



# Crisis Planning, Response and Management Services

KPMG International



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**T**he media outlets stream nonstop coverage of a typhoon that battered Southeast China with video of damaged factories of your key supplier and damage to a coastal city that resulted in dozens of freighters unable to leave port or dock. Headlines scroll along the bottom of the screen of the 24-hour news channel reporting on a joint U.S. and E.U. regulatory investigation into anticompetitive practices in your industry. Is your organization fully prepared to respond to one of these disruptions? Can you handle both simultaneously?

In today's highly interconnected global economy, organizations face a myriad of threats of internal and external disruptions to business operations. Some risks can be planned for, monitored, and mitigated; but other high-impact, hard-to-predict events are occurring more often.

Crises or catastrophic events typically occur within a compressed period, have the potential to critically impact a company's ability to achieve its mission, frequently result in significant financial or reputational loss, and almost always require an immediate cross-functional and cross-organizational response.

Organizations faced with a crisis may be required to address natural or man-made disasters, loss of access to critical facilities or business systems, supply chain disruption, product recalls, high-value and high-frequency claims handling or litigation, and the ensuing financial and reputational fallout from these events and others. At the same time, however, management will be required to maintain daily operations or quickly return to business as usual even while they are in the public spotlight with constant scrutiny by the media and judicial process, and being held accountable to the public, regulators, shareholders, and other constituents.





# Preparing for and Responding to Potentially Catastrophic Events

KPMG firms assist organizations with planning for, responding to, and remediating critical events. We help clients assess the operational and financial impact of a potential or actual crisis. After a crisis occurs, KPMG's global capabilities and significant experience working in a crisis environment, interacting with government programs and regulators, addressing claims and litigation, and suggesting process and controls improvement as a result of a variety of triggering events allow us to provide a broad array of services while bringing to bear a tailored and thorough response.

The necessary cross-functional and cross-organizational approach to crisis management applies not only to an organization in the midst of a crisis but to the reality

that multiple advisors should be on-call to immediately assist, which means they should have been previously vetted and selected. KPMG knows how to work and team with legal, public relations, media, lobbying, and other advisors who may be retained to effectively and thoroughly respond to a crisis. And our firms' project management office (PMO) experience and capabilities allow KPMG to help organizations manage competing priorities and multiple work streams, issues, and advisors with tools and processes. Our PMO services are also designed to gain visibility to key facts and metrics important to managing any multifaceted project and provide accurate and timely information to a variety of stakeholders in a crisis.

Due to the unpredictable nature of a crisis and the potential impact on an organization's viability, it is important for organizations to prepare in advance for both a crisis and a response. As part of our broad range of Advisory and Tax services, KPMG firms assist clients in answering the difficult questions:

- Are we prepared for a crisis?
- Do we understand all of our potential risks?
- Have we thought "outside the box" about our risks and responses?
- Do we have an appropriate response or responses documented?
- Do we have the right resources and advisors readily available in the event of a crisis?

## Potential Triggering Events

- Weather
- Environment
- Natural and man-made disasters
- Product safety and recall
- Equipment failure
- Data security breach
- Operational failures
- Loss of key staff
- Supply chain interruption and distress
- Significant regulatory enforcement action
- Financial reporting fraud
- Leadership misconduct

# Stages of a Crisis

While each stage of a crisis presents a unique series of facts and events that require active management, KPMG member firms can help organizations determine how to best respond to each stage.



## Planning

What an organization does before a crisis makes a significant difference in the success of its crisis recovery. Accordingly, crisis planning is an integral part of an overall risk strategy. Crisis planning or building a “playbook” is typically a cross-functional and dynamic process in which a company establishes a leadership team; considers potential financial, legal, and operating implications of a crisis; marshals internal and external resources and expertise to be ready to respond quickly; and develops external and internal communication plans to keep stakeholders well-informed. KPMG firms can help organizations develop a crisis management plan and “playbook” that not only includes an operational response to a crisis, but also prepares them to manage the ramifications of the event, such as claims, financial and accounting issues, tax losses, regulatory compliance, and potential litigation.



## Response

Crisis response encompasses the execution of the crisis plan, although the response will evolve and the plans in place may need to be changed in real time as the reality of the situation unfolds. The immediate response typically focuses on saving or securing people and property, understanding the scope of the triggering event, and containing the damage or fallout. Depending on the nature of the crisis, the emergency response may include activating pre-existing plans related to internally or externally focused communications; preserving, relocating, or colocating essential Information Technology (IT) systems; or finding alternative or supplemental suppliers or financial resources, to name just a few business critical challenges frequently presenting themselves to companies in crisis. As we noted above, KPMG firms can also quickly establish a PMO to coordinate daily activities, provide structure, track, and report on key metrics and improve efficiency.



## Planning

Before a crisis, KPMG can help develop a wide-ranging crisis management plan as part of a broader risk management strategy.



## Response

In the event of a crisis, KPMG assembles a core team to assess the situation, activate the emergency response plan, and help communicate the plan to the entire organization.



## Recovery/Restoration

In the aftermath of the crisis, KPMG can assist with legal and regulatory claims or proceedings, or ongoing financial and operational obligations, while helping the organization return to normalcy.



## Remediation/Resilience

KPMG can provide assistance with preventing or mitigating the damage from future crises, and modifying plans to more effectively and efficiently address and manage future crises.



## Recovery/Restoration

Recovery/restoration, including managing the aftermath of a catastrophic event, is the phase when the emergency response to the catastrophe is largely resolved. This is also the period when organizations deal with legal and regulatory claims or proceedings and address ongoing financial and operational obligations, reputational fallout, and other negative impacts remaining for the company. During this phase, the organization re-establishes, to the extent practicable, business as it was conducted before the crisis, and seeks a return to normalcy. KPMG member firms have deep experience in assisting clients with government investigations, litigation, business continuity efforts, and recovering from financial distress.

- Strategic sourcing and procurement
- Enterprise risk management
- Crisis management



## Remediation/Resilience

The final phase of remediation/resilience includes reflecting on lessons learned, taking steps to prevent or mitigate the damage from future crises, and modifying plans and “playbooks” to more effectively and efficiently address, manage, and mitigate future crises. KPMG firms can assist organizations in updating policies and procedures, and assess and remediate any gaps in governance and controls.

- Strategic planning
- Key initiatives
- Key operations centers



- Natural disaster
- Technology issues
- Man-made incidents

***Brand protection and continuity of business operations represent the key drivers for most organizations.***

# Select Service Areas

## Strategic Risk Planning

Organizations that can clearly articulate and quantify the risks they face will ultimately make better business decisions. KPMG firms help clients develop a broad governance, risk, and compliance approach. This may include business continuity planning, which addresses major disruptions that impact core processes, or disaster recovery planning, which focuses on timely restoration of IT support functions, networks, and communications. KPMG can assist with business impact analysis, risk and vulnerability analysis, testing and training, plan updates, and contingency planning.

## Maintaining Business Operations and Continuity

An efficient functional back office is central to the success of front-office operations, management information updates, and daily business operations. KPMG firms can help design and plan a back-office structure during a crisis that supports a range of functions, including accounting, financial, and IT functions. Properly capturing and accounting for crisis-related costs and expenses, and understanding the tax implications of those expenditures, are key steps that must be taken early in a crisis response.

## Claims and Litigation Support

Crises are often followed by significant claims, both in size and number, being filed against a company. KPMG member firms can assist organizations in overseeing the claims process to help make it efficient, reduce inaccurate or unsupported payments, and limit fraud. This includes the rapid deployment of data collection and analytics, forensic accounting, and controls professionals to reduce the potential for errors, maintain an appropriate pace of accurate payment of claims, and provide clear

information about the design and execution of critical controls. Since litigation frequently follows a crisis, or may even be the trigger for a crisis, KPMG firms can assist with dispute advisory and litigation support activities, including financial analysis, expert witness services, eDiscovery, and digital evidence recovery.

## Antifraud Programs and Controls

Prevention, detection, and response to potentially fraudulent or unsupported claims are critical to an overall claims handling program. KPMG firms can provide a wide-ranging antifraud, waste, and abuse risk management approach with respect to both operational and functional aspects of the claims handling or grant management process. This also includes establishing key metrics and accompanying data analytic routines to identify potentially fraudulent, duplicate, or erroneous claims or payments. KPMG firms can also respond to incidents of alleged fraud or other misconduct by conducting financial or other investigations, and bringing to bear the resources of the global KPMG network of member firms as required to thoroughly investigate and document the outcome of each allegation of fraud or misconduct.

## Internal Controls

During a crisis, organizations often circumvent their normal safeguards and controls with respect to crisis-related procurement and expenditures. To combat this, organizations need to establish specific control policies to oversee the unique expenditures and pressures associated with quickly addressing all stages of a crisis situation. KPMG firms can help organizations develop a control framework that balances the need to make and approve decisions and expenditures quickly but provide for appropriate monitoring, oversight, and other control activities.

### Relevant KPMG member firm services

- Actuarial services
- Change management
- Crisis planning
- Cyber
- Data and analytics
- Deal advisory, financial distress and distressed suppliers
- Dispute advisory services
- eDiscovery/enterprise discovery management
- Economic and valuation services
- Financial services regulatory
- Forensic data analysis
- Fraud risk management
- Information protection and business resilience
- Insurance risk
- Internal audit, risk and controls
- Investigations
- Management consulting
- Operational and supply chain restructuring
- Operational/plant floor remediation
- Regulatory and compliance testing
- Supply/value chain management
- Strategy
- Tax



## Cyber/IT

Safeguarding data against unauthorized access, disclosure, or misuse is integral to effectively maintaining operations. KPMG firms help organizations manage and protect data across a broad spectrum of evolving threats and scenarios. In the event of a cyber attack, KPMG can assist clients in the investigation, remediation, and reporting of cyber threats, crimes, and data breaches.

## Regulatory Enforcement, Compliance, and Investigations

In an environment of heightened regulatory scrutiny and enforcement, domestic and multinational organizations must be prepared to respond to subpoenas and requests for information by state and federal law enforcement agencies, regulators, and even legislative bodies around the world. Investigations can be wide-ranging in terms of geographic scope, issues, and the numbers of agencies or government bodies involved. Organizations must have the capability to comprehensively respond to compliance breaches resulting in a crisis with a combination of internal and external resources. KPMG firms can assist organizations with the development of compliance and governance programs. But recognizing that compliance breaches do occur, KPMG can assist with internal investigations and fact-finding, along with thoroughly collecting, searching, and tracking relevant and responsive digital and other information related to crisis situations.

## Major Projects Advisory

Major capital projects are often complicated, fast-paced, and risky endeavors, and are carried out in an environment prone to uncertainty, fraud, waste, abuse, or other misconduct. KPMG firms can monitor repair or reconstruction projects as part of an overall program to prevent, detect, and respond to fraud, waste, abuse, and other misconduct that occurs when emergency contracts are entered into or controls are relaxed in a crisis situation.

## Deal Advisory, Financial Distress and Restructuring, and Distressed Suppliers Advisory

Organizations may face liquidity challenges and financial distress as an outcome of a crisis or those factors may be triggers for a crisis. KPMG firms

can assist organizations planning and carrying out complex financial transactions to address pressures from creditors, lenders, customers, and other stakeholders. Assisting companies with understanding and forecasting their cash needs during critical periods is paramount to surviving and moving past the immediate crisis while continuing operations. Similarly, distress or failure of a supplier at any level of the global supply chain can have just as severe impacts on business operations as does liquidity concerns. KPMG professionals have been providing insight to numerous companies in distressed supplier situations and our experienced financial, operational, and strategic resources identified relevant, cost-effective, and timely recommendations while providing on-the-ground coverage at multiple supplier sites globally.


## Operational/Plant Floor Remediation

KPMG has a dedicated operational team that rapidly deploys in crisis situations to provide remediation, risk mitigation, and operational performance improvement assistance when a company is faced with disruption caused by a natural disaster, quality concern, capacity constraint, or other operational crises. With decades of experience assisting companies in these crisis situations, KPMG professionals can provide the variable cost, i.e., "factory floor" assistance to help management in their expeditious recovery of operations and maintenance of supply continuity.

## Product Recall Assistance

Despite companies' best efforts to manufacture, distribute, or sell high-quality consumer or industrial products, they occasionally address claims that their products may cause or caused injuries or damage. In a variety of situations, companies will commence voluntary recall or repair initiatives while other scenarios involve government regulation, intervention, and mandates. Through experience with product recalls, KPMG firms can assist with relevant information gathering and multiple system interfaces internally and externally, process and work flows, governance and reporting, and relevant training. In addition, claims of defective or unsafe products or parts in the supply or distribution chain may trigger regulatory scrutiny or litigation, in which case KPMG professionals can bring considerable investigatory, digital evidence recovery, eDiscovery, and expert witness services to bear.





Effective crisis planning and response can limit business interruption and the associated costs of a crisis and its aftermath. KPMG firms can provide strategic and tactical insights and skills to enhance organizations' response to a crisis. Diversion of a company's valuable operational resources to respond to a crisis strains daily operations. KPMG has industry-specific resources globally who can supplement an organization's planning and response capabilities, and who can work smoothly with other key advisors. Our objective is to provide scalable assistance to an organization in crisis by expeditiously and cost-effectively helping with planning, response, recovery/restoration, and remediation/resilience activities to put the crisis behind you and return your organization to normalcy.

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