Crisis Management

Assessing the Board's Role Before the Next Crisis

By Deborah DeHaas and Ashish Patwardhan

As a host of threats continue to mount against organizations, more boards are weighing a broader, more proactive approach to crisis management. This is a positive development: in doing so, these boards are opening the door to adding significant value and stability to the organizations they oversee.

Boards are uniquely placed to anticipate and oversee crisis events objectively through the lens of risk management and the strength (or weakness) of an organization's crisis preparedness. In many recent high-profile cases, an organization's management may play a key role in causing or not properly anticipating a threat that could lead to a crisis event. According to a survey by the Institute for Crisis Management based on reports of more than 220,000 crisis events that occurred in 2014, the vast majority of crises were derived from issues that were within the control or oversight of organizations, led by the categories of mismanagement, white collar crimes, and whistleblower events. Together these accounted for more than half of all events examined. These findings suggest why boards should hold management accountable for the types of behaviors that can lead to damaging events, including lack of foresight.

Although a crisis plan may exist, in many cases it can be outdated or untested. According to a recent survey of more than 300 board members conducted by Forbes Insights on behalf of the Deloitte Center for Crisis Management, more than three-quarters of board members (76 percent) believe their companies would respond effectively if a crisis struck tomorrow. Yet only 49 percent of respondents say their companies have playbooks for likely crisis scenarios. Clearly, there is much more that can be done.

Boards should hold management accountable for crisis management planning, to make sure that the organization goes beyond merely having a plan in place, to ensure that top executives are trained in being able to respond to a crisis, and, where appropriate, to consider crisis simulations or war-gaming to find the gaps in a crisis plan. Above all, boards should be confident that management has a crisis playbook that details how to respond to a range of events, with clear divisions between what management would do and where the board would be brought in, depending on the nature of the crisis.

Further, directors should have frank discussions with management about the organization's risk assessment and risk-sensing processes as they pertain to identifying major threats. Of course, not all risks can be anticipated, just as not all crises can be foreseen and avoided. But management should have a heightened awareness to issues that could potentially lead to a crisis and have the necessary tools to monitor, track, and anticipate them. Risk sensing is an increasingly valuable technique that management can use to anticipate and prepare for potential crisis events, including those involving cyber risks, natural disasters, and terrorism threats.

As boards turn to management to assess their organization's crisis preparedness, among the questions they should be asking are:

- Do we have a crisis management plan in place, with clear roles and responsibilities, and who in the executive team is responsible for it?
- Has the management team been adequately trained, and has it taken part in crisis simulation rehearsals, and if so, when?
- Has the organization pre-identified executives who will lead (or quarterback) during a crisis?
- Are the board's roles and responsibilities articulated in the plan, and has the board been trained on them?
- Do the organization's crisis management plans consider all categories of crisis risks, not just natural disaster-type events?

By challenging management to reassess and adapt its planning, directors can enhance their oversight roles and help their organizations employ the many tools and techniques at their disposal to avert, or at least minimize, the impact of future crisis events.

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