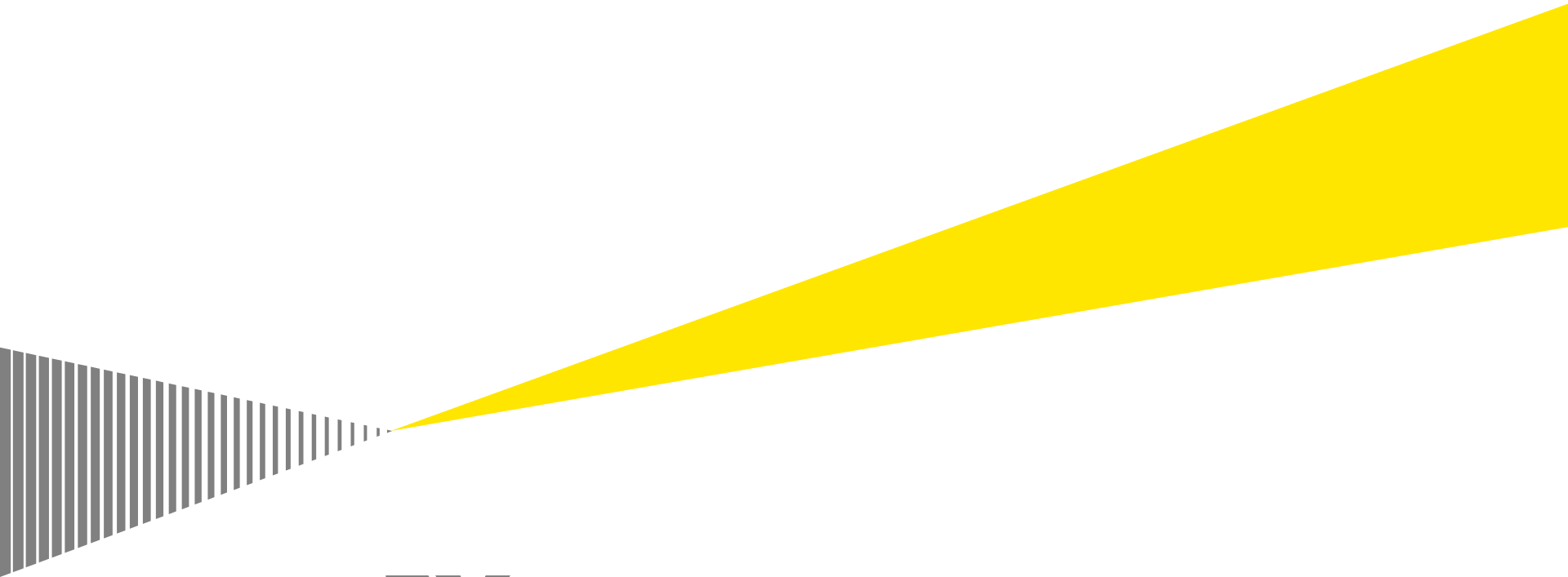


Crisis management

Stuart Lawson



What constitutes a crisis?

- ▶ Normal inputs do not create the historical outputs
- ▶ Appearance of unexpected events with significant impacts on the business models across multiple sectors
- ▶ Dramatic shift in capital, foreign exchange and equity markets
- ▶ Difficulty in forecasting future events and the appearance of multiple scenarios with substantially different outcomes
- ▶ Forced revision of tactical and potentially strategic plans
- ▶ Outside the prior experience of most management teams
- ▶ Radical shifts in market share may occur
- ▶ Urgent action needed to avoid major damage and return situation to normal

Impact on decision making

- ▶ Do nothing, initial shock, rabbit in the headlights
- ▶ Potential impact seen through prism of past experience
- ▶ Urgent crisis related crowds out other priorities (if dead in short term, long term not relevant)
- ▶ Historical measurement systems may not work
- ▶ Danger of information overload
- ▶ New risks replace or add to existing risk horizon
- ▶ Stress causes overreaction and inefficiencies
- ▶ Danger of denial or scapegoating

What actions needed to minimise impact?

- Maximise relevant information gathering
 - May require completely new sources of information
 - Crisis is dynamic and shifting scope and trajectory as it evolves.
- Understand key drivers of new reality
 - Importance of triage to determine priorities, forced ranking in portfolio review.
 - Feedback to assess impact of remedial actions
 - Maintain relationships with external stakeholders
- Create steering committee to meet regularly (operational, management and PR processes combined)
 - Not necessarily existing executive committee
 - Small enough to reach quick decisions but with connectivity throughout organisation, shorten lines of communication.
 - Centralise control, especially PR
- Set triggers for next stage action
 - Do not allow hope for the best to interfere.
 - Decrease cycle time.
 - Create triage, prioritising action plan
 - Where possible isolate the crisis and maintain other business

Actions continued...

- **External relationships become more important than ever**
 - Government support, guarantees, subsidies.
 - Banks
 - Customers and suppliers, balance cash flow with relationships
- **Where necessary, revise scenarios**
 - Only in light of relevant information
 - Keep tactical away from strategic
- **Communicate clearly as widely as possible**
 - In uncertainty, staff hunger for information, cognitive and emotional
 - Credibility internally without sugar coating, including HQ
 - Caution in relation to external PR

Actions continued...

- Don't procrastinate, act! Take control of info war.
- Central role of CEO
 - Balance crisis with long term strategic
 - Analyse underlying structural issues
 - Lead risk manager and PR
- Maintain morale by adjusting KPI's
 - Create compensation for altered behavior
- Analyse position of competitors
 - Particularly in relation to clients, suppliers
 - How much do you want them to know?
- * Ensure after action reports done, analysed.

What determines the winners and losers?

- ▶ Reaction time and ability to adjust to new realities
- ▶ Financial resources
- ▶ Relationships with constituents
- ▶ External factors over which no control, luck!
- ▶ Dynamics with competitors
- ▶ Maintain core competences
- ▶ Flexibility and willingness to adopt new strategies and practices
- ▶ Leadership

Thank you!

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