Crisis Management

Lex Schampers

Crisis Management

THE FOUNDATION FOR MANAGING A CRISIS

SECO-Institute

Crisis Management

Courseware

Foreword

In times of crisis, leaders are formed and organizations are tested for their resilience. This book is both a practical compass and a guide for those willing to navigate the seas of uncertainty and chaos. With insights from professionals with practical experience, this book offers valuable tools and guidance to anyone involved in crisis management. I believe that the knowledge and experience shared in this book can contribute to building resilient and more robust organizations.

Purpose of this book

The author of this book has noticed that there is very little literature on practical crisis management aimed at organizations. This is especially true in organizations that have not really experienced a crisis or calamities/disasters yet. It is important how to adequately (pragmatically) organize crisis management in these organizations. This book offers a good start for crisis managers who have little or no experience in the field, as well as for highly educated crisis managers who do have the knowledge but little practical experience (which is especially evident during reflections in training courses).

This (practical) book offers insight into the world of crisis management and an impetus for setting up an effective crisis organization. In this book, the reader will find valuable tips for setting up their own Crisis Management Organization. This is supplemented with practical tips on how to be successful in your mutual communication (in and between the teams involved in the crisis organization and with the teams/organization around it), as well as with the stakeholders and interested parties. It is worth noting that the communication and dealing with (social) media during crisis situations, which is essential, can even cause and deepen the crisis!

Successfully combating crises cannot be done without paying attention to the possible effects (positive and negative) on the reputation of the organization. This is also given the necessary attention.

Given the growing number of calamities and crises in the field of IT and Cyber incidents, this book pays special attention to the phenomenon of information security and cyber crisis, and on how to manage them. The new guideline, the NIS2 (Network and Information Security version 2), is also briefly discussed.

Crisis management does not stand alone and has strong relationships with the disciplines of Risk, Business Continuity, Security and Disaster Recovery Management. In particular, these combined together increase the resilience of the organization and are called: Resilience Management.

The reader will discover that there are many similarities in both the research method and the approach to these areas. The reader will also discover in practice that there is already a lot of material available in the organization that has been researched before.

To compile this book, various publications and books inspired the author to write this book. A number of organizations, authors and their books are explicitly mentioned:

Security Continuity Institute: in particular the course material for the Crisis Management course, co-developed by the author and fellow teachers/trainers themselves.

The reader is urged to check various material that can be found online, including from the Netherlands Institute for Public Safety (NIPV) and the Netherlands Standardization Institute (NEN).

Inspirational crisis management books and website(s):
— Crisis Management: Leading in the New Strategy Landscape, Rick Crandall et al;
— Crisis Management (Fink, 2020) and Crisis Communication (Fink, 2023);
— Crisismanagement. Orde in de chaos, Hans Slaman (Slaman, 2011);
— Crisismanagement. Organisaties bij crises en calamiteiten, Arthur Zanders (Zanders, 2008/2016/2022);
— https://thecynefin.co/about-us/about-cynefin-framework/Cynefin model (Snowdon et al.);
— https://vng.nl/projecten/informatieveiligheid VNG/IBD website;
— www.rizoomes.nl (Crisis management, Ed Oomes, 2024).
This book has been written as carefully as possible with references and source references to consulted material. Should any omissions be discovered, we kindly request that you inform us so that we can make the necessary adjustments.

The Author

Originally, Lex Schampers had a background in IT, followed by several years of experience in the field of organizational consultancy. He gained knowledge and experience in financial/business economics consultancy early on, through a career change, and supplemented this with Information Security, Risk, Business Continuity and Crisis Management. He was ultimately active in the establishment of Resilience Management, and he developed policies regarding Security Management and the establishment of a Security Operations Center.

During his career, he recognized the importance of effective information provision. He focused on bridging the gap between the business and all (resource) departments within the staff organization of the companies where he worked or advised. He finds the translation of IT and business economics, along with technical language - between the business units - to be a challenge.

Since 2008, he has been confronted daily with incidents, calamities and crisis situations in the Dutch railway network and the enormous and diverse associated infrastructure. He has therefore started sharing his knowledge and experience in the field of business continuity and crisis management through training courses at, among others, the Security Academy.

In his drive to further develop the organization, "practical" and "pragmatic" are two words he likes to use. He doesn't prefer bombastic or high-flown advice, but directly usable and implementable advice. "Theory is important, but it must remain workable". In practice, it happens all too often that great ideas fail during implementation and we have to go back to the drawing board.

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Introduction

The adage: *"It is not a question of whether a crisis will come, only when it will come"* is a well-known fact to crisis managers.

This fact automatically leads to the question of whether the organization, the employees, the environment and/or you yourself are ready to manage a crisis well, let alone go through it. Not everyone and certainly not every organization can navigate it successfully. While you shouldn't assume that your organization can overcome all crises, you can contribute to its management to the best of your abilities.[1]

It is remarkable how few organizations are adequately prepared for a crisis. Companies often see that a crisis can come from an unexpected source and perceive it as a business risk. But this business risk can be reduced if the organization prepares itself properly.

It is important that the crisis is not only addressed in terms of content, but that good communication about (and during) the crisis is of great importance to the organization. Because even if the crisis is managed professionally and the communication internally and externally via (social) media is not handled professionally, the reputation of the organization can suffer serious, perhaps irreparable damage.

This book is therefore aimed at the good and successful management of a crisis, with the emphasis on the good completion of the crisis management, which in turn supports clear and necessary communication.

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1   Worth mentioning is Winston Churchill's statement: "Never waste a good crisis" and "How do you turn a crisis into an opportunity" which is common among experienced crisis managers.

1   CRISIS

"Okay, Houston, we've had a problem here", are Jim Lovell's famous words on April 13, 1970, when he reported from Apollo 13 to Houston (NASA) that Jack Swigert saw a warning light and heard a loud bang. After that, a whole crisis scenario unfolded, one that is still used in crisis simulations.

NASA is now highly skilled in handling crises; strong in crisis management, their personnel undergo daily training, and the organization regularly conducts crisis checks and simulations. And now on to your own situation.

Suppose you are the director/owner or crisis manager of your company, and you receive a phone call from one of your employees or an external party (e.g. police, fire brigade or third parties) who calls with the message: *"There has been a major explosion at the head office."* What do you do next?

At this moment, there are several possible scenarios. This also depends on other factors such as the industry, the company/organization operates in, the location, etc.

Questions that arise include:
— Are there any personal injuries or dangers to the environment?
— What does the size and impact of the explosion mean for your business operations?
— Can the explosion and any subsequent actions - in any way - damage your reputation and much more.

Another factor that always, without fail, comes into play is stress. How do you deal with it? Chapter 6.7 is relevant in this context and worth considering when setting up the Crisis Management Organization. Take this factor into account when making plans!

Take the following scenario. Your company is a car company with 100 employees, and the incident takes place during working hours. Are there injuries (or worse: fatalities)? Is your entire company at risk of going "out of business"?

These are elements that play a role right from the start. In addition, questions such as the ones below come to the forefront during this stressful period: How have you protected yourself against this? Are you sufficiently secured and insured? Do you already have a Crisis Management Plan and/or a Business Continuity Plan that include(s)

measures for these types of crises? These are all questions that suddenly come to the fore during this stressful period.

Suppose your company is not a car manufacturer but a consultancy firm where all consultants work remotely. In this case, the "out of business" scenario suddenly takes on a whole new dimension, because the explosion would not necessarily mean disrupting the staff's work.

There are several factors that play a role in crises that can vary for each company. A calamity that leads to a crisis at this fictional company in the automotive industry can probably remain a major calamity at the consultancy company. Naturally, personal safety remains an issue and ensuring this for the employees and visitors of the company always involves escalating to a crisis situation.

So far, the examples have covered two main elements of a crisis:

1 *(Physical and digital)* Safety of employees and visitors[2];

2 *The continuity* of the company's business operations (production).

A third element is also included in the example, and that is maintaining control over the reputation of your company. Suppose that, during the same telephone conversation about the explosion, you learn that it was caused by an accident - one resulting from a known risk to you - one that could have been prevented, or even worse, a planned attach on your company? That means that you have to think immediately about your way of communicating and even worse: the what, how, where and when are you going to communicate in this case?

After all, if you do not have your communication (internal and external) in order, you will suffer great damage to your reputation. Even if you handle the safety aspects and the continuity of the business operations well, things can still go wrong. Good communication in times of crisis is therefore a necessity.

2   Nowadays, people, animals and the environment are also considered here

3— *Reputational damage.*

NB: Given the new developments in the digital - read: cyber - world, when considering the safety of employees and visitors, it is important in this context to also mention the digital security of employees, visitors, customers and other related natural persons whose (confidential) information is stored in the information systems of their own or related organization(s).

This chapter discusses what a crisis is, what elements play a role in it (causes, classification and characterization) and first aid measures to prevent and combat it.

1.1 The emergence of a crisis

There are several definitions that describe a crisis.

> **A crisis is an unprecedented or extraordinary event that threatens an organization and requires a strategic, adaptive and timely response to maintain the viability and integrity of the organization. A crisis threatens the continuity of the organization and can therefore also end the existence of the organization if it is unable to successfully emerge from it.**
>
> (source: ISO 22361:2022, altered by author)

It is not often that (large) organizations cease to exist because of a crisis. However, we do see organizations suffering major damage because of reputational harm (brand damage), and being taken over as a result. This takeover itself can be considered an organizational crisis, which many companies try to protect themselves against. Such is the example of the Dutch company AkzoNobel in 2017 [3].

Some well-known Dutch examples of company closures following a crisis or dismissals of top managers/officials:

1. **DSB** (bank and lender): Bank's downfall caused by a run following the public appeal from Pieter Lakeman.
2. **Kroymans corporation** (car importer): Too much rapid growth with borrowed money, stagnating sales figures.
3. **Van der Moolen** (stockbroker): Company innovated too slowly, while the reputational damage followed due to integrity investigation by the Netherlands Authority for the Financial Markets and De Nederlandsche Bank.
4. **Exota** (soft drink manufacturer): The company faced negative publicity following suggestive statements made on television about the supposedly exploding bottle, which led to the product being withdrawn from the market. This contributed to the company's eventual bankruptcy.
5. **Kwaaitaalvloer** (concrete floor production company): Years of production error due to incorrect use of raw materials, which ultimately led the company to bankruptcy.
6. **Government:** A fire in the municipality of Moerdijk, caused by the Chemie-Pack warehouse storing hazardous chemicals, led to the resignation of Moerdijk's mayor due to, among other things, lack of communication and inaction during and after the fire.

3 https://www.akzonobel.com/content/dam/akzonobel-corporate/global/en/documents/media-releases/20170518-verweerschrift-akzo-nobel-nv.pdf

7__ **Diginotar:** Diginotar was a Dutch certificate authority which guaranteed the origin of digital information from websites. The company was hacked, and hundreds of fake certificates were issued. The Dutch government also relied on these certificates, which rendered the authentication government system "DigiD" unsafe, among other things. The government then withdrew as a client, causing Diginotar to lose its main customer and suffer enormous reputational damage. This ultimately resulted in the company's collapse.

There are also examples of organizations that have very successfully used a crisis to their advantage:

1__ **Maersk** (global carrier): Successfully survived an outage caused by the Nonpetya ransomware. Through their swift action to strengthen their cybersecurity, they managed to successfully restore their IT systems within a day.

2__ **Starbucks** (coffee shop): In 2018, Starbucks employee calls police as two black men stand in the store and don't order anything. Starbucks not only solves this locally, but uses company-wide training to tackle unconscious racism and thus restore the relationship with the public.

3__ **Toyota** (car manufacturer): Following their 2010 recall, the company's effective response and commitment to quality helped restore its image over time. Toyota's focus on customer satisfaction and employee engagement played a critical role in its recovery.

4__ **Johnson & Johnson** (pharmaceutical company): In 1982, seven people in the Chicago area died after ingesting Tylenol capsules that had been poisoned with cyanide. The tampering was believed to have occurred when someone injected the chemical into the capsules and returned them to store shelves. The deaths remain unsolved, but Johnson & Johnson's handling of the episode has become an educational case study in effective crisis management at Harvard Business School and elsewhere.[4]

A crisis arises. Only we cannot predict when, where, and what it will be about. The impact and possible consequences are also difficult to estimate. However, organizations can prepare for possible - and therefore expected - crisis situations.

4   https://www.smartsheet.com/content/crisis-management-examples#:~:text=transparency%20
and%20agility.-,CPG%20Product%20Crisis%20Management%20Example%3A%20Tylenol%20
Product%20Tampering, returned%20them%20to%20store%20shelves (Dutch)

Fink's model (2002)

The original model which starts with the alarm phase where the first symptoms (such as the events and incidents) are observable is shown below.

This model can be expressed through the following framework, which includes an added preparation phrase comprising both a Prevention and a Proaction phase.

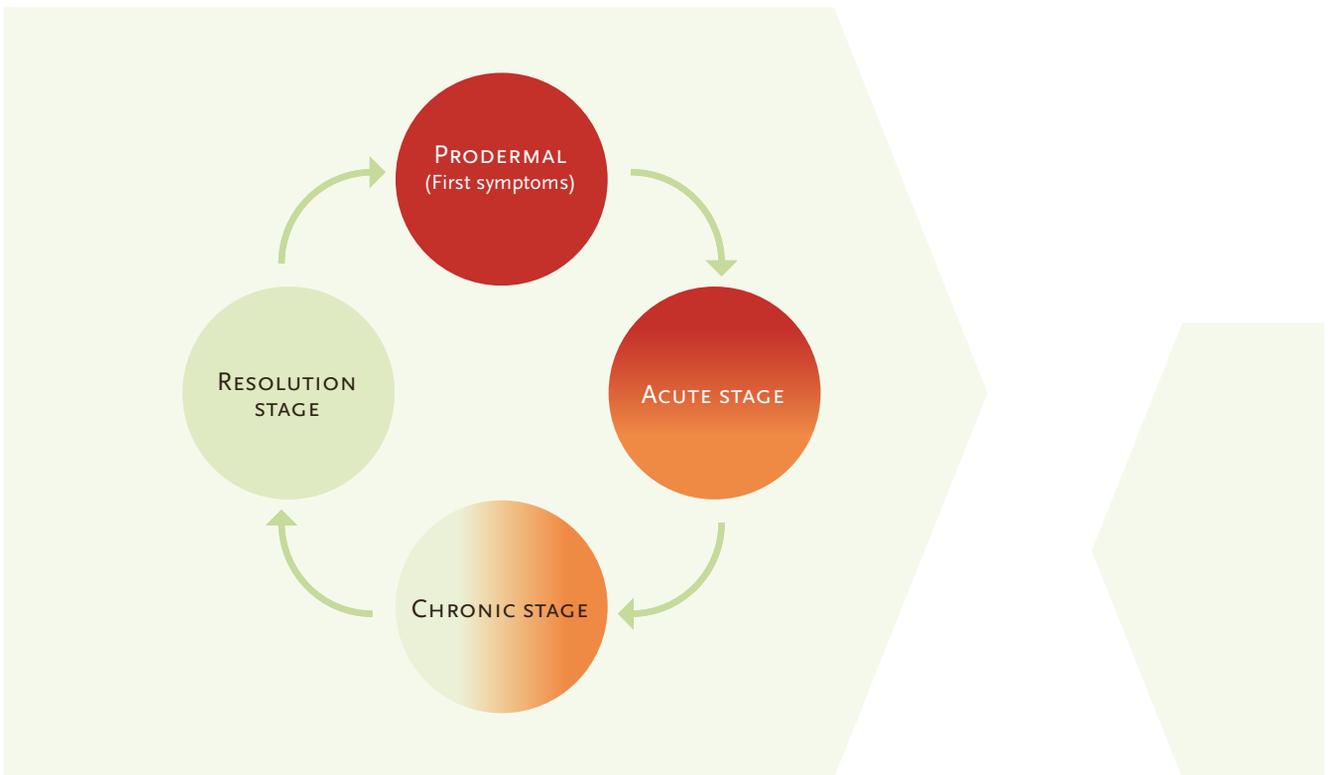This model is used in this book as a starting point for crisis management.

Figure 1: crisis management model Steven Fink

1.1.1   What is a crisis?

When people are asked about their experience in crisis situations, the answers always vary. This is due to the different interpretations of the term "crisis".

This term has several facets:
— Personal crisis (mental, psychological);
— Crises in the personal or relational sphere/environment;
— Financial crisis (the financial crisis period of the banks, etc.);
— Crisis concerning the company/organization itself (business operations, products, services, financial and reputation);
— Crisis within the organization (internal, with potentially major consequences for those involved).

All these crises have some features in common.

It always concerns situations that often occur as a result of an unexpected event which affect the three areas mentioned above.
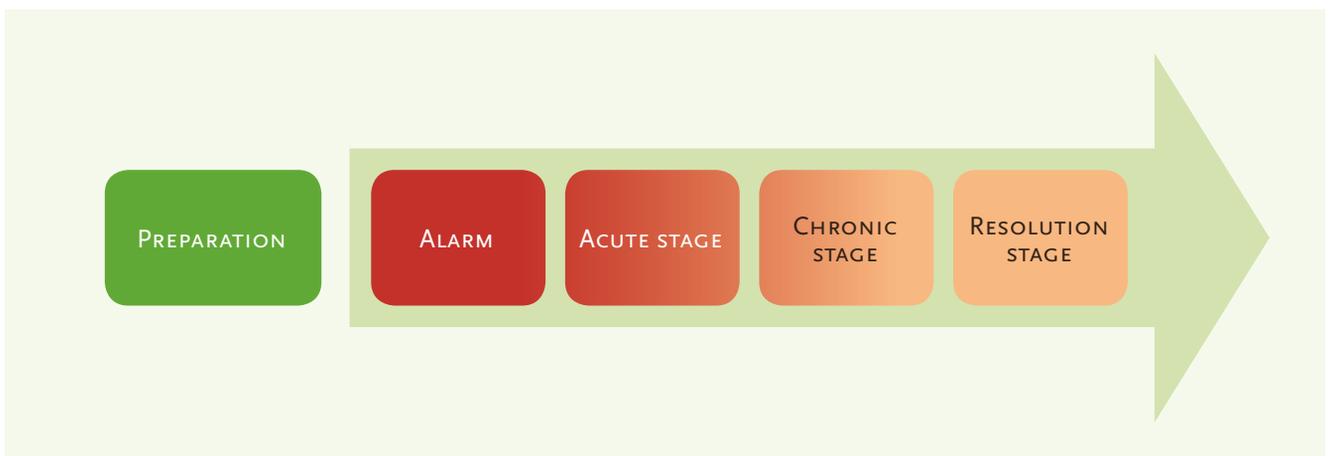

Figure 2: crisis management model Steven Fink: process model

Source: Fink, 1986, Crisis management: Planning for the inevitable

According to the NEN (The Royal Netherlands Standardization Institute) which establishes international agreements on the quality and safety of products, services or processes, the definition of a crisis is:

An abnormal or extraordinary event or situation that threatens an organization or community and requires a strategic, adaptive and timely response to maintain its viability and integrity.
(source: NEN ISO 22361:2022)

NB: This also concerns the international ISO standard 22361

1.1.2 The crisis management process

The crisis management process aims to:

1 Ensure the (physical, psychological and digital) safety of people (employees and visitors);
2 Ensure the continuity of the business operations (production) of the company/ organization (person);
3 Limit reputational damage to the company/organization or person.

According to the author and Dückers (2022), optimal crisis management aims to minimize the consequences of an event for those involved as much as possible: (physical) loss and damage, as well as the procedural burden during the process. Additionally, it aims to maximize the recognition for those involved and to offer them maximum hope and perspective. All this within (multiplied by) the context and scope in which the event occurs.
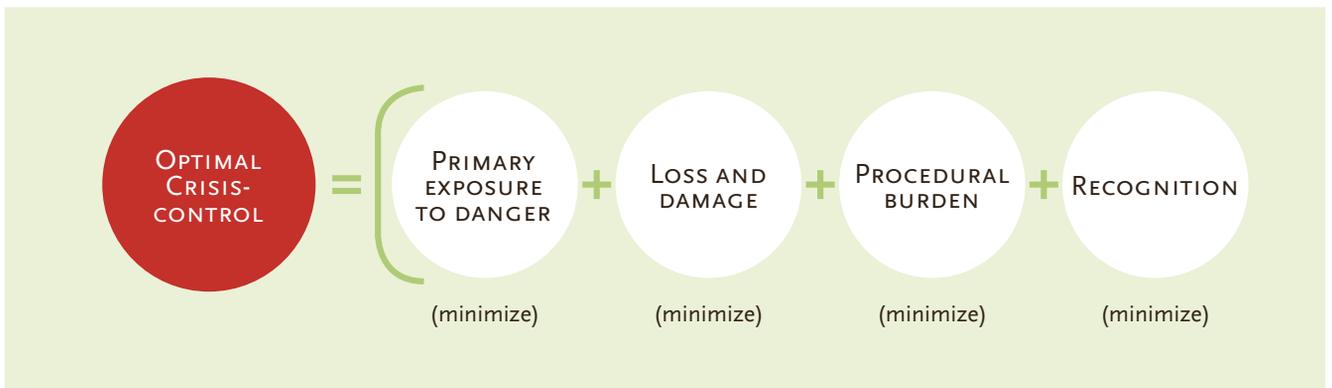

Figure 3: Core equation (Source: Dückers, 2022)

The above means that the process must not only be recognized and generically described (starting points and objectives), but it must also be ready when a crisis occurs.

Everyone who participates in the Crisis Management Organization will therefore need to be familiar with this.

The crisis management process is influenced by many factors:

1__ The crisis situation usually comes unexpectedly and unplanned

2__ A wave of information is released, including:
  - Images;
  - Assumptions and rumors;
  - Conflicting information;
  - Incomplete information;
  - Facts;
  - Alternative facts.

This leads to a high degree of uncertainty, which must be removed by proper validation and verification of the information.

3__ The risks of disruption increase (threat to the system)
  - The production process is stagnating;
  - Customers avoid the organization's products;
  - Suppliers and chain partners[5] are afraid of being involved;
  - Possible personnel issues.

HOPE AND PERSPECTIVE + × Context

(minimize)

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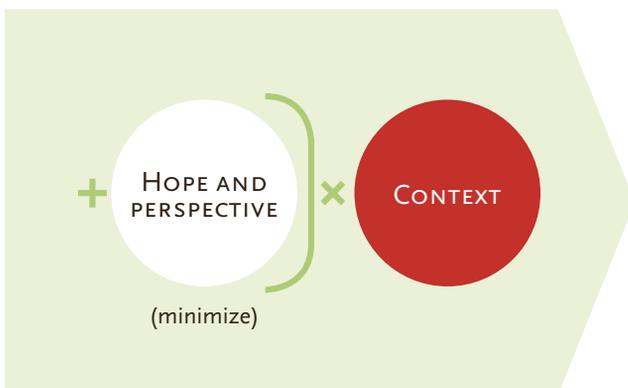
5   An example of this is: When the railway infrastructure, water and road manager is the victim of a crisis, this has a direct effect on the carriers that use their infrastructure.

4 **A lot of stress arises (personal and within the organization)**
- Negative effects:
  - ! In the organization (uncertainty, fear, anger);
  - ! Within the crisis organization (uncertainty, fear, anger).
- Positive effects:
  - √ Increase in (visible) assumptions of responsibilities, faster thinking, and quicker decision-making;
  - √ Improved distinction between primary and secondary issues.

The risks involved can be limited by educating, training, practicing and simulating calamities and crisis situations.

5 **There is little time to make decisions**
- There is a high level of urgency and pressure to resolve the crisis;
- The environment must be actively monitored (stakeholders and social media);
- Communication must start quickly (internally and externally).

The crisis management process is also influenced by the geographical scope of a crisis situation:

1 Local (a location, or personal);
2 Regional (spillover to local area, or affecting multiple locations with possible further spread to their environment)
3 National (national reach to all locations in the country);
4 International (all locations worldwide and impact on environment).

Finally, the crisis management process is influenced by any (mandatory) cooperation with third parties such as:

1 Government Emergency Services (OHD) such as Police, Fire, and Ambulance;
2 Governments (Decentralized and central);
3 Safety regions;
4 Ministries;
5 Defense;
6 Water boards;
7 Environmental services;
8 Safety Council;
9 Other bodies (such as knowledge institutes, other supervisors, licensing authorities, opinion leaders/media).