Focus on: Making crisis simulations matter

The Deloitte Center for Crisis Management

A plan is only a plan until you put it to the test.

You know it’s coming. But not when, where, or how big. You’ll sleep a lot better if you’re confident your crisis management plan works. One of the ways to earn that confidence is with a program of effective, multidimensional simulations that test your board, your C-Suite, and the organization that stands behind them. Do you feel this is “for real” while it’s happening? That’s one test of effectiveness. Do you feel you really learned something afterward? That’s an even bigger one.

There is more than one way to approach a simulation. The ones that create lasting value go far beyond the theatrics of a simple “fire drill” that focuses only on a short-term crisis. An effective crisis simulation puts the organization to a stringent test, whether or not the scenario represents the worst case. It demands the right questions and the right responses. It cascades realistically from one decision point to another. It plays through both your external and internal worlds. It leaves participants, including the C-Suite, feeling they’ve truly learned something by testing their responsibilities under trying circumstances that subject them to uncertainty, ambiguity, and conflicting and incomplete information—where there is often less known than unknown—so the crisis modus operandi permeates all levels of the organization from the boardroom to the front lines.

The foundation of this approach is preparation. The objective might be an orderly exploration of strategic market risk, a dramatic moment-to-moment sequence of scenarios and responses, or something in between. The trigger might involve technical failure, market disruption, natural events, or deliberate malfeasance. In each case, the effort an organization puts into planning and customizing its crisis simulation approach can pay off many times over when a real crisis strikes—in personal preparedness, process improvement, team coherence, and raw confidence. The result is a team that’s more confidently equipped to handle crisis, faster in reacting to it, and ready to scale up the necessary resources for response and recovery.
People should interact as if they were in real life. They should consider and challenge each decision deeply and base it on finance, communications, and operations—and those decisions should have palpable consequences. If participants run against the limits of the script, the simulation hasn’t been designed broadly enough.

A maturity-based approach

Depending upon the purpose of the simulation, the scenario design, and the resources available, simulation approaches will vary.

At one end of the scale, a simulation can be as simple as a discussion of likely scenarios. The next level is a formal rehearsal of roles that tests strategies, information flows, and communications in a realistic, script-driven environment. The most intense simulations can be as close to real military “war games” in their dynamic use of worst-case scenarios and immersive, even stressful, environments. When participants make decisions, they know the consequences those decisions will have, weeks, days, and even months after. Just as important, decisions need to be made at the right levels. Executives need to analyse and make decisions—and those decisions should have palpable consequences. If participants reach sound decisions while information is not as fast or as clear as in the experience, the more confident it will build in the following teams. The ultimate aim is to involve the entire organization, from the board and leadership to the front lines. This is the only way to test decision-making authority and escalation paths.

How to start designing the objectives. Think like a movie producer. Carry out a crisis simulation in a way that is not too pedestrian. What’s the purpose of the simulation—the scenario? How do I turn it into a script that determines who’s going to play what role and where? This script is known as a Master Events List, or MEL. But a MEL should be more than just a script—because a script follows a prescribed narrative line. A MEL enhances realism by anticipating and accounting for all the decision points in the scenario, so causal and root-cause issues are eliminated. When participants interact with a MEL using real data in a real physical setting, the lessons are real as well.

Next, find the limit. A simulation that doesn’t challenge people won’t teach them anything. But a simulation that carries them past the breaking point will only teach humility and poor morale. Designing scenarios that deliver the most useful stress without going over the line is part science, part art form.

And that’s the easy part. The weeks that lead up to a simulation take rigorous planning. The hours that pass during a simulation are engaging, emotional, and challenging. When the simulation ends, the real work resumes—because continuing the lessons and applying them is a stronger crisis management plan than any virtual one.

Crisis simulations: Maturity Model

1. Awareness
   - Identify the importance of crisis management
   - Understand the impact of crises on the organization
   - Know the organization’s crisis management policies and procedures

2. Planning
   - Develop a crisis management plan
   - Establish communication channels
   - Identify key stakeholders

3. Preparation
   - Conduct crisis simulations and exercises
   - Train employees on crisis management procedures and practices
   - Test and refine crisis management plans

4. Execution
   - Respond to crises effectively and efficiently
   - Coordinate with external stakeholders
   - Evaluate the effectiveness of crisis management efforts

5. Continual improvement
   - Analyze and learn from crises
   - Update crisis management plans and procedures
   - Monitor and evaluate crisis management performance

Simulations in action

Cyber resilience for energy security

A major European energy provider had been through several simulations already and wanted to reinforce the lessons. Its Crisis Management Team had learned in its simulations that a large-scale cyber incident, the team would practice communication and operational response involving multiple teams, with over 100 people taking part. Scripted incidents and mock media response added to the realism of the simulation. In the end, management and staff increased their understanding of the impact a cyber-incident might have, honed the decision-making skills they would need, and knew how to work together under stress.

Gold-medal confidence

The organizing committee of a sports event conducted more than 200 simulations to prepare for the event. In an environment of rapid growth and dependence on a large number of public and private delivery partners, these simulations helped the organizers develop teamwork, test protocols, and ensure that all stakeholders were ready for everything from day one. It was a philosophy and mindset, put into action through simulations, that was at the very heart of the success of the events.

Transport on the right track

A national transport operator in the Asia Pacific region used simulations to stress test existing crisis management protocols, so stakeholders throughout the organization—as well as the Department of Transport and public services sectors—had as realistic an experience as possible. The internal crisis team and its supporting response teams received the coaching and development necessary to prepare the organization to manage and respond to unplanned, high-impact crisis events.

A new “dawn” of preparedness

In 2013, one of the largest, most comprehensive cybersecurity simulations ever conducted tested the crisis readiness of the financial services industry as a whole. The test involved a series of simulated systemic attacks that attempted to disrupt trading in the U.S. equities market, in the European Union, and in Washington D.C. (examples) proffered several areas where improvement was needed—including the industry’s crisis response. For public-private playbooks and the coordination among market participants, industry groups, and government agencies. The exercise greatly enhanced the financial services industry’s readiness for incident response and crisis management, and bolstered the public-private partnership between the financial services sector and various government and regulatory agencies.

A world of crisis triggers

Cyber-attacks, identity theft, or production bottlenecks are common, complex, or complete scenarios. Many organizations are susceptible to threats from these potential triggers:
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No one knows when a turn of events will demand the best your organization can deliver. No matter what form it takes—whether it’s front-page news or a quiet struggle only you know about—crisis is a moment of truth that test your readiness, resilience, and character.

The Deloitte Center for Crisis Management is here to help organizations prepare for, respond to, and emerge stronger from major crisis events. The Center offers dedicated crisis management services through Deloitte member firms (Deloitte), bringing the full breadth of Deloitte’s capabilities together into a comprehensive solution for clients facing major business-threatening crises. In addition to its global team of experienced crisis management specialists in the Americas, Europe/Middle East/Africa, and Asia Pacific regions, Deloitte has resources in every industry and discipline who can help bring experience and realism to crisis planning. Deloitte draws on simulation and war games expertise from Simulstrat, a pioneer in simulations and war games for public and private sector organizations with academic and military roots in the department of war studies at King’s College London. In addition, the Deloitte U.S. firm’s Federal wargaming experts bring their in-depth knowledge and techniques to crisis simulations.

Disruptive events bring not only danger, but also opportunity—the “unforeseen advantage” you can seize if you’re prepared. To learn more, visit www.deloitte.com/crisismanagement.

This paper is part of Deloitte’s commitment to provide insights that help board members and senior executives navigate the crisis management lifecycle, including readiness, response, and recovery.

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