

Difference Between Crisis Management and Risk Management

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Key Difference - Crisis Management vs Risk Management

The **key difference** between crisis management and risk management exists in several factors such as nature, engagement, etc. Crisis management and Risk management branches out from the best practicing essentials of a sound corporate governance structure. These terms are interconnected and would provide strong support to a better governance within a business entity ensuring the stability of the business in a competitive environment. **Crisis management deals with major events that harm or threatens the organization, its [stakeholders](#) or the generic public. Risk management involves determining the impacts of threats, the nature of threats and also with finding the best ways to control risk by either accepting, transferring, avoiding or mitigating to ensure the smooth running of the business.** Good risk management process would highlight identification and acceptance of risks, and a process of crisis management would respond to an event that would threaten the operations. Relationship lies between these two as a risk management turns into a crisis management if not handled wisely in the early stages of a threat.

What is Crisis Management?

Crisis management is the term that would describe **a specific process or a collection of processes that are put in place to deal with an unexpected event or harm that threatens an organization's business operations or an individual or public in general.** Here the crisis is a sudden and unexpected situation that will cause to unrest among people at the workplace. Crisis is an event caused by a [risk](#). Crisis management is a reactive process. A crisis occurs without a prior warning. These emergency situations can arise due to reasons such as,

Technical failure and breakdown.

Employee disagreements.

Violence and threats from [terrorism](#).

Neglecting minor issues in the beginning – should be dealt at risk management stage.

Illegal behaviours.

Organisation failures on paying to creditors.

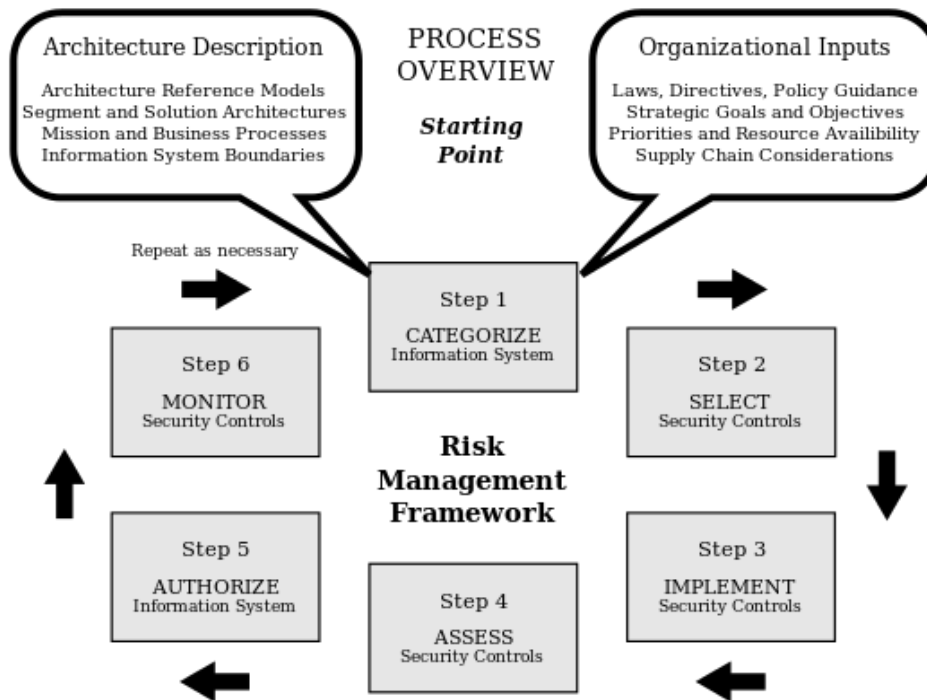
Crisis management will deal with ensuring how to face to above tense situations if they arise any time without a prior notifying. The process will include activities and steps that help management and all employees to analyse and understand events that lead to uncertainty within the organisation.



Crisis management is a reactive process

What is Risk management?

Risk is identified as a **part of anyone's life where that is applicable to an organization or a business process too**. Risk management refers to the activity that identifies potential risks in advance or early stages and takes precautionary actions to reduce or curb risks through analyzing. This has to be a systematic process of understanding, evaluating and also addressing probable risks to maximize the chances to achieve objectives of individuals as well as organizations. Risk management is a proactive process. Effective risk management forms the backbone of the business ensuring steady and rigid availability to face any unexpected threat with ample contingency resources. Risk management would cover risks arising in a business that can be a [natural disaster](#) or a sophisticated system failure.



What is the Difference Between Crisis Management and Risk Management?

Crisis Management vs Risk Management	
Crisis management is the process responding to a not warned event that might harm or threaten business operations or individuals.	Risk management is identification and acceptance or offsetting risks that may happen in a business.
Nature	
Crisis management is reactive.	Risk management is proactive.
Main Objective	
Reduce tension during incident.	Identification of threats.
Engagment	
Doing or reacting practically.	Knowing <u>product or service</u> related individuals and environment.

Summary - Crisis Management vs Risk Management

Both crisis management and risk management support to a better [governance](#) within a [business](#) entity ensuring the stability of the business in a competitive environment. Both are essential factors of a sound corporate governance structure. The key difference between crisis management and risk management lies within the boundaries of their nature and engagement procedures.

Images Courtesy:

1. [Roundtable on "Managing the State's Budget - Hard Choices in an Economic Crisis"](#) by [DickClarkMises](#) (CC BY 2.0)
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