New leadership needed for crisis management

National headlines every day bring fresh reports of business crises which shred reputation and destroy market value writes **Tony Jaques**.

Yet many companies continue to leave crisis management in the hands of middle managers and technicians who may think that crisis management is the same as crisis response or emergency management or operational recovery. And there are still companies which think that a good business continuity plan is "all we need to be protected." The sad truth is that such ideas are not only wrong, but expose the company to serious risk.

Now, a new approach to crisis management is emerging which demands fresh executive thinking, with more direct senior executive participation and a much greater focus on strategic crisis prevention rather than simply crisis response.

For a long time crisis management was regarded as a largely tactical activity delegated to lower level personnel, focused mainly on preparing a crisis manual in advance; holding an occasional simulation drill; and hopefully responding as well as possible in the event of an actual crisis.

Of course effective tactical preparedness is still important. But while establishing a robust crisis response process may provide a reasonable outcome when an incident happens, it contributes nothing to crisis prevention, long term value or reputation management.

By contrast, the emerging conception of crisis management is a much more strategic activity –

way beyond conventional incident response – with a strong focus on identifying and managing crisis threats long before they strike.

What's crucial here is that the necessary change cannot be delegated downwards. This new approach called Crisis Proofing can only happen at the top of the organisation and brings a need for new leadership skills beyond just chairing the crisis response team or acting a spokesperson.

Firstly, a more strategic approach to crisis management demands much greater engagement from the Executive Suite and the Board Room. This greater participation has been evolving for a while, but has recently gathered pace with increased stakeholder expectation of more direct top management participation, and in the face of high-profile publicity about failure at the highest levels. Think Seven West Media, Dreamworld, Centrelink.

However progress is slow. A global survey of board members, published in early 2016, showed fewer than half of the non-executive directors questioned reported they had engaged with management to understand what was being done to support crisis preparedness. And the same survey showed 73 per cent named reputation as the single greatest crisis vulnerability, yet only 39 per cent said there was a plan for it. Perhaps most concerning of all, the Australian segment of the international data revealed that only 11 per cent of directors said their own organisation's ability to respond to a crisis was "very effective" and only three per cent felt their own organisation was "very capable" in crisis prevention.

This worrying perspective brings us to the second key element of Crisis Proofing, which is moving the leadership mindset from what to do in the event of a crisis to what can be done to prevent crises from happening in the first place.

Crisis Proofing advocates more top management participation for better outcomes, moving responsibility from the operational response centre up into the executive suite, highlighting that senior executives are responsible not just for crisis response but for crisis preparedness and prevention.

This evolution towards strategic recognition and prevention has in turn expanded the crisis management role of top executives and directors. However it has also exposed a practical challenge. There is little doubt that most top executives want to do what's right for their company, yet some struggle with deciding exactly what needs to be done when it comes to protecting against the operational and reputational damage threatened by a crisis.

The reality helping drive increasing senior executive involvement is that most crises which threaten a company are not sudden, unexpected events, but are preceded by clear warning signals, which are frequently ignored. In fact the Institute for Crisis Management in Denver Colorado, which has been tracking business crises in the media for well over 20 years, concludes that about two-thirds are not unexpected at all, but are what they categorise as "smouldering crises" – events which should have and could have prompted prior intervention.

This leads to the key steps where business executives need to allocate time and resources:

- Implement effective processes to identify and respond to issues before they develop into crises
- Listen to stakeholders and properly understand their concerns
- Show willingness to accept bad news
- Analyse risks to be ready for the most obvious or likely crises
- Provide leadership to develop a crisis-aware organisation

Nothing can be guaranteed to save a business from crisis, but the fact that one in four organisations hit by a crisis go out of business should be reason enough to make this a top priority. BFM

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