

Business Continuity & Evolving Crisis Management

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2018 - Tales from Two Perspectives



- Well known, 80+ year old international aid organisation
- In 2018 faced multiple allegations of sexual misconduct during many years by many of its workers – including paying sex workers – some of whom were underage, in Haiti and Chad
- Oxfam sacks the guilty workers, with no legal prosecution. The ‘business/work’ of Oxfam continues in Haiti, Chad etc with replacement staff **Business Continuity Plan worked !**
- UK Govt demands documentation and finds that Oxfam withheld additional information on the misconduct eg Oxfam tried to silence a whistle blower and also one guilty worker had a previous similar misconduct record with another charity
- **RESULT** – Loses significant UK Govt funding; Loses 7000 regular donors; Ambassadors for Oxfam including Archbishop Desmond Tutu resign; Oxfam GB expelled from Haiti



A chicken restaurant with no chicken !!

- DHL took over contract as delivery/logistics partner on Valentines Day (14 Feb)
- Logistics problems resulted in restaurants not receiving deliveries of chicken and other perishable goods
- Problems got so bad that by 18 February, most of KFC’s 900 UK stores were closed.
- Stores were closed for about 2 – 3 weeks before problems resolved. **Business Continuity Plan failed !**
- KFC used an innovative PR Campaign which included - apologies to customers, acknowledgement they made a mistake, they did not blame logistics partner, and created a ‘humorous’ marketing campaign.
- Behind closed doors, settlement agreed with logistics partners and also with franchisees (store owners)
- **RESULT** – Cost to business of error = -0.5% sales reduction for the year; Increased popularity with customers following marketing campaign

Some Definitions

Business Continuity Management

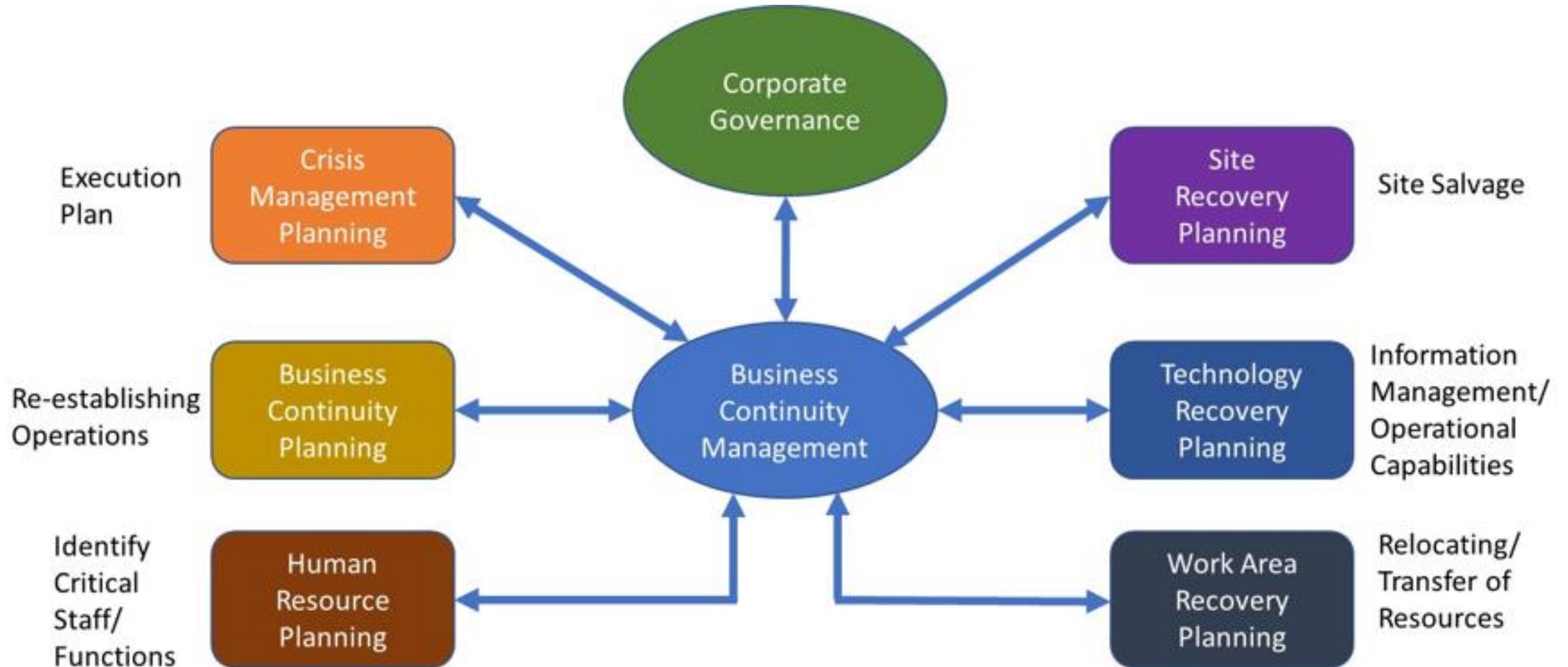
A *framework* for identifying an organisations risk of exposure to internal and external threats. The goal of BCM is to provide the organization with the ability to effectively respond to threats such as natural disasters , pandemics, data breaches, etc and protect the business interests of the organization. BCM includes disaster recovery, business recovery, crisis management, incident management, emergency management and contingency planning.

According to ISO 22301, a business continuity management system emphasizes the importance of:

- Understanding continuity and preparedness needs, as well as the necessity for establishing business continuity management policy and objectives.
- Implementing and operating controls and measures for managing an organization's overall continuity risks.
- Monitoring and reviewing the performance and effectiveness of the business continuity management system.
- Continual improvement based on objective measurements

*A Business Continuity Plan is only **a part of** Business Continuity Management*

How they all fit....



Source : <https://www.pharmaceuticalonline.com/doc/business-continuity-the-coronavirus-are-your-pharma-operations-at-risk-0001>

Business Continuity & The Coronavirus: Are Your Pharma Operations At Risk?

Article By [Bikash Chatterjee](#), chief operating and science officer, Pharmatech Associates

What are the Components of a Business Continuity Plan (BCP) ?

	Stage	Objective
	Risk Assessment	
	a) Risk Evaluation	<ul style="list-style-type: none">• Identify critical business functions essential for continued service or production• Determine the events that can adversely impact your company, the events that such events can cause and the controls needed to prevent or minimise the effects of a loss potential
	b) Business Impact Analysis	<ul style="list-style-type: none">• Identify the impacts that result from disruption that can affect the company and the techniques that can be used to quantify and qualify such impacts• Impacts considered should include loss of income, loss of assets, loss of customers/clients, loss of revenue, other additional costs• Prioritise critical business functions• Determine your required MTDP and RTO
	Develop & Document Business Continuity Plan	
	a) Develop Recovery Strategy	<ul style="list-style-type: none">• Determine and guide the selection of alternative recovery operating strategies to be used to maintain the critical functions
	b) Document Plan	<ul style="list-style-type: none">• Organise and document a written plan. Management/Business Owner should review and approve the proposed plan
	Test, Approve & Implement Business Continuity Plan	
	a) Test Plan	<ul style="list-style-type: none">• Develop testing criteria and procedure. Run tests, evaluate results, fine tune if necessary
	b) Approve & Implement Plan	<ul style="list-style-type: none">• Obtain final approval of plan and implement plan
	c) Maintain Plan	<ul style="list-style-type: none">• Develop processes to keep the plan up to date with reviews and tests completed at a maximum of 12 month intervals• Ensure plan is in line with strategic direction of the company

What are the Key Parameters that drive a Business Continuity Plan?

Maximum Tolerable Disruption Period (MTDP) – The maximum allowable time the business could tolerate an interruption in operations for key work centre or operation as it pertains to the business' value stream. To determine this properly, you need to understand interdependencies between operations.

Recovery Time Objective (RTO) – Sets the metrics for responding to the disruption. An organisation must define early in the process whether survival of the business is the base acceptance criterion for the continuity of activity. Ideally targeted RTO is less than the MTDP

Process Resilience – A processes ability to continue even in the event of a failure

Limitation

- The focus of a BCP and related parameters, drive businesses to focus on 'me, myself and I'.
- The different experiences of Oxfam and KFC demonstrate that this is often not enough to get the optimal business result

“Not everything that can be counted counts, and not everything that counts can be counted”

Informal Sociology ; A Casual Introduction to Sociological Thinking (1963) by William Bruce Cameron

Crisis Management – What is it?

Crisis Management is the process by which an organisation deals with a major unpredictable event that threatens to harm the organisation, its stakeholders or the general public.

The three most common elements that define a crisis are:-

- A threat to the organisation
- The element of surprise
- A short decision time (An immediate co-ordinated response is necessary)



Types of Crises

Natural Crises – unseen environmental change – ‘force majeure’- eg tornadoes, violent storms, earthquakes, hurricanes etc

Health Crises – eg pandemics

Technological Crises – a crisis that occurs due to technological failure on a massive scale. Such a crisis may lead to temporary loss or closure till the problem is fixed by the technicians.

Confrontational Crises – When employees get involved in heated arguments or disobey top management, ultimately leading to boycotts and strikes for indefinite periods till their stipulated demands are fulfilled eg Google

Crisis of Malevolence – When employees take part in criminal activities like theft, forgery, spreading rumours in the press etc and it threatens to damage the reputation of an organisation

Organisational Misdeed – Where top officials take wrongful decisions deliberately to serve their ulterior motives, it harms the stakeholders and external parties related to a company/organisation. Examples include:-

- Crisis of Skewed Management values ie when executives make decisions based on short term gains, turning a blind eye to long term repercussions
- Crisis of deception when top officials abuse their authority and tamper with facts and figures to manipulate customers or stakeholders . Or they make false commitments to customers or stakeholders.
- Involvement of the management in illegal activities like taking bribes, passing on privileged information etc, sometimes called a crisis of managerial conduct

Workplace Violence – crisis due to workplace violence erupts when two or more employees get involved in violent acts at the office / site premises

Rumours – Rumours which threaten to malign a brand and which may result in loss of profits or even worse legal action. Such rumours are often started by someone within the organisation with the intent to tarnish the reputation of the company.

Insolvency – When a firm is unable to pay its creditors and other parties due to insufficient funds. This could happen due to a downturn in the economy or other unexpected shocks which result in insufficient cash flow..

Crisis Management - Why you need it!

To Manage and mitigate risks to your employees, contractors, stakeholders, contractors, suppliers, distributors and all others in your business eco-system in a manner that is pragmatic and process driven and demonstrates equity and 'fairness'

To Deploy appropriate resources, attention and focus to managing the crisis alongside maintaining business continuity in an appropriate manner.

To Utilise a comprehensive and transparent process to manage the impact of a crisis (eg COVID-19 pandemic) on your business operations so that stakeholders (including employees, customers/clients, community etc) and governments, regulators, unions etc have visibility and assurance of your effective crisis management.

To Work towards preventing and/or minimizing reputational damage your business could suffer during the crisis due to hindered business/contract performance, inappropriate business conduct, inappropriate management of employees/contractors/work sites and in the case of a pandemic such as COVID-19, possible infection cases amongst your employees/contractors.

To Adapt to the changing business and environmental conditions resulting from changes in a crisis situation eg changes the COVID-19 pandemic in Ghana and worldwide.

The ultimate goal of a Crisis Management Plan is to prevent or reduce both tangible and intangible losses for a business resulting from a crisis.

What are the Components of a CMP ?

Framework/Management	Risk Assessment & Scenarios	Response /Action	PR / Communications
<p>Crisis Mgmt Teams – Composition, Roles & Responsibilities - considering different locations</p> <p>Crisis Definition Criteria – Different levels and categories of responses</p> <p>Incident Log Management</p> <p>Data/Documentation to be available always e.g. Internal/External/Emergency Contact Lists</p> <p>Plan Testing/Simulation Exercises</p>	<p>Risk Assessment Approach/Principles</p> <p>COVID-19 Scenarios to include:</p> <ul style="list-style-type: none"> • Time dimensions • Infection rates employees • Site shutdown(s) • Office capabilities • Public relations/social media issues • Govt /stakeholder requirements/demands • Contract/finance impacts 	<p>Activation Guidelines</p> <p>Crisis Response Flow Charts</p> <p>Crisis Response Checklists – to include initial assessment, business impact, ongoing management, resources, evaluation, monitoring</p> <p>Required resources for responses</p>	<p>Stakeholder groups identification (Internal & External)</p> <p>PR Strategies for stakeholder groups</p> <p>Communication strategy for stakeholder groups</p>

Note :
 A Crisis Management Plan should cover ‘any’ crisis. Hence, scenarios should be principle based to cover for multiple types of crises. The example above merely uses COVID-19 as an example, because of current focus

Remember Context & Culture

Context & Culture play an important part in an effective Crisis Management Plan.

Context (Industry, Business, Supply Chain & Size of Business)

Culture (Country , Regional or Organisational culture)



They influence and/or determine the following:-

- Crisis Definition Criteria
- Data/Documentation to be available
- Critical/Emergency Contacts
- Scenarios
- Crisis Response & Actions



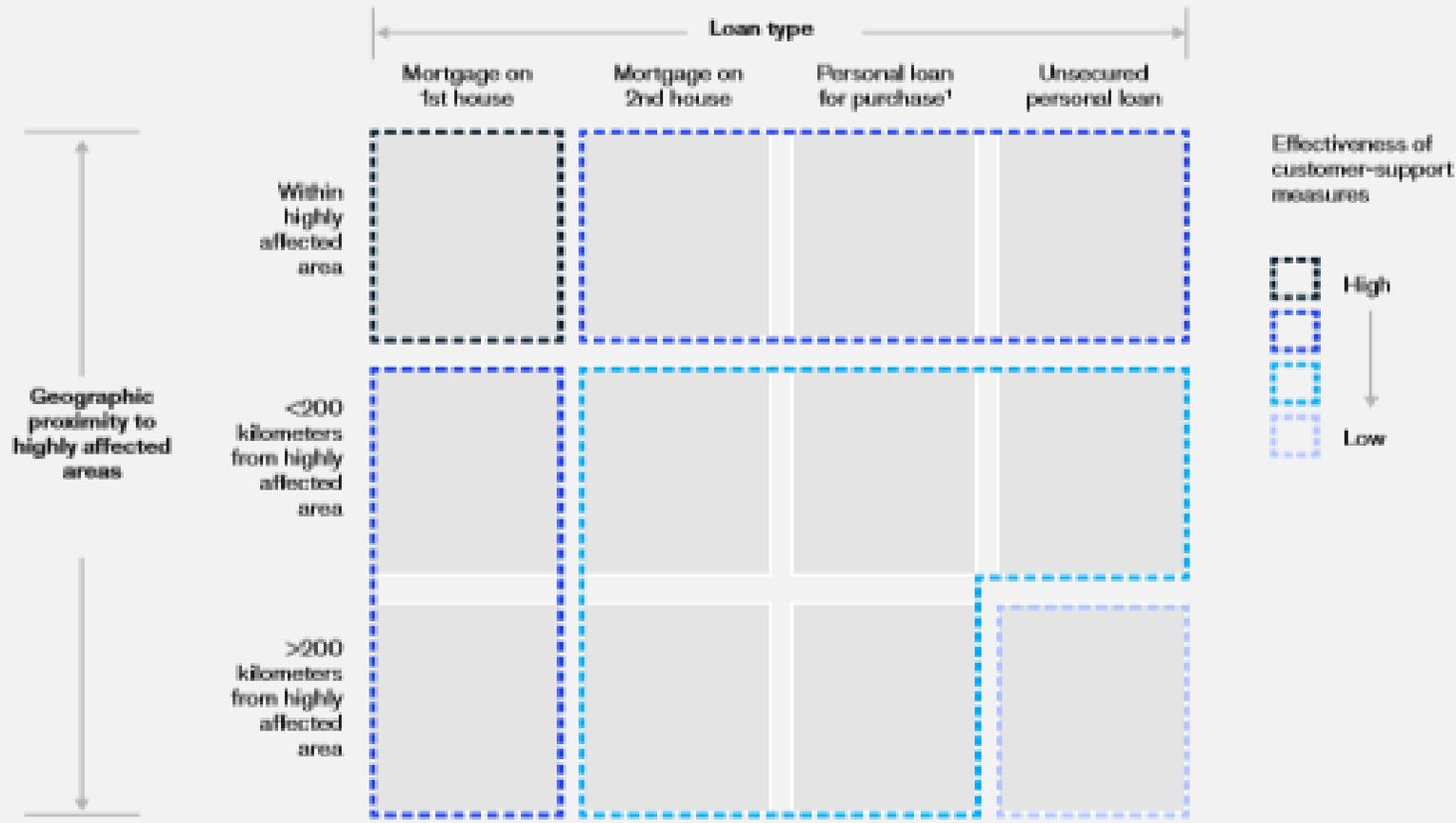
Characteristics of banks

- Regulators / Govt
- Customers
- Provide Services
- Sell Products
- Many sites
- Employees distributed across many sites
- Shareholders/profitability pressure
- Complex transactions
- Complex 3rd party relationship structure
- Many partnerships to create and sell products ie bancassurance, retail stores

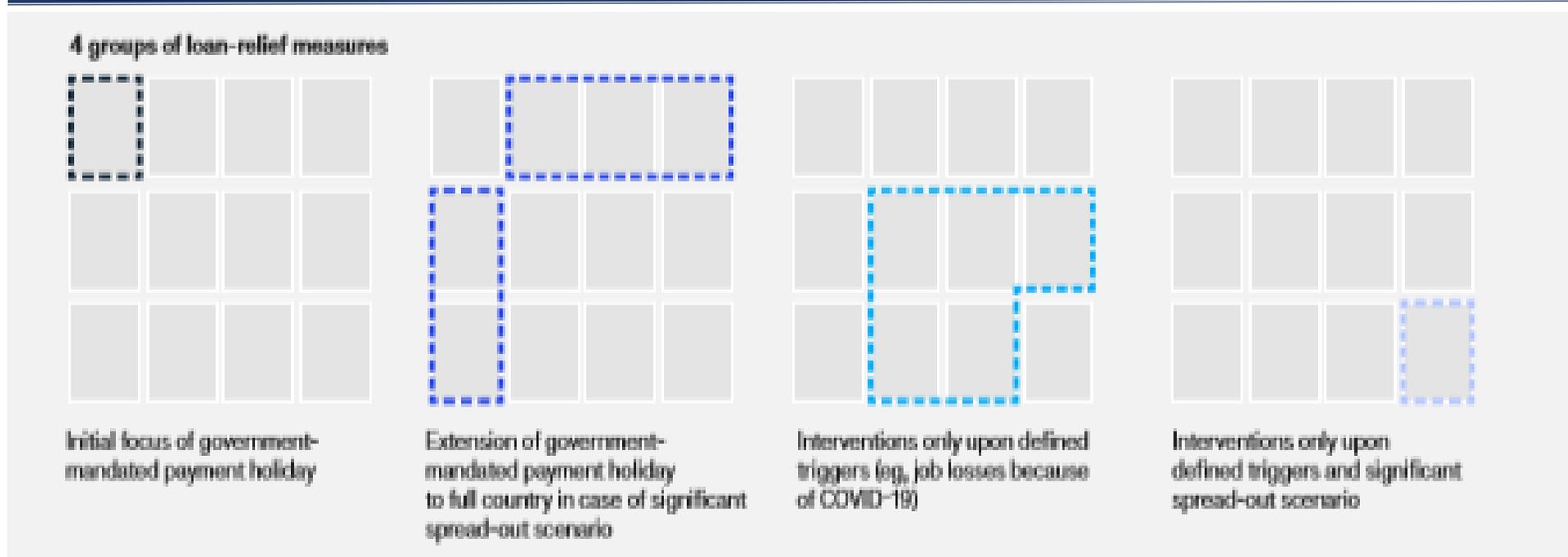
Crisis Management – Dynamic & Evolving Scenarios

Some Italian banks are prioritizing support for customers, based on proximity to the outbreak and type of loan.

Effectiveness of loan-relief measures, including impact on P&L and capital



Crisis Management – Dynamic & Evolving Scenarios



Source : Leadership in the time of the coronavirus: COVID-19 response and implications for banks - McKinsey & Company (March 2020)

For the bank, these above scenarios will determine :-

- Product mix
- How to best serve customers in a difficult time to maintain loyalty and business sustainability
- Profitability/ Balance Sheet
- Liquidity (& therefore sustainability and ability of bank to survive)
- How to minimise risk to employees ie where branches stay open, where not to
- Where to focus on essential services provided via technology
- Actions required to maintain stakeholder relationships ie how to meet government & regulator intentions/requirements

Final Thoughts

For effective crisis management planning and execution, you need to understand and include the society and environment beyond your own organisations – the society and environment in which you exist.

If you don't want to fail, you need to plan and practice crisis. More specifically, if you don't want to fail, you need to plan and practice failing.

The Crisis is not the issue, it's what you do about it !
Planning, Process & Governance is key



QUESTIONS?

Thank you!



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