

Crisis simulation Putting readiness to the test



Readiness

Response

Recovery

Many organizations devote substantial time and resources to risk management. But there's a place where the predictable gives way to the unpredictable—and a risk, or combination of risks, turn into a crisis.

Through the Center for Crisis Management, Deloitte member firms help organizations identify potential crises and prepare leadership, through advanced immersive training techniques, to manage a crisis. The simulation helps lay a solid foundation for everything that follows. Theoretical threats become more real and vivid. Potential risks are more tangible. And people walk away with a greater understanding of the roles they'll play when the stakes are highest.

Our approach leverages experience and innovation, applied to advanced methods of crisis simulation designed to help you understand what needs to happen during different kinds of crises, and whether your organization is prepared. So when a real crisis emerges, you not only get through it, but can emerge stronger.

Are you ready?

It's natural to think of crisis in spectacular terms—physical catastrophe, international conflict, or sudden financial failure. But in practice, a crisis is any high-consequence event that has the potential to threaten an organization's existence, value, reputation, or ability to operate. Crises can include malevolence, cyber assaults, misdeeds, financial crimes, financial distress, technological or industrial threats, supply chain failure, natural disasters, geopolitical confrontations, and other catastrophes.

More challenging still, technology and social media can dramatically increase the visibility of almost any crisis, which can lead to greater reputational risk. Among S&P 500 companies, reputation accounts for close to 26 percent of market capitalization.¹ When crises are managed well, stakeholder value can actually increase. And, of course, the opposite is also true. There is no surer way to destroy value than in failing to manage a major crisis.

“There is a growing client need for crisis management simulations. Research suggests that companies can expect a value destroying crisis event at least once every five years.”

“Reputation Review” (Oxford Metrica and AON, 2012)

Organizations need a range of capabilities to manage crises effectively, including clear command structures, effective information management, common situational awareness, and transparent communications. Crisis simulation is a demonstrated technique for developing and testing these capabilities using life-like scenario models.

At Deloitte, our approach to crisis simulation uses information, analytics, and innovative tools that would likely be available in real crisis situations, combined with practical human experience, to immerse participants in a fully interactive environment. These simulations can help organizations evaluate their response preparedness, while also providing the experience needed to be effective when a real crisis strikes.

¹ Simon Cole, “The Impact of Reputation on Market Value” (World Economics, September 2012)

How Deloitte member firms can help

A crisis simulation is an opportunity to develop capabilities, stress-test plans, evaluate coordination and communication, and preview real-time response capabilities. C-Suite executives, board members, and other key leaders are usually at the center of the action, but the simulation should also include the larger crisis-response organization that exists behind them. Our approach is based on a distinct combination of military and academic rigor, and our own business experience. Using our advanced simulation techniques, we can assist businesses in:

- Understanding risks and their consequences
- Considering worst-case scenarios
- Aligning stakeholders and developing commitment to plans and strategy
- Building operational readiness for new processes or structures
- Training staff in roles and responsibilities
- Testing plans, identifying gaps, and driving out false assumptions
- Measuring the response capability of the organization to understand capability levels and improve response effectiveness

Bottom-line benefits

Crisis simulation provides insights into an organization's readiness to manage crisis situations effectively. It is an investment that can pay off immediately, and for many years to come, if sustained through a regular and progressive program.

Confidence. The most important benefit of crisis simulation is the personal and organizational confidence it creates among your people and your leadership team, as well as your Board of Directors, investors, and regulators.

Clarity of roles and responsibilities. With an effective simulation, everyone involved understands exactly what is expected of them.

Speed and efficiency. Crisis simulation gives people a clear sense of what's needed, when to escalate, how to scale up, and how they fit into the overall crisis management plan.

Control and coordination. Simulation enables an organization to practice responding in a controlled and coordinated manner—and to be seen as disciplined and competent by external parties.

Improved communications. Because of regular rehearsal and practice, communications are more likely to be speedy, transparent, and make the best use of all available channels.

Not every organization can afford to have a dedicated crisis unit, or to keep one standing by. Using outside help is one way to concentrate the most experience and effectiveness into a manageable cost. Even among those who *do* have established crisis organizations, Deloitte's experience in running advanced simulations across hundreds of complex scenarios and industries may bring new insights and thinking to your approach—as well as the benefit of independent evaluation.

Effective crisis simulation practices can help create an unforeseen advantage where organizations can transform a dangerous threat into a positive force that strengthens customer relationships, builds brand value, and enhances market perceptions. We can help you do just that.

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