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**Crisis Management in Malaysian Companies during Challenging Times:  
A review**

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**Abstract**

The need for management under the context of crisis had been a massive realization after the sudden pandemic bombarded the world and had severe impacts on the corporate sector worldwide in many aspects. Thus, this article aims to review the literature relating to crisis management and its application by Malaysian companies during crisis or challenging times. In Malaysia, companies suffered losses due to the crisis (pandemic), and companies with proper crisis management are the Government Link Companies (GLCs) compared to the private sector companies.

**Keywords:** Crisis Management; Malaysian Companies

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**1.0 Introduction**

With the sudden pandemic that happened in the past years, companies have been hit with harsh realization that the future comes with uncertainty and from now on companies need to shift their attention toward the development of crisis management to align with the requirements of the 'new norms' environment. The new environment established after the unprecedented global pandemic had caused companies in Malaysia to experience changes in management and operation in order to cope with the aftermath of the crisis. Hence, this paper helps to explore the crisis management aspect in Malaysian companies. For example, Perodua faced a shortage crisis in 2021 that resulted in difficulty in meeting its sales target (Idris et al., 2021). Moreover, the crisis not only caused companies to have an awareness of establishing effective crisis management on managing unexpected obstacles but also gave companies a chance to modify the business market through changes in the company and collaboration (Pedersen & Ritter, 2022). According to the study conducted by Sato (2020), crisis management is viewed as a procedure gone through by the company when managing circumstances that carry possible harm to the business affair, such as a threat to the stakeholders, company, and community in general and the objective of the management are set into an idea of prevention, assessing, resilience and survival as crisis management included four processes which

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are avoidance, preparedness, response and recovery along with assessment. In addition, according to Coombs (2021), one of the crisis management models has three stages, and each stage consists of sub-stages. For example, the pre-crisis stage (1) involves the detection, preparation, and prevention of the crisis, while the crisis stage (2) contains crisis recognition and crisis containment, and lastly, the post-crisis (3) compress of evaluation of the crisis-managed and preparing for the potential crises in the future.

In crisis management, it is crucial to identify the involvement of risk management in assessing effective crisis management, as improper management of risk will lead to the occurrence of a crisis (Wut et al., 2021). The risk has the potential to cause harm to a company's revenue, reputation, and operation aside from placing companies in the invulnerable state as risk resonates with threats. A crisis can't be ceased for good but is avoidable with the presence of risk management, as it assists the company in predicting and planning for possible circumstances. Thus, it is crucial to have a solid understanding of risk when it comes to crisis management such as the differences between these two mechanisms as risk is related to events that can happen, while crisis management is extended to a broader context, such as handling the unexpected event before, during and after. For example, risks can cause harm compared to crises that inflict harm (Kovoor-Misra, 2019). The risk involvement in crisis management assists the company in correlating the operation based on the risk assessment by gaining an understanding of the crisis and crisis response in order to execute strategies during a recovery phase. To be sustainable, crisis management is vital after a crisis hit by setting the responsibilities according to the team in the company. Survival of the companies relies on the adoption of crisis management and it can lead the company to improve the resilience level for the sake of the future. Hence, it is crucial to be aware that crisis management acts as the magic used to summon protection for the company in the case of an unwelcome scenario as an effort to decrease the rate of destruction after the crisis strikes.

## **2.0 The Evolution of Crisis Management**

The number of academic studies and the adoption of crisis management doesn't mark the beginning of crisis management. Yet, the occurrence of the crisis in history has shaped the influence of today's society that navigates toward crisis management, as stated by Zamoum and Gorpe (2018). The progress in crisis management occurred as time passed by and the changes that happened in the time allowed crisis management to go through an evolution phase that aligned with the incidents that happened in the period of time. On the other hand, crises have happened since ancient times up to this modern era which indicates that the crisis had been around as time went by. For instance, the Peloponnesian War that involved Athen and Sparta had been caused by the crisis that later led to war as stated by Thucydides (Zamoum & Gorpe, 2018). This reflects that crises are associated well with history as they led to adverse outcomes such as the confidential agreement between the United Kingdom and France in deciding the part of West Asia following the downfall of the Ottoman Empire. Besides that, there is no specific timeline to describe the rise of crisis management due to the shortage of information on the history of crisis management which acts as the reason for the difficulty to trace the evolution period. Still, there is intense debate on the origin of the modern crisis among the scholars. Besides that, the transition from time to time also permits crisis management to change into modern crisis management. Modern crisis management is associated with the major accidents that happened in the past where crisis management faced monumental shifts within a period of time. Some academicians stated that 1980 was marked as a crucial period due to significant crises in the 1980s. For example, the occurrence of major crises in the 1980s such as the Chernobyl and Bhopal accidents, conference and publication of the first book and special issue of the journal on crisis management indicate that the time stamp on 1980 is when the crisis management had been institutionalized. The development of crisis management did not occur within the same period as it is different based on multiple places in various ways. Crisis management is the practice implemented by companies and viewed as an academic discipline. The term associated with crisis management is not frequently used among the community, particularly on the topic that involves organizational issues. For example, in Denmark, words such as crisis management, damage control, crisis management plan, and team were uncommon in the company until the 1990s (Frandsen & Johansen, 2020).

## **3.0 The Execution of Crisis Management in Malaysian Companies**

The attention on developing the crisis management response by the companies began when the pandemic struck which caused organizations to be cautious on this matter and the company started to make efforts to maintain its survival after the chaos and be successful. The state of proactive crisis management programs in Malaysia needs primary focus, mainly in the Malaysian hotel industry, as development in crisis management can lead to desirable outcomes for the stakeholders and able to help implement the precise organizational culture to enhance crisis management in the companies, as mentioned in the past studies (Abo-Murad et al., 2019). According to the result of a survey by Ipsos, the top five companies that have effective crisis management are Petronas companies, placed in the first place followed by Maybank, Employees Provident Fund (EPF) and lastly, Perodua. The survey highlights the trustworthiness in communication under the context of crisis management. The survey executed is not influenced by the sector. Besides that, the rate of owning a Crisis Management Plan in Malaysia has reached up to 70% however the implementation of the plan is only at the rate of 62%. The disclosure made by the companies on the non-existence of the contingency plan is at 21%, and the companies that own effective crisis management plans showcase only 17%. The percentage of the companies that need enhancement on the crisis management plan to obtain effectiveness is 70%, while 13% of the companies admitted that the plan on crisis management is inadequate (The Star, 2020). Besides that, the awareness act by the practitioners in Malaysia on strategies for the crisis response is seen as a display of remarkable ineptitude in managing a crisis. Furthermore, the construction companies in Malaysia are lacking in terms of crisis management context which led to terrible outcomes for the companies in the construction sector after the pandemic hit (Mukhtar, 2022). The value of crisis management is well aware by the companies in high-risk industries as the request for the internal crisis management

sync with the enhancement of the high-risk industries. For example, the oil and gas companies in Malaysia focus on the internal crisis communication ability to help protect the reputation of the company as well as the strategic growth of the internal crisis communication as mentioned by Mohamad et al. (2022). In Malaysia, government-linked companies (GLCs) and government regulators have better and well-planned crisis management as compared to the private companies as the high expectations from the community in terms of recovery from the crisis (pandemic) aside from being the center of pandemic response rely on the government-linked companies (GLCs) and government regulators (Lim, 2021). Still, companies from the public and private sectors had performed multiple measures to manage the crisis to remain sustained after the tough time, as stated by Ipsos.

#### **4.0 Challenges Faced by the Malaysian Companies During Difficult Times (Pandemic)**

At the end of 2019, the pandemic of COVID-19 had caused the world to deal with a health crisis which eventually led to the economic crisis. One of the measures to curb this health crisis such as the spread of the COVID-19 virus is the implementation of the restriction of movement (Lipsitch et al., 2020). The restriction included curfews, quarantines, and lockdowns for all business operations. Yet, an exception was made for the essential services as this restriction was executed around the world until 2020, these circumstances caused business owners to suffer from severe impact which resulted in adverse outcomes for the business's affairs (Adam et al., 2021). The movement control order (MCO) served as an obstacle for business affairs all around the world regardless of the size of the company where the business owner is affected by the obstacles derived from the surroundings and led to the closure of business, causing a stir in the sale as stated by Adam et al. (2021). During the MCO period, businesses had to take severe hits in terms of sales as there was a significant decline compared to average sales. Most companies and industries in Malaysia are affected severely by the pandemic and are suffering huge revenue losses (Kee et al., 2021). For example, the MCO had caused difficulties for the construction industry regarding project success. The construction company had to deal with the postponement of delivery which is crucial in construction projects and construction companies need to manage the increasing cost of the project and the issue of the limitation of resources when handling the project. Business tends to fail when a company is unable to maintain the cash flow. For example, poor cash at the early stage in obtaining closure is where the company will suffer when there is poor cash flow due to the importance of cash to pay salaries to the employees and pay loans (Adam et al., 2021). Due to the lowering rate of demand due to MCO and lockdown, business affairs of the companies end up ceasing operation or scaling down operations which places workers at risk (Asian Development Bank & International Labour Organization, 2020). These circumstances place companies in a position to deal with the challenges in terms of employment. For example, companies have to cut the working hours of the employees, which decreases the performance of the company. Besides that, aside from the companies and businesses affected by the pandemic, such as the execution of MCO. Online businesses in Malaysia, such as e-commerce, are also faced with hindrances due to the sudden health crisis (Hasanat et al., 2020). This is because most e-commerce relies on China for supplies and merchandise products. The pandemic that hit across the globe led to changes in buying patterns among Malaysian customers which caused the business environment to weaken. There are also other crises faced by Malaysian companies outside of the pandemic scope, where Malaysian companies such as Sime Darby Plantation Bhd and Top Glove Corp Bhd have been slammed with forced labor allegations (Idris et al., 2021).

#### **5.0 Methodology**

The literature review is the method applied for this study, where the literature search has been conducted online, and the extraction of the material is mainly from databases such as Google Scholar, Scopus, Emerald Insight, and many more. The analysis of the literature on the topic related to crisis management was from 2006 until 2023. For example, websites, books, journals, dissertation papers, published articles, and other relevant sources on crisis management context. For this study, terms such as "crisis, crisis management, pandemic, organization, and Malaysian company" were used as search terms. Greater accessibility is achievable as the development of literacy for the benefit of the academician and stakeholder as well as practitioner in terms of crisis management which lifts the sustainability of the company lifespan. On the other note, this approach can help to improve the execution practice in the management within the company through the application of the evidence that is presented (Pfeffer & Sutton, 2006).

#### **6.0 Conclusion**

The vulnerability towards unexpected events does not apply to the small business but to companies of all sizes and types. This is because most companies do not have the proper way to cope with the long post-crisis. Through this study, awareness of crisis management can be raised and evokes the necessity of the companies to be well prepared to deal with potential and current crises to avoid misfortune. During the pandemic period, companies across the globe including Malaysian companies had to suffer the drawbacks from this unfavorable circumstance. Hence, revamping the crisis management can give an advantage for the companies during tough times and saving the company from any further damages that can jeopardize the continuity of the company's operation including achieving the company's goal. For instance, monitoring and developing organizational learning under the scope of the crisis is essential for companies to improve crisis management in the organization (Batorski, 2021). On the other hands, a crisis management model can be helpful when navigating during the pandemic. For example, small and medium-sized enterprises (SME) companies in the United States use the Burnett model due to its applicability and relevance (March & Tremblay, 2022), while Swedish SMEs use the model of crisis management prescribed by the academician, which primarily consists of the elements of preparation, learning, and planning (Fasth & Styhre, 2022). Therefore, applying the crisis management model can directly help companies to have a better understanding of crisis

management which leads to proper execution of management in terms of crisis. There are various models of crisis management established by multiple scholars in the past including those models developed by the latest studies on the present times based on the pandemic that occurred. However, most current models developed required detailed analysis to fill the loopholes. Therefore, applying the widely used crisis management models such as Mitroff's Five-Stage Crisis Management Model, Gonzalez-Herrero and Pratt's models, and Fink's model crisis are practicable for companies in Malaysia where the models act as tools for guidance in the past and current scopes of crisis management. Crisis management is essential for companies nowadays as in the occurrence of a crisis, companies are required to adapt to the sudden changes caused by the uncertainty caused by the crisis, and relying on the existing method does not guarantee the survival of the organization (Dwiedienawati et al., 2021). There are limitations to this study, where the number of prior studies on Malaysian companies discussing crisis management is inadequate. It is recommended for future research to further explore crisis management in the scope of other elements such as Artificial Intelligence (AI) that could help companies to better embrace the unexpected events. Thus, crisis management acts as a winch to pull companies from the swamp of crisis as crisis management allow company to be strategic when dealing with potential or existence crisis due to its association with risk aside of providing guidance when navigating unpredictable situation and help company to sustain and achieve its mission and vision. The crisis team also engages closely with the management to ensure a communication platform are aligns with the present crisis management, preparing prediction analysis and monthly reports about crisis, including potential risk and having the will to accept and learn new skill on management under the context of crisis is crucial to secure success in crisis management as stated by Ostaeve et al. (2020).

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## Paper Contribution to Related Field of Study

The paper contributes to the literature on crisis management in Malaysia.

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