

Are we ready when crises strike?

225 private and public organisations' experience
with crisis management



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Editors: Morten Korslund, Christian Juulsgaard,
Anne Louise Winsløv og Christine Jøker Lohmann

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Why is crisis management important?

Any organisation will, sooner or later, face a crisis. Some crises only affect the organisation itself while others also affect the surrounding society.

An employee abroad is kidnapped. Ransomware paralyses the IT systems. The organisation struggles to survive a social media storm. An act of terror. Extreme weather. All situations that call for immediate crisis management.

Different situations can lead to crises and some crises are more serious than others. However, all crises create unpredictability, time pressure and acute lack of resources and the impact is most severe for organisations that are not well prepared.

Is your organisation ready to respond to a crisis?

Danish Emergency Management Agency and Confederation of Danish Industry have asked 788 private businesses, local governments and governmental organisations about their capacity to handle crises. 225 responded to the survey.

It is our hope that this publication will inspire both public and private organisations in their efforts to strengthen their crisis preparedness. Moreover, it is our desire that organisations will be inspired to use the survey results as a benchmarking opportunity.

By sharing experiences across sectors, we can make our organisations and society better prepared to respond to crises.



Director Henning Thiesen,
Danish Emergency Management Agency



COO Thomas Bustrup,
Confederation of Danish Industry

Main conclusions from the survey

- ➔ There are only small differences in the way the private and the public sector handle crises. This means that there is a great potential for sharing experiences and for co-operating between the public and private sector.
- ➔ Senior management plays a key role in crisis management. However, achieving genuine senior management buy-in is a major challenge. Senior management is often absent from the preparatory work.
- ➔ Most organisations have drafted a crisis management plan, but follow-up initiatives such as employee training and periodic exercises, are rarely carried out.
- ➔ Internal matters are often overlooked as potential crisis triggers.

Definitions used in the survey:

A crisis is an abnormal and unstable situation threatening the organisation's mission, its employees, its reputation and/or its existence.

Crisis management is a series of actions aimed at reducing the negative impacts of a crisis as it unfolds.

Public and private organisations can learn from each other.

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The survey results show that it makes good sense to share crisis management experiences across private businesses, local governments and governmental organisations. In fact there are far more similarities than differences between the sectors when it comes to the challenges a crisis can lead to.

All organisations depend on external stakeholders, be it strategic partners, subcontractors, customers, citizens etc. The capacity to ensure business continuity, even under extreme conditions, is a universal necessity for any responsible organisation.

Amongst the two governmental sector respondent groups the crisis management work is mostly driven by legislative obligations and a responsibility towards the citizens. The private sector's approach, on the other hand, focuses more on business continuity and a sense of moral responsibility or brand protection.

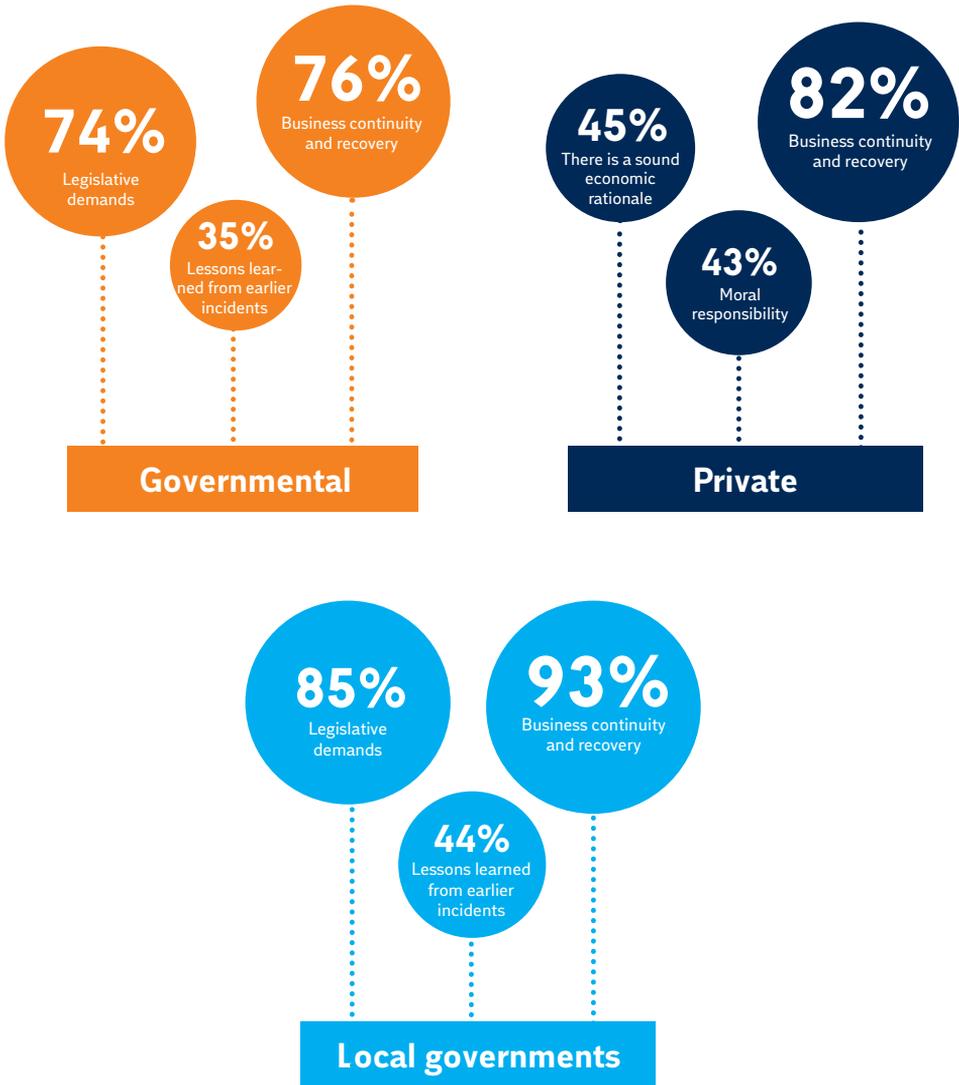
Apart from those differences, the three respondent groups (private businesses, local governments and governmental organisations) have answered remarkably similar in the survey. This forms a good basis for sharing experiences and solutions between the groups.



We could have informed our own organisation as well as external partners sooner. However, the extent of the crisis was not clear to us for the first two to four hours. – Governmental organisation

Crisis management is about business continuity and recovery.

The three most common reasons as to why the respondent groups have developed a general crisis management plan:



Cyber incidents dominate the risk landscape

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Some crisis triggers are apparent and visible to us while others are hidden and unknown. When we prepare for extraordinary crises, it makes sense to begin with the risks that are known to us - these should never catch us by surprise. By preparing for these, we can strengthen competences and capacities that can be useful - also when an unexpected situation appears.

30 pct. of the survey respondents reply that their organisation has been subject to cyber-crime within the past two years and 66 pct. assess that cybercrime could lead to a crisis in their organisation within the next couple of years. In addition, 33 pct. of the respondents have experienced an IT breakdown and 63 pct. assess that this could lead to a crisis in the near future.

When asked what is likely or very likely to lead to a crisis within the next two years, the third most common answer varies, depending on which of the three respondent groups you ask. Supplier failure, flooding (or other impacts of extreme weather) and severe reputational damage are considered the three most common reasons.

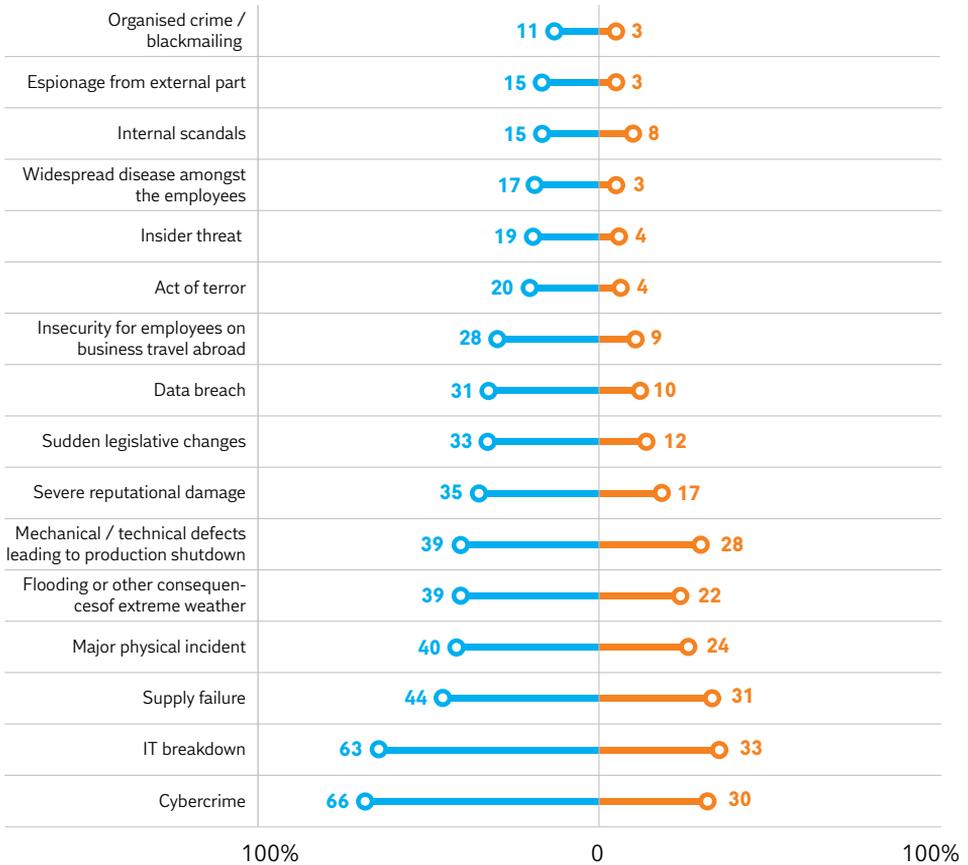
The figures reflect that a large part of the daily operations depends on IT. Indeed, the increased dependency on IT has, in the last decade improved the cyber security awareness in society as a whole. It is, however, important to pay attention to all situations that can lead to a crisis. Therefore, due consideration should be given as to how to strengthen the organisation's overall resilience.



We ought to take the necessary precautions to ensure that crises do not repeat themselves. For instance by changing the risk assessment of our suppliers, which we could be better at. – Private business

Risk awareness among the respondents

- Share of respondents indicating that it is either likely or very likely that the given situation could lead to a crisis within the next two years.
- Share of respondents indicating that the matter in question has led to a crisis in the past two years.



Internal issues-driven crises are overlooked

Crises can occur as a result of acute incidents (e.g. hacking). But, crises can also result from issues that have evolved within the organisation. When left unresolved, these can suddenly and unexpectedly turn into a crisis. Examples of this could be poor corporate governance, money laundering, embezzlement, or the use of tax havens. These can be labelled as performance crises or internal scandals. Issues are often overlooked as a catalyst for crises, even though many crises arise from issues that are not handled in time and therefore escalate.

In general, the respondents regard crises that arise on the backdrop of issues, as relatively unlikely. Especially when it comes to issues resulting from the organisation's own internal affairs. As a result, only 15 pct. of the respondents assess that an internal scandal is likely to cause a crisis. In fact, 55 pct. regard it as unlikely or even highly unlikely. In addition, the corresponding figure is 50 pct. when it comes to insider threats and 31 pct. when it comes to a breach of sensitive data.

The figures reflect that it is often more convenient to imagine threats as externally-driven incidents than having to see employees' "poor behaviour" as a potential reason for a crisis. Externally-driven factors can also be considered something which we have far less control over and this could explain the tendency to focus more on externally-driven circumstances. An additional explanation could be the common impression of having more time and leverage to solve an internally driven issue, compared to an external. However, this is rarely the case - especially not when internal issues attain media attention.

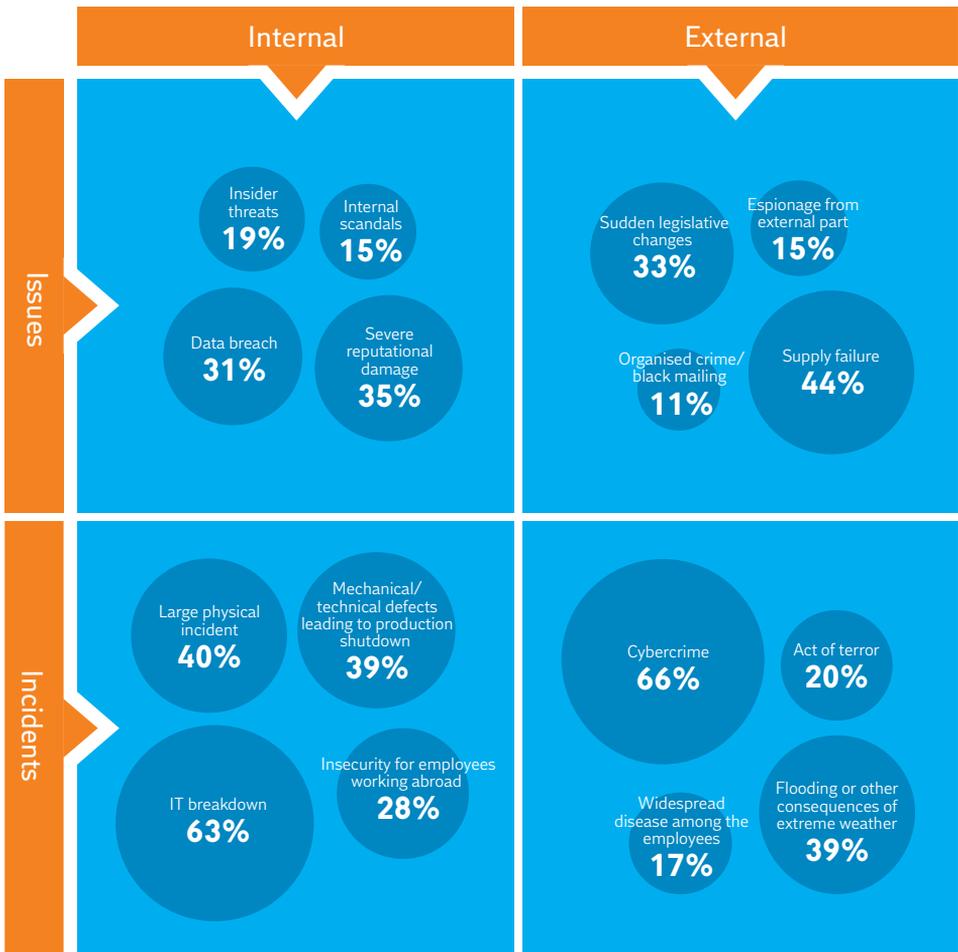
In addition, the responsibility to resolve an internally driven crisis often lies solely with the organisation itself. Organisations, whose reputation is based on trust and reliability, will face an enormous challenge as it responds to an internal scandal. Nevertheless, it is both possible and advisable to prepare for the consequences of crises caused by internal issues.



The mechanical fault was addressed without major problems. However, the following shit-storm meant shutdown of the project and a total loss of the investment. – Private business

More attention is paid to external incidents than internal issues

The share of respondents indicating it as either likely or very likely that the given situation could lead to a crisis within the next two years. Situations are divided into issues and incidents. Moreover, they can both be internal or external to the organisation.



Frit efter Griffin, Andrew (2015): Crisis, Issues, and Reputation Management .

Responsibility lies with senior management ...

The senior management has an important, but also very specific and limited role to play in crisis management. It must set the strategic direction, understand the situation, define the objectives and prioritise the resources. At the same time, it is not advisable for the senior management to interfere with the more operational aspects of crisis management, particularly in larger organisations. It is therefore not a given that a crisis management unit should be placed with, or comprised of senior management. However, decision-making capacity is clearly a prerequisite for effective crisis management. In case the crisis management unit is not placed inside or close to the senior management, it must be ensured that the unit is assigned sufficient mandate to handle and prioritise freely in crisis situations.

61 pct. have responded that they have an assigned unit inside their organisation, which has the primary crisis management responsibility, regardless of the type of crisis that may occur. In 48 pct. of these, the unit is placed in or close to senior management. Some organisations have not fully unified their crisis management because the IT-department is considered responsible for data security and IT-systems, while the responsibility for other risks is placed elsewhere.

Best practise – especially in larger organisations – is to collate all possible risks that could negatively impact organisational performance in one full overview. This will help preventing risks from being underestimated and allows the organisation to outline mitigating actions with clear priorities. Most of the respondents place the responsibility for the organisation's overall risk management with, or close to, the senior management (governmental 38 pct., private 65 pct., local governments 76 pct.).

There are good reasons to place risk management with senior management. Firstly, it allows risks to be compared to other ongoing resource priorities within the organisation. Secondly, placing the ultimate responsibility at the top of the organisation sends a strong signal to employees. Thirdly, the unit can be a valuable asset once crisis management and crisis communication becomes necessary.

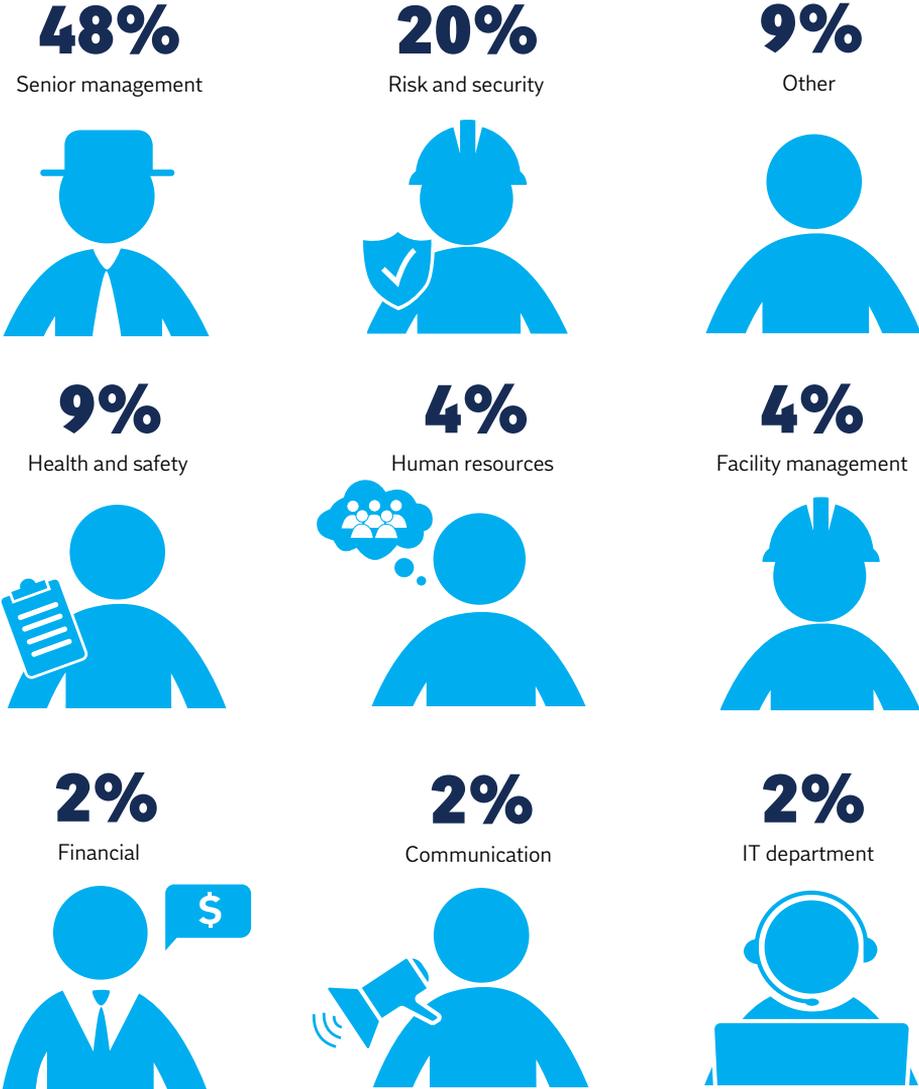


We are not good enough to make all parts of the organisation understand the crisis management team's mandate as the coordinating voice.

–Private business

The responsibility for crisis management

Organisations that have a designated crisis management unit say that the overall responsibility lies with:



... but the field lacks priority

As much as 89 pct. of respondents state that within their organisation, senior management is intended to play an active role in crisis management. Yet, 49 pct. indicate that senior management does not prioritise the development of the organisation's ability to manage crises.

This disproportion is reinforced by the senior management's absence in crisis management exercise activities. Considering the fact that the primary purpose with crisis management training is to practice both the employees' skills and the strategic management's ability to make decisions, it is worrying that only 24 pct. of the organisations' senior managements have participated actively in an exercise.

If senior management is responsible for the strategic direction in crisis management, but does not participate actively in exercises, it will erode the positive benefits of planning and executing crisis management exercises because:

- ➔ If senior management is intended to set the direction for crisis management during a real crisis, it must also do so in exercises. Otherwise, the exercise is not realistic.
- ➔ Senior management will not be trained in strategic crisis management and communication.
- ➔ Senior management could be more reluctant to support implementation of changes if they have not themselves experienced shortcomings in the organisation's own crisis management system during an exercise.



We have tried to lower the bar for when the crisis leadership gets involved in order to raise the level of experience in the organisation. – Local government

89%

of all responding organisations say that senior management is intended to have an active role during a crisis. But...

49%

indicate that senior management does not adequately prioritise the development of the organisation's ability to manage a crisis. In addition to this, only...

24%

of senior management has participated in a crisis management exercise during the past two years.

Crisis management starts with a plan

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A crisis management plan is a practical tool when handling extraordinary situations. A plan should outline the processes an organisation will use to respond to a critical situation that would negatively affect an organisation's reputation or ability to operate. This includes describing the organisation's in-crisis decision making process, i.e. who makes which decisions when normal routines and resources are no longer sufficient.

Results from the survey show that crisis management plans are widely used in the public sector while fewer private businesses have developed a plan (governmental organisations 94%, local governments 84%, private businesses 41%). The difference can be attributed to the fact that national legislation is in place, requiring authorities to have a crisis management plan.

A crisis management plan does not necessarily equal high crisis management capacity. If a plan is not up-to-date, well known in the organisation and backed up by the top management, the plan will be of little help when crisis strikes.

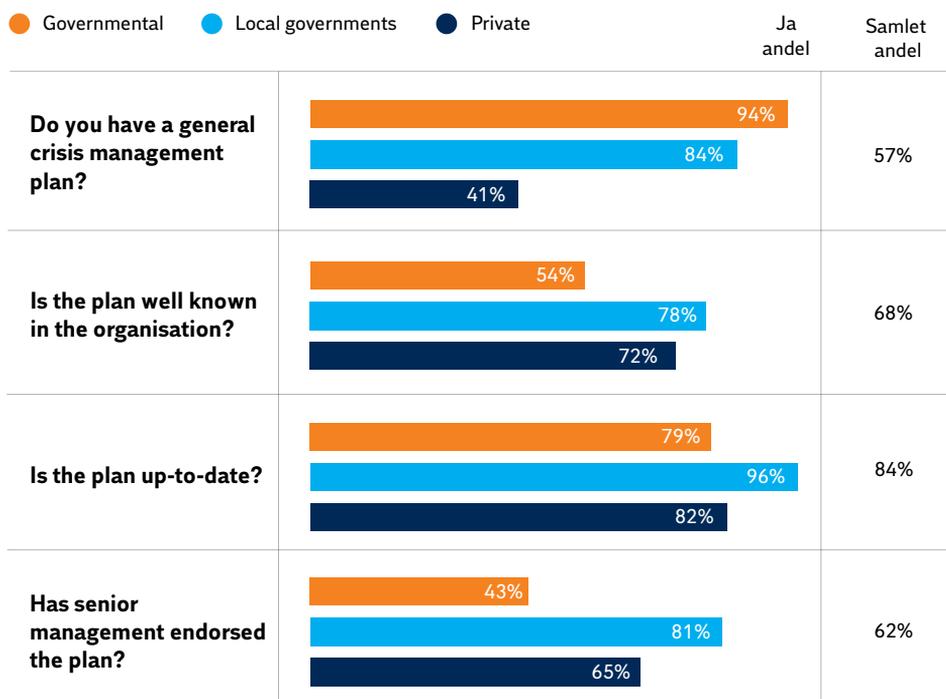
- ⇒ Amongst the respondents, 84 pct. have updated the organisation's crisis management plan within the last two years. This is positive.
- ⇒ 68 pct. of the organisations assess that the plan is well known to their organisation.
- ⇒ 62 pct. - of those who have a plan - say that their senior management has endorsed the plan and given it priority.



We should give more attention to the internal line of command in crisis situations as we tend to lose valuable time finding out who does what. – Private business

Crisis management plans are more common in the public sector than in the private

... but are they well known, up-to-date, and endorsed by senior management?



Contingency plans can provide peace of mind

.....

A contingency plan is a supplement to the overall crisis management plan, which gives detailed directions for specific incidents. Contingency plans can never replace an overall crisis management plan but give useful guidance for the operational response to specific incidents. Even though contingency plans neither eliminate the risk nor solve the problem, they constitute valuable thoughts on how to act in certain situations, which can help provide peace of mind.

The survey shows that 73 pct. of the respondents have drafted at least one contingency plan. Moreover, 60 pct. have developed a plan for how to handle IT crises. The number of contingency plans for fire and evacuation is at the same level.

When it comes to the employees' travel safety less than a fifth of the organisations have compiled a specific plan for this. Obviously, security measures should match the organisation's international activities but the number of travel safety contingency plans is very low considering that 71 pct. of the respondents reply that they have frequent business travels abroad. In particular, it is important to be aware of the fact that small accidents or catastrophes also occur in Europe (e.g. traffic accidents, ash clouds, acts of terror). For that reason, it is advisable firstly to maintain an overview of the employees' travel activities - also to low-risk countries. Secondly, to designate a travel safety contact person in the organisation. Thirdly, to introduce standard procedures before and after travel. These could all be examples of elements in a travel safety contingency plan.

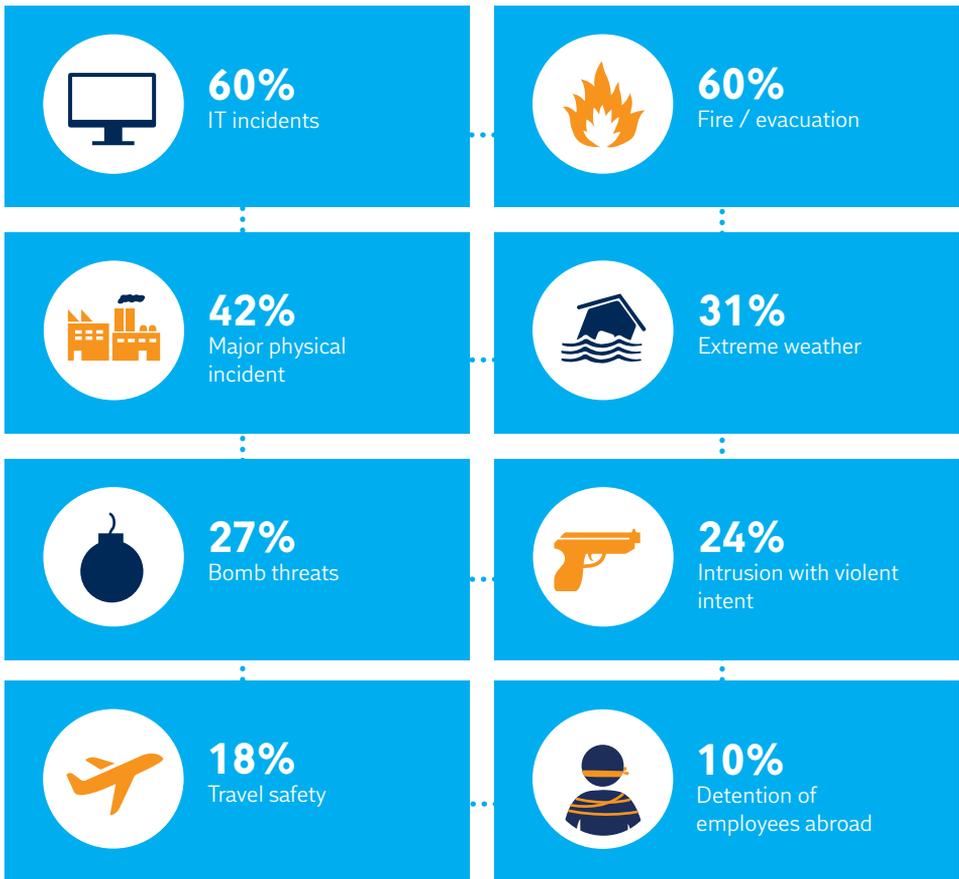
In addition, several respondents have replied that they, as a supplement to the more common contingency plans, have developed contingency plans for negative media coverage, protection of reputation, supply failure and breach of data.



We should have a better organisational understanding for how important communication is to whether a situation leads to a crisis or not. – Private business

Overview of typical contingency plans

The share of respondents who have the following contingency plans:



Follow-up activities are often neglected

When accidents happen, a crisis management plan is a valuable tool in order to prevent escalation or minimise negative impact. However, it is people and not procedures that handle crises. Therefore, effective crisis management requires education, training, exercises and continuous evaluation to build the right qualifications and capacities within an organisation.

The survey shows that most respondents have an overall crisis management plan and contingency plans in place. Unfortunately, little attention is given to building employees' competences to handle crises.

- ➔ Only 32 pct. of the organisations train their employees and the strategic crisis management to prepare them for tasks before, during, and after a crisis.
- ➔ As little as 35 pct. of the organisations have within the past two years carried out exercises with an element of crisis management, to test and develop employees' skills, plans and procedures, equipment, and cooperation with external partners.
- ➔ 44 pct. have developed clear strategic objectives based on the crisis management plan.
- ➔ On the other hand, 62 pct. have responded that they have evaluated previous crises to uncover things that worked well during the incident – and therefore should be upheld – and things that did not work so well – and should therefore be changed to improve future conduct.



We could be better at activating our crisis management team. We tend to deal with the problems at lower levels in the organisation. – Governmental organisation

Exercises and training are given low priority

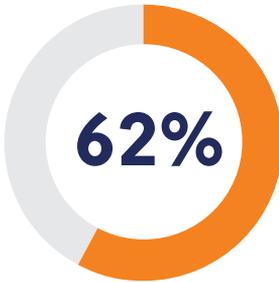
Proportion of respondents that have completed follow-up initiatives in order to prepare staff for their role during a crisis:



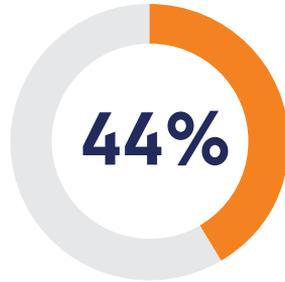
Have carried out exercises with an element of crisis management



Have completed education or training in crisis management



Have evaluated past crises



Have developed strategic objectives for crisis management

Practice makes perfect – but few do it

When asked what it will take to strengthen the organisation's own capability to handle a crisis, most rank crisis management exercises as the most relevant initiative. This is an interesting ranking as only 32 pct. of the organisations have reported that they have carried out an exercise with an element of crisis management within the past two years. If organisations assess that exercises can add value to their crisis management capacity, why is it for most of them left undone?

Respondents agree that next to exercises, better senior management engagement is key to strengthen their organisation's capability to handle crises. The organisations' cry out for stronger senior management involvement is also reflected by the fact that 41 pct. of the organisations have answered that senior management does not adequately prioritise the organisation's capability to handle crises.

At third rank, the organisations choose education and training of the employees as an initiative that could help them improve. The wish for more competence development sits well with the fact that 63 pct. of the organisations have neither gone through crisis management education nor training of central units and/or employees.

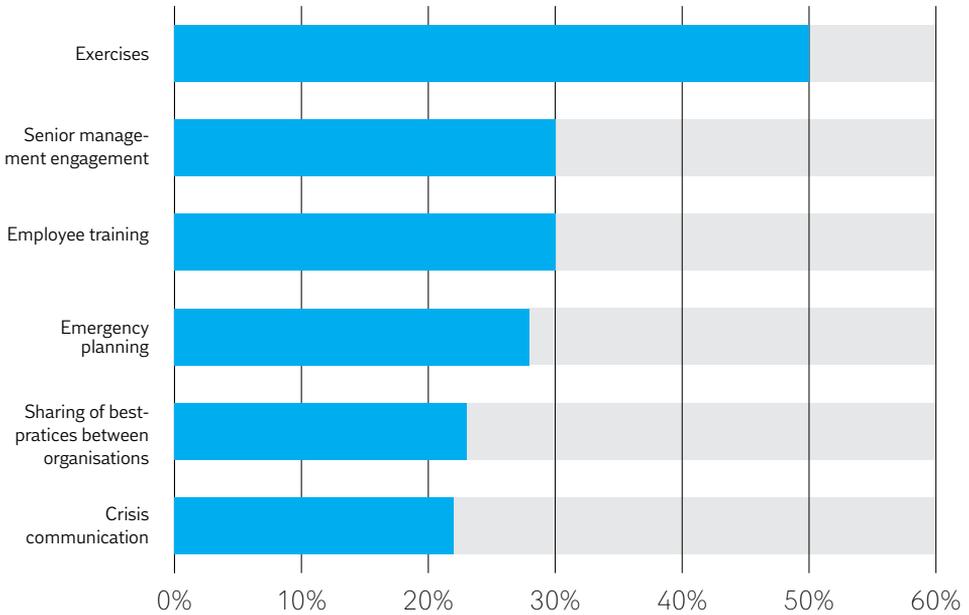
To sum up, most organisations call for exercises, engagement from the senior management and competence development but only few carry out such initiatives. If we share our experiences with planning and executing such initiatives across sectors, maybe more organisations will find ways to take action and improve their overall capacity to handle crisis.



We work on a daily basis to create an emergency preparedness mind-set in order to have robust employees. – Governmental organisation

Exercises are key to improved crisis management

The share of respondents which prioritise the initiative in question, either as their first or second priority, in regards to what could strengthen the organisations capability to handle a crisis.



What do the others do?

81% of crisis management plans identify potential external partners that could be helpful during a crisis.

76% have worked with external partners when building crisis management capacity. The Danish Emergency Management Agency, private consultancy companies and the Danish Security and Intelligence Service top the list, respectively.

56% indicate that they have one single unit in the organisation will handle any crisis it may face, regardless of the type.

61% have appointed a unit or an employee as the overall responsible for crisis management throughout the organisation, regardless of the type of crisis.

In average a unit with responsibility for crisis management comprises of **0.5** full-time employees (per 100 employees).

The crisis management unit can call in on average of **2.3** qualified employees (per 100 employees).

About the survey

The crisis management survey is compiled by the Danish Emergency Management Agency and the Confederation of Danish Industry (DI).

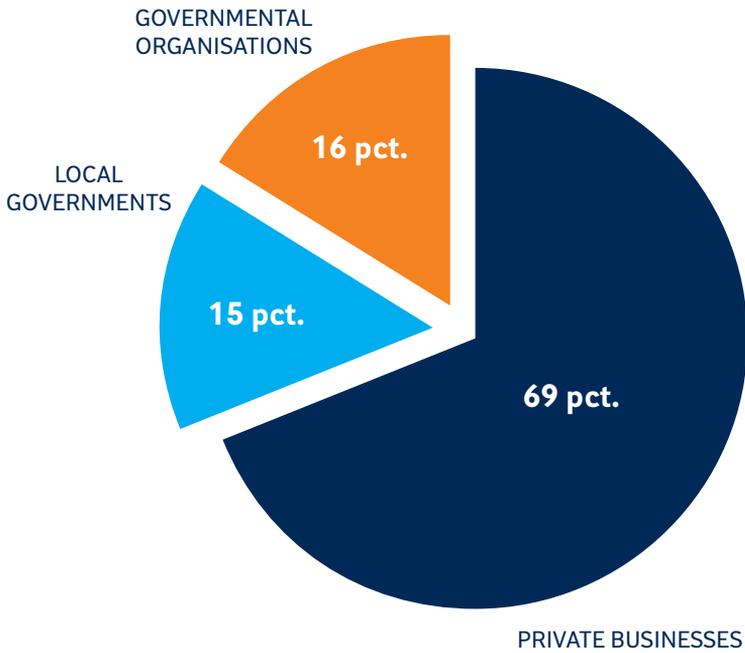
The survey deals with the crisis management capacity within a representative selection of Danish private organisations, local governments and governmental organisations. The survey is the first of its kind in Denmark and the ambition is to provide a knowledge base on the subject across the public and private sectors. We expect to repeat the survey in the future in order to make it serve as a benchmark tool for comparable future surveys.

To sum up, the publication results are based on survey responses from 225 public and private organisations out of a possible 788, hereof: 155 private organisations out of a possible 618, 33 local governments out of a possible 98, and 36 governmental organisations out of a possible 72. All local governments, ministries and government agencies were invited to participate in the survey.

The private business respondents in the survey are mainly selected amongst DI members and represent the manufacturing industry, trade, service and transport. In addition, a number of other businesses, which we have assessed as relevant due to their size and complexity, are also included in the survey. The survey covers both large and small businesses of which 40 pct. have 100 employees or less.

The survey was conducted in September 2017 via an e-mail questionnaire.

Who responded?



Security and crisis management are integral parts of most organisations' business plans. However, some risks go undetected and a majority of the organisations struggle to secure top management buy-in in developing crisis management capacity. These are some of the conclusions in Danish Emergency Management Agency and DI's survey on crisis management capacity in 225 private businesses, local governments and governmental organisations.



Confederation of Danish Industri
H.C. Andersens Boulevard 18
1787 København V
Telefon 3377 3377
di@di.dk
di.dk



Danish Emergency Management Agency
Datavej 16
3460 Birkerød
Telefon 4590 6000
brs@brs.dk
brs.dk