Crisis management for the resilient enterprise

ORGANIZATIONS FACE CRISES more often today than they did a decade ago, and those crises are increasing in magnitude. That's the consensus of more than 500 crisis management executives we surveyed last year, whose job it is to manage the organizational impact of extreme events ranging from leadership scandals to natural disasters. Our survey found 80 percent of organizations worldwide have had to mobilize their crisis management teams at least once in the past two years, with cyber and safety incidents topping the list of events requiring intervention. And while the vast majority

of respondents (84 percent) said their organizations have crisis management plans in place, many companies still could be doing more. The survey results generated five key insights:

1. **Experiencing a crisis teaches organizations to avoid them**. Nearly 90 percent of surveyed organizations conducted reviews, mostly internally, following a crisis. The major insight from these examinations was organizations can help themselves avoid crises by examining their preparedness across the entire life-cycle: Understanding the risk landscape, working to prevent issues from spiraling into crises, responding to and recovering from crises that do materialize, and learning from the experience to emerge stronger than before.

2. **Leaders need more development for crisis management**. Helping leaders display their full range of competencies under the extreme pressures of a crisis can support effective decision-making and communication when they are most needed. Senior leaders should determine, if a crisis occurs, how they want to organize themselves and allocate various roles and responsibilities. Simple but effective crisis management tools, such as agendas and checklists, can also help leaders to focus on the challenges ahead rather than worrying about whether they have covered the basics. And techniques needed for effective crisis leadership, such as communicating with stakeholders, should be practiced and honed.

3. **Confidence outstrips preparedness**. A company's confidence in its crisis management capabilities doesn't always match its level of preparedness. For example, nearly 90 percent of respondents were confident in their organization's ability to deal with a corporate scandal—yet only 17 percent had tested that assumption through a simulation exercise. Our recommendation is straightforward: Running crisis simulations, which will quickly reveal an organization's strengths and where it needs to improve, should be a standard part of a crisis management program.

4. **Readiness significantly reduces the negative impact of a crisis**. This is especially true if senior management and board members have been involved in creating a crisis plan and participate in crisis simulations. To secure their participation, it is important to keep the plan relevant to them so that it addresses the things that "keep them awake at night"; to track crises in the media; and to create case studies outlining the impact on finances and reputation should one hit. In addition, organizations should have a crisis management plan specifically for the board, which may need to play a very different role from management.

5. **Third parties are part of the problem—and the solution**. A number of companies are including partners and other outside organizations in crisis planning. Companies can start by determining which outside organizations need to be in the fold when managing a crisis. These could include advisors such as lawyers, public relations firms, specialist cyber defense organizations, or crisis advisors. In addition, critical service providers, joint venture partners, resellers, distributors, and any other entity that could trigger a crisis or be affected by it should be involved in crisis preparations.

Though many companies may overestimate their crisis management capabilities, this is not a time for hubris. As one survey respondent succinctly pointed out: "The world has become more global, but not more secure. And that trend cannot be reversed." ●

For more, read the article by Peter Dent, Rhoda Woo, and Rick Cudworth,
Stronger, fitter, better: Crisis management for the resilient enterprise, **on www.deloitte.com/insights.**