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After the storm: Lessons from recent events

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A crisis could be...

- Malevolence and cyber
- Misdeeds and financial crime
- Confrontations, technological and industrial disruptions
- Financial distress and bankruptcy
- Catastrophes such as natural disasters or man-made destructive events

...a **major catastrophic** event, or a series of escalating events, with unforeseen impacts that threatens a community or organization’s strategic objectives, reputation, or viability.

- Market Share and Value
- Credit and Financial Resources
- Physical Infrastructure
- Intellectual property

- Credibility
- Brand
- Environment

- Profitability
- Solvency/Distress
Characteristics of a crisis

- Bigger than normal
- Existential
- Especially high stakes
- Rapidly evolving
- Especially high uncertainty
- Scale relative to organizational resources and coping capacity of the affected
Overview

An unprecedented increase in the incidence and cost of catastrophic events driven by factors such as climate change, political upheaval, or cyberthreats suggest that every organization will, at some time or another, face a crisis situation.

triggered by a host of events with regional/global impact

- Financial disruption
- Malevolence & cyber
- Confrontations
- Technological & industrial
- Misdeeds & financial crime
- Natural disaster & other catastrophes

Source: Crisis management: Analysis of crisis impacted companies
Source: Combination of sources detailed in speaker notes

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The rising crisis of crisis
The incidence, impact and costs of man-made and natural disaster events in the United States are increasing.

Since 1980, the U.S. has experienced 250 weather and climate disasters where damages exceeded $1 billion. During 2017 alone, the U.S. experienced an active year of billion-dollar disaster events including the 4th highest total of events in a year that would result in the 4th highest costs ($91 billion).

Additionally, man-made events such as cyber attacks, financial malfeasance, industrial accidents, and terrorist attacks have similarly introduced unprecedented levels of volatility, uncertainty, complexity and ambiguity.
Insights from crisis experience
What survey respondents said they’ve learned about navigating recent crisis events

**Experiencing a crisis teaches organizations to avoid them**
Undergoing a crisis galvanizes organizations to prioritize detecting and preventing crises in addition to managing them.

**Leaders need more development for crisis management.**
Helping leaders display their full range of competencies under the extreme pressures for a crisis can support effective decisions making and communication when they are most needed.

**Confidence outstrips preparedness.**
A company’s confidence in its crisis management capabilities is not always commensurate with its level of preparedness.

**Being at the ready significantly reduces the negative impact of crisis.**
This is especially true if senior management and board members have been involved in creating a crisis plan and participate in crisis simulations.

**Third parties are part of the problem – and the solution**
A number of companies are including partners and other outside organizations in crisis planning.

Source: Crisis management: Analysis of crisis impacted companies
How do companies stumble?
Strategies for organizational leaders to navigate potential stumbling blocks

**Tunnel Vision**
Focus on addressing strategic impacts and leading the response, while fixing the incident itself.

**Underestimated Magnitude**
Strive to understand the scale, breadth, and speed of the crisis and its unanticipated consequences.

**Vague Communications**
Within the first few hours there will be a lot of bad information. Willful leaders may make poor decisions, unintentionally causing more harm.

**Information Deluge**
Have a plan to manage overwhelming, inaccurate, and disparate information.
A crisis of confidence
Feeling ready versus being ready

It’s a long road to recovery after a crisis

70% of companies reported their corporate reputation took more than one year to recover.

16% said it took four years or more.

Financial and operational crises had similar long recovery times.

Board members feel ready to handle a crisis, but a deeper dive hints otherwise:

82% Are confident in their organization’s crisis management strategies and capabilities

49% Have defined a specific “playbook” for crisis scenarios

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Being prepared for a crisis event

With more than 90% of organizations conducting post-crisis reviews, the takeaway has been the understanding that although recent crises were not always foreseen, they might have been averted.

Source: Crisis management: Analysis of crisis impacted companies
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A lifecycle approach to managing risks fortifies an organization’s ability to avoid risk by focusing proactively in detection as well as readiness and response. It also takes advantages or opportunities for resilience by building more effective capabilities.
Questions you should be asking...

- What risks are our organizational biases creating?
- Are we challenging the assumptions in our strategy?
- What’s our reputation worth, and who owns it?
- Are we prepared for a crisis? Really?
- Is the risk management team, giving management the confidence to make high-stakes decision?
- Am we engaging our extended enterprise’s expertise to navigate uncertainty?
- Will we use crisis and strategic risks as a force for change?
- Do we see change ahead and are we acting decisively on what we see?
Quick Assessment and Structured Improvement activities empower organizations to strengthen their crisis capabilities before an event enabling a Strong Posture during a crisis.

**Quick Assessment**
- Crisis confidence check
- Contingency planning
- Post event review

**Structured Improvement**
- Program development
- Crisis leadership training
- Crisis simulations and war gaming

**Standing Strong During a Crisis**
- Crisis strategy and governance
- Incident response management
- Communication management
- Stakeholder management
- Financial management
- Information management
Questions