

A guide to Crisis Management and Scenario Testing



Crisis Management: Overview

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National and international organisations face a constant threat of disruptive events which could impact the viability of their business and the way they operate.

In a world where reputations can be ruined in an instant, senior leaders should be well versed in preparing for, and responding to disruptions.

A first principle of Crisis Management is to work on the basis that these disruptions **will** happen, and therefore leaders need to be trained and confident in the actions to take.

Other principles for Crisis Management have been laid out in ISO 22361; these include:



Climate related risks and impacts to prepare for:

Adverse weather

Major fires

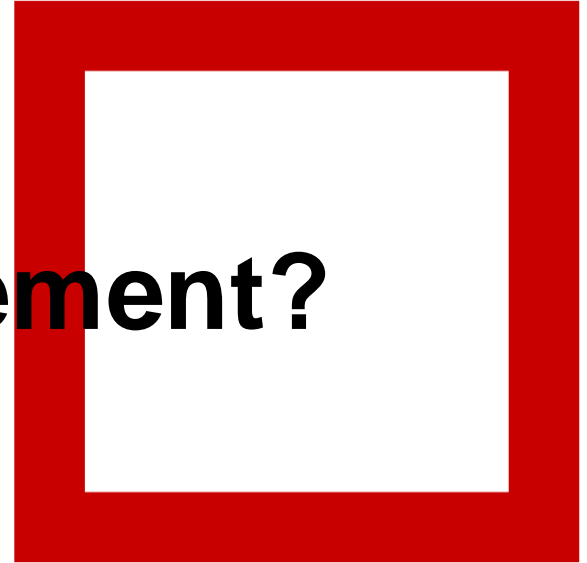
Floods

Loss of supply chain

Drought

Damage to premises

What is Crisis Management?



What is Crisis Management?

A Crisis Management capability is set up to help an organisation prepare for, respond to, recover from and learn from major disruptions.

Typically, a Crisis Management response is led by the senior executives of an organisation, focusing on the strategic response.

To build an effective Crisis Management capability, focus on the following stages:

1) Preparing for a crisis

- Identify potential risks and threats.
- Build response plans that are based on teams' insights and strategies.

2) Response to and recovery from a crisis

- Responding from the outset, through to resolution.
- Coordinating with wider response teams across the business.

3) Analysis and learning from crisis

- Completing post crisis reviews and analysing the response.
- Implementing any lessons from the review.

Without an effective Crisis Management capability, businesses could suffer an impact to:

Financial Performance

Livelihoods

Operations

Reputations

Compliance

Customers

Critical services

Long term success

Aligning Crisis Management and Climate Risk

Crisis Management is a crucial part of an organisation's overall Risk Management Framework, and this includes the consideration of Climate Risks. It should not be seen as a standalone capability that is reserved for the most senior team(s).

Any response to a major disruption or future threat, will require effective coordination across different tactical, operational and strategic teams, before and during a crisis.

Reasons to align Crisis Management with Climate Risk:

Be prepared for climate risks

Protect assets from climate risks

Protect finances

Regulatory compliance and legal protection

Protect reputation(s)

Learn from real events and improve

Example: California

In recent years, wildfires have destroyed thousands of buildings, forcing hundreds of thousands of people to flee their homes, and exposing millions of residents to dangerously unhealthy air.

The state continues to work with local authorities, communities, public and private organisations to assess the risks and prepare locals for the devastating impacts on businesses and communities.

Roles to include in a Crisis Management Team

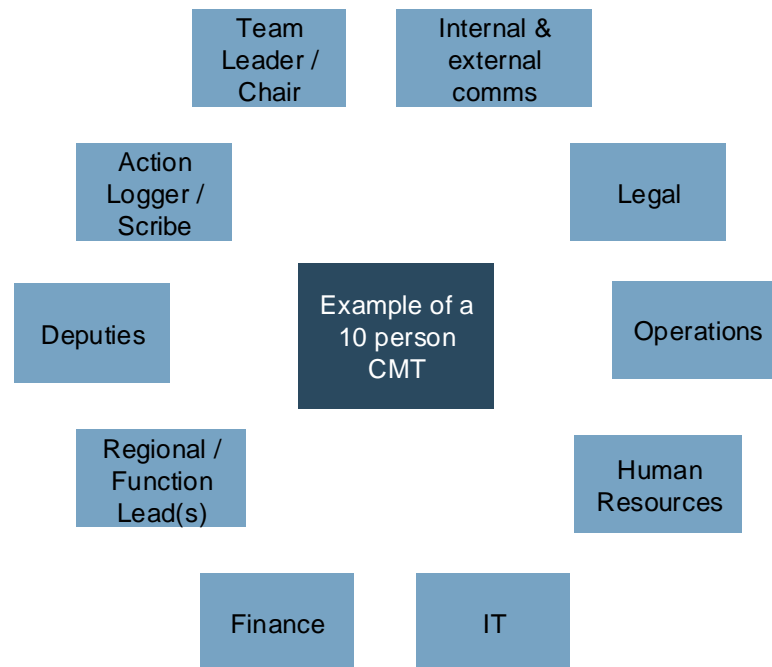
To enable efficient decision-making, teamwork and communication, the optimum size of a Crisis Management Team (CMT) often ranges from 5 to 10.

Considerations for determining the best team size:

Complexity and scale of the organisation

Nature of risks faced

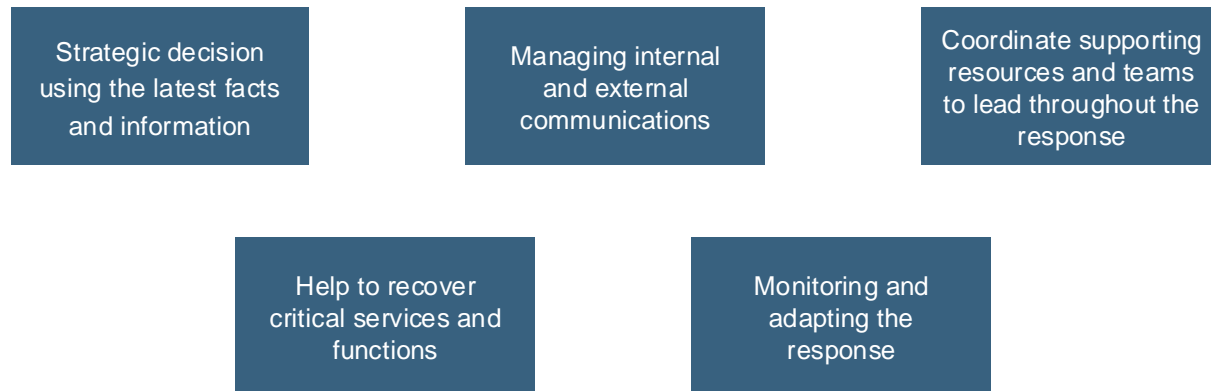
Ability to convene quickly



Core responsibilities of the CMT

During the high pressure environment of a crisis, the CMT is responsible for a number of critical areas.

The top priorities of the team include:



Role of Finance in the CMT

A Finance Lead may not be directly involved in the operational response, but should have the following example responsibilities:

- ✓ **Financial assessment and impact analysis**
- ✓ **Resource allocation**
- ✓ **Financial reporting and monitoring**
- ✓ **Insurance and claims management**
- ✓ **Cost control and mitigation**
- ✓ **Communication with internal and external stakeholders**

Responsibilities within the CMT

Below highlights some of the example responsibilities of CMT members:

Team Leader

A Team Leader is required to direct the response:

- ✓ **Strategic decision making**
- ✓ **Maintain focus**
- ✓ **Set the direction of the response**
- ✓ **Ensure there are structured team meetings**
- ✓ **Allocate resources to different response activities**

Internal and External Comms

Communications help to protect the reputation of a business:

- ✓ **Structure a clear communications strategy**
- ✓ **Manage staff communications**
- ✓ **Guide the messaging for external stakeholders**
- ✓ **Work with PR agencies if necessary**
- ✓ **Ensure there are proactive and reactive communications**

Legal

It is important to ensure consider all legal aspects:

- ✓ **Adhere to local regulations**
- ✓ **Input into overall message for communications**
- ✓ **Limit the exposure to legal impacts**
- ✓ **Advise on contracts and obligations**
- ✓ **Consider longer term compliance needs**



Responsibilities within the CMT

Below highlights some of the example responsibilities of CMT members:

Operations

An operational view is essential to help continue the business:

- ✓ Support departments to recover their services
- ✓ Identify efficiencies in the response
- ✓ Allocate resources to parts of the business
- ✓ Support with communications
- ✓ Report on business performance

Human Resources

An HR lead should help to protect the welfare of staff:

- ✓ Prioritise the welfare of staff
- ✓ Ensure staff expectations are met during decision making
- ✓ Internal communications
- ✓ Staff support ie mental health, wellbeing etc.
- ✓ Support recruitment if required

IT

IT are required to maintain and recover infrastructure:

- ✓ Recover critical systems within target timeframes
- ✓ Contain issues and further spread across systems
- ✓ Lead a cyber response
- ✓ Articulate IT concerns with the CMT
- ✓ Support teams and individuals with IT needs
- ✓ Protect data



Responsibilities within the CMT

Below highlights some of the example responsibilities of CMT members:

Regional / Function Leads

These roles may be required to continue the operations:

- ✓ Lead business continuity efforts at a regional / function level
- ✓ Resource allocation across regions / functions
- ✓ Prioritise services and activities
- ✓ Consider which activities can be postponed
- ✓ Communicate operational impacts

Action Logger / Scribe

It's important to log decisions and actions:

- ✓ Log critical decisions
- ✓ Log critical actions and ensure these are followed up on
- ✓ Send status updates to team members
- ✓ Help to allocate actions to team members
- ✓ Ensure the latest facts are communicated

Deputies

Deputies help to sustain a crisis response for the longer term:

- ✓ Make decisions on behalf of primary role holders
- ✓ Complete effective handovers with primary role holders
- ✓ Be conscious of levels of authority and decision making capability
- ✓ Outline medium and longer term risks that are specific to the role



Relevant skills for CMT members

Often, the CMT is often made up of senior executives within an organisation.

When confirming the members of the CMT, it is important to consider a blend of skills, personalities and working relationships, that help them to respond under pressure.



Decision-making and problem solving

- Evaluate situations and select the best strategic options.
- Work closely with their team members to solve problems and be confident in the decisions they need to make.



Comms skills

- Be clear, concise, and transparent with stakeholders such as team members, the public, and the media.
- Listen to accurately gather information and understand the concerns of others.



Leadership & teamwork

- Guide tactical, operational and strategic teams from the outset.
- Motivating and coordinating team members across departments and teams
- Building confidence and managing stress and conflict within the team.



Trust in others

- Trust others, including their deputies, to make the right, informed decisions based on the information that is available.



Adaptability & resilience

- Adaptable, able to change strategies or tactics with new information.
- Resilience helps team members to cope with pressure and maintain focus.



Strategic thinking

- Ensuring that actions taken are aligned with the organisation's values, overall objectives and the expectations of internal and external stakeholders.

Challenges for Crisis Management Teams

Challenges will vary depending on the specific crisis, for example:

Challenges	Ways to meet the challenges
The changing situation	<ul style="list-style-type: none">• a frequent cadence of CMT meetings to capture the latest information, issues and determine the actions.• complete an impact assessment; this will help to focus the response on those areas that are impacted most.
Clarifying the facts	<ul style="list-style-type: none">• outline what is “known”, and therefore factual, compared to what is being said or what is not yet “known”.• determine what information needs to be clarified, before specific decisions can be made.
Managing stakeholders and communication	<ul style="list-style-type: none">• identify the critical stakeholders and what they may expect from a response, align the response activity to them.• focus efforts on a clear, concise and usable crisis communications plan and strategies.
Short vs longer term response	<ul style="list-style-type: none">• allocate resource to consider how bad things could get and what responses and risk mitigations may be needed into the medium to long term.
Skills under pressure	<ul style="list-style-type: none">• identify and train alternate team members (deputies) to be able to take control or move things forward until the primary role holder has had sufficient rest.
Legal & regulatory demand	<ul style="list-style-type: none">• spend the time mapping the different legal and regulatory requirements for before, during and after a crisis hits.• build specific legal and regulatory response actions into the crisis plans.

Contents of a Crisis Management Plan

The Crisis Management Plan (CMP) is an essential tool to help guide a CMT from the outset of a major disruption.

A CMP should be based on the following principles:

- Easy to use and to understand
- Contents are owned and signed off by the CMT
- Individual roles and responsibilities are clear
- Contents support a response from the immediate disruption through to resolution
- A meeting agenda helps to guide the CMT
- Based on the organisation's principles and values
- Reviewed frequently

Important: a Post Crisis Review should be completed to identify lessons and improvements (see notes for the contents of the Review)

When developing an effective CMP, firms should look to include, at a minimum:

- Objectives and purpose of the CMP
- Guidance on when to invoke the CMP and escalate the situation to the CMT
- The principles against which the firm wants to respond to a crisis
- The values the firm wants to follow when responding to the crisis
- An outline of the firm's strategic and operational priorities
- CMT membership which includes primary role holders and deputies where possible
- Clear roles and responsibilities for each of the CMT members
- CMT meeting agenda for the first meeting and subsequent meetings
- Decision making authorities and procedures
- Internal and external communications strategies
- Pre-prepared strategic response options
- Actions to assess the current response and identify ways it can be improved
- Tools and techniques to assess impacts and also to record actions, decisions, issues, risks and the latest situation



Scenario Testing

The importance of scenario testing

Why are they so important?

Scenario tests...

- rehearse existing responses and procedures, to identify opportunities to improve how teams and individuals react to severe, but plausible disruptions.
- help to validate the response and recovery actions needed to recover within pre-determined timeframes or impact levels.
- give individuals and teams an opportunity to rehearse their response in a safe environment.

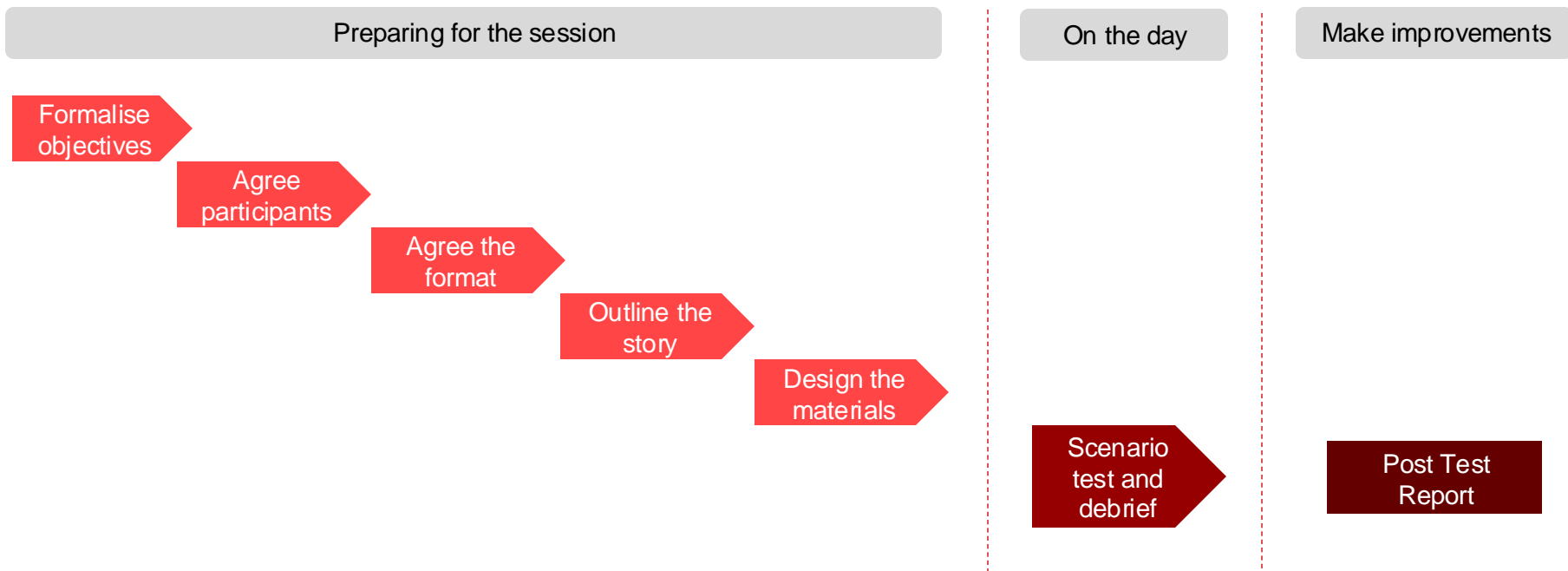
Different scenarios	<ul style="list-style-type: none">• Examples include hurricanes, floods, damage to property, disrupted supply chain, droughts, wildfires etc.
Format	<ul style="list-style-type: none">• Often resemble a workshop format, with a room, or rooms for the response teams.• In person or held virtually.
What participants experience	<ul style="list-style-type: none">• “Injects” (ie social media, emails, news) push the story forward; these provoke discussion.• Participants determine what the best course of action will be.
Duration	<ul style="list-style-type: none">• They should last between 2 - 4 hours.
Audience	<ul style="list-style-type: none">• Individuals and teams that are involved in protecting critical services, and the ultimate viability and reputation of the organization.

Challenges to explore within the scenarios...

People safety | loss of operations | month end reporting activities | critical system and data recovery | disruptive weather | assessing impacts and priorities | internal and external reputation management | data loss | response team meetings | short / medium / long term priorities | communications strategy | evacuation procedures | immediate response activity | health and safety | working with authorities | staff communication | use of recovery locations | remote working | relocating operations | managing internal and external communications | social media response

Steps to design an effective scenario test

Below are the steps to follow when designing a scenario test.



Setting clear objectives for scenario tests

Below are example objectives, based on different themes, that will be useful to explore:

Validate response plans

Work through the response plan to identify gaps and areas for improvement

Assess whether our Plans will enable us to recover critical services within Impact Tolerances.

Roles and responsibilities

Familiarise individuals with their roles and responsibilities.

Confirm how individuals will handover to their deputies throughout a crisis.

Communications

Practise internal communication strategies.

Rehearse communication strategies with customers, regulators, the media and investors.

Leadership and teamwork

Confirm how the team will work together in a virtual environment throughout a crisis.

Confirm when and how to make critical leadership decisions throughout a crisis.

Level of impact

Confirm the levels of impact at different times of day, week, month and year.

Discuss how we will minimise the impact to our finances, customers and reputation.

Information gathering

Practise recording information and creating common understanding of the situation.

Clarify which tools are best to send out incident communications throughout a crisis.

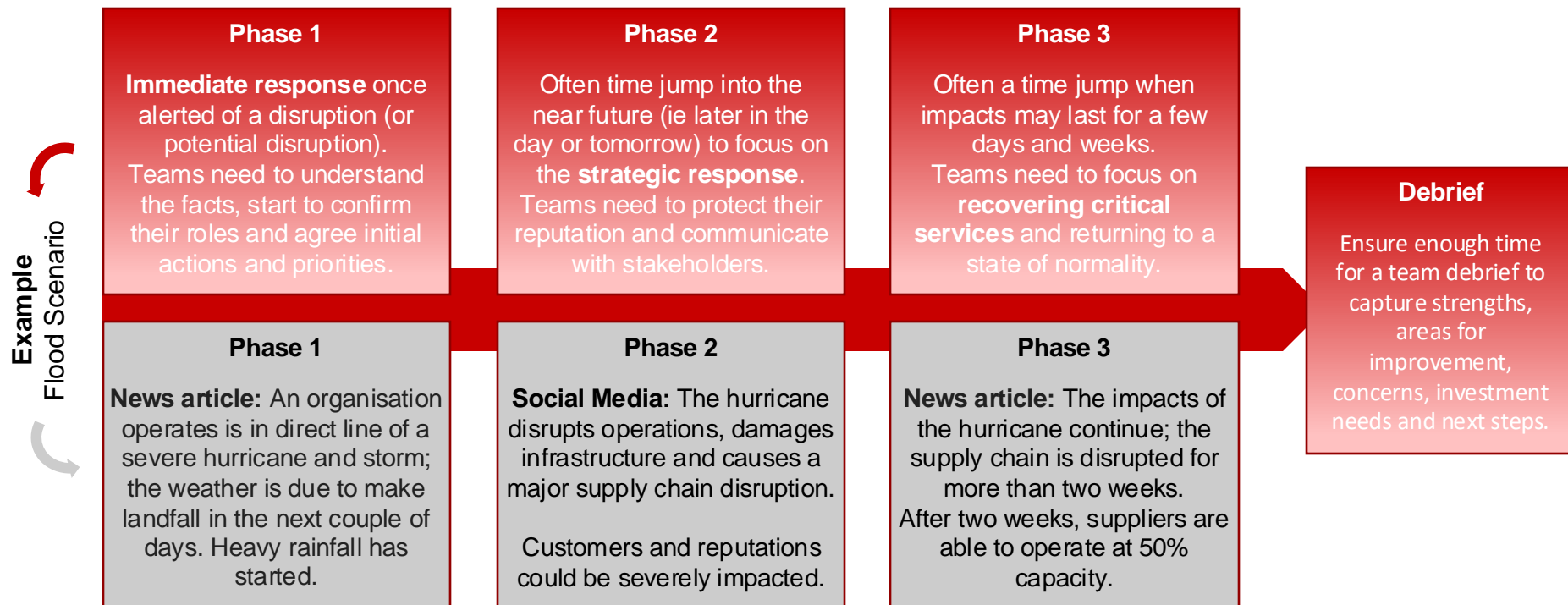
Choosing an appropriate scenario format

Choose a format that aligns to the **experience** and **confidence** of the team being exercised:

Format	Explanation	Frequency	Team Maturity	Planning Time / Effort
Plan / Recovery Strategy Walk-Through	High level discussions with sites / functional teams and individuals.	Annual	Low	Low
Desktop Discussion	Used to build the capability of single response teams; a facilitator helps the team to focus on discussing response actions to multiple issues.	Annual	Low to Medium	Medium
Simulated Scenario	Rehearse our single or multi-team response to a severe but plausible incident. <u>These require more focus on doing</u> , i.e. making / receiving calls, sending emails, following processes etc.	Annual	Medium / High	High
IT Component Testing	These test our ability to recover IT systems within the agreed Recovery Time Objectives and Recovery Point Objectives. These tests are usually owned by IT.	Throughout the year	Medium	High
Live Exercising (e.g. live system recovery)	This is typically conducted live, in the production environment and tests how we can continue to be deliver our services to customers.	Frequency determined by IT	High	High

Outlining a realistic story for the scenario

You should choose a scenario to meet your objectives and split your exercise into phases to focus on different aspects of the response.



Scenario Materials Example

Major Flood

Format: Desktop Discussion

SEE THE NEXT SLIDES FOR MATERIALS TO HELP TALK THROUGH THE THREE RESPONSE PHASES.

Scenario context

For the purposes of this scenario:

Time: to kick off the scenario, the time is simulated to start at [09.00]

Date: to kick off the scenario, the date is simulated to be [X date]

Background:

The region has been suffering heavy rainfall for the past month. Scientists are putting this down to the ever growing threat of climate change and unpredictable weather patterns.

The impacts on the region have started to hit the media; [company name] is mentioned in the news and team need to determine what the priorities are, how to prepare for incoming bad weather and how to protect the wellbeing of staff and customers.

Timeline for the exercise



Hurricane set to cause major floods in [location]

Storm Alfie has begun to cause widespread interruption across the country. Since the early hours of the weekend, high winds and high rain have started to hit the region.

The storm is due to hit [location] on [day] with local authorities expecting high water levels and excessive flooding in the area. Locals have already been reported as saying “We expect to be locked into our homes and we cannot imagine that the transport networks will be working as normal...it may be too early to say”.

From what can be seen so far, the local area is showing signs of flooding. Some roads are completely flooded and all traffic is being diverted through alternate routes.

Representatives from local authorities will be arriving on site soon to assess the situation and share advice to local organisations. It is hard to see how the local areas could be made safe ahead of the incoming rain.

Copy and paste image from Sky news website to add realism.

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 [insert company name as a mock search]

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Hannah Fazi @hannahF

My company is being severely disrupted by this massive storm. Our operations are impacted, infrastructure has been damaged and the waters look to be rising still. Our whole supply chain is on pause. So many customers are disrupted...#flood #crisis



8 replies 14 retweets 99 likes 87 views



Hatty Toor @hatt

Just overheard the authorities saying more flooding is expected and roads will likely be shut off for days. Local businesses are already struggling. Make sure you are being transparent with your customers...! #customerservice #crisis

8 replies 42 retweets 121 likes 217 views

What's happening

Menswear Fashion Weeks

Fashion · LIVE



News · Trending

Kelvin Mackenzie

Copy and paste image from X / Twitter to add realism.

Sports

Six Nations

1,785 posts

Reality

Molly

Trending with #LovelslandAllStars

Trending in United Kingdom

Southgate

2,011 posts

Show more

Disruptions for **X days** for **[company]** in **[location]** due to huge flood

[Business name] was forced to close on Saturday morning after Storm Alfie caused severe flooding. Now, two days later, the full extent of the damage is still not known but the business will be closed.

A spokesperson said: “As we work through this, the business will be closed temporarily and we will of course support our team and communicate with our customers throughout this period. Our supply chain and logistics partners will be disrupted for at least two weeks. Whilst clear up operations continue and the waters subside, we believe the site will be closed for **X days**. Colleagues remain on hand to assist with your enquiries via telephone, email and through our website”.

Footage and photos posted on social media show the area is still under several feet of water.

We will have more updates soon.



Local area underwater following Storm Alfie last Saturday

Exercise debrief

- What are the main areas for improvement?
- What were the main lessons / challenges for you from today's experience?
- Do you have any concerns after today's experience?
- How would you set up for a response in the future?
- What further support would you want to help you prepare for real disruptions?

Next steps

- Write a Post Test Report to outline observations and recommendations.
- Share the Report and discuss during a further feedback session.
- Agree priority remediation activity, owners and timeframes.
- Confirm the appetite for a future test and agree a timeframe in which to deliver it.
- Confirm the participants and scenario topic for a future test.

Checklist ahead of the scenario test

- Send briefing email to all participants
- Send invites to all participants
- Book room(s)
- Confirm substitute participants
- Complete detailed storyline
- Complete presentation deck
- Hold briefing presentation
- Confirm support roles
- Print out documents / materials
- Check IT equipment (TVs etc.) works
- Order food and beverages
- Confirm who will lead each section
- Gain final approval for all materials
- Do a final check of all scenario materials

What does good look like?

Below are some useful checks to make to help ensure your scenario test is as good as it can be:

- #1 Scenario is severe and plausible
- #2 Scenario meets the objectives
- #3 Complexity matches team maturity
- #4 Mix of injects tailored to the business
- #5 Sufficient time between injects
- #6 Time for briefing and debrief
- #7 The story is split into phases

- #8 Enough time is given for discussion
- #9 Clear purpose per inject
- #10 Injects are relevant to the team
- #11 Injects provoke discussion
- #12 An SME has added their input to the story
- #13 Story is easy to follow
- #14 Builds in severity and impact over time



Post Exercise Report Template

Post Test Report Template

Background

Outline why the test occurred and whether it is part of a wider programme.

Executive Summary

Highlight the most pertinent observations; be sure to include positive aspects as well as highlighting areas for improvement.

Objectives

The objectives of the scenario test were to:

- X
- X
- X
- X

Format of the test

High level summary of how the exercise was run.

Scenario overview

The scenario centred around a significant [insert disruption].

It was delivered over the following three phases:

Phase summary
[Insert brief summary of Phase 1]
[Insert brief summary of Phase 2]
[Insert brief summary of Phase 3]

Post Test Report Template

Observations and recommendations

[Theme 1 – for example Leadership and Decision Making]

Observations	Recommendations
<p>[Title of observation – for example Recording and tracking actions / decisions]</p> <p>[High level observation – for example: Decisions and actions were recorded on flip charts in the room during the exercise. The team agreed that they need to formalise an approach to how these would be tracked, added to and managed throughout a crisis, both whilst in the office and remotely.]</p>	<p>Outline the recommendations to respond to the observation on the left. For example:</p> <ul style="list-style-type: none">• Confirm how decisions and actions will be recorded and managed from the outset of a crisis; this includes confirming the use of a single tool (from those that already exist e.g. Microsoft Teams) to ensure the Gold Team is always acting upon the latest information.• Additional recommendation• Additional recommendation
<p>Additional observations under the same theme</p>	<ul style="list-style-type: none">• Additional recommendation
	<ul style="list-style-type: none">•
	<ul style="list-style-type: none">•

Post Test Report Template

Observations and recommendations

[Theme 2 – for example Internal and External Communications]

Observations	Recommendations
[Title of observation]	Outline the recommendations to respond to the observation on the left.
[High level observation]	<ul style="list-style-type: none">• Additional recommendation• Additional recommendation
Additional observations under the same theme	<ul style="list-style-type: none">• Additional recommendation
	<ul style="list-style-type: none">•
	<ul style="list-style-type: none">•

Relevant skills for scenario testing

Required skills for crisis management and scenario testing:

- Understanding of the risks the firm faces in the short, medium and long term.
- Understanding of the firm's priorities and what needs to be protected to help prepare the scenario.
- Facilitation and coordination skills prior to, during and after the session.
- Understanding of how to build a scenario that increases in severity over time.
- Design skills to build realistic looking scenario materials to bring it to life.
- Confidence to challenge assumptions and facilitate in front of senior leaders.
- Ability to evaluate the response and provide feedback to outline improvements.
- Delegation and trust in peers and team members.
- Communication skills which build trust with internal and external stakeholders.



Conclusion

What should accountants be looking to do?

Below are a few suggestions on what accountants should be doing:

Ensure Finance has a formal role within the CMT or as part of a specialist team that supports the CMT.

Confirm Finance's roles and responsibilities within the CMT structure.

Provide insight into the risks the firm faces

Schedule an Internal Audit to gain assurance on the crisis management capability.

Speak to peers to understand what challenges they face, or would face, if they were significantly impacted.

Internal audit plays an important role in helping to ensure the firm has an established Crisis Management capability, in which teams and individuals are clear on their roles and responsibilities and the plan has been developed and rehearsed.