Study of Organizational Crisis Preparedness in Nepal

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Abstract: *The research involves studying the trend of Nepalese organizations practicing crisis management. The recurrence of various types of crisis in different organizations of Nepal indicate that many organizations in Nepal do not practice proper crisis management, due to which they have had to bear devastating consequences and are yet vulnerable to many in coming days. To lessen the impacts of both natural and man-made crisis, organizations need to prepare themselves in order to practice crisis management in order to survive the crisis effectively and efficiently. The primary data in this study was gathered by distributing questionnaires to 55 participants who were selected from a simple random sampling procedure.The results obtained from the study indicate that, many of the participants are ill prepared which lead to inappropriate practice of crisis management, and they are facing consequences like; drop in revenue, cutbacks, dilution of their reputation and others.However, most of the organizations do have some amount of fire extinguishers and emergency exit in the building that have been instilled not because of awarenesstowards likely crisis but because doing so is a part of general trend and practice. From this study we can conclude that the organizations in Nepal are very far from making crisis crisis management their priority. Although, no organizations can prepare themselves for all types of crisis in the world, but practicing crisis management definitely will help the organizations to combat common recurring and possible crises their organizations can face depending on the kind of organization.*
Key words:*Crisis, Management, Nepal, Organizational, Preparedness, Practice, Vulnerable*

I.   Introduction

1.1 Background

Organizational crisis is no longer a rare event. It is common that we frequently come across news of events or situations taking place in an organization that is negatively impacting the value of shares, finance, reputation, destroying the public's trust and in some cases put at stake the entire existence of the organization. Such events or situations when aroused in an organization can be referred to as an organization facing a crisis. Crises in organizations can be categorized(Mitroff & Anagnos, 2001) as:

1.1.1Economic crises, such as labor strikes, labor shortage, market crash, a major decline in stock price and fluctuations or a decline in major earnings.

1.1.2 Informational crises, such as a loss of proprietary and confidential information.

1. 1.3 Physical crises, such as a loss of key equipment, plants and material suppliers, breakdown of key equipment and plants.

1. 1.4 Human resource crises, such as a loss of key executives, loss of key personnel, rise in absenteeism, a rise in vandalism and accidents and workplace violence.

1. 1.5 Reputation crises, such as slander, gossip, rumors, damage to corporate reputation and tampering with corporate logos.

1. 1.6 Crises resulting from psychopathic acts, such as product tampering, kidnapping, hostage taking, terrorism and workplace violence.

1.1.7 Natural disasters, such as earthquakes, fires, floods, explosions, typhoons and hurricanes.

There is no one particular method to manage each type of crisis. However, knowledge of organizational crisis leads to a better understanding of the nature and concept of organizational crisis, its impact and how it can affect the organizational performance from varied dimensions. A well-prepared organizational crisis management plan can provide an organization with a competitive advantage over its competitors. If an organization is aware of organization crisis management and the need to manage it, the organization can minimize causalities, minimize the risk of property loss and damage, save the organization from devastation, and keep the organization prepared for the worst case scenario so that if or when it happens, decision makers act rationally and do not panic.

1.2 Statement of Problem

In order to lessen the impacts of both natural and man-made crisis, organizations need to practice crisis managementto survive the crisis effectively and efficiently.

1.3 Objectives of the Study
1.3.1   Identifying whether the organizations are prepared or not in order to manage the crisis.
1.3.2   If they are prepared, then determine if their way of preparation is appropriate or not.
1.3.3   Identify key linkages between appropriate preparation and capability to practice crisis management.
1.3.4   Determining the trend of practicing crisis management in Nepalese organizations
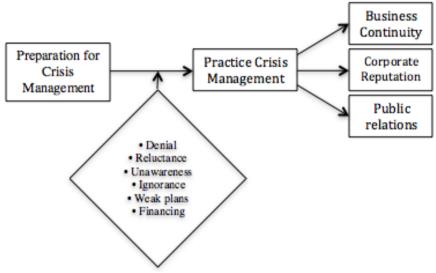
1.4 Conceptual Framework

Figure: 1.4.1

The dependent variable is Practice of Crisis Management, which is the variable of primary interest. The attempt here is to explain the variance in this dependent variable, which is influenced by an independent variable that is 'preparation for crisis management' so that a better response capability is developed. This leads to practicing crisis management to lessen the impact of crisis that is inevitable. Some moderating variables have been interjected in the above model which are; denying that crisis can happen, reluctant to make crisis preparedness a priority, remaining unaware of risks, ignoring warning signs, relying on weak, untested plans, and lack of finance for training, or hiring experts. These are the moderating variable because these are the second independent variable understood to have a strong contingent effect on the independent variable-dependent variable relationship.

It can be found that there is a relationship between preparation for crisis management regarding the development proper crisis response capability and eventually practice crisis management to save the organization's reputation, make the organization sustainable and have a good relationship with its stakeholders. But, that is when, although aware (a) they do not deny that crisis can happen (b) they are not reluctant to make crisis preparedness a priority (c) they are not unaware of potential risks (d) they do not ignore the warning signs (e) they don't rely on weak and untested plans (f) they can finance to train the employees and hire experts. In other words, only those who have the interest, urge and affordability to prepare will practice crisis management. Others who resist or cannot afford will continue their operations with out any preparations for crisis.

1.5 Importance of the Study
As the study intends to find the level of organizational preparedness, it will certainly help different stakeholders to formulate new policies and strategies to address the current problem. Similarly, findings of this study will help concerned stakeholders to be responsible and accountable in their area of concern.

II.   Methodology

2.1 Population
The population here is 150 organizations ranked on the basis of highest total paid up value that has been funded by the shareholders, listed on the Nepal Stock Exchange in August 2013(Gelal Research Group-GRG Rankings and Reviews, 2013). Each organization of the population is an element.The sample of interest is 55 organizations among 150.

2.2 Sampling Design
Here probability sampling design was used. When elements in the population have a known chance of being chosen as subjects in the sample, we refer to a probability sampling design. Probability sampling can be

either unrestricted (simple random sampling) or restricted (complex probability sampling) in nature. So, here, Unrestricted or simple random sampling design was used. Here every element in the population has a known and equal chance of being selected as a subject. This sampling design has the least bias and offers the most generalizability.

2.3 Research Design

To explain my research design I have examined six basic aspects of research design which are: purpose of the study, the types of investigation, the extent of researcher interference, the study setting, the unit of analysis, and the time horizon of the study.This study is descriptive in nature, undertaken to ascertain and be able to describe the scenario of how organizations are practicing crisis management in Nepal. Descriptive study also helped me to understand and describe the characteristics of organizations regarding certain common practices of crisis management. All in all descriptive studies helped in presenting data in a meaningful manner and helped to:

2.3.1   Understand the preparation of organizations for a crisis situation
2.3.2   Think systematically about the collected data
2.3.3   Offer ideas for further examination
2.3.4   Help to come to a certain simple decisions (such as, what basic and preliminary steps can be taken by organizations to be aware of crisis management)

To find an answer to the issue at hand, a correlational study was conducted in the natural environment of the organization with minimal interference in the normal flow of work. Though there was some disruption as the questionnaire to managers was distributed and they had to deviate from their work to fill the questionnaire, the researcher's interference in the routine functioning of the system was quite minimal.

The researcher's interest is in individual organizations to find out their awareness about crisis management. Here the unit of analysis is the organization. We looked at the data gathered from each organization and treated each organization's response an individual data source.

In this study the data was gathered just once, over a period of days in order to answer a research question. Such studies are called cross-sectional studies. The purpose of using cross sectional studies is to collect data that would be pertinent to finding the answer to a research question; also, data collection at one point in time was assumed to be sufficient.

2.4 Nature of Data

The nature of data is a quantitative one. That is, the data collected has been expressed as a number. It has also dealt with descriptions. The collected data was observed, analyzed as well as measured.

2.5 Data Collection Techniques

Data was collected from primary sources and secondary sources. Here, primary data was collected through questionnaires. The questionnaires were personally administered as well as emailed to 55 organizations, where 2 questionnaires where inappropriately filled therefore, excluding those two, 53 questionnaires were considered for data analysis and findings. The secondary sources of data collection were; books, journals, articles and documents from website.

III.   Results

The presentation of the data is based on the results of the questionnaire distributed to the managers of the organizations. The distributed questionnaires are the only source used for discussion in this particular section.The collected data is presented as follows:

The sort of crisis faced by the companies so far is as follows. One organization had listed more than one sort of crisis.

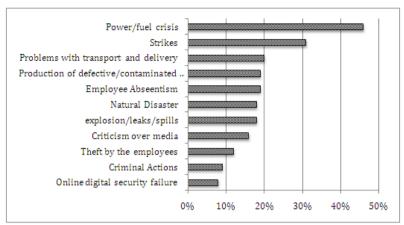| Crisis	No of Organizations
Power/fuel crisis	24
Strikes	16
Problem with transport and delivery	11
Production of defective/contaminated goods	10
Employee Absenteeism	10
Natural Disaster	9
Explosion/leaks/spills	9
Criticism over media	8
Theft by employees	6
Criminal Actions	5
Online digital security failure	4

Fig: 3.1

29 companies had a crisis management plan in their organizationswhile 24 organizations did not have a crisis management plan.
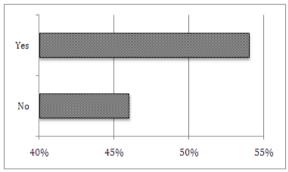

Fig: 3.2

The extent to which the managers felt about their existing crisis management plan is:

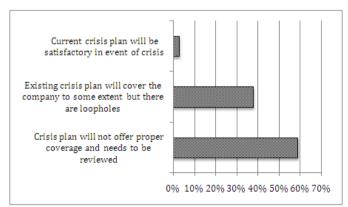| Manager's take on existing crisis management plan	No of organization/s
Current CM plan will be satisfactory in the event of crisis	1
Existing crisis plan will cover the company to some extent but there are loopholes	11
Crisis plan will not offer proper coverage and needs to be reviewed	17
TOTAL (companies which have a crisis management plan)	**29**

Fig: 3.3

The impacts of the crisis faced are as follows. Here, one organization had chosen more than one impact.

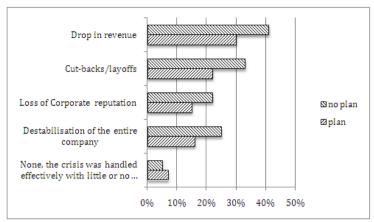| Options	Companies with plan	Companies without plan
Drop in revenue	9	10
Cut-backs/layoffs	6	8
Destabilization of the entire company	5	6
Loss of corporate reputation	4	5
None, the crisis was handled effectively with little or no damage to the company	2	1

Fig: 3.4

The collected data shows that, 41 companies do not have a crisis management team while 12 of the companies did have a dedicated crisis management team.
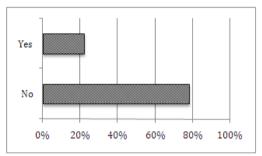

Fig: 3.5

The culture of training and rehearsing the crisis plan in organizations seem to be not well established in organizations. Only 8 organizations train and rehearse their plan, remaining 45 organizations do not have a culture of training and rehearsing their plan.
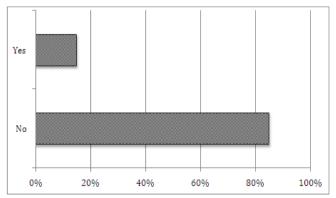

Fig: 3.6

The companies have instilled ample amount of fire extinguishers and other safety measure in the company building.
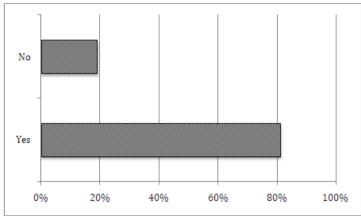
Fig: 3.7

The data shows that 25 organizations have weak plan which are untested and not revised, 24 organizations feel they are reluctant to make crisis preparedness a priority, 14 organizations do not have sufficient fund to formulate a crisis management plan, and 14 organizations ignore the warning signs. Similarly, 11 organizations stated that denying that crisis can happen, is one cause for not having the plan, and 8 organizations expressed unawareness about the need for crisis management as one factor that is stopping the organization from having an effective crisis management plan.
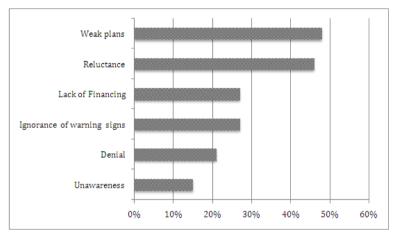

Fig: 3.8

IV.   Discussion

The major five crisis most organizations faced were; power/fuel crisis, strikes, problem with transport and delivery, production of defective/contaminated goods and employee absenteeism. The organizations stated that most of their operational activities were disrupted due to shortage of fuel and power. The generator to combat load shedding in the country requires diesel, which is not available at any time readily. So, sometimes such problems lead to serious crisis that might cause severe negative outcome in the work place. Similarly, strike and unattainable demands of the labourers are causing serious disruption in the performance of the organizations. These strikes are being conducted for attaining their personal interests rather than it being a genuine protest to reform the institution.

The third problem is the problem with transport and delivery of goods and services. The major reasons for this crisis is the above stated issues of fuel crisis and strikes, along with other crisis which is the recurrent *bandh* in the country, which interrupts the normal movement of vehicles on the road. When the goods and services are not being able transported in the required placed at required time, the organizations have had to loose many clients as well as other business relations.

The fourth crisis that many organizations face is the production of defective or contaminated goods, the reasons business houses have stated for this problem are:
- Inadequate power as well as fuel supply
- Negligence of workers, as they don't feel the ownership of the organization

- Adulteration in raw materials, which lead to production of defective goods, and such adulteration also spoil the machines and equipment, as a result of which defective or contaminated goods are produced.
- Improper placement of the equipment

The fifth crisis listed by the companies is the high absenteeism rate of the employees. This is because the employees do not have the sense of belongingness toward their organization. The employees are negligent and are not aware of the consequences of their deeds. Some although are aware they just don't care and are not committed towards their job. The major reason for such absenteeism rate is lack of education, the health conditions of the employees, if it's a female worker than she requires being absent due to restrictions from the family. This problem is generally faced in the lower level management.

The crisis in organizations also arises from natural disasters like earthquake, thunderstorm. The organizations operating in rural areas complained that thunderbolt was a major problem that led to disruption in telecommunication lines, electricity and other machine. Similarly, storms, floods, cold wave and heat wave are major disturbing crises. Cold wave makes the solar energy ineffective while heat wave makes it difficult for people to work due to extreme hot weather, so the factories in Terai Region have to be shut down during the day and operate only during the mornings and evenings. However, companies with high turnover rate in terms of profit use newer technologies to create a comfortable working environment, but the traditional organizations failing to adopt the new sophisticated technology are seriously affected by the weather and the climatic conditions.

Explosion, leaks, or spills are more common crisis in manufacturing industries; this is basically due to slackness of the employees, little knowledge regarding how goods and equipment have to be use and I also found out that a reason for such crisis is lack of adequate training to the employees by the concerned organizations.

Many organizations have faced crisis of being criticized over the media for their faulty, and unacceptable behavior. Some have just been criticized with false rumors. The rivals in business bribe the media and ask them to spread rumors, so that the rival's business drops.

The crisis the companies face is the, theft in the company, not by external robbers or looters but by the employees of the company themselves. Most companies wrote in the questionnaire that, the goods imported or manufactured by the organizations were stolen by the employees from the store and sold at half a price of the real worth in black market or among their relatives or others in their network. Along with this criminal actions like theft, kidnapping, bombing, murder, can also be witnessed to some extent.

Online digital security is a new crisis faced by the Nepalese organizations. This is a crisis and a challenge for online business houses and especially banks. That is why the online trading and banking is very slow and unpopular in Nepal. There are not secure software and programs installed to protect the crucial and highly confidential information of the clients.

The companies still don't have the tendency of making crisis preparedness a priority. More than half of the companies asked, don't have a crisis management plan. However some companies feel that they were not severely affected by any crisis, even if they faced any it was handled effectively leading to little or no damage to the company. Moreover the data shows that companies without a crisis management plan are prone to suffer from the aforementioned impacts of crises.

Although some companies have a crisis management plan, very few companies have a crisis management team. Only about twenty percent of the companies asked had a crisis management team. The culture of training and rehearsing the crisis management plan is below twenty percent. But, almost eighty percent of the companies claim to have instilled ample amount of fire extinguishers, emergency exit, wide staircase, a first aid box, and other necessary safety measures.

The prominent reason that is stopping the organizations from practicing crisis management is, relying on weak and untested plans. The organizations that have a plan, are not at all concerned about what is in the plan. The plan has been developed just for the sake of having it in the organization for various reasons. They are hardly rehearsed and revised for improvements. Likewise, organization being reluctant to make crisis preparedness a priority is another cause as to why crisis management is not practiced. The organizations may be reluctant because 'crisis management' is a very new concept in the country and it has not become an issue of mainstream debate, so organizations might feel awkward in doing something, which is not common. Other reasons to being reluctant might be; lack of appropriate resources, lack of policies, undermining the consequences of crisis. Other reasons for companies not adopting crisis management is lack of adequate finance and budget allocation for effective training or hiring experts, taking the warning signs lightly, and unaware of the importance of crisis management.

4.1 Conclusion

The conclusion is written after the data collection and analysis is completed in this research project. The major conclusion we can draw from this study is that. The organizations in Nepal still require a lot of effort and efficiency in order to enhance the resiliency of the organizations from various types of crises. In the first question of the questionnaire, the 53 companies have listed 11 types of different crises. These are just the prominent ones; there must be so many others that they were unable to include in the questionnaire due to various constraints. The data collected from these 53 organizations are not the ultimate ones. This just gave us an indication of how the practice of crisis management scenario is in few organizations. There are so many different organizations that face many varied crises, which are not included here.

This means that the organizations in Nepal face many types of crises, which most of are and have been a part of during our visit to many organizations due to varied work. But, crisis management is not a priority to any. None of the organizations practice this form of management to better prepare themselves from either predictable or unpredictable crises.

Many organizations are even not familiar with the term "crisis management", while having them fill the questionnaire, I was informed about the familiarity and then to aid them to fill the questionnaire, I had to provide them the literature and other reading materials I had to clarify their understanding and knowledge.

The major reasons for organizations in Nepal not practicing crisis management in an appropriate manner to obtain positive results are:
a. Managers, shareholders, or founders being unaware of the term 'crisis management'
b. Even if some are aware they just ignore it considering it not be a part of the trend and something that is happening.
c. Lack of budget is another factor that is acting as a hurdle in organizations to develop professionalism and be resilient of problems and crises.

4.2 Recommendations

4.2.1. Nepal has been facing acute electric power shortage. Similarly, only oil corporation who is responsible to import fossils fuel is in big debt and not able to import oil as per demand. In this context government should import fuel to fulfil the demand of the workers n the country that contribute to the nation's economy by various means like; expanding its fuel storage capacity for at least a month currently the fuel storage capacity of Nepal Oil Corporation is said to be very less. Government should also engage in hydropower generation so that the dependency on fuel largely will lessen.

4.2.2. Everything is highly politicized in Nepal and even for very non-significant demands political parties and other stakeholders call bandhs and strikes. Legislature parliament should introduce comprehensive law to stop the culture of bandh and strike.

4.2.3. Act of Force extortion, intimidation, dacoit and looting are faced by most of the organization in Nepal. In this context the organizations themselves should introduce tight security measures to regulate such criminal activities.

4.2.4. Nepal is in seismic zone and due to its difficult and unstable landscape, there is always possibly of earthquake, landslide and most of the organization are losing their properties in transportation due to the accident like landslide, flood etc. In this context, critical infrastructure like highway must be make safe zone and early warning system should be installed identifying vulnerable area. Proper measures have to be adopted by the government along with the organizations to mitigate issues of thunderbolt, loss due to storms, effects of heat wave and cold wave, as these natural disasters are not unmanageable and are also not difficult to manage.

4.2.5. Most of the Nepalese media industries are struggling hard to survive, so they generally target some company making untrue or insignificant issues more debatable and they start extorting the company to tarnish their image if they not able to give the money demand. So, media industry should promote ethical journalism. The business rivals should also not engage the media to conduct unethical jobs.

4.2.6. Online digital security is being more complicated day by day due to the hacker and malware. Especially, banking sectors are in great risk. On the other hand most of the banks are not in the earthquake resistant building. So, there should be separate virtual data storage earthquake and fire-resistant building in the safer zone with the initiation of government and concern stakeholders.

4.2.7. In order to be cost-effective, most of the industries are purchasing low quality goods and equipment, which cause explosion, leaks and spill. For instance electric transformer bought by Nepal Electric Authority has exploded many times, electric leakage was recorded many times due to the low quality transformer. In this context, company should regulate quality control and government also must develop a mechanism to regulate quality in a company.

4.2.8. Due to the power shortage and lack of water and good sanitation, product of the Nepalese company are very vulnerable to contamination. In 2013 hazardous bacteria contaminated the sample collected from most

Nepalese Dairy. Similarly, companies seem not to bother about defective production because consumer don't protest as well as they don't get any compensation due to lack of weak consumer protection law.

4.2.9. Most of the highway in Nepal is not in the good standard for smooth vehicular movements that cause various problems in delivery of products and raw materials. Road accidents in Nepal are a daily routine. On the other hand road is blocked due to landslide, strike for many days and the frozen products or the products with short expiry date will get damaged before they get into the market or get processed. In this context government should upgrade the high way standard and bandhs and strikes in the high way should be highly discouraged. Alternatives transportation like train should be introduced.

4.2.10. Due to liberal law regarding trade unionism, band and strike within company is very common. Similarly, employees in the Nepalese company generally don't take their job seriously. Due to this problem many good industries like Surya Garments were shutdown. So, such activities of employee should be regulated introducing comprehensive law.

4.2.11. Still significant numbers of companies don't have crisis management plan. Government should introduce regulation to the company to provide a comprehensive, realistic, and implementable crisis management plan in annual basis.

Acknowledgement

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Annex

Questionnaire filled by the managers of 53 organizations

1. What sort of crises does your company face most often? Please list down the prominent ones.
2. Referring to Q no 1, please state the likely causes for your organization to face such crises.
3. Does your Company have a Crisis Management Plan?
   a. Yes   b. No

4. What do you feel about the existing Crisis Management Plan of your company? (Applicable to ones with plan) Please choose only one option.

a. Current Crisis Management Plan will be satisfactory in the event of crisis
b. Crisis management plan will not offer proper coverage and needs to be reviewed
c. Existing crisis management plan will cover the company to some extent but there are loopholes

5. What are the major impacts of the crisis on your company? (Multiple options can be chosen.)
a. Drop in revenue
b. Cutbacks and/or layoffs
c. Loss of corporate reputation
d. Destabilization of the entire company
e. None, the crisis was handled effectively with little or no damage to the company

6. Does your company have a core crisis management team?
a. Yes   b. No

8. Is there a culture of training and rehearsing the crisis management plan developed?
a. Yes   b. No

9. Has your company building been instilled by ample amount of fire extinguishers and other safety measures?
  a. Yes   b. No

10. What is stopping your organization from having a crisis management plan? and to those who have an plan, what is stopping your organization from having an effective crisis management plan? (Multiple options can be chosen.)
a. Denying that crisis can occur
b. Reluctance to make crisis preparedness a priority
c. Unaware of the concept of crisis management
d. Ignorance of warning signs
e. Weak plans
f. Lack of financing