



ROUNDTABLE 2006

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Crisis management

An introduction to the StrategicRISK roundtable discussion by **Sue Copeman**

Why do a significant number of businesses still not have any formal plan for managing a crisis, or indeed for maintaining business continuity? This was one of the questions addressed by this month's roundtable participants. They largely considered that, while businesses may not have documented their arrangements, most probably had a reasonable idea of how they would respond to incidents, even though they might erroneously think that they could manage their way through fairly simply.

Indeed, it became clear throughout the discussion that there is a fair amount of jargon pervading the business continuity profession with a whole range of terms meaning different things to different companies. This can be daunting for companies contemplating business continuity and crisis management planning for the first time.

Two of the key drivers for establishing business continuity and crisis management plans are regulation, for example the requirements of the Financial Services Authority and Sarbanes-Oxley, and customer pressure. The latter seems the most likely to push survival planning to the fore in unregulated businesses.

Just as occurred in the run-up to Y2K, some corporate buyers are now requiring assurances from their suppliers that they have robust plans, but this time in relation to a flu pandemic. It seems likely that when the business continuity standard, British Standard 25999, is finalised, published and auditable, procurement departments will expect their suppliers to comply with this within the tender process. And there was general agreement that having a robust plan gives a supplier a competitive advantage.

However, our discussion group stressed the fact that merely producing a plan to satisfy regulatory or customer requirements is insufficient. In order to be effective, plans need to be specific to the organisation concerned, exercised regularly and appropriately, and to evolve in parallel with the business.

Should a crisis occur, protecting reputation is a key consideration which needs to be managed at the highest level. Response has to be fast and while some strategies and 'trigger points' can be pre-planned, it is dangerous to be too specific.

Sue Copeman
Editor

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Roundtable participants



Alan Staniforth, head of risk management, Royal Mail Letters Finance, who chaired the discussion



Paul Bermingham, director, corporate multinational risks, Crawford



Simon Hayles, group environment and site risk manager, BPB plc



Jamie Jameson, consultant, Link Associates



John Lee, emergency planning manager, group security – emergency planning, National Grid



David Lloyd, technical adviser, Survive



Geoff Miller, head of risk management, finance directorate, United Utilities north west



Hugh Price, partner, Hugh James



Douglas Ure, risk manager, Primary Group



CRISIS MANAGEMENT

ALAN STANFORTH: Essentially, the issue I would like to explore most is the fact that a lot of recent surveys show that many companies still do not do business continuity management (BCM) or crisis management. So what I would like to explore today is why. What are the barriers to companies taking this up? Is it lack of resource or is the risk community itself not approaching the subject correctly? Have the insurance companies and the brokers got a role to play in encouraging the development of good BCM in all our companies? There are a few sub-themes that we may be able to explore as we go through, including how you embed awareness in any organisation no matter how big or how small, and who should actually be responsible for handling crises if and when they occur. One of the things that a lot of companies don't pick up on is that a crisis or an incident can actually turn out to be an opportunity. I know Douglas has got some thoughts about this sort of thing so would you like to start off, Douglas?

DOUGLAS URE: I'd like to pick up on your first point Alan – why a lot of companies don't do business continuity planning or crisis management or emergency planning or whatever it is called. Having been involved in almost 'selling' business continuity planning and crisis management to businesses within an organisation, I get the impression there is a general feeling that 'it won't happen to us'. Unless a business has actually been subjected to an incident or exposed to a crisis, many people within that business don't see a need for business continuity planning. And they think that, even if an incident were to happen, since they know their business very well they would be able to manage their way through it. I think one needs to educate and explain to people that, while an incident might not happen, there are a number of unexpected events that they might not be able to manage particularly well. So pre-

planning, understanding your risks, understanding your risk profile, understanding what is actually critical in your business, thinking about how your business would recover and continue in the event of an incident, are important. Doing the pre-planning, having it documented and testing that plan, are extremely important. So I think it is very much a matter of 'educating' many people that it is important and very effective to have a crisis management and a business continuity plan to deal with any one of a number of different scenarios. Traditionally, I think business continuity planning and disaster recovery have been associated with IT and backing up your IT systems. But it is much broader than that. There is still a big learning curve for a lot of businesses and I think it will take a while for businesses to fully embrace this whole concept of crisis management and business continuity planning. A lot of businesses do it because they have suffered an event and actually experienced a loss. That has got them thinking 'this can't happen again, we haven't managed that particularly well, we need to put a bit more effort into concentrating on this area'.

JAMIE JAMESON: You started by wrapping up business continuity management and crisis management into one. But they are not – they are actually totally different disciplines. In practical terms, crisis management is dealing with the uncertainty which exists beyond contingency planning; business continuity management is actually looking at the level of defence from the start of the event until you put in a defensive mechanism. You can plan for so much. Then, if the event continues to escalate outside the boundaries of contingency planning, you are getting into the bounds of potential crisis and escalation. I think the 'business continuity professionals' have actually dragged crisis management down to mean what you do when something actually happens, which it

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is not. So can we settle on some definitions?

ALAN STANIFORTH: It is something which I hope will come out of this roundtable. We have had this debate in many circles as to where crisis and continuity management sit and whether, in fact, they should be done by the same people or separate people. Paul, have you got any thoughts on that?

PAUL BERMINGHAM: We are getting more involved with clients now in two areas. One I suppose would fit into the category of business continuity management, where we are being invited more and more to get involved with clients' business continuity planning, looking at their operations in the event that there is a claim and looking at the alternatives – the alternative sites, alternative suppliers or whatever it might be. The other side of it is that we are also getting involved in crisis management, testing scenarios with clients. We help in the organisation of these. They come up with a scenario, they test every element of it, and then they will consider how they are going to deal with the situation if something new is thrown into the mix and it has now escalated. I would agree that business continuity management and crisis management are two separate things. One is planning for a kind of general event – you can anticipate that it could happen although you hope it won't – and the other goes beyond that into something that is probably very much in the public eye, which can seriously affect reputation and will need a lot more concentration of effort from all parties within the business.

JAMIE JAMESON: But that crisis can be triggered from within the organisation. Actually your business continuity event may even trigger a crisis which is not related to that event, in so much as you have internal fault lines, which experts have been talking about for years, that actually come into play when the organisation is under stress. That in itself acts as a 'snowball' to produce a crisis. For example, if you take Barings Bank, Nick Gleason wasn't the crisis, he was the trigger. It was the lack of controls within Barings which then came into play which caused the crisis of confidence and the bank's downfall.

ALAN STANIFORTH: In your experience who does crisis management?

JAMIE JAMESON: Crisis management should be done by the most senior and capable people in the company, it is not something to delegate down. A crisis management team should only come into play on very rare occasions when the actual ability of the company to survive is threatened. High-risk industries, utilities, oil and gas and so on, have known and understood this for years. 'Soft-risk' industries, banking etc, have only recently come onto the scale, and they have almost re-invented it. I've noticed they are unwilling at high level to get involved. That's the difference between the two.

HUGH PRICE: Is it because of Douglas's 'it won't happen here' impression?

JAMIE JAMESON: To a certain extent yes. They can't envisage how they are going to be threatened and therefore they delegate it down or are unwilling to get engaged. Take Buncefield, for example. If you have got a major problem then you know that an organisation like Total UK is actually going to have a crisis management team in place to deal with the threat to the company.

Whereas if it is a bank it may be longer, it may be softer, it may be more of a creeping crisis than actually an event that happens. There appears to be a fundamental difference between the two schools and there isn't a marrying together yet.

JOHN LEE: In my experience, when you ask organisations if they have business continuity planning they say no, but if you ask them if they have any day-to-day operational issues where they would have to do something different from the norm, they say yes. They don't relate the two together. The way that BCM is promoted gives a negative view but they have got arrangements in place which I believe would be effective. They are just not very efficient at it.

GEOFF MILLER: But there is a danger of inferring that the tools and techniques that are used to manage operational risks are applicable in all areas of exposure. If you have financial or marketplace risk for instance, to apply those operational responses may not necessarily be appropriate.

JOHN LEE: That is very true but I think they have got a bit more resilience than their answer to the question about business continuity might indicate. I think it has become very complicated for something that should be very simple. Organisations go to people offering services who look at the business continuity arrangements for every process in their organisation. But business continuity is really something you should only be looking at for core activities, because you just couldn't afford to 'gold-plate' everything in your organisation. I think that is why people are not engaging.

SIMON HAYLES: I certainly would support what you were saying earlier. A number of the organisations that I have worked with have what I would term to be reasonably competent business continuity plans in place to respond to specific issues. But they don't recognise them as that; they recognise them as operational plans or procedures for responding to an incident or an event. Also quite a few of these programmes tend to be informal rather than formalised in a proper structure.

PAUL BERMINGHAM: In respect of one of the key

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Geoff Miller





There are some very good things coming out of the Cabinet Office in terms of resilience planning

David Lloyd

questions asked – why do many companies still not have continuity management? – interestingly from our perspective as a service provider that’s very much engaged when an incident does occur, we have had to address this issue ourselves, both for our own business and because our clients, as part of the tender process, are asking ‘what are your business continuity arrangements?’. We have to demonstrate to them that, if something happened to one of our major operations or systems or whatever, we can react and respond and continue that service. That is something that has helped us and has pushed us faster into that process.

HUGH PRICE: I am quite surprised that that isn’t an issue for more people around this table, because we are certainly finding, with lawyers increasingly asked to tender for work, even if there is no outsourcing involved we are asked to provide a business continuity plan. And if we don’t, quite frankly we won’t get very much further with that tender. Surely you must find with the supply chain to safeguard that if one of those suppliers for whatever reason is unable to supply that is going to have a knock on effect on your business. I am quite surprised that increasingly those entering into those contracts aren’t making it mandatory that the business continuity plan and the crisis management plan, call it what you will, is in place.

ALAN STANIFORTH: Douglas has mentioned the point about educating and John has talked about negative promotion of risk management, but the point just raised is that there really is an advantage to be had by doing good business continuity management and being able to demonstrate that you have got good business continuity or crisis management. So how do we press forward that message that there is a competitive advantage here? David, can I ask for your view as a representative of a body that is all about education and promotion?

DAVID LLOYD: First, I would concur with what’s been said about the fact that business continuity often does exist under another name. I think that is something that

goes back many years. Certainly talking to various organisations, they have expertise, they call it contingency plans, and they have things in place. Most organisations back up data and back up computer systems and so on. Clearly the business continuity profession has a vested interest in establishing that plans are a good thing and hopefully we can demonstrate they are. Going back to the Buncefield situation, there are quite well documented cases where business continuity plans were exercised and demonstrated the capability of those companies to survive. So I think that is starting to answer the question of how do we promote it. It is those examples that we have to really get in front of people to demonstrate where companies have survived and even thrived on the back of the way they have responded. It is not just business continuity. As Jamie pointed out, it is crisis management as well. An example of a very good response was British Midland [the 1989 Kegworth disaster]. It wasn’t a business continuity plan, it was a good crisis response, it was good media management, and so on. So in the end it is going to be a more complex answer than simply how you are going to promote business continuity. It is at a much higher level.

I just want to pick up one point about what Jamie said about crisis management and the high-risk industries. When I was working in the aviation sector the thing that we were trying to promote was business continuity. Very often we heard ‘well actually we are good at crisis management’ – because clearly they are good at dealing with accidents – ‘therefore we can manage anything, we don’t actually need this thing called business continuity’. Happily, over time, we were able to demonstrate to them that actually they were having other issues, such as check-in systems that failed, theft from the company, disputes with catering companies that perhaps screwed them up, and so business continuity gradually has become much more the norm in that sector. So, coming back to the point, how do we promote this?, it is through examples largely, it is through word of mouth, it is through initiatives, it is through suppliers being pushed to have a business continuity plan because that’s what their customers need. And it is also through the initiatives of the Government. There are some very good things coming out of the Cabinet Office in terms of resilience planning.

ALAN STANIFORTH: But how do we reach the people we need to? The financial services companies that are regulated by the FSA do it because they have to. Those companies quoted in America have to do it because of Sarbanes-Oxley. But how do we reach those companies that are not governed or regulated by those bodies? How do we get the message to medium sized companies that there is a competitive advantage here if they do this properly? And who does it? Obviously Survive has a role, but should insurance companies or insurance brokers also be involved?

DAVID LLOYD: Most of the large companies have a role because of the network of smaller suppliers supplying the larger organisations, and there we are talking about not just the financial sector, which is pretty well sold on this, but the whole of industry. I have seen so many initiatives by various companies, including organisations like ourselves and various consultancies, that have attempted to promote business continuity to the SME market. But I haven’t seen any that I would describe as generally successful, because it is so difficult to get into that market with the kind of proposals we are making, ie that you

need to establish a team, allocate responsibility and things like that. They just don't have that level of resource. And yet, if you ask them, they probably do have a contingency plan. They all supply the larger companies and that is probably where, with the help of Government agencies and people like ourselves, they can be encouraged to put formal plans in place, even if the larger companies have to help fund the establishment of business continuity lower down the food chain.

DOUGLAS URE: Lack of resources is a key thing. A lot of businesses are constantly watching costs, and spending time and money on a business continuity plan is something that they don't often do. Moving back to the point I made earlier as well, I don't think a lot of businesses see it as an issue. They think these things are not going to happen to them. On the subject of supply chain management – leading up to Y2K many businesses made contact with their suppliers because they recognised there was an issue. If they had been sensible they would have continued those relationships but they never bothered because, when the millennium came, not an awful lot happened. So they didn't see it as an issue; they didn't see it as important to keep that relationship with suppliers. In my opinion, very few companies actually look at who their key suppliers are, and what happens down the chain if suppliers fail or collapse or are not able to fulfil their needs.

GEOFF MILLER: But an environment is beginning to emerge that can create a kind of encouragement with the Civil Contingencies Act. Certainly we are a member of the utility sub-group, we are a category 2 responder within our region. We had well established relationships with the category 1 responders, principally the local authorities, and since the Act has come in the local authorities now have a duty in terms of advising and supporting development of business continuity awareness within the community. Given many of those SMEs are our customers, we have an interest in maintaining their continuity and demand on our services, so that kind of environment can encourage an appropriate level of discussion amongst those parties.

JAMIE JAMESON: Following on from that, the surge which is likely to occur from pandemic flu has much the same impact, I suspect, as Y2K, but with potentially a more reasonable outcome in the long term. But going back a little, I think part of the problem is that business continuity is not a culture within business. If we go back 30 years or so, safety wasn't a culture within business. It now is and people accept it and run with it and it is embedded within everything that happens. How you get from where we are to business continuity being the same, I don't know. But business continuity does itself a disservice because actually it is just good business. If boards understand that it is good business, and directors understand it is good business practice, then it is more likely to get done than if it has a fancy label. I often like to turn it on its head and say, actually what you are planning for is continuity in business – you won't have a business if it doesn't work – not business continuity. There is a subtle difference.

DAVID LLOYD: Picking up on the point about safety, a similar example is perhaps quality, with the quality programmes that came in during the 1980-90s. Can we learn something from how safety became part of the culture and quality became part of the culture, and



suggest that a similar process is needed for continuity in business or whatever you want to call it. One of the things we are moving towards is thinking in terms of resilience rather than just business continuity. This has a slightly more holistic, more all-embracing sense to it.

ALAN STANIFORTH: We are touching on a key aspect of promoting business continuity and crisis management in business. We have had quality and safety mentioned; diversity is another example. They are all now part of the culture. But in all three cases there was very high level sponsorship at board level which pushed this through into organisations. My reading of the tea leaves is that we don't have that with continuity management within industry at the moment. It has not reached that level. So how do we achieve that?

DOUGLAS URE: The 1974 Health and Safety Act probably did a lot for health and safety culture because businesses were actually required to do something about it. We mentioned earlier on about the FSA and Sarbanes-Oxley now requiring businesses to have business continuity arrangements in place. That in itself will probably start pushing companies to do something about business continuity planning. Yes, raising awareness in business is important, but I think regulation will have a big part to play in this as well and hopefully will result in business continuity planning actually increasing within businesses.

JAMIE JAMESON: Some of these things have happened once a British Standard or an ISO has come in. It has then become the fashion to get it. We always want the greatest and latest and then others demand that you have it or they won't deal with you. When the BSI for business continuity management comes in it could be the trigger for that sort of thing to happen.

JOHN LEE: You need an incentive then from the insurance industry. If you could demonstrate that you were fully compliant you wouldn't expect your premium to be the same as it was the year before, you would expect

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Douglas Ure

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reductions and things like that. Realistically, where is the incentive?

GEOFF MILLER: We have had a very favourable response from the underwriters in relation to the presentations we have given on our risk management approach and we have actually managed to contain and in some cases reduce our premiums. And we aim to maintain that dialogue because we find it highly effective.

DOUGLAS URE: There is a danger in using insurance as an incentive, because unfortunately the way that the insurance market works is that your premium will probably be affected by other catastrophes and disasters that happen elsewhere in the market. So although you might have put great business continuity planning in place, in actual fact the next year you might find your premium will skyrocket because of other factors.

JOHN LEE: I appreciate it is just a component.

DOUGLAS URE: But I think the best thing is using examples of what can go wrong and why you plan for these uncertain things in the future. If you don't, you could be out of business and that is the crux of the matter.

PAUL BERMINGHAM: It is also picking the right examples. The year 2000 is probably a negative one in that a lot of people spent a lot of money trying to deal with that particular situation and then nothing happened.

JAMIE JAMESON: You could class that as a great success story.

DOUGLAS URE: But then again the companies that didn't do anything about it didn't suffer either.

GEOFF MILLER: But had we not spent that money then they would have suffered the consequences.

HUGH PRICE: I wonder whether something like Buncefield is perhaps the right place to start as the worst case scenario and to perhaps compare those companies that did have crisis management plans in place with the ones that didn't.

PAUL BERMINGHAM: That is a good starting point, but I think you can also consider other wider catastrophes, such as Katrina, because that had an impact not just on clients' businesses but on suppliers that supplied those businesses. You can get your business back up and running but there is no one in the area for you to sell anything to, or buy your goods. So I think there are certain lessons to be learned both from the bigger wider examples and the specific man-made incidents like Buncefield.

SIMON HAYLES: We have to be very careful about how we choose them, because, with Katrina for example, we are not in hurricane alley here in the UK so it would be difficult to 'sell' that sort of incident.

JAMIE JAMESON: Surely you have got to plan within what I would call a 'benign contexture'. You have got to be able to bring your business back on stream within a given timeframe to whatever standard you choose and you plan for that. But when whatever it is happens, you have to look at the external influences at the time because you can't actually plan for them in detail, unless you happen to be in hurricane alley when part of your planning will take that into account.

JOHN LEE: That is a good point, because people ask us for scenarios but we have moved away from that now. We have adopted what we think is a simple approach, which is process, premises, provider and people. It doesn't matter what the trigger is, as long as you can cater for denial of access to premises, loss of your service provider, and loss of your staff, that will address it.

JAMIE JAMESON: So you are looking at impact

JOHN LEE: We are just purely looking at that. It doesn't matter what the trigger is, this is how we manage it. And it has just made it so much simpler and we have come away from measuring the quality of the plan by 'weight'. It comes back to what we said. Not many people will be dedicating 100% of their time to business continuity so the more you can simplify the better it will be.

GEOFF MILLER: I think we are falling into the trap that Jamie highlighted at the start of this discussion, in conflating business continuity and crisis management. I accept that if we are to sell the concept to audiences the message needs to be tailored to those audiences. If we are talking about SMEs for instance then event-based risk and loss of premises could be the killer blow to an organisation. As you move up the scale of organisations it is less to do with the resilience of individual events and more to do with uncertainty and the softer, less tangible issues, so it can be more around reputation and behaviours, those kind of aspects. So tailoring what we are selling to the appropriate audience is key.

DAVID LLOYD: If you take that modest sized company which has no formal plans in place whether they are crisis plans or business continuity plans, I wonder what would be the first practical step. Would it be to put in an incident response plan – the crisis management approach – or to start to think it needs some business continuity, recovery plans. I think I would argue in favour of some kind of incident response process.

GEOFF MILLER: I would agree with you in those circumstances.

DAVID LLOYD: If that is the case, then that is not selling traditional business continuity to that organisation. It is selling them some kind of initial resilience planning, crisis planning perhaps. So perhaps we are starting at the wrong point.

JAMIE JAMESON: There is a time element to this. For some businesses it doesn't actually matter if they are not there for a fortnight; they close down for the summer and send everybody on holiday. For other businesses, for example in the financial sector, it matters if they are off line for an hour. So the degree of planning has to take that into account. Those businesses, and a lot of them are SMEs, don't see why they have to be up and running tomorrow morning. They say, well if we are back in two or three days time, we are alright. We may have failed to sell a little bit but our turnover rate is such that it doesn't matter, our competitors aren't going to take a great advantage, whereas in other industries, utilities, banking and so forth, it is absolutely vital that they are there and running. Therefore they have got to plan in detail to achieve this.

DAVID LLOYD: But even with those, it's instant response.

JAMIE JAMESON: Absolutely.

DAVID LLOYD: This is not to downgrade business continuity plans, but the particular characteristic you will see if you start to read through the new standard is that there is a lot more on incident response and crisis management than there was in PAS86. We worked very hard, looking at the flow of activity in the event of an incident occurring. We were trying to think of all different types of incidents. To encapsulate some of our thinking, it was that there was a crisis team or incident response team and business continuity plans are a tool that they have at their disposal that can be invoked if needed. They also have at their disposal media management plans, HR plans and safety plans, so that thinking was quite interesting. That is part of what we perhaps have to try and package and present to companies in a different way.

ALAN STANIFORTH: I would like to move the debate on if I may, but first summarise where we are at the moment. Basically what we are saying is that the key message we need to push out to these companies is that good crisis management will give you competitive advantage, and the way that we can convince them is by keeping it simple, by not over-complicating the message and by promoting incident management separately from continuity management, so the smaller organisations have a better chance of protecting their reputation. The key messages need pushing out by a number of different organisations and we have identified three, one being insurance companies, one being the representative educational bodies such as Survive and AIRMIC, and the other being big companies using their third party supply management chain to push the message down.

DAVID LLOYD: Could there be a fourth – regulation?

ALAN STANIFORTH: Yes certainly regulation. But I'd like to move on now to talk about testing crisis management plans and some of the difficulties companies face over testing, because quite often to fully test means actually stopping operations, which a lot of companies cannot afford to do. So, Simon, would you like to make a start with this one?



SIMON HAYLES: Yes. In previous organisations I have worked for, we have tested crisis management processes and we have taken a very tiered approach to the whole thing because obviously if you are shutting down operations for a complete immobilisation type of exercise, it is a very big issue. It is something you can't repeat too frequently. The approach we were taking was desk top exercises: four wall exercises where nothing goes beyond a scenario developed at the desk and the main board for example were the main crisis management team. The second tier was to do role play with external input but again within the business, so that it didn't disrupt the business too much. Then the third level was the full immobilisation approach. We found that very useful. As regards pros and cons: on the plus side, everybody gets engaged, and you can test right down to the moral and ethical aspects associated with crisis management, which do tend to come out. So you can iron out a lot of critical things within a four wall exercise. The downside is of course you really do have to be targeted and very specific about the type of exercise you are using because it has to have a high level of credibility. On a couple of occasions we have run crisis management exercises in organisations that questioned the credibility of the actual approach being taken or the scenario being used. I was very lucky where the validity of the particular scenario we were using was questioned, and three weeks later it realised its potential. So we got the full recognition and that helped with further future scenarios! I am not suggesting that is the way we should promote it, but it is certainly critical to make sure exercises are focused, business related and are also specific to the particular business concerned.

DOUGLAS URE: I agree. We have done a few desk top exercises and it really is critically important to get the scenario right and make sure it is credible for the business. I can give an example of a financial institution which got an external company to help them with the desk top exercise and one of the scenarios was that their cash point machines were all going to be down, that was the start of the crisis. But that institution didn't actually have any cash point machines. Doing research up front, finding out about the company, talking to people that are

If you are shutting down operations for a complete immobilisation type of exercise, it is a very big issue

Simon Hayles



If I am told by the client that an exercise has to run for four hours, I will plan it for six so that it never dies in the hole

Jamie Jameson

involved, understanding the business, are all important, because if it isn't the right scenario, then things will fall flat.

SIMON HAYLES: You also have to make sure that the scenario stretches the organisation, because sometimes they can be too simple and people can resolve them in 10 minutes.

DOUGLAS URE: When we ran desk top exercises in a previous organisation I worked for, we took the approach we didn't want to stretch them too early on; we didn't want to scare them and make them feel inadequate. I think that was a good approach because we built up the experience in the team. Although I think it is important to test the team and test how they

respond to a given scenario, it is also important not to throw them into the deep end too early on.

SIMON HAYLES: I agree.

PAUL BERMINGHAM: In our experience with clients and testing, it starts off as a scenario that has probably happened somewhere before in the organisation. So people are comfortable with it; they understand and recognise it. But, as they are building up their response, it escalates into more of a crisis situation with other scenarios which are possible and credible, but no one would have thought of, and they have to start thinking outside the box. There is something coming in that they hadn't foreseen and it's turning into a crisis. I agree it is important to make it relevant to the business and to get them to feel happy with the scenario, but stretch the test at the same time.

SIMON HAYLES: It is the only way to learn and change the system. The crisis management process has got to be dynamic.

GEOFF MILLER: I recognise the value of having credible scenarios. And it's vital that people understand their roles when they come to the table in a crisis management exercise. If you have people entering that environment for the first time who may have been assigned a role within the structure of your plan but have no familiarity with that role, you can have the best scenario but you will not exercise it to the maximum extent because people will fail to pick up on the leads that you have provided in the scenario, or will short circuit it to a point where the hours of work in designing the scenario are simply wasted. There is a lot of work to be done in advance in an organisation to prepare people for the roles that they will fulfil and then probably to educate them in smaller groups than exist in the full blown crisis management exercise so that when they do interact with colleagues around the table, they understand their role.

ALAN STANIFORTH: Jamie, you must have some fairly interesting experiences of testing?

JAMIE JAMESON: I hate the word 'testing', it implies pass or fail. Yes, exercises, I run them all the time. Getting the scenario right is crucial, in so much as it has to be able to happen right down to the last nut and bolt. You then need the ability to turn the pressure on, or back on, the team as it is undertaking the exercise, so that you are actually putting success just beyond their fingertips until the end of the exercise when you let them grasp it. You need to be able to continue the exercise through that bit of performance so they actually always end in success. If I am told by the client that an exercise has to run for four hours, I will plan it for six so that it never dies in the hole and you always stop it slightly early so they are always in the business of 'well I was just about to' and you get enthusiasm to want to continue and do it again. It actually works quite well, but there are several ways of getting the basics in, as has been talked about. We use the technique of having a simulator where you can put people for short periods of time to do an exercise in a realistic environment, then debrief them, talk about something else, and then put them back in so you get a step change in learning over two days. Then they feel comfortable to be a member of the team and then you can actually give them a larger scale exercise. And it does work. It doesn't have to be in a simulator – as a specialist we have that – you can do it on site. But take a day and give them a couple of small scenarios to introduce them to the concept; get them working together, debrief it, learn from it and then move on. You might freeze the scenario and then take it forward, or you might put a time jump in it of two or three days or whatever it is, so they're thinking about different aspects. It takes time; you need time to be able to do it; you need commitment to do it, and those who say 'but I can only spare you an hour and a half on a Thursday afternoon' at senior management level are the most difficult. That is because they are not engaged when it comes to the exercise. It is not stretching their brain in an intellectual way, because people tend to want to test – I've come back to the word 'test' – their contingency plan. If a contingency plan is done properly, a lot of delegated authority is already within it, and therefore you are not stretching the executive. You have got to take it outside the contingency area so they are operating at the right level, thinking about consequences and crisis potential, if not crisis, and to get it right is actually quite difficult.

HUGH PRICE: We have a business continuity plan. As I said, lawyers need this for tender purposes. Last year, it was actually put to the test in a real life situation when our IT system was completely submerged as a result of rain water coming through the roof in our premises. It was interesting to see how well the plan actually worked when put, not to a test, but a real live situation. Our people learnt a lot from that and I agree with what Jamie said, if you are going to do it at all, you must really make it as close to reality as possible, because otherwise it gets into the realms of fantasy and nobody really takes much notice of it at all. I think the other important point made is that you have to get senior management, people at the very highest level, preferably finance director level, behind it, because otherwise you are not going to get the backing of the senior management lower down the chain.

PAUL BERMINGHAM: They are the people who will be right in the middle of it if it actually does happen.

JAMIE JAMESON: But unless the senior management are trained in the level at which they should be operating, they have a tendency to want to hold the hose and put out the fire or whatever, rather than thinking about what are the consequences of this on the company. If they don't save their company, nobody else will and that's what they need to realise.

GEOFF MILLER: We are talking about a group of individuals who by their nature are decision makers. Unless you give them a framework to operate within, they will default to that natural role of making decisions and you will have potentially a range of individuals who are making decisions which may well unintentionally conflict with one another. You need to avoid that situation arising in the first place. Another issue, particularly for large organisations with an international exposure, is that you may well have a relationship with an incident team some thousands of miles away from your crisis management team. You need to manage that interface and allow both teams to operate effectively and not interfere with one another. Jamie was talking about the desire to hold the hose. Well you can't direct the hose very effectively 3,000 miles away, so you need to stick with the strategic issues in your crisis management team.

PAUL BERMINGHAM: That interaction is very important. Also, different people within the business have different functions, such as legal, finance, public relations etc. Inevitably many of them are going to be affected in a crisis situation. So the financial people may default to the financial solution – what is this going to cost us? Should we stop this now or should we put some more money into it? If you are looking at it from a reputation point of view, money might be a secondary issue. There are different drivers and it is important that they understand the different drivers and are tested on those different drivers so that when they are in the situation they can be effective.

ALAN STANIFORTH: We have talked mainly about in-house exercising, but in the utility sector you have to exercise and involve other parties.

JOHN LEE: We do a lot of testing that brings in the Government – their emergency arrangements. But we have tried to escape from energy scenarios, because we think that is what people are expecting, and that brings in a number of different organisations.

ALAN STANIFORTH: Are there any particular differences in those interactions?

JOHN LEE: The problem is that everyone wants to get their own thing from it. We want to test the implications, whereas they want to test the competence of their response teams. Other parts of the organisation may want to test something specifically. It comes down to trying to be real with what you are going to achieve and not giving too large a scope.

GEOFF MILLER: But there are genuine benefits emerging from the liaison between category 1 and category 2 responders under the Civil Contingencies Act.

JOHN LEE: Huge.

GEOFF MILLER: That's a huge tick in the box for utilities. Those that operate at a national or a regional level



previously did not have a body to relate to at that level. You had perhaps a local authority or a police county area and then there was a gap between that and the Government, which has been filled now to some extent. There are still issues over how multiple strategic coordination groups and a regional civil contingencies committee might interact in a wide scale emergency, but those are being addressed.

ALAN STANIFORTH: Just to summarise where we have got to on exercising (not testing, thank you Jamie), the exercise needs to be appropriate and relevant, and you need to be able to contain it within your risk appetite if you like. It needs to be stretching and you need commitment from the top to actually undertake it. You need to be aware of the interactions, the interactions between your locations, the interactions between your different functions and departments, and you need to take on board all the communications that surround the area. Particularly, I guess if you are talking about first and second category responders, you are talking about pre-planning the objectives of what you want to get out of your exercise. The other great learning point is actual incidents, learning from actual incidents that have occurred.

Moving on to something that I know causes quite a lot of debate but is a very simple question, do you call it crisis management, or do you call it something else? I have been involved with one organisation that quite clearly says 'we will never use the word crisis because that actually implies we are out of control'. Have you any views on this, Geoff?

GEOFF MILLER: We currently describe that situation as a corporate emergency, so we have a corporate emergency response plan. We share the view that 'crisis' carries the wrong connotations.

JOHN LEE: We call it strategic response planning – there's no reference to 'crisis'.

PAUL BERMINGHAM: I have heard people refer to it as a major incident response, that kind of thing.

We want to test the implications, whereas they want to test the competence of their response teams

John Lee

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This international emergency response, what does that really mean?

Alan Staniforth

DOUGLAS URE: We do actually use the term crisis management and our plan is a crisis management plan. There are so many different terminologies in this profession – disaster recovery, emergency response, incident management planning, business continuity planning. Jamie touched on the point of what the difference is between a business continuity plan and a crisis management plan. It is a very difficult to define. In one organisation, they may be one and the same and in another something completely different. The key thing is to find out what works for your own business and that people understand the language you are using.

HUGH PRICE: I think the point you were making earlier, Jamie, is true: the incident itself may not be a crisis but it could turn into one if it is not handled properly. But I take the point that if you use the term 'crisis' that may suggest that things are a lot worse than perhaps they might be, which is very bad PR.

DAVID LLOYD: It keeps coming up that people don't want to call it a crisis management plan because it might be misconstrued, but I have never seen any evidence of that. It would be interesting to know if it actually matters what we call it.

JAMIE JAMESON: What the plan is called is irrelevant, providing the organisation understands and provided, as Douglas says, it works for them. I think the definition of crisis has been debased; it has been dragged down from what academia would deem to be a crisis and therefore it is misused too often. I don't think any business would sensibly admit that they are in crisis; it has enormous connotations for share price and all sorts of things, but they may have a plan that deals with a crisis event and they may internally to themselves say 'we have a crisis on our hands'. But they are not going to admit it outside that room because of all the connotations that go with it. Two of the first questions that I ask when I go into a company are what are your definitions? and what is your terminology? Organisations are all different and getting harmony across it is just about impossible.

ALAN STANIFORTH: David, do you want to explain the view we have taken as part of the BSI BCM technical committee.

DAVID LLOYD: Well I can explain the debate. I think what you are alluding to is the fact that the sub-group that was working on what essentially was called the crisis management or crisis management response had the view that using the term crisis management plan was acceptable on the basis that companies would call it whatever they wanted, but that was a universal definition. But in fact when we went to the larger committee group it was changed and it is now called incident response rather

than crisis response. That is acceptable – it can be called whatever anybody wants to call it.

JAMIE JAMESON: Except if you go into hard industry, incident response and crisis response are two totally different things. There is an emergency level in between.

DAVID LLOYD: Exactly, and of course we had better mention something like Katrina too, which is disaster management. It is a whole different discipline. Katrina is not a good example of crisis management, because it was so extreme; there was absolutely nothing left, no customers, no market, no economy, so there has to be a higher level. It was an interesting debate, tied up with this whole issue as to whether crisis management takes primacy with business continuity flowing from it, or is business continuity the more holistic exercise. I would suggest you read the standard and draw your own conclusions. There is work going on. There is an international committee, I think, now established to look at emergency response and starting to try and establish an international standard for emergency response as opposed to incident response, so we have got another term coming in there as well.

ALAN STANIFORTH: This international emergency response, what does that really mean?

DAVID LLOYD: I think it is coming back to what we've alluded to here as incident response, ie immediate response when some event has happened and lots of processes have been put in place. But if we look at the players who are involved, of course then there are tremendous differences, because we have got situations from a fire or flood in a building right across to a disaster in the aviation sector and further still to the disaster management and relief organisations. So, when we talk about incident response or emergency response at that point, trying to define a standard which we can use back in the context of our normal working situations is, I suspect, going to be very difficult. I hope that with BS 25999, which is now actually out for review, people will see that there is some practical advice. But again I think the situation still applies that one organisation in one sector is different from that in another sector. Until we start creating sector-specific versions of 25999, we still have a long way to go. It is going to give us guidance but it is not going to give us the detail of the different sectors.

SIMON HAYLES: All this debate we are having about the terminology doesn't help us when we are trying to sell it. It really does muddy the field. If the organisations represented here find it difficult to agree on common terminology, how on earth are people who are not so experienced supposed to understand and appreciate what we are trying to do? The number of different definitions and the subtleties between some of them really do cause us problems. It doesn't help our case.

DAVID LLOYD: It will make it very difficult for a smaller organisation that can see the benefit of having continuity of business to have to put in place some formal processes, particularly if, as with quality and safety standards, somebody is going to start auditing and they have to meet a set of standards to obtain a certificate of business continuity compliance. I was reminded of this when we were talking about testing. The discussion we had was all about the testing of crisis management processes. We didn't talk about testing or exercising those component

plans to make sure they are consistent and that information flows are correct in the business continuity plans. If you start to look at the standard that is emerging, it has a section where it suggests the frequency of testing that is required. Well when we come to the audit process associated with the standard a little bit further down the road, and we start to say each component plan should be tested once a year or whatever the standard is or you're not going to get your certificate of compliance, that is going to be a nightmare for an organisation that has got two dozen business continuity plans. It is quite a big issue, which goes back to the question of how we sell business continuity? We must make it less impenetrable.

HUGH PRICE: As you say, each type of business has a different view as to what is a crisis, what is a problem and what is an incident and how they are going to react. We as a law firm obviously consider that it is important to keep our IT system up and running, but a manufacturing business might have a completely different view of what is important to them and what is an incident that could generate a crisis.

GEOFF MILLER: You are directing your guidance and encouragement to the agents of the owners in many of these businesses. I wonder whether an alternative route might be to direct your encouragement to the owners of the businesses, whether they are private individuals or shareholders, so you build a 'burning platform' under management to make this change, because the owners are increasingly insistent on it.

DAVID LLOYD: I think it is the owners in one sense, and, as we said before, the customers probably even more so. It is the customers of the business who are going to require this compliance in some form, whether it is an auditable standard or it is just simply demonstrable that there is continuity of supply. We were talking about the year 2000 earlier. We can see a similar situation happening again in respect of pandemic flu. A number of companies are now sending out questionnaires to their suppliers. When I was working in the aviation industry on the year 2000, the role that the organisation I worked for had was to go to the airports and air traffic control organisations around the world to get their compliance statements on behalf of the airlines. Is there a way that a similar process could be encouraged generally now that we see a standard emerging. Do we want every end-user asking every one of their suppliers if they are compliant – that's a nightmare scenario.

HUGH PRICE: Although each different industry has a different angle, there does seem to be some commonality of approach. For example, in the airline industry, one would expect the sort of incidents and crises that occur and the way that those are dealt with to be fairly similar. Would it not be possible therefore to develop some sort of industry standard for dealing with these or is it so broad that it is impossible to do that?

JOHN LEE: Isn't there a risk then that they are going to do it because it is a compliance issue instead of wanting to do it? We're now seeing companies asking service providers and other suppliers for assurance that they have got arrangements in place for influenza. It seems that this type of assurance seeking occurs when the next big topical thing comes along and after that it dies off.

PAUL BERMINGHAM: I think you are absolutely right,



but if we are moving towards a standard and that standard is adopted by procurement departments as a requirement, they will ask their suppliers to demonstrate not just that they can deal with a flu epidemic or whatever, but that their business continuity and crisis management processes meet this standard as a minimum. If we get to that point it will institutionalise it more and make it less reactive to individual situations that may arise from time to time.

ALAN STANIFORTH: Certainly the key message here is that crisis management is not a one-off exercise; you are continually reviewing it, and if you get your structure right you would be able to deal with most contingencies as they come up. There will always be the surprise but if you are constantly refreshing and reviewing it shouldn't be that bad.

GEOFF MILLER: There are sector models within the regulated utility business for oversight of preparedness in the water sector with the Security and Emergency Measures Direction 1998 where DEFRA will come round with independent certifiers and establish that you as a company are compliant with a relatively slim document that determines what is acceptable behaviour as a utility supplier in addressing this particular area. It is not prescriptive, it sets out what the minimum expectations are and it is left to the companies to determine how they achieve them.

JOHN LEE: There is more chance of getting businesses to sign up to it if it isn't too prescriptive.

PAUL BERMINGHAM: Sarbanes-Oxley has helped with that because there are some areas that it doesn't go into specifics on but just says that you have to have it, and businesses interpret that in their own way.

DOUGLAS URE: The danger with that is, and John touched on it, if a regulator asks you to do something or a supplier asks you to do something, how do you judge and gauge the effectiveness of it? You might put a business continuity plan in that is entirely inappropriate for your

Each type of business has a different view as to what is a crisis, what is a problem and what is an incident and how they are going to react to that

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A lot of companies are very blinkered on their view of how to deal with the media

David Lloyd

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own business but ticks the right box as a regulated supplier. I think that is the danger. Even with businesses regulated by the FSA that have to have a business continuity plan, I would be very interested to know if the FSA ever goes back and actually queries some of the elements of that plan. There is no sort of gauge of how effective a plan actually is and a lot of them may be just paper exercises that are sitting in someone's file; they are not appropriate.

PAUL BERMINGHAM: That is an important point, but overall I think from what I have seen that it has had a positive impact. Apart from one area of our business, we are not directly regulated but we have to act as if regulated because our clients are. Therefore business continuity and our forward measures and how we respond and help clients to develop forward measures are at the heart of it. We hope that the investments that we've made in compliance and the specific areas of compliance will give us a competitive advantage in our market.

DOUGLAS URE: In actual fact if you take 10 businesses and they are all told by a regulator that they must have a business continuity plan, I am sure some will say, right let's satisfy the regulator and put something together. But no one will see it, it just sits in a corner. But there will also be those who think, right, let's do it properly, and it gets put in place. I think the standard will help those businesses who want to do it properly and have something that is relevant.

ALAN STANIFORTH: There is an issue that we have not yet touched on which I think is a very important part of crisis management, and that is how with any crisis, emergency or incident you actually avoid reputational damage. There are lots of examples of companies getting it wrong and suffering as a consequence. There are also some good examples of companies getting it right.

HUGH PRICE: We work with a public relations company in all our dealings with the media, and we find that very effective. We get them involved with any issues right at the start. We are very careful to make sure our own brand is protected wherever possible. Working with the press is a very different scenario to that of standing up in front of a judge in court. You have to tread very carefully when dealing with something that could be brand sensitive.

JAMIE JAMESON: At the risk of being contentious, reputation management is far too important to be left in the hands of public affairs or relations; it is actually a board position responsibility. One of the key things that a crisis management team at the highest level has to consider is what positioning they are going to take for their company against what is happening around them. They should be looking at where they want to be perhaps in a week or a month's time in order to direct the way they deal with stakeholders in the broadest sense, not necessarily just with the media, in order to achieve that. It is important to get a consistent message out to both internal and external stakeholders. The actual delivery of it will come out through the media and all sorts of things, but the strategy for positioning the company has got to be taken at a very senior level. There are different expectations. If you are a legal firm, the media don't expect you to talk, and therefore will accept that you are not going to say anything. It is the same in some of the key financial institutions. But I suspect that if you are a utility they expect you to be up front and

talking about whatever, very quickly. To get that message right and coordinate it requires practice. Some people have got it right, perhaps by instinct. Some have got it totally wrong by ineptitude. It is actually making that decision, what is our position going to be and how are we going to enact it, which has to be taken very quickly at very high level and that is what the board should be thinking about.

GEOFF MILLER: There needs to be a recognition, even if your strategy is to say nothing, that the web crawlers that the media can employ will within seconds have found all the relevant or irrelevant material related to your company, and they will use that in lieu of anything more structured that you are presenting to them. But speed is of the essence. If you are dealing with a crisis you need to be thinking in seconds or minutes.

ALAN STANIFORTH: How much work can you actually put into preparing for the media response?

JAMIE JAMESON: One of the potential problems is that public affairs divisions within companies normally deal with what I call 'peacetime', they are normally promoting the company, trying to put out good news within their own time frame. They are not actually dealing with adverse conditions in somebody else's time and it is a mind-switch to be able to do that.

DAVID LLOYD: One of the things that we have noticed in various workshops we've run is that a lot of companies are very blinkered in their view about how to deal with media situations. Whilst as Jamie says, it is a strategic issue, it is the board level that has to make decisions, what you often hear people say is, our company policy is that nobody is allowed to speak to the media apart from the appropriate representative. That's great in theory but in practice it is not how it works.

We talk about giving media training to key representatives, but there is a huge message that has to go out to the whole organisation as to what the reality is. An incident may happen a long way from headquarters, for example a plane going down, and the media is very often the first on the scene. The manager at some remote location is then confronted by the media and has to expand. Even if it is a factory fire or something, the media is door-stepping everybody who comes out of the building. The longer term planning and the big message has to come from the top, but there has to be work done across the whole organisation to explain that, if you are caught in a situation where you are asked to comment, you must be aware of the circumstances and the effect you can have. If there's a disgruntled employee who wants to have a little pop at the organisation, the best intentions at the top are blown away. It is a very complex issue and I haven't seen many organisations that have quite got the whole thing together.

GEOFF MILLER: If you have a large customer base as well, you need a tiered response because, if you have a problem and people are not getting an effective message from the top, they will want information and will approach the organisation through whatever means is available to them. You can see customer contacts ramp up from 6,000 a day to several hundred thousand a day in response to the need for information. People just keep hitting the redial button until eventually they get through and your response capabilities need to cope with that, by diverting traffic to where it can be responded to most effectively.



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