

# Many hats

*Conversations that matter for non – executive directors*

## *Are you ready to handle a crisis?*

*The way that boards plan for and handle crises needs to change. Although crises are nothing new, the rapidly changing business, social and political environment today requires a new kind of preparation and response.*

*Two leading corporate crisis experts, Gerard Forlin QC and communication advisor Andrew Butcher, discuss the new landscape and answer NEDs' questions about how to make sure boards are ready to respond when disaster strikes.*

### **Q. Why do we need to change corporate crisis management?**

One of the primary drivers is the sheer complexity of global businesses today.

Companies are expected to function in multiple and diverse operating and regulatory environments. They're also sharing, collaborating and outsourcing more, meaning other parties do business on their behalf but aren't controlled directly. Yet the littlest error in this extensive ecosystem can bring the biggest company down.

On top of this, firms are often held to the highest possible standards, globally, regardless of where they're operating. So your corporate office buildings in India, for example, might need to meet EU or US safety standards, despite what the local code says.

Another driver is the issue of contagion across boundaries. Social media, 24/7 news, and collaboration among regulators severely limit the ability of companies to contain the impact of a crisis.

Add in the current social and political milieu – declining trust in institutions, experts and the 'elite', rising populism and anti-global sentiment, and increasing calls for authenticity and accountability – and you can see why companies and boards need to be on their A-game.

### **Q. But don't we have better control systems than before?**

Yes, companies do have more systems, but the trick is being able to detect issues early and shut down problems quickly. There are plenty of examples of crises that started with alarms ringing, but the company did not react fast enough.

This often comes down to robust corporate governance. Boards need to be more assertive in asking whether control, quality and response systems are actually working.

### **The role of the board in a crisis**

*When it comes to a crisis, good boards do several things in common:*

*They bring the legal and corporate affairs teams – and any other relevant groups – into the tent early.*

*They gather information quickly, and sometimes from sources outside the company.*

*They delegate and empower the management team to act.*

*They keep management informed of their thinking so there are no surprises or miscommunication in either direction.*

*They set or agree a framework for dealing with the crisis and leave the details to the management team and those they pay to advise them.*

*They keep in very regular contact with their executives and advisors and continue to share their views without holding up the process.*

### **Q. So what does good crisis management look like?**

Preparation and planning are the keys to an appropriate crisis response. Top organisations not only develop robust crisis plans but stress test the plan – and themselves – by conducting regular training exercises.

These practice runs help executives and boards manage the panic and the knee-jerk reactions that must be controlled when faced with a crisis.

Another human instinct that must be managed is the tendency to play the blame game. Companies must be accountable and take ownership of the problem; being overly legalistic or attempting to divert attention elsewhere won't help.

The key is not to panic but to act quickly and decisively and focus on what really matters. At moment of crises, it's the 'people' issues that come to the fore – who's been affected, what's been the impact and how are their needs being addressed.

### **Q. How do we deal with the media?**

Building relationships with media before an issue or crisis emerging is always useful and can help establish trust and rapport from the start.

The media is interested in the story and the facts, so be as open with them as you can. If you take them into your confidence, they can help you tell your side of the story.

Being difficult to reach, evasive or too clever won't work; if you're put on the spot, be honest and authentic. Consider whether your response passes the 'pub test'.

### **Q. And what about social media?**

It's important to pay attention to social media, which can be a useful way of getting accurate information into the public sphere quickly. But it can consume a lot of time, so make sure the company has the appropriate resources in its communication team. Of course, it helps to spend time building a social media presence before a crisis hits.

You also need to think about your 'voice' as the typical corporate persona does not play well on social media, and particularly not in a crisis.

### **Q. When should we inform the regulator?**

While it depends on the specifics of the event, it's generally advisable to 'go early and go often'.

You don't want a situation where the regulator says 'why didn't you come to us earlier', but neither do you want to self-report before you have established the facts of the situation.

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