

CRISIS RESILIENCY: MISSED CONVERSATIONS, MISPLACED CONFIDENCE

Most boards of directors believe their organizations could deal effectively with crisis. Most are probably wrong. Here's why... and what to do about it.

As executives and directors, we know instinctively that new crises are striking our organizations faster than ever before. Blackmail... product tampering... geopolitical developments... cyber extortion... The nature of our turning points is changing. Man-made attacks are on the rise, and working environments are evolving with dizzying speed. Each of us faces an ongoing series of large and small crises that threaten our organizations, our reputations, and our livelihoods.

Of course, most of us think we are prepared for the challenges ahead. According to a 2016 joint study by Deloitte Touche Tohmatsu Limited and Forbes Insights, more than three quarters of surveyed board members believed that their organizations would respond effectively to a crisis tomorrow. But while most board members are confident their organizations are well-prepared to deal with crisis, most are probably wrong.

The Deloitte/Forbes study demonstrated strong director confidence regarding crisis management. But beneath the veneer of confidence lay troubling statistics: Of more than 300 board members surveyed, only about half stated that they had held specific discussions with management about crisis prevention or that they had engaged with management to understand what has been done regarding crisis preparedness. Fewer still said their companies monitored for troubles ahead or had “playbooks” for likely crisis scenarios.

In other words, most directors were confident that things would go well in a crisis, but half of them did not know how management planned to respond in crisis situations. Often they did not know whether management had a plan at all.



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The IIA

1035 Greenwood Blvd.
Suite 401
Lake Mary, FL 32746 USA

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The Vulnerability Gap

According to Deloitte, the board members' survey found "a broad 'vulnerability gap' between awareness of threats and preparation to actually handle them." In organizations where discussions about crisis preparedness are not taking place, that gap is often larger than the directors realize. A recent survey of nearly 1,500 internal audit professionals participating in a crisis risk webinar found that less than a third of participants (31 percent) believed their organizations had "clear, specific crisis response procedures." Some reported that they had no response procedures, and troublingly, an additional 15 percent did not know whether or not such procedures existed.

The two surveys demonstrate significant discrepancies between directors' perceptions and reality. And sadly, when it comes to crisis resilience, what we don't know definitely can hurt us. Less than a third of directors in the Deloitte/Forbes study who endured a crisis said they believed their organizations had recovered their reputations a year later.

It's likely that many of those organizations had devoted considerable time and resources to risk management, but when a crisis materialized, they learned difficult lessons regarding resilience. Recognizing potential threats and being prepared for them are often two very different things.

Beyond the Continuity Plan: Building a Crisis-Resilient Organization

In a true crisis situation, dynamic leadership is important. But leadership alone is insufficient: When a crisis strikes, information systems may be unavailable. Key employees may be missing, disrupting the chain of command. Demands from stakeholders mount, and public scrutiny intensifies. As the situation escalates, organizational paralysis may set in or time-pressured, uninformed decisions may destroy recovery efforts.

Crisis preparations must always be flexible because we can never completely predict the future. But while we might not know exactly what our next big crisis will be, most types of crises are foreseeable. All of us need to consider issues such as data security, compliance, safety, integrated risk management, insurance coverage, and emergency management. It is easier to create flexible, objective plans for crisis situations than it is to react appropriately without a plan in the midst of disaster. It just doesn't work to wait until the next crisis takes place to start planning for recovery.

Obviously we need business continuity plans. We need coordinated disaster management plans, recovery plans, and communications plans. But many experts now refer to "continuity management" rather than "continuity planning" specifically because planning is merely a component (albeit an essential component) in ensuring business continuity. True resilience entails more than business continuity, and it requires more — much more — than simply making plans. It is a culture of preparedness. That's why a crisis-resilient organization not only survives: It thrives even in unusual circumstances.

An Ongoing Commitment

It's no small effort. Clearly defined objectives must be identified, risks evaluated, responsibilities assigned, and employees trained. Action plans must not only be in place: They must be tested, rehearsed, and proven effective; then updated based on changes in the working environment. Procedures must continually be refined and reevaluated. But while preparation is key, preparation is only the first phase in effective crisis management. Organizations must be prepared to resist, react, and recover from a crisis. It's not easy to assure that we can "bounce back" after our controls fail.

To be fully effective, rapid-response teams must include a wide cross-section of skills and abilities. Individuals with knowledge of human resources, facilities, IT, legal, compliance, safety, operations, public relations, and other fields are needed. Additional specialists may need to be trained to step in during specific situations. And because the response team must have enough authority to act in a wide range of situations, executives such as the CEO, CFO, and COO are often core team members.

Perhaps that extended level of effort is one of the reasons crisis resiliency initiatives are often ignored or postponed indefinitely. In our rush to meet existing obligations, it's easy to defer discussions regarding crisis resilience. But in the words of the 9/11 Commission's report on business preparedness and



security, "Private sector preparedness is not a luxury, it is a cost of doing business."

If your organization's crisis resilience activities have stalled, one of the best ways to get back on track is to establish a written schedule for reviewing and updating plans at least annually, or even more frequently as circumstances warrant. Training events, awareness activities, and simulations are more likely to take place if an annual schedule is maintained.

Even the smallest steps toward crisis resilience may pay big dividends, and the most important step of all is simply to get started. If management and the board have not discussed crisis resilience during the past year, it's time to start the conversation.

Start the Conversation

The following questions can get the conversation going if management and the board have not yet discussed crisis resilience.

- Does the board receive regular reports regarding risk management, business continuity, security, and insurance programs?
- Are crisis leadership plans, incident management plans, and other relevant policies and procedures clear and specific?
- Have the plans been reviewed, tested, and updated during the past year?
- Do the plans describe roles and responsibilities of team members, specify lines of authority for the team, and provide criteria for determining types of responses and how to respond in specific situations?
- Do all employees know how to report and escalate issues regarding crisis management, risk concerns, and incidents?
- Do public relations and crisis communications plans adequately control messages and mitigate reputation and brand-related threats?
- Does the organization have an awareness program to keep employees and stakeholders aware of crisis management plans and associated activities?
- Has management analyzed readiness compared to a widely accepted crisis resilience standard or framework?

Assuring Crisis Resilience

It's not always easy for executives and directors to know whether or not resilience initiatives are adequate. One of the best ways to evaluate crisis resilience is to compare resilience activities to recognized standards, models, and templates. The best-known standard for assessing resilience is the International Organization for Standardization's "ISO 22316:2017, Security and resilience – Organizational resilience – Principles and attributes." The standard details key principles, attributes, and activities that have been agreed upon by experts throughout the world.

Another logical step is to use crisis simulations to prepare for foreseeable events. Behavior-based role-playing exercises can help management and the board assure that their plans are realistic, appropriate, practical, and current.

Both of these methods can help ensure positive outcomes that are consistent with the organization's core values. They can also identify missteps and gaps in preparedness before a crisis occurs.

Internal auditors, risk management professionals, and other assurance professionals can help prepare their boards, executives, and employees for crisis situations, provide assurance over readiness, and instill a crisis-resilient culture. If in-house resources are limited, various companies offer consulting services and assessment tools that can be customized to meet specific needs.

We have a duty of care that is especially important in crisis situations, and ducking accountability for crisis preparedness is not an option. Resilience does not come about by accident: It takes hard work and ongoing commitment. But as directors and executives, we may have a more important role. All of our actions should have the ultimate goal of preparing our organizations to face the future — and that future is one of increasing risks and uncertainty, in which only the best-prepared organizations are likely to survive. In the words of Ralph Waldo Emerson, "The future belongs to those who prepare for it."

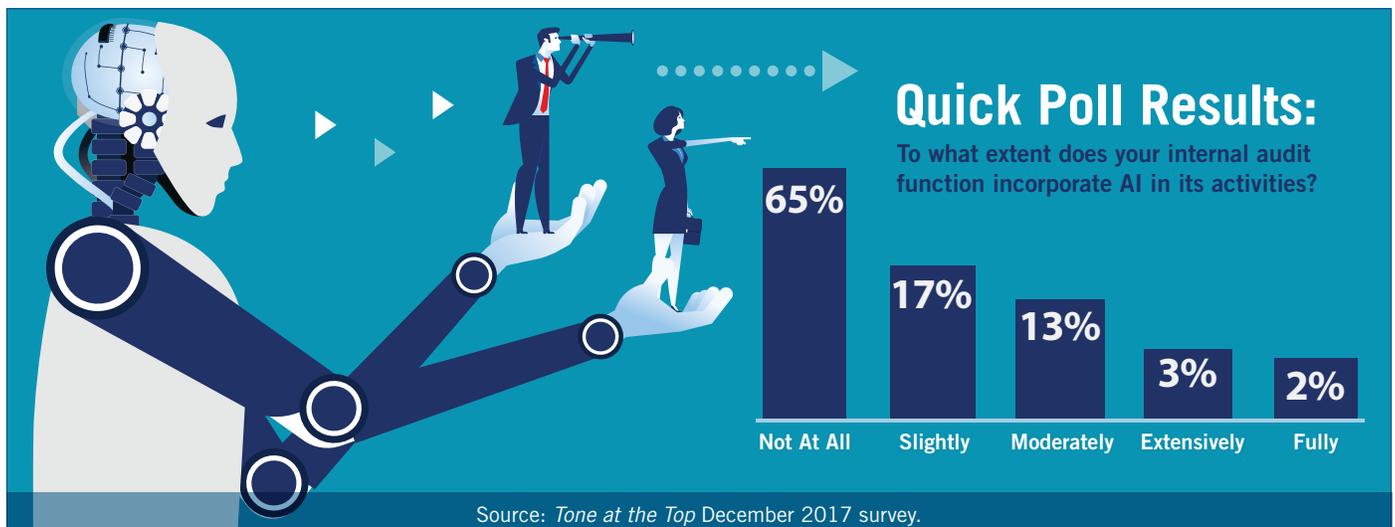


Quick Poll Question

Does your organization have crisis response procedures that are clear, specific, and up-to-date?

- Yes, we have documented procedures that are clear, specific, and up-to-date.
- We have crisis response procedures, but they need to be improved or updated.
- We have few or no formal crisis response procedures.
- I do not know. It's time to find out!

Visit www.theiia.org/toner to answer the question and learn how others are responding.



Source: *Tone at the Top* December 2017 survey.