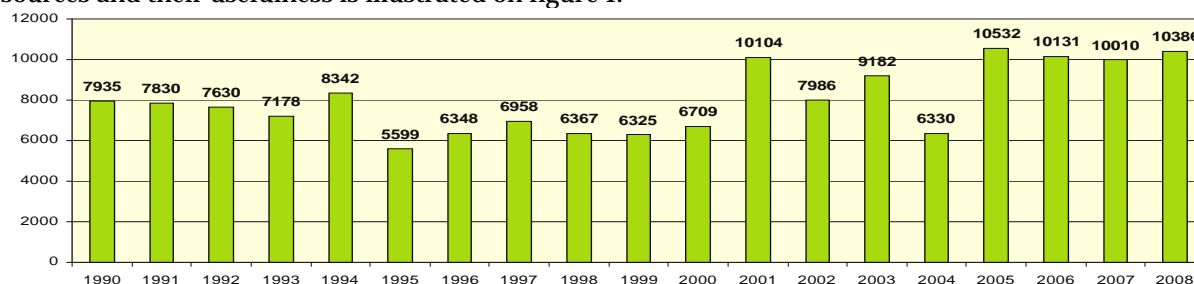

Figure 2. Crisis New Index in years 1990 – 2008

2. DEFINITION OF BUSINESS CRISIS

ICM definition of a **business crisis** [5] evolves during the time, as listed below.
- In the 2000 - Crisis is any problem or disruption which triggers negative stakeholder reactions and results in extensive public scrutiny.
- In the 2003 - Crisis is any problem or disruption that triggers negative stakeholder reactions and results in potentially damaging public scrutiny.
- In the 2004 - Crisis is any problem or disruption that triggers negative stakeholder reactions that could impact the organization's business and financial strength
- In the 2006 - Crisis is any problem or disruption that triggers negative stakeholder reactions that could impact the organization's financial strength and ability to do what it does.

Figure 2 represents the Crisis news index during some years, but this does not represent every crisis, but those business news editors determined of interest to their readers.

3. REASONS OF THE BUSINESS CRISIS

The most effective crisis management occurs when potential crises are detected and dealt with quickly, before they can impact the organization's business. The reasons of the business crisis are different. They can be divided into sixteen categories that are the most frequently:

- Catastrophes,
- Environmental,
- Class Action Lawsuits,
- Consumerism Actions,
- Defects and Recalls,
- Discrimination,
- Executive Dismissal,
- Financial Damage,
- Accidents.
- Hostile Takeovers,
- Labor Disputes,
- Mismanagement,
- Sexual Harassment,
- Whistleblower,
- White-Collar Crime,
- Workplace Violence,
- Casualty

The reasons of crisis are changing from year to year. Every category of business crisis reasons is evaluated in per cent of total business crises each year (figure 3).
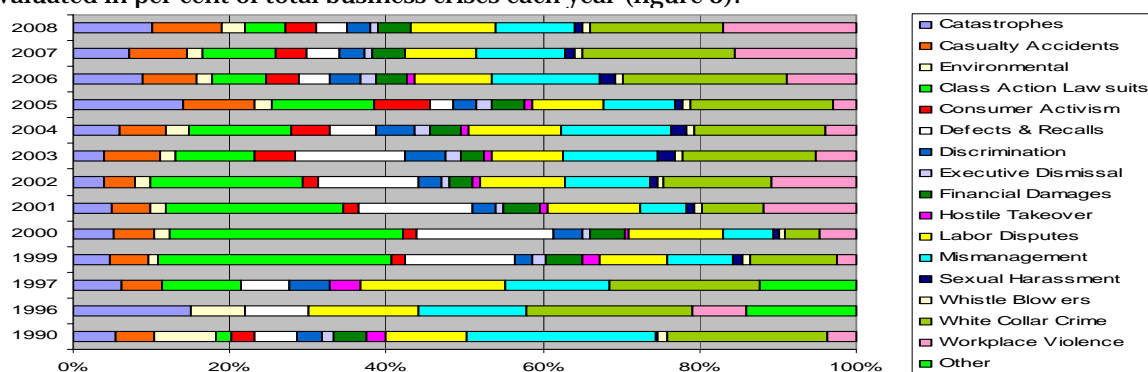

Figure 3. The biggest crisis in years 1990 – 2008

Year 2008 was particularly difficult for companies and organizations that faced defects and recalls and economic challenges. In fact, it's hard to remember that the underlying crises began making economic headlines in 2007. Workplace violence made up 17% of all negative business and school news in 2008 and was up 18% over 2007.
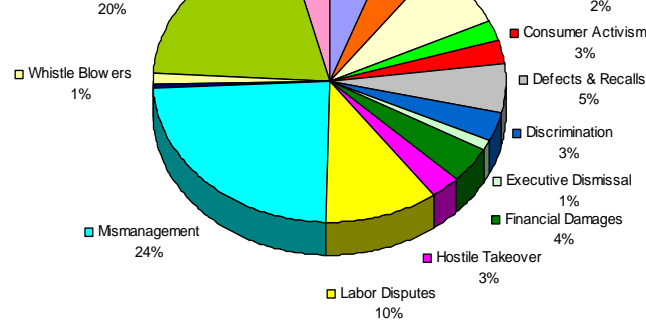
The nature of business crisis has been changing throughout the 1990´s. The major shift during the past 19 years has been a decrease in the amount of mismanagement, white collar crime and labour disputes and an increase in class action lawsuits, defects and recalls (figures 4-7).
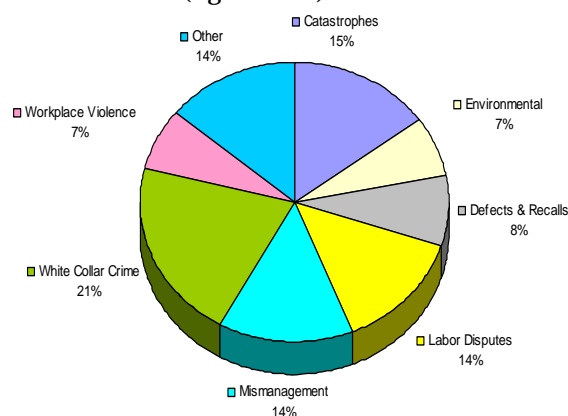

Figure 4. The biggest crisis in some year. Year 1998

Figure 5. The biggest crisis in some year. Year 1996

The biggest changes of business crisis reasons during years 1990 – 2008 are illustrate on the figure 8. As the picture8 shows, the biggest changes in crisis categories were in 2005 nature catastrophe, the next is in 2003 hostile takeover and in 2001 workplace violence.

In 2008 negative news coverage of 16 broad crisis categories were eight categories, they were up 18 % or more. Environmental incidents only accounted for three percent of all crises in 2008, but were up 48 % over the year before for a total of at least 305 cases. The percentage numbers are relatively high, but the actual numbers of crisis events are relatively small.
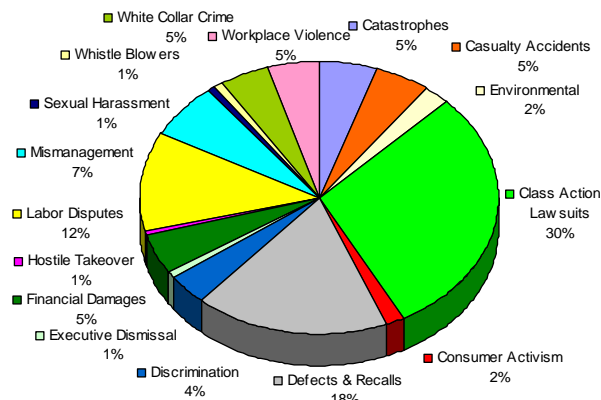
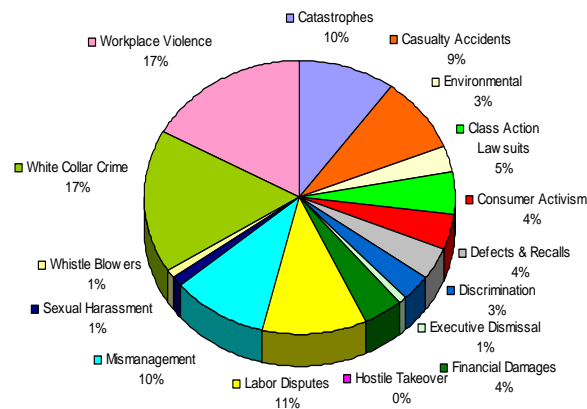Figure 6. The biggest crisis in some year. Year 2000
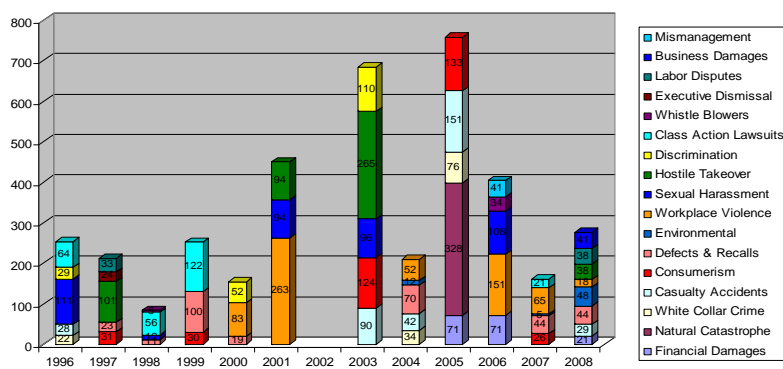

Figure 7. The biggest crisis in some year. 2008

Figure 8. The biggest changes of business crisis reasons
during years 1990 – 2008

Class action lawsuits increased slightly from 2006 to 2007, but soared in 2008. There were 525 class action cases that made headlines in the U.S. Class action lawsuits are still unique to the United States. 51 hostile takeovers were big enough to make headlines in 2008 and that was up 38% from the year before. Defects and recalls were up 44% compared to 2007. There were 410 defects and recall issues that got the attention of editors.

4. CONCLUSION

The number of crises affecting firms, administrations or whole sectors of activity has not dropped. The business crises have changed. The today crises are different from these of twenty year ago. The business crises are faster and deeper. Contemporary world provides more different reasons for business crises and the whole number of business crises increase. The company would like to be prepared for incoming crisis, because each company has some problems. There are some rules what to do:

- You need a plan: an operations plan, a communication plan and a continuity or business recovery plan.
- You need to identify and train spokespersons and agree on what you will say, to whom you will say it, and how you will deliver it and do it before the next crisis hits.
- Your internal audiences are almost always the most important. You can develop a multi-million dollar external communication program and wipe it out with one uninformed and unhappy employee.
- Pay attention to what your employees are talking about, your customers are doing, the media is reporting and bloggers are writing.

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