



Boardroom questions

Crisis management — prevention and readiness

Board Leadership Center (India)

In today's interconnected global economy, organisations face multitude of threats to business operations. While some risks could be proactively monitored and addressed, others tend to be impossible to predict — a case in point being the COVID-19 pandemic. To deal with uncertainty, organisations prepare a crisis management plan. Invariably, during the time of crisis, one often hears corporate culture or board decisions being questioned. Crisis management and readiness, therefore, have become more urgent for boards and management. A crisis can be triggered in two ways.

- From external sources in the form of cyberattacks, data thefts, natural disasters, supply chain failures, etc.
- Can be self-inflicted, which constitute cases of sexual harassment, workplace safety, product quality and much more.

All crises, whether internal or external to an organisation, can impact reputation, business operations and, sometimes, very survival — all of which have significant financial, legal and regulatory consequences.

As companies take more proactive preventive measures instead of curative ones, they should first ensure their preparedness to handle the likely threats and then prepare the board to act, if required.

Preparing for a crisis!

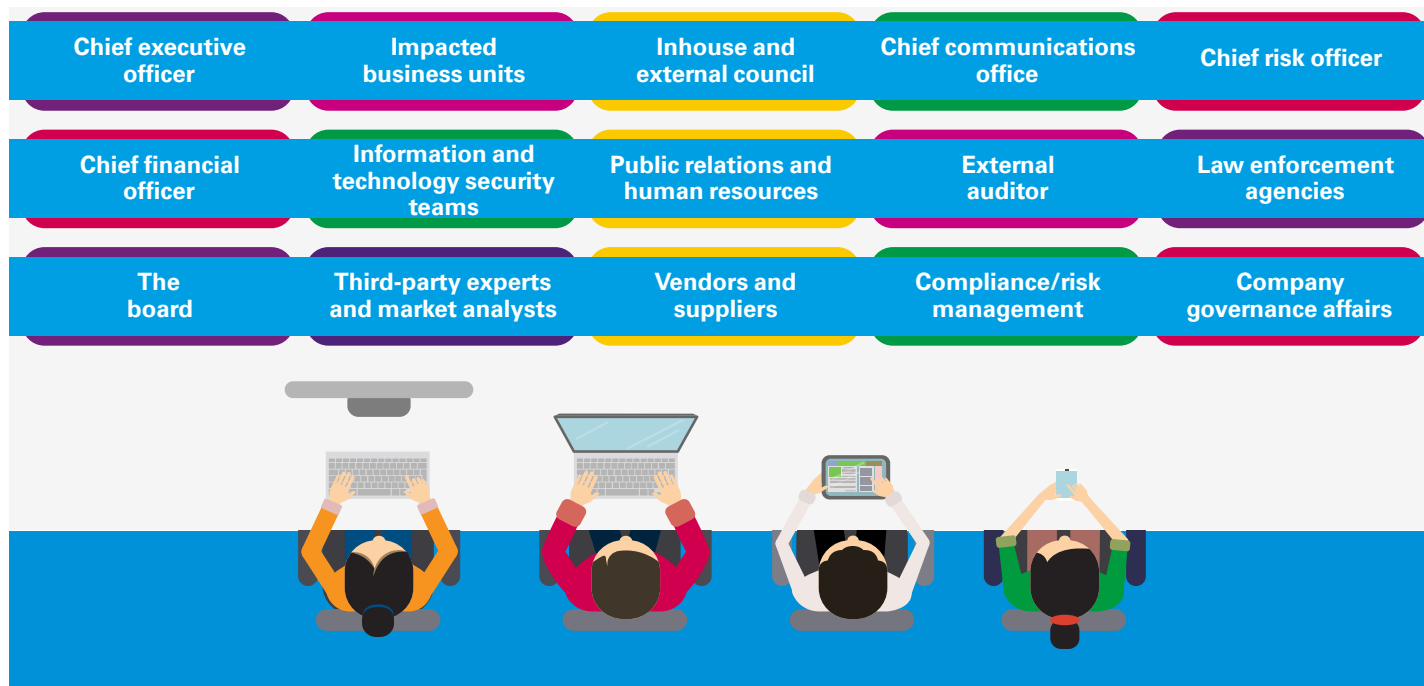
Amidst the COVID-19 public health crisis, many companies have advised their employees to work from home, restrict travel, maintain social distancing, practice respiratory hygiene and to seek medical help if symptoms persist.

The boards were provided with some critical lessons from the #MeToo movement on how to establish absolute clarity regarding a zero-tolerance policy vis-à-vis sexual harassment and abuse.

Being crisis ready



In today's world, corporate crisis escalates faster than ever before. To help companies anticipate, prepare and mitigate a crisis scenario, boards must determine whether a company is 'crisis ready'. The following stakeholders, internal and external, are key.





What actions can the board consider?



The starting point for directors and business leaders is to make sure the fundamentals of effective crisis management — such as the tone at the top, organisational culture, ethics and compliance program, whistle-blower mechanism, training for employees, along with a robust risk-management process — are in place, visible, regularly tested and working.

The following actions may be considered by the board.

Before an event	During an event	After an event
<p>Red flags are usually too late. Spotting yellow flags early enough to respond requires a combination of meaningful probes in the boardroom and exposure to the everyday culture of the company.</p> <ul style="list-style-type: none"> • Support a culture that is risk-aware; make it safe for people to 'do the right thing' • Be sensitive to early warning signals • Be clear about the company's stand on zero-tolerance behaviours • Having a crisis management plan is no longer sufficient, practising it is key in ensuring its efficacy. Roles and responsibilities of boards and management must be clearly defined • Boards and management should participate in simulations and tabletop exercises. 	<p>In times of crisis, a company needs to come forward and take ownership of the situation. It is important to be transparent, accountable and clear about who is in control.</p> <ul style="list-style-type: none"> • Communication amongst all internal stakeholders is crucial • All enquiries must be centrally managed • Ongoing operations and business-continuity plans must be sustained; collaboration across business units is central in managing disaster recovery. 	<p>Organisations should consistently learn from incident response and improve, including analysing causes that may be a part of the company's culture.</p> <ul style="list-style-type: none"> • Recovery efforts need to be defined by critical business needs • Communication with key stakeholders needs to be prioritised • Underlying or systemic causes need to be identified and remedied. 

What actions can the board consider?



Linked to crisis prevention and readiness, the board and management have separate but equally important roles and responsibilities. Boards can ask the following questions to ascertain their crisis readiness.

1. Does the company have a crisis management 'playbook', which has all the necessary processes and protocols?
2. Are there contingency plans in place to combat a crisis situation; are they subject to dry runs to check their efficiency?
3. What role does the board play in the company's simulations and tabletop exercises?
4. Are risk-management frameworks able to identify real risks such as fraud?
5. Does the company challenge itself to understand the types of crises it is ready to face?
6. Is communication during a crisis scenario prioritised? Also, does the company have designated individuals to lead this?
7. With institutional rise in ownership, is governance sophistication accordingly increasing?
8. Are sufficient measures being undertaken to rectify board dysfunctionality arising from a narrative that is overly critical of promoters? In other words, is the polarisation — 'us' vs. 'them' — constructive?



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