

CRISIS MANAGEMENT

Discover why crisis management is critical

Implement, refine and enhance your plan



Icehouse Insights

A regular series introducing many of the major challenges facing SMEs today, Icehouse Insights provides a stepping-stone to kick-start the conversation, solve some common queries and win.

This edition:

Even the best-managed businesses can be hit by a crisis at any moment and, after observing the events of the past couple of years in particular, it's clear that crisis management has never been higher up the board meeting agenda.

Over the next few pages this Icehouse Insights will identify the possible types of crisis to look out for, explain why management is so important to avoid business interruption, and then how to put a plan in place for success.

INTRODUCTION

Crisis management is the specific process or strategy in place to deal with any unexpected event that damages a business' operations.

Crisis management specialists generally categorise these crises as financial, personnel, organisational, technological, and natural – anything that interrupts or severely limits business continuity.

So what could a crisis look like? How will you know what to do when the business is hit, and how can a business crisis management plan make sure it doesn't happen again?

CRISIS MANAGEMENT VS RISK

Crisis and risk management are often confused terms because they both work towards solving major threats, but the major difference between the two is that crisis management is reactive and takes place after the event, while risk management is proactive.

For the purposes of this Insights, we'll put them together because both are expected to decrease any problems that arise from a crisis to ensure that disruption is kept to a minimum and that operations can be up and running at capacity as quickly as possible.

Let's choose a basic case scenario. Imagine a ground floor flooding at a retail SME. Think of all the preventative measures you would need to have in place.

Examples of risk management include; creating a pre-disaster plan, training employees, buying and installing flood boards and purchasing business interruption and property insurance. The list goes on.

Crisis management may include measures such as activating emergency meet up points, rescuing and storing stock, employing a commercial cleaning service, and communicating what's happening to staff, clients and customers.

There will be overlaps; ensuring personnel are safe, securing buildings and utilities, recording damage, and contacting the emergency services. Crisis and risk management is about taking the necessary steps towards a quick business recovery.

ICEHOUSE POLL RESULTS

Each month The Icehouse publishes a poll/questionnaire on its website.

For this edition of Icehouse Insights, the question was: 'Do you have a crisis management policy in place in your organisation?'

With millions of dollars at stake in terms of interrupted business opening times, damaged stock, employee disruption and more, it seems there's very much a 'we'll cross that bridge when we need to' mentality among New Zealand's SMEs.

Just 25% of respondents stated that it's something they follow very carefully, meaning a massive 75% simply haven't made any formal provision for crisis management contingency.

12.5% of respondents state that they have started one, but it's not yet complete.

Another 12.5% say it's something they'll get around to eventually, and an overwhelming 50% admit to having never felt the need to action a plan.

This largely mirrors the global pattern. However, it's something that needs to be more front-of-mind for Kiwi SMEs.

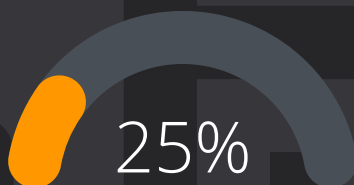
Crisis management planning takes away the 'if only we'd...'. It can be low-cost and low-resource to put one together but can save a business millions of dollars.

Check out the results on the following page.



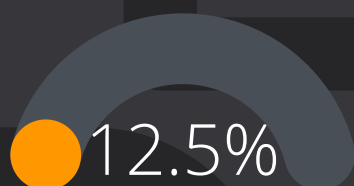
Poll Results

Do you have a **crisis management** policy in place in your organisation?



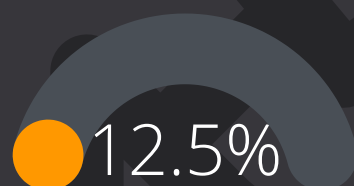
25%

YES. IT'S SOMETHING WE FOLLOW VERY CAREFULLY



12.5%

WE'VE STARTED ONE BUT IT'S UNFINISHED.



12.5%

IT'S SOMETHING WE'LL GET AROUND TO EVENTUALLY.



50%

NO. NEVER FELT THE NEED.



MONTHLY KIWI BUSINESS POLL

THE FIVE TYPES OF CRISIS

Hubspot has identified five types of crisis that can impact a business

Financial Crisis

A financial crisis occurs when a business loses value in its assets and can't afford to pay off expenses. This is caused by either internal or external factors that result in a severe decrease in demand for the company's products or services.

Personnel Crisis

A personnel crisis occurs when an internal stakeholder is involved with an illegal or unethical scandal that impacts the company's reputation.

Organisational Crisis

Organisational crises occur when a business exploits its customers to gain more profit or information. These situations often receive lots of media attention that's negative for the company.

Technological Crisis

A technological crisis occurs when an organisation's technology crashes — such as when a server breaks or an error emerges in a software product. When these crises happen, customers and users have no access to the company's products and/or services.

Natural Crisis

A natural crisis occurs when severe weather interrupts normal business functions. This can be temporary like a snow delay or more permanent like a flooding evacuation.

Source: Hubspot

WHY HAVE A CMP?

A Crisis Management Plan (CMP) is fluid and changing – a living document that should be constantly reviewed and updated. Just consider the ever-increasing use and reliance on technology in the workplace and how technology disruption can affect productivity.

Data breaches, for example, don't just hit a business financially, there's reputational damage to consider, which is impossible to put a price on. Social media spreads bad news quickly and you might be firefighting within minutes of an initial outbreak.

The poll results on page five and recent studies indicate that there is still work to be done. Seven out of 10 organisations report plans to increase their investments in building resilience and 23% feel their business' various

crisis management functions are well integrated, according to research by PwC.

With a crisis management plan you can:

- Define what a crisis is and who should manage it if it arises
- Attract potential employees
- Keep everyone safe
- Minimise damage both to reputation and revenue
- Be a market and regional leader in CMP best-practice
- Help you determine who needs what information
- The base upon which you rebuild after the crisis

SEVEN STEPS TO CMP...

‘Crisis management planning isn’t only about being better equipped to effectively respond to specific incidents. Developing a crisis management plan also helps teams identify potential threats as they plan and game out the tasks, communications, and information they’ll need to deal with those threats.’ (noggin.io)

CMP made easy:

1 Identify your crisis leadership team

Before you can take the first step in crisis management planning, choose a team of leaders to collaborate with during the crisis planning process. Your team should include the people who will take action during a crisis. Put this team together at the very beginning of crisis management planning so everyone knows the ins and outs of your crisis strategy. (Asana)

2 Identify the warning signs

Go over each of the identified crises and try to determine the warning signs associated with them. Knowing these will allow you to detect the occurrence of a crisis early on and apply measures to prevent or mitigate their impact.

Some warning signs, like the weather forecast, are clearer, while the symptoms of a sales or a financial crisis might be more indefinite and will emerge over time. Recognising and interpreting them may require the experience and the expertise of your crisis management team. (Creately)

3 Determine the business impact

A business impact analysis (BIA) qualifies the potential impact of a business-disrupting issue.

A BIA is an important step to make sure your organization is truly considering every angle of a threat. It also can help to make a business case to anyone who does not see the value of issue and crisis management plans. (Rock Dove Solutions)

4 Define key responsibilities

... assign key responsibilities to members of your crisis management team for each hypothetical crisis. Keeping in mind, the more people who oversee different crisis, the longer it will take to respond.

This step is crucial and warrants spending the time to confirm all communication and strategies at this stage, to reduce multiple handling later. Saying that, it is not always that straight forward and therefore, at this step you should also establish an escalation process for bigger business-changing decisions. (triSearch)

5 Assess what needs to be done

An effective crisis management plan has 10 essential elements.

These include a risk analysis, an activation protocol, a chain of command, a command centre plan, response action plans, internal and external communication programs, resources, training, and a review.

The crisis management team is largely responsible for creating the crisis plan.

The ten components are; risk analysis, activation protocol, chain of command, command centre plan, response action plan, internal communication plan, external communication plan, resource planning, training and review. (Smartsheet)

SEVEN STEPS TO CMP CONTINUED...

6 Review the plan regularly

Go over the content of your crisis management plan and update it as necessary to make sure that it is current and valid. In the aftermath of a crisis, review what worked and didn't, and update the plan based on the new lessons learned.

7 Download a guide?

If you are time poor or simply don't know where to begin, there are free and paid-for online guides available to take you through the various systems and processes required to firstly assess how crisis management looks for your organisation and then what steps you need to put in place to make it work.

A Crisis Management Plan can never be too thorough - from looking at where cables are positioned to where your team parks their cars to what software protocols you have in place

to who has access to the keys to your workplace.

Creating a team, spotting all the potential threats and working out what you will do if those threats become a reality is the first important step towards building a crisis management plan.

Remember it is important to stay on top of, and to constantly reimagine, as the business and your teams grow together. It might save you millions of dollars in the long run!

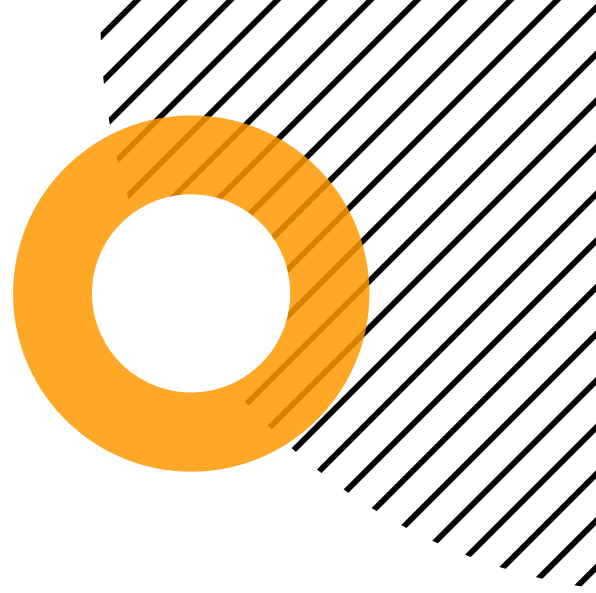
CONCLUSION

No matter what type of crisis strikes your business, insufficient and inadequate crisis management comes at high reputational and financial costs. This could break the business you have spent so long working on.

While having a proper crisis management plan in place is a real business asset, it's never too late to formulate one.

You want to keep your company, your people, and your customers safe. As well as the financial good sense it generates, it will enhance your organisational reputation and answer any potential legal problems when the time comes.

Better to stay ten steps ahead of a crisis than be in the thick of one.



THE **Icehouse**^o
INSIGHTS

