

Discuss the view that contingency planning is a waste of time and money. (12 marks)

Not all the opportunities and events that a business faces will go to plan, and some may prove destructive to the continuity of the business (such as a huge downturn in demand for their products). Contingency planning means preparing for these unwanted and unlikely possibilities. A business may produce a contingency plan in case of: a severe recession; an environmental disaster; or a sudden strike by its workforce.

Contingency plans enable a business to be in a better position to manage a crisis, rather than to try and simply cope with it when it occurs.

Before contingency planning can take place, a business must consider many possible threats and crises that it may face, in order to be able to react to them swiftly and efficiently if they do ever occur. These potential scenarios are often computer-simulated, and they can predict to a high level of accuracy the likely effects of a crisis on the finances and resources of a business.

Planning for a crisis does take a lot of time and consumes a lot of money. Large firms may have contingency funds set aside to deal with any problems that may arise. Such as liquidity, fire, flood or natural disasters. If there are interruptions in production, a back up manufacturing system should be in place. A business may be able to outsource some of its work to other producers or be able to switch production from one machine or one factory to another. This is easier if the production lines and workforce are flexible.

Crises often bring along change and most people don't like change. Human Resource Management is needed in a crisis for effective consultation and new training procedures and for the contingency plan to be put into action. Overall, management has one of the biggest parts to play in a crisis. There must be strong leadership from the top of the company's hierarchy. Everybody in the organisation must be clear about his or her roles, and this could take a considerable amount of time and effort to organise.

While contingency plans are important, a business must not give them too much time and money. The contingency plan must not affect the objectives or corporate plans of the organisation. For example, keeping large amounts of money in the contingency fund may reduce the money available for investments or expansion.

Overall, I don't agree that contingency planning is a waste of time and money. I agree that it is time consuming, but if the business ever did fall into a crisis situation, the more time and resources put into the contingency plan, the more the business will get out of it in the long run. A contingency plan for some sort is essential for every organisation, as you cannot predict what the future will bring.