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Risk Management and Crisis Management: from Integration to Resiliency

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AT A TIME WHEN RISK MANAGEMENT IS INCREASINGLY perceived as one of a company's essential functions, many continue to see crisis management basically through a "communication" lens. In reality, though, risk management and crisis management should be viewed as two sides of the same coin.

Where the job of risk management is to anticipate likely risks, crisis management entails managing as best one can the consequences of risks that were not anticipated or could not have been foreseen—those famous *unknown unknowns* that Donald Rumsfeld loves to talk about.

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That being said, crisis should not be seen as symbolic of failure on the part of a risk management program. Not all incidents are foreseeable, and even among those that can be foreseen by the risk manager, not all can be covered (the reasons for this are obvious: a lack of resources from the standpoint of time, teams and budget). In this regard, the traditional analytical grid based on a probability/impact assessment—usefully complemented by criteria of velocity and detectability—remains perfectly valid for distinguishing the risks that must be covered by risk management from those that could be covered, if they were to materialize, by crisis management. Thus, by putting in place a crisis management mechanism, an organization can adopt a temporary, *ad hoc* structure it can use to manage a crisis, which is to say the materialization of an unanticipated risk with major impacts.

CRISIS: A SITUATION THAT HAS GOTTEN OUT OF HAND

But a crisis is more than just a risk that surprises us. It is a risk that the organization, overtaken by the situation, cannot manage with the means normally at its disposal, because it throws economic activity into lasting disarray, places acute psychological pressure on teams, creates an emergency situation or necessitates a shorter decision-making chain than required under normal circumstances.

Since admittedly the crisis could not have been predicted, why manage it? Or, better yet, why not leave it up to the executives who, one would assume, have the *sang-froid* and technical wherewithal to extricate the organization from this predicament?

First of all, as is the case with most standard risks, a crisis situation often brings with it opportunities. A well-managed crisis is an opportunity for a business to burnish its image, in some cases well into the future. A case in point is the Tylenol crisis that hit Johnson & Johnson in 1982[1]. Conversely, if you refuse to manage the crisis, make awkward attempts at stonewalling or put your foot in your mouth, you can leave your company's image completely tarnished for years to come[2]. And so, management must become involved at the highest levels in order to show the public that the incident is being taken seriously.

Next, even though each crisis is a unique situation, crises share a number of common characteristics, such as time pressure (urgency) and extent of impacts generally brought to bear simultaneously on all of an organization's assets (resources, teams and reputation).

Consequently, crisis management demands at once shorter decision-making networks to respond to the emergency and consideration of all the various stakeholders—employees, beneficiaries, suppliers, clients, consumers, public opinion, authorities and so on. A well-organized, composed crisis response is one that takes into account all of these actors so as to minimize negative impacts and get the most out of any attendant opportunities.

DON'T STOP AT THE SENIOR EXECUTIVE AND SPOKESPERSON LEVEL

Crisis management is not just the job of senior management and communications, although both play essential roles in the crisis response cell. Generally there is also a human resources representative, to take into account the human impacts of the crisis and oversee internal communications regarding the situation, with a view to

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avoiding rumours and scuttlebutt that can sometimes cause as much disarray as the incident itself. The cell should also include a crisis coordinator, whose role it is to keep a record of the key events taking place during the crisis, the flow of information and the decisions taken in order to ensure that they are properly implemented.

These four essential functions can of course be completed, depending on the type of crisis, by as many experts as necessary. But it is important that the crisis response cell remain a lean outfit, with well-defined roles, in order to be agile and quick on its feet. This allows a maximum of time to effectively carry out the decisions that are taken.

MUTUALLY AND NATURALLY BENEFICIAL

How then do we articulate risk management and crisis management? There is more common ground than one might think.

First, risk management and crisis management are both anticipatory endeavours, with most of the work being carried out in "peace time." The structuring of information/decision flows, training of stakeholders and design of response strategies can and must be prepared before the risk or crisis materializes. Second, both risk management and crisis management require an excellent overall understanding of the organization's activities and, in a broader sense, of the ecosystem in which the organization operates. Accordingly, they are deeply transversal. Last and most important, risk management and crisis management share the same overarching objective: to enable the organization to survive a brutal and often prolonged change to its usual operating conditions.

As experts in their field, the risk manager and crisis manager generally bring to their respective functions an expertise gained from other industries and thus a fresh perspective on the organization. Typically operating at a high level of the organization, they have access to important people within the enterprise. Integrating them better into cross-disciplinary working groups and encouraging regular exchanges during non-crisis periods concerning their respective themes would go a long way toward ensuring a more effective brand of crisis management and, overall, a more resilient organization. ■

ENDNOTE

[1] In 1982, seven people died after ingesting cyanide-laced Tylenol capsules. Johnson & Johnson immediately took the transparency route, implementing major and costly measures to inform consumers and to significantly improve product security. Eventually, the company's image came out enhanced, and the Tylenol brand remains one of the best known in its market. To this day, the case remains unsolved.

[2] Examples include the lengthy conflict between Ford and Firestone in the early 2000s, the Toyota "accelerator crisis" of 2009 and the BP/Deepwater crisis of 2010.