Crisis management: Understanding the response plan

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When a crisis hits your organisation, how will you find out about it as a board member?

Through employees, customers, or maybe virally through social media?

Hopefully though, your organisation has a well-prepared and well-rehearsed crisis plan, in which case you will most likely learn about the facts of the crisis speedily and directly from the organisation's authorised incident "commander" or spokesperson. You will know what steps you need to take, if any, and how management has prioritised its activities for a recovery. You may even have gone through a table-top scenario exercise with the management team. You can be confident that the crisis is being controlled as well as possible.

The incidence of crises is rising. So is the impact of crises on organisations. In this article, originally published by PwC's Center for Board Governance, we argue that boards, even when their organisations have crisis management plans, have missed crucial steps for their organisations to pull through a crisis and get back to business. One of those steps is to have a robust communications plan as communication is essential to help prevent stakeholders losing confidence in the company and exacerbating the situation.

Here are some of the other critical steps:

1. Know when an "event" is really a crisis – define in advance what constitutes a crisis and determine "trigger points" that once reached may indicate a crisis situation.

2. Appoint an identified "incident commander" – the person is authorised to convene the crisis team, or can engage the appropriate individuals to make that decision.

3. Keep the business running smoothly – stay focused on getting back to day-to-day operations, particularly for those areas of the business less impacted by the crisis.

4. Prepare in advance – many companies that have performed scenario testing begin to recognise the amount of work and coordination that goes into each step.

5. And yes, communicate – keep control of the message.

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So when did you last check your organisation's crisis plan? Here are other tips for boards in preparing for, responding to and recovering from crisis.

Scenario testing can improve execution

Most directors say they understand "very" or "moderately" well the company's crisis communication response plan24, up from less than half who said the same just two years ago. But interestingly, when a crisis actually does happen, often the crisis response plan is forgotten in the midst of the turmoil. This can result in inefficiency and potential mistakes.

Companies will want to assess and test their crisis response plan. Scenario testing can help improve the likelihood of effective execution. And while testing is important, the best laid plans may not always work. Companies need to remain agile during a crisis situation and adapt their plan if and as needed.

Lessons learned from recent crises

Having the right crisis response team:

Companies need to have the right crisis response team with the requisite expertise to guide the company. The team may be different depending on the crisis situation. For example, the team needed to respond to a security breach may be different from one needed to respond to a natural disaster.

Controlling the messaging:

Management should use caution when communicating in a crisis situation. Companies need to maintain control of the messaging and be careful not to provide too much detail before all the facts are known. Sometimes the known facts can change dramatically in a short amount of time. Such changes can lead to a different response plan and cause the company to lose credibility with its stakeholders if it has already gone public with an incomplete or inappropriate response. Social media can be a valuable communication tool.

Investigations and assessing the need for independent legal counsel:

If a situation is deemed to need an investigation, the audit committee or board will want to determine whether to engage independent legal counsel instead of a familiar law firm overseen by company executives. Why? Independent counsel may be needed to satisfy all parties and regulators – the SEC, stock exchanges, external auditors, and company executives – relying on the credibility and objectivity of the investigation.

Building relationships early:

A company in a crisis situation may need the assistance of regulators or local law enforcement agencies. So management may want to consider building relationships with key individuals in these organisations before a crisis occurs.

Director considerations:

- Ask if management has performed scenario testing of the company's crisis management plan to reduce the likelihood of mistakes and inefficiencies.
- Understand whether and how the company plans to use social media to deliver its messages in a crisis situation.
- Consider lessons learned from recent crises and discuss with management whether any actions or changes are needed to the company's crisis response plan.

This article originally appeared in PwC's Centre for Board Governance "Key considerations for board and audit committee members" publication.

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