ST. KITTS BRANCH
Financial Services Regulatory Commission

NewsLetter

March 2022
Issue No. 94

CRISIS MANAGEMENT

IN THIS MONTH'S ISSUE…….

A crisis can occur as a result of an unpredictable event or unforeseeable consequence of some event that has been considered as a potential risk. In either case, a crisis almost always requires that decisions be made quickly to limit damage to an organization.

A crisis can build up and occur slowly or it can appear instantaneously. Often, a slow building crisis goes unrecognized until it is almost on top of us or the negative event actually occurs. Because the crisis may be sudden, organizations need to have an effective crisis management process ready for quick and effective activation.

What are some of the different types of crisis?

- Natural Crisis
- Technological Crisis
- Confrontational Crisis
- Financial Crisis
- Organizational Crisis
- Human-made disasters

Have you considered the types of crisis that could affect your business? In the eventuality of a crisis, are you prepared?

What is Crisis Management?

Crisis Management is the application of strategies designed to help an organization deal with a sudden and significant negative event.

Life Cycle of a Crisis

The four (4) stages of a crisis are (i) preconditions, (ii) the trigger event, (iii) the crisis itself and (iv) the post crisis.

1. Preconditions is a single event or a combination of events which eventually lead to a significant occurrence which causes the crisis.

2. The trigger event is the point at which the crisis escalates and upsets the normal equilibrium of the organization. Up to this point, the organization is functioning but with the preconditions brewing 'beneath the surface', which ultimately sets the crisis in motion.

3. The onset of the crisis produces the greatest impact to the organization and its stakeholders. Potential stakeholders include owners/stockholders, management, employees, customers, the local community and the government.

4. During the post crisis phase, Management should reflect on the event, garner the lessons learnt and identify the changes that should be made to better manage future crises.

Reputational Risk: Of all the risks an organization faces, the impact on the Organization's **Reputation** is the most difficult to manage and remains one of the most pressing perils that Board of Directors and Management have to contend with.

How to prepare for a Crisis

1) Identify and consider the various crises that could affect your organization;
2) Designate a Crisis Management Team
3) Prepare a Crisis Management Plan;
4) Brief and train the CMT; and
5) Test/Evaluate the plan.

Types of Crisis Management Strategies

Proactive Crisis Management - This strategy requires planning for a potential crisis to either prevent it or mitigate its effects on your operations. It involves identifying threats, monitoring them and creating plans to reduce their impact on the organization.

Responsive Crisis Management - This strategy helps to address crises quickly and efficiently, to limit their impact on the organization's operations.

Recovery Crisis Management - This strategy helps an organization stabilize operations after the occurrence of a disruption that it could not predict.

Crisis Management is not just a one-time response to an unfortunate event(s). It is a strategic process that must occur in advance before the crisis ever takes place. It should be viewed as a holistic process and a conceptual framework must be developed to understand how this process should be organized. The framework functions as a map that assists the organization in assessing how the different parts of an internal process or system are interrelated.

The Crisis Management Team

A Crisis Management Team (CMT) comprises a group of individuals responsible for identifying and addressing crises within an organization. Their tasks include carrying out actions based on current events, determining the potential risks and minimizing any fallouts, risks and adverse effects.

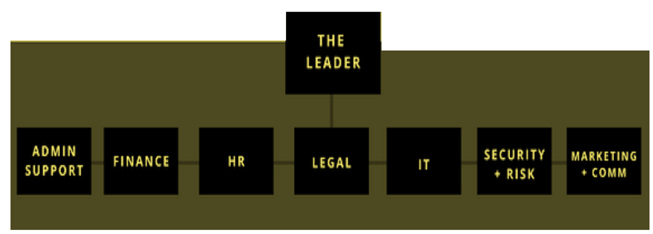
Roles and Functions of a Crisis Management Team

CMTs are responsible for:

- Detecting the early signs of a crisis;
- Identifying the potential risks and concerns ;
- Assessing the impact of the crisis;
- Preparing and activating an action plan;
- Communicating the solution to employees and the public; and
- Implementing standards to prevent the crisis from reoccurring.

In fulfilling their roles and responsibilities, the CMT typically falls into five (5) functions: management, operations, intel, logistics and finance.

The following departments comprise the CMT:



The Crisis Management Plan

A Crisis Management Plan (CMP) outlines how to respond to a critical situation that would negatively affect an organization's profitability, reputation or ability to operate.

An organization needs to develop a CMP outlining individual responsibilities during a crisis; who does what, when and where? The plan should clearly identify who will take action and what are their roles and responsibilities.

The CMP is a working document that the CMT should refer to and update frequently and accordingly based on emerging trends and risks. There is no way to know what type of crisis may occur and when but performing a risk analysis can give a general indication of the potential threats that an organization may face.

6 Steps to create a Crisis Management Plan

1) **Identify the Crisis Leadership Team** - choose a team of suitable individuals to collaborate with before, during and after the crisis;

2) **Assess The Risk** - a risk analysis will identify the potential risks to the organization. Risk Management Systems are an essential component of a CMP which should be included to assist in the mitigation of risks.

3) **Determine The Business Impact** - each risk can cause different outcomes, so it is vital to analyze them separately;

4) **Plan The Response** - examine each risk that has been identified and determine what actions should be taken to respond to the crisis if it does happen. For example in the case of a cyberattack, a person should be identified for each of the following: securing the network, releasing the information to the public and handling damage assessment.

5) **Solidify The Plan** - a CMP is more than a written or verbal strategy. Key stakeholders should understand what to do and when to do it. The CMP should be integrated into the organization's policies and procedures and all employees should receive training on the CMP.

6) **Review and Update The Plan** - ensure that there are no gaps within the plan and it should be revised and updated, as potential risks change over time.

Crisis Communication

One of the most important aspects of Crisis Management is effective communication with both internal and external stakeholders. Inaccurate information can cause more harm and create excessive panic in a crisis. All information and supporting materials posted on the organization's website and social media should be accurate.

What is the importance of Crisis Management ?

⇒ Crises are unpredictable, but should not be unexpected;

⇒ Since crisis events are generally a surprise, planning is vital! There is sometimes a short response time when a crisis occurs;

⇒ In times of great stress, people revert to what they know and how they have been trained to respond;

⇒ If employees are to respond well to a crisis, a plan is needed; and

⇒ Preparation can be the difference between success recovery and disaster.

It takes 20 years to build a reputation and 5 minutes to ruin it. If you think about that, you'll do things differently….

Warren Buffet

Five of the Most Expensive Corporate Crises and their Lessons!