

Crisis Management

CRISIS MANAGEMENT PLANNING IS AN INTEGRAL PART OF THE BUSINESS RESUMPTION PLAN. For years, crisis management professionals have been differentiating between the concepts presented in business resumption planning and the concepts used in crisis management.

Crisis management planning involves a number of crises other than a physical disaster.

- It identifies a number of types of crises. Many of these threaten a company just as severely as a physical disaster.
- It shows how problems in the pre-crisis stage, which are not visible outside the company, are managed to ensure that they do not become an acute crisis.
- It also shows how the *crisis management team* should manage a crisis once it is in the acute-crisis stage.
- It suggests how the crisis management team should manage the crisis after it has moved to the post-crisis stage.
- It indicates how to select the crisis management team.

PERSPECTIVE

The business continuity plan, as shown in Exhibit 6-1, includes the controls, the procedures, and the policies designed to:

- prevent a disaster from occurring (prevention)
- respond to a disaster during and immediately after it has occurred (response)
- resume time-sensitive business operations quickly after a disaster has occurred (resumption)

The business resumption plan is designed to resume business operations quickly following a disaster. The BRP contains three main elements as

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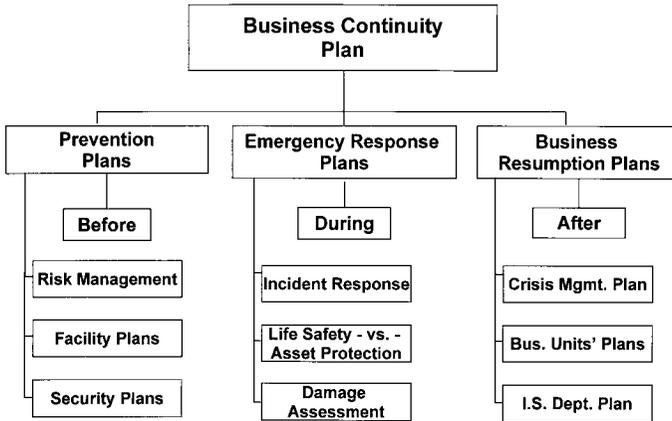


Exhibit 6-1. Business continuity plan diagram.

1. Crisis management plan
2. Business units' plans
3. IT plans

Differences Between Crisis Management and Business Resumption Planning

Crisis management planning is a term used to describe a methodology used by executives to respond to and manage a crisis. The objective is to gain control of the situation quickly so a company can manage the crisis

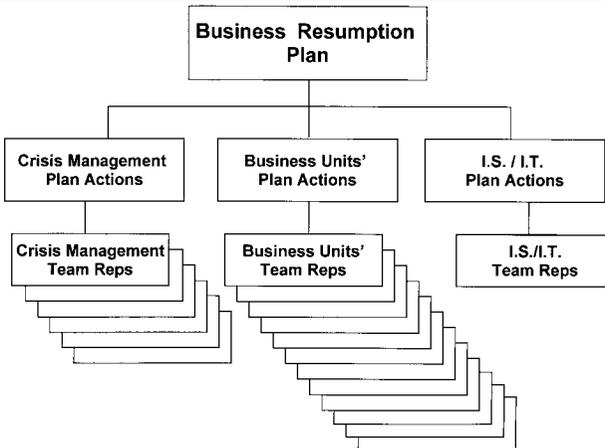


Exhibit 6-2. Business resumption plan diagram.

Exhibit 6-3. Differences between business resumption plans and crisis management plans.

Business Resumption Plan	Crisis Management Plan
1. The incident causes physical damage to company assets	1. The incident does not cause physical damage to company assets
2. Plan is based on worst-case scenarios	2. Plan does not address specific types of crises

efficiently and minimize its negative impacts. Crisis management planning is defined in the *American Heritage Dictionary* as “special measures taken to solve problems caused by a crisis.”

In a crisis management plan, if a crisis strikes the company, the crisis management team will activate and manage the crisis until its conclusion.

The crisis management plan is also used in a disaster. The business resumption plan identifies how the business units affected by the disaster go about resuming business operations. During that time, the business units receive support from members of the executive management and crisis management teams.

In a business resumption plan, if a disaster struck a computer center, the crisis management team would activate and provide support to IT until the business operations are back to normal. This team’s support is, in essence, crisis management support.

Difference in Scope

The business resumption plan deals with incidents that cause physical damage to assets of the company (see Exhibit 6-3). The crisis management plan deals with incidents that do not cause physical damage to assets of the company. This is one area of difference between the two planning concepts.

DIFFERENCE IN DEVELOPMENT SCENARIOS

Another difference is the use of scenarios. The concept used in crisis management planning is different than that used in business resumption planning. In business resumption planning, business units in a company build their resumption plans based on a *worst-case disaster scenario*. They do not build a plan to resume business from each type disaster that they could experience; i.e., fire, explosion, internal floods, damage from storms, etc.

In the mid-1970s, companies started building their disaster recovery plans with actions to respond to different scenarios. They were developed and documented as “what if” contingency plans: “What if” the computer equipment failed? “What if” the computer software failed? “What if” we lost power?

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Companies carried that thinking over to their disaster recovery plans (DRP). They began developing a DRP for a fire, and another one for a flood, and a third for a storm.

Disaster recovery planners realized that most of the information used to resume business operations from one specific type of disaster was the same, or similar to, resuming business operations from an entirely different type of disaster. Whether it was a fire, or a flood, or a storm that struck their location, their plan called for them to:

- activate their alternate operating location
- retrieve their backup files from the off-premises storage location
- relocate key people to the alternate site to resume time-sensitive business operations

The same concepts would be used and the same recovery resources would be used, despite the fact that the cause of the disaster was different.

The planners realized that much of their plan contained redundant information. They decided that if the plan would work in “a worst-case disaster,” that is the scenario that would be used. They recognized that the “worst-case disaster,” as rare as it is, provided all the planning actions they would need. If the disaster that they needed to recover from was less damaging than a “worst-case disaster,” the plan could still be used. Not all of the elements would need to be activated, only those elements applicable to the disaster situation at hand. Those elements that would be activated would be determined at the time of the disaster, based on an assessment of the damage. Therefore, they rebuilt their plans to resume operations from a “worst-case disaster.”

The crisis management plan, on the other hand, does need to address specific types of crises. The reason is that the actions needed to manage one type of crisis could be quite different from the actions needed to manage a different type. For example, if the company is faced with a “sudden market shift” crisis, the company executives would manage the crisis entirely different than a “product safety” crisis. In a company that could realistically be faced with each of these crises, the company should pre-plan the actions and options they could take in each case to minimize the impact to the company.

What Is a “Crisis?”

A crisis is defined by:

- *Webster’s New Collegiate Dictionary* as “a time of decision, an unstable or crucial time whose outcome will make a decisive difference for better or worse, an emotionally significant event or radical change of status in a person’s life.”

- Crisis management experts define a crisis as an unstable time for a company, with a distinct possibility for an undesirable outcome that could interfere with the normal operations of the business, or damage the bottom line, or jeopardize the positive public image, or result in close scrutiny from the media or government.

Types of Crises

A company can be faced with a number of different “types of crises.” The list below contains some of the incidents that can evolve into a crisis. It is by no means all-inclusive. There are other incidents that are not identified here, but could be considered a crisis situation by your company.

Examples of incidents that can escalate into an acute crisis are:

- a product safety issue (where a product fails or is tampered with)
- a negative public perception of your company (appears your company doesn't care about the problem)
- a sudden market shift
- a financial problem
- an industrial relations problem (worker strike)

Other examples could be an adverse international event, a workplace violence incident, a lawsuit, and a regulatory fine.