

Crisis Management: A New Reality



By John Dalton and Steve Dann

Executive summary

Crisis management is itself in a crisis – as a concept and critical business capability, current approaches are inadequate to protect organisations from future threats and vulnerabilities. Crisis management must therefore assimilate new techniques and capabilities into the crisis tool box. A good pre-crisis plan, based on risk assessment and analysis of current and past events is still valid. But more valid, and indeed essential, is the need for crisis managers to scan the horizon and develop plausible scenarios about the future and try and anticipate challenges that may lie ahead. Crisis management should now be as much as about anticipation as prevention, and should be considered as a process, not just an event. Such an approach requires crisis managers to first become trained in issue management and other strategic management skills, shifting executives' problem understanding from a technical, case-based approach, to more predictive problem solving. By recognising plausible future realities, organisations are in a better position to make decisions that may prevent the impacts of negative outcomes, if they ever materialise. Despite this recognition, executives are not well versed in strategic foresight skills and continue to follow crises in a mechanistic way. This problem needs to be addressed through understanding and training.

Introduction

We live an era of multiple crises. As the operating environment becomes less deterministic and more stochastic, uncertainty has increased for organisations. Uncertainty is always worrying, but without it, corporations would become less innovative and unable to adapt to significant changes, so a healthy degree of uncertainty is possibly a good thing. Although

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corporations cannot predict uncertainty they can become better prepared and reduce their vulnerability to it. Without foresight, any organisation can only proceed through trial and error. In the current and future operational environment, this approach is too risky.

Much has been written about the rapidly unfolding complexity of the commercial environment. The problem is not our awareness of the complex and complicated, but the mindset needed to cope in such an environment. There can be no longer be any presumption of stability – rather instability and disruption are more likely to be the order of affairs. Cause-and-effect relationships are becoming increasingly blurred, with correlations not equalling causations.

When compounded by geopolitical instability in regions such as the Middle East, organisations deeply connected to the global political economy face even more complex challenges to their future stability and prosperity. The purpose of this paper is to highlight the importance of futures techniques¹ to crisis management thinking, shifting focus away from consideration of a crisis as a discrete “event” towards consideration of a crisis as a “process” - as much about anticipation as about prevention. This change requires organisations not only to co-evolve with their environment

¹ Futures techniques - refers to techniques that can be used to generate insight about plausible, possible futures, so that an organisation can take steps to mitigate negative consequences or to take advantage of opportunities. Examples of futures techniques and methodologies include: forecasting, scenario planning, horizon scanning, issue management, pattern recognition and visioning.

and respond, but to actively consider strategic options and generate plausible narratives of what the future may hold. This paper also outlines what steps need to be taken to address this change.

Context: the knowledge economy and disruptions

Within a knowledge economy, in order to grow, businesses must try and stay ahead of the curve. For this to happen companies must develop their skills in anticipating what may happen, and in so doing, consider the options available and the associated threats and opportunities. The knowledge economy is based on intellectual capital and the management of intangibles. A constant challenge within any knowledge economy is that brands and innovations are relatively easy to copy, despite the protection afforded through intellectual property. Organisations are constantly under stress of hyper-competition, economic crime, rapidly changing market dynamics, complex supply-chains, and disintermediation caused by e-business models. Major disruptions are occurring that have dramatic impacts on existing operators², for example, that of Skype on key telecoms providers. Equally, 3D printing (or additive manufacturing) has the ability to transform the way manufacturing operates and alter the competitive dynamics of markets.

Global Economy

The global economy is replete with varying degrees of:

- **Complexity and decreased predictability**
- **Interdependence**
- **Demographic shifts**
- **Constraints imposed by regulatory compliance**
- **Emerging disruptive technologies**
- **Brand communications driven largely through social media**
- **Big data analytics**
- **Speed and time compression**
- **Diminishing returns to capital employed**
- **Increasing commoditisation**
- **Cyber security threats**
- **Market volatility**
- **Geo-political instability**
- **Rapidly changing business models**

² <http://www.fiercewireless.com/europe/press-releases/ott-services-largest-threat-operator-revenues>
<http://www.slideshare.net/tyntec/whitepaper-14186654>

The mathematics of complexity

By being highly interconnected, a single event within a global economy can have disproportionate effects. Interconnectivity increases uncertainty exponentially and the mathematics is very illuminating:

$L = N \times (N - 1) / 2$

L = number of links
N = number of elements or participants within a network

Therefore if the number of participants or elements is 4, then:

$4(4-1)/2 = 12 / 2 = 6$

The number of possible patterns is based on P (patterns) = 2^L
Therefore: 4 elements creates 6 links = 64 patterns

BUT if you were to offer 10 elements, which produces 45 links- this leads to 3500 billion patterns, showing just how a relatively small increase can result in significant complexity.

Adapted from Global Risk by Sean Cleary and Thierry Malleret: Palgrave (2007)

Reputational risks are increasing owing to our 24-hour, social media-driven news environment. As a consequence, most corporations are more likely to experience a critical incident or a crisis, which may threaten hard-earned reputations and credibility, and in some instances, even the continued existence of the organisation³. One of the key reasons why many crisis responses fail to restore the organisation to stability and good image restoration is that crisis managers apply themselves using traditional management techniques. You cannot respond to a crisis properly using the same day-to-day techniques that you have become accustomed to, even if you are applying the crisis plan - during a crisis, one usually has to think outside the box.

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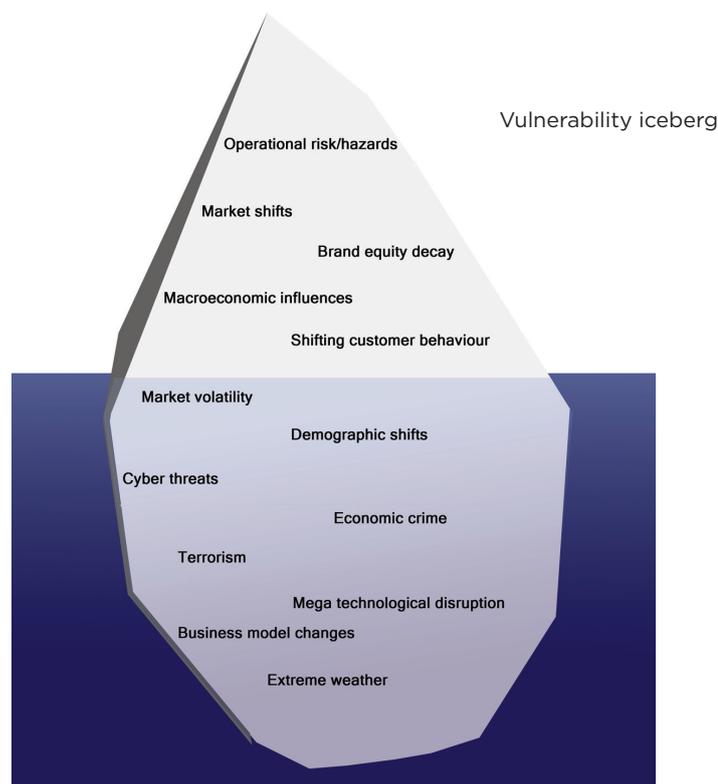
Business problem

The winds of “creative destruction” have increased over the last decade with more businesses becoming victim to developments in technology, evolving business models and the re-location of significant amounts of manufacturing to the Southern Hemisphere. As the impact of technological

³ <http://www.crpccrisismanagement.com/Documents/Concepts%20of%20Crisis%20Management-final.pdf>
http://www.burson-marsteller.com/Innovation_and_insights/blogs_and_podcasts/BM_Blog/Documents/B-M%20and%20PSB%20Crisis%20Preparedness%20Study%202011.pdf

unemployment starts to bite, more and more businesses are under threat - not just from advances in technology, but also from competitive forces in other countries and changes in how businesses function. One only has to look at the boarded-up shop fronts on many of our high streets to see the impact of structural changes on our economy. Physical stores and outlets are becoming scarcer as transactions become automated and customer service virtual. Big Data will soon come to dominate decision-making and open source collaboration and innovation will feature more prominently within industries and few sectors will remain unchanged⁴.

You do not have to use a gun anymore to rob a bank - all you need now is a laptop, the right malware and ability to penetrate security systems to reconfigure settings. The point here is that many traditional security solutions and procedures are becoming rapidly obsolete. Indeed, in early 2013, \$45 million was stolen from ATMs globally⁵ in a carefully orchestrated cyber attack. In 2012, 30,000 computers in Saudi Aramco⁶ were infected and disabled by the so-called Shamoon virus. Although Aramco stated that oil production was not disrupted, there is little doubt that such an attack inflicted reputational damage and disrupted some core business functions. These two examples are just the tip of a large vulnerability iceberg.



All of this raises questions about how crisis management should change its own approach and whether as a concept crisis management can evolve to match the emerging environmental selection pressures in the Darwinian sense.

4 <http://www.uk.capterm.com/thought-leadership/the-deciding-factor-big-data-decision-making>
http://www.mckinsey.com/insights/business_technology/big_data_the_next_frontier_for_innovation

5 www.reuters.com/article/2013/05/09/net-us-usa-crime-cybercrime

6 www.bloomberg.com/news/2012-12-09/saudi-arabia-says-aramco

Crisis management should now be as much as about anticipation as prevention. As a concept, crisis management must evolve swiftly from its largely responsive base, based on historic risk data and events, towards a much more proactive approach, which uses the skills and tools of strategic foresight to anticipate new problems and co-evolve with its environment. In this regard, crisis management has to become more about anticipating and shaping the future, rather than just preparing for possible outcomes; future outcomes can be significantly influenced by the decisions made in the present.

One has to be realistic about what can be achieved by trying to look ahead and anticipate what may happen. We fully accept the argument that the future cannot be predicted. It can, however, be reasonably anticipated.

Traditional methods associated with crisis management look increasingly deficient and sclerotic. As the operating environment becomes more unpredictable, confluence of events and unintended consequences are more likely to emerge. What executives are good at is predicting the largely predictable, what they are woefully poor at is anticipating or even considering unusual events and interdependencies and examining organisational vulnerability to these. Hindsight can no longer reliably inform foresight; it is not possible to extrapolate past events as a guide to the future. For example, an examination of the development of a university or technology business over the last 15 years is unlikely to provide significant insight into what will happen over the next decade. Strategic planning has been rightly criticised, especially in its confusion with strategy.

The basic premise of much crisis management thinking over the last 30 years has been prepare, update, and assimilate historic risk into the pre-crisis plan and ensure that everyone understands their responsibility to restore the organisation back to normality. This makes perfect sense based on key assumptions: that the threats are generally understood, have probably happened before, albeit in a different context, but they can be understood and contained. Such assumptions are dangerous. One only has to think of emerging technologies such as synthetic biology to realise that we are opening a Pandora's box of complexity and multiple unknowns. In parallel, a capability gap is emerging between those who develop technological advances and those who have to handle any negative or unintended consequences.

Crisis situations always require problems to be solved and decisions to be made, usually under pressure. One of the elements of the traditional approach to crisis management is that problems are considered from a technical or case-based reasoning perspective. Such an approach involves an understanding of rules and historically how a problem was solved. The assumption is that the new problems presenting or emerging can be solved using a rule or adaptive-based problem approach, based on historical precedence. Problems and crises of the future are very likely to be ambiguous and may not have happened in a similar context or even have happened before. This is why it is important for executives to appreciate the importance of predictive problem solving, such as that which is used in scenario analysis.

The Cabinet Office and British Standards Institution recently published standard on crisis management, PAS 200, provides an updated framework and common standard for organisations to improve their crisis management. Despite being a welcome document that should be read by all

managers, it is somewhat mired in the mindset of traditional crisis management.

The PAS 200 publication does advance the definition of crisis management, but in our view, not enough. It undoubtedly provides practical advice, but what it fails to address are the capabilities and skills that crisis managers need to “steer the ship away from danger”, rather than just preparing to respond to current dangers. PAS 200 does place emphasis on resilience, but its approach, although laudable, does not place the correct emphasis on the skills of strategic foresight as part of the armoury of crisis resilience.

The PAS 200 document does refer to “situation awareness” but does not really advance the subject further. If resilience is the “ability and capacity of the firm to withstand systemic discontinuities and adapt to the new risk environment,”⁷ then it is fundamental to the future stability and survival of the organisation. Resilience is best achieved by a combination of preparation, continuous improvement and the organisation co-evolving with its environment, as well as trying to anticipate what may happen.

Businesses are now not only vulnerable to reputational risks caused by operational and ethical issues, but equally to significant changes and disruptions in the external environment that may threaten the very continued existence of the organisation. Threats such as severe weather (flooding, hurricanes, and cold/hot extreme temperatures), pandemics, geo-political instability, economic volatility, employee kidnapping, insurgencies/terrorism and war must now also be assimilated into the risk consideration of any business. These threats are not new, but are now more likely given the global economy, the reality of climate change and ongoing geo-political tensions around the globe.

In our opinion, in order to tackle future crisis situations executives need to become proficient in the application of six⁸ key areas of strategic management:

- 1. Issue management**
- 2. Forecasting techniques**
- 3. Pattern recognition**
- 4. Scenario analysis**
- 5. Horizon scanning**
- 6. Simulations (war-gaming)**

Each of the above techniques and their use is briefly described in the section headed “New tools in an old box.”

⁷ Enterprise resilience: Managing risk in a networked economy: Strategy + Business Reader; Booz Allen Hamilton, 2003, p 58

⁸ Others capabilities include: predictive learning, open collaboration, trend analysis and cross-impact analysis

Terminology

It is important at this stage to be specific about terminology in order to be clearer as to what constitutes an incident, a crisis or, indeed, a disaster. To understand modern crisis management it is important to define terms and associated disciplines that surround and support it. These terms include:

- **Risk issue management**
- **Issue management**
- **Business continuity management**
- **Crisis management**

All of these disciplines can be studied independently, but equally, all are highly interdependent and interconnected. The Institute of Risk Management in the UK defines risk as: the combination of the probability of an event and its consequences. Consequences can range from positive to negative. The International Standard (ISO 31000) defines risk as: effect of uncertainty on objectives. Note that an effect may be positive, negative or a deviation from the expected.

An **issue** is, in effect, an ongoing risk, which if not properly managed or monitored can quickly become a crisis. Issue management is a strategic business management tool that helps organisations and NGOs gain legitimacy and credibility in their arguments on contentious, unsettled matters. Strategic issue management is important because it raises the consciousness and awareness of organisations to future threats.

Business continuity is an organisation's capability to plan and respond to incidents and business disruptions, in order to continue business operations at an acceptable predefined level. Central to business continuity is the management of incidents. Incidents are usually predictable and do not normally require senior management attention or threaten the very existence of a business. Incidents have "structure" because they usually present themselves in relatively predictable ways. Incidents should, by and large, be handled by effective planning and business continuity teams. For example, if a cow strays onto a railway line, then it is an incident, not a crisis, and requires routine decision-making to resolve it. This is why many decisions and the incidents that they relate to go under the umbrella of business continuity management.

By contrast, critical incidents are actual or alleged events that create significant risk of substantial harm to others and require leadership and complex decision making from senior management. A critical incident is usually an event, for example, an aircraft having an emergency landing, or a police officer being filmed physically assaulting a member of the public. Such events, unless well managed, have the potential to evolve very quickly into a full blown crisis. Fundamental to the definition of a critical incident is whether it will result in significant media coverage and question the public and key stakeholders' confidence in an organisation's capabilities.

Crisis Management: according to PAS 200, the UK's standard for crisis management, a crisis is "an inherently abnormal, unstable and complex situation that represents a threat to the strategic objectives, reputation or existence of an organisation."

“ Crisis Management: is “an inherently abnormal, unstable and complex situation that represents a threat to the strategic objectives, reputation or existence of an organisation. ”

This definition highlights some important aspects of what the UK understands about an organisational crisis. They are largely unpredictable or owing to an unforeseen combination of independent risks, they emerge and develop in unpredictable ways. As a result, solutions usually require a more enlightened, creative approach, unlike incident management, which works more on pre-prepared solutions and routine decision-making.

For clarification, a disaster is an extreme crisis event that is characterised by its speed and the extent of damage caused, which normally results in multiple deaths and injuries. Typically emerging from natural

causes, e.g. flooding, tsunami, hurricane, disasters bring about widespread damage that usually far exceeds the capability to quickly recover.

Crisis Management: the prevailing approach

In 2011, a survey by the communications firm Burson Marsteller showed that 46% of companies did not have a current crisis management plan.⁹ This information is in itself not that surprising. It would, however, be incorrect to assert that most corporations are not aware of the importance of effective crisis management systems and planning - they generally are. The principal issue is whether they have the necessary capability to handle a modern crisis and is the nexus of risk, issue and crisis management well understood? Furthermore, are the tools used in training and simulations suited and applicable to the style and nature of a crisis post-2013? In essence, are the current methods of handling crises and training “fit for purpose?”

Crisis management today is based on key assumptions and has a highly structured approach. The principal assumption is that the assessment and consideration of past and near-term future risks are enough to adequately prepare and protect the organisation.

The idea of just having a good risk assessment, a well-structured, pre-crisis plan, and an up-to-date risk register are all important - but not enough; the tick-box era of risk and crisis management is over. The reason for this - disruption and technology-driven changes to business models are creating massive structural changes to markets and economies. Social media and online communications platforms will dominate most forms of communication interfaces and will allow real-time engagement, using big data and predictive analytics.

⁹ 2011 Crisis Preparedness Study , Burson Marsteller: www.burson-marsteller.com/CrisisResearch/

With this in mind, the notion of pre-prepared media and holding statements as part of a crystallised pre-crisis plan starts to look inflexible and ineffective. Interesting approaches to crisis management have been put forward, such as the concept of inoculation¹⁰ or adopting some of the characteristics of High Reliability Organisations (HROs)¹¹, but these perspectives still do not address the fundamental issues of anticipating problems.

Most people who are taught crisis management are schooled in the following proposition: there is a problem, which necessitates a solution. Once this solution is implemented, the organisation should recover once equilibrium is restored. This almost algebraic way of thinking is the basis of much of our education. Today, however, and in the future, crises are likely to be ill-structured or fuzzy and a single solution may not even be available or apparent amidst a fog of uncertainty. Furthermore, the assumption with most crisis situations is that you generally understand what exactly is wrong or at least can categorise it. A possible characteristic of future problems is that they may be difficult to categorise and may not have a single, easily defined solution.

Current assumptions about crisis management practice

The following assumptions and practices are either the reality or reflect much industry thought and practice:

- **Having a relatively static, detailed pre-crisis plan, which is up-dated twice a year**
- **Involving outside consultants or “PR people” during a crisis**
- **Current practices of risk management are highly effective**
- **Having key people trained in crisis management who should handle the crisis**
- **Assuming that a crisis usually has one principal solution, which when imposed brings the organisation back to equilibrium**
- **Assuming that you can largely control the media output and messages being framed**
- **Assuming that traditional non-business risks have not significantly increased**
- **Threats posed from cyber security are more pressing for national institutions and critical infrastructure than for normal businesses**

¹⁰ Inoculation is a concept put forward by McGuire (1961) and used the comparison of a person being immunized to an attenuated pathogen (weakened or killed virus or bacterium) and developing immunity to it. If exposed a second time, the subject will have developed memory cells and quell the infection. Inoculation theory in relation to crisis management is based on a similar notion: a mild exposure to a problem stimulates one's defences so that they can better combat the problem and are more resilient to a full scale attack at a later date.

¹¹ High Reliability Organisations (HROs) are organisations such as aircraft carriers and emergency medical treatment centres. These operate under great stress, often under conditions of high risk and uncertainty.

Let us take each of these basic assumptions and place them in some form of context:

1. Having a static pre-crisis plan: planning in some form is a fundamental element of business, but having a detailed pre-crisis plan stuck in a paper document or online, which is not adaptable, flexible or regularly reviewed, can be as dangerous as having none at all. Strategic planning, so hailed in the 1980s, lost favour in 1990s and has since become highly criticised. Failure to plan is one thing, but getting employees to respond using a plan that is deficient or simply not relevant to the crisis the organisation is facing is dangerous. If crises are becoming the norm, rather than the exception, then having a crisis plan that is static and updated occasionally is not especially useful or effective.

In essence, if you are not in a crisis per se, you are in what has been described as prodromal mode, which is characterised by perturbations and signals that can be monitored and acted upon if detected. This requires a continuous learning approach to crisis management that accepts that a simple linear, cause-and-effect approach to problems is less relevant given the complex nature of crises today. The solution: continuous learning, knowledge management and an organisation that co-evolves with its environment and that tries to continuously update itself and anticipate future threats and issues. In 2004 Lagadec¹², following his analysis of the French heat wave of 2003 suggested that crisis management should shift in its focus from a mechanical, fixed crisis management planning mode, towards a more “biological approach” (treating a crisis as a complex ecosystem) as a way of handling complex, emerging crises.

2. Outsourcing a crisis response to a PR agency: when you have a crisis, calling in the “experts” from a communications or PR agency superficially seems like a good idea. They provide expertise and can remain professionally uninfluenced by the surrounding turmoil. The key problem is that, given the complexity of most organisational set-ups and their extended stakeholder network, unless the agency knows your business inside out, they could make things worse or drag out an already bad situation. Inside solutions, however, are likely to be the best solution. Yes, a specialist agency can make all the difference, but their impact should be in training and consultancy, not necessarily during an actual crisis. So by all means use the skills and resources of an agency, but do not solely rely on their solutions and leadership.

3. Risk management is still effective: Enterprise risk management (ERM) has been a framework for many years, but criticisms of much of risk management have been very apparent since the collapse of the capital market in 2008, when it was openly recognised that much of established risk management had failed. Probabilistic methods of risk assessment have come in for much criticism, with risk experts increasingly looking at Bayesian approaches, which incorporate subject opinion and judgement, alongside probabilities. Although many ERM programmes are advanced and well thought through, they are based largely on historic data and extrapolations from this data. Risk management and risk management frameworks are essential for all organisations, but

¹² P. Lagadec, “Understanding the French 2003 Heat Wave Experience”, Journal of Contingencies and Crisis Management, Vol 12, No.4, December 2004

are not enough – organisations must also consider and prepare for those events that have never happened before or in ways that have never before been experienced.

4. Assuming that having a well-trained crisis management team is enough: reputation management involves all employees and this concept cannot be emphasised enough. Most crises are caused not by errors externally, but originate from errors within the company, which have not been rectified over time. A crisis management team (CMT) is essential, but unless you get everyone involved to some degree in prevention and, when necessary, recovery, regaining balance and stability may take longer. One of the most important principles of reputation management is that it must be holistic, involving all employees to greater or lesser degree. Specialists will probably always be required, but sometimes your employees can be a key weapon in handling crises that result from reputation damage. When an organisation has suffered a reputational crisis, getting employees to give their own account of the truth through online activity and social media platforms and other forums is risky, but a very powerful endorsement of the brand – assuming the organisation has nothing to hide.

5. Assuming that a crisis has a single or series of relatively simple solutions: routine decision-making is at the heart of business continuity management. Crises are more complex, often multi-layered and ambiguous, requiring more sophisticated solutions and complex senior executive decision making. A crisis today and in the future could have far reaching implications and ramifications that must be carefully considered in terms of stakeholders' opinions and concerns. Decision-making within a crisis situation is not only complex, but often replete with ambiguity and may solve one specific problem, but in turn create a raft of new ones.

6. The ubiquity of social media means that people can now report a crisis in real-time and can highlight a problem before the relevant organisation has had a chance to formally consider what is wrong and why it happened. The old notion that you had a few hours to produce a holding statement to freeze the media from speculating is simply dated. An organisation has to use its website and its presence in social media to acknowledge a problem as soon as it is perceived to be a reality. This necessitates continuous online monitoring across a wide range of platforms in a way that semantically understands the sentiment and meaning of a comment or opinion about a person, situation or organisation. Online reputation management will become a norm, but the quality and capability of organisations to effectively monitor their reputations in the web ecosystems currently vary considerably.

Monitoring box

- **Radian 6** – identify and analyse conversations about your company, products and competitors with the leading social media monitoring and engagement tools: www.cision.com
- **Curalate** – monitoring tool for Pinterest and Instagram: www.curalate.com
- **Trackur** – provides all social media monitoring: www.trackur.com
- **Bottlenose** – provides live social intelligence by analysing activity across major social networks: www.bottlenose.com
- **Crimson Heksagon** – listening tool helping understand how customers are engaging with the brand: www.crimsonhexagon.com
- **Gorkana** - This tool searches through and filters conversations to provide insights into the most relevant conversations about your brand. Offers audits and reports plus daily social media alerts: www.gorkana.com
- **Sprout Social** - Web app that monitors Twitter, Facebook Pages, LinkedIn, FourSquare, Gowalla, and other networks where consumers are engaging with businesses and brands. Also offers contact management, competitive insight, lead generation, and analytics: www.sproutsocial.com
- **RepKnight** – software monitoring social media, forums and RSS feeds. Used together with Radian 6 by UK police: www.repknight.com

7. Non-business risks are back on the table. The Arab Spring has catalysed interest in geopolitics and strategic geography. Awareness of geopolitics must become a norm for international businesses and NGOs. To make strategic investments or place your employees in certain countries without proper consideration of the risks is extremely risky. Corporations, NGOs and their executives must take a greater interest in geopolitical events and how these may impact supply-chains, in-country operations and the safety of employees and families located within volatile regions. Economic and political kidnapping is also a growing problem for corporations and NGOs in countries such as Nigeria, Afghanistan, Iraq, Somalia, Yemen, Venezuela, Mexico, and Colombia. Whether you are operating an exotic wedding locations business in Kenya or a multi-million dollar mining corporation in Afghanistan or the Sahel region, you need to know the risks employees are facing and how to mitigate these.¹³ Simply being a westerner in certain non-western countries automatically puts you at risk. Kidnapping is increasing with over 12, 000 people kidnapped globally each year. Interestingly, three-quarters of US Fortune 500 companies have kidnap and ransom insurance.¹⁴

¹³ http://www.nytimes.com/2012/05/03/business/kidnapping-becomes-a-growing-travel-risk.html?pagewanted=all&_r=0
<http://www.economist.com/news/middle-east-and-africa/21572232-foreign-firms-may-become-scared-send-their-people-northern-nigeria?zid=312&ah=da4ed4425e74339883d473adf5773841>
<http://www.economist.com/node/21556567>

¹⁴ <http://www.independent.co.uk/news/world/politics/the-1-billion-hostage-trade-2108947.html>

8. Cyber attacks as a threat to commerce and national security have become one of the most pressing concerns facing executives and government. Cyber attacks and malware infections are increasing both in their number and capacity to inflict serious operational damage. The UK Government's National Security Strategy (2010) ranked cyber security as a tier-one national security priority¹⁵.

Whether in the form of Advanced Persistent Threats (APTs) or Distributed Denial-of-Service attacks (DDoS), breaches of security must be addressed if organisations and governments are going to adequately protect their assets, intellectual capital and brand reputations. Networks are becoming more vulnerable given the increasing number of ways they can be penetrated. Malware types and attack modes constantly evolve, creating a capability gap between perpetrators and potential victims. Further security challenges are created by mobile devices and networks that offer a new range of threats as tablets, smart phones and other mobile devices start to replace desktop devices. With blended threats also on the increase, corporations have to re-think their current security capabilities, all of which is further complicated by cloud computing.¹⁶ Threats emanate from a wide range of sources, including foreign governments, organised activists, individual hackers and those engaged in industrial espionage. As a consequence, cyber security is now a multi-billion dollar global business, fundamental to which is the need for business to be continually aware of new threats and anticipate negative outcomes and externalities.

Future crisis environment

Future crises are likely to have characteristics that traditional crisis planners are less familiar with and prepared for. For example, crises are likely to:

- be replete with complexity, variables and ambiguity
- result from a confluence of independent events, which may have never before been experienced: independent risks may connect together to create unexpected outcomes
- unfold at high speed: with the ubiquitous presence of social media, a crisis can become public knowledge before the relevant organisation is officially aware of it
- have significant reach: once a crisis is communicated via social media or online, it is global and cannot be easily contained. Once a story is out, owing to bloggers, sharing and other forms of social media, you have no control over how that information is distributed or commented upon
- be subject to real time analytics: the days of monitoring and evaluating comments from the media or key influencers have changed. Many businesses require real-time analysis of customers, as a customer lost cannot be easily replaced. A customer, however, who is in the process of complaining and about to be lost can be turned if monitored in real time. Dashboards or real-time user interfaces are becoming increasingly common inside organisations that need to take the current status and real-time analysis of key performance indicators or important stakeholders' opinions

¹⁵ <http://www.gov.uk/government/news/government/-publishes-cyber-security-strategy>

¹⁶ https://downloads.cloudsecurityalliance.org/initiatives/top_threats/The_Notorious_Nine_Cloud_Computing_Top_Threats_in_2013.pdf

- have high visibility: because of numerous channels and outlets of communication, it is difficult to control how messages are being framed
- lack of structure – many crises are fuzzy, have no obvious solution and crisis managers may not be sure of the problem or cause
- experience unintended consequences – owing to complexity and interdependence, unintended or unanticipated consequences are becoming more common. A person or organisation that does not want a photograph published and makes an attempt to block it by going to court could easily become a victim of unintended consequences. What intrinsically may have had previously little real value, all of a sudden becomes a photograph that must be seen and millions view it online.
- be subject to false information and rumours
- present various problems in which no single solution may be available
- involve multiple agencies and other stakeholders
- be permanent: once a negative story is online it is difficult to remove
- involve complex multiple decision-making

New Tools in an Old Box: Strategic foresight techniques and capabilities

The traditional tools that crisis managers need are still useful, but if executives rely only on traditional approaches, the effectiveness of any pre-crisis plan and its application will diminish exponentially with time. Futures methods, associated with predictive problem solving are useful ways of exploring possible risks and fit well into the pro-active thought processes associated with crisis management. Executives are now so busy that they can become easily habituated in their work as they get little time for independent thought or reflection. For many, there are enough problems to solve now and in the short-term that require their attention, let alone the idea of looking into the future and developing discourses about what might happen. Accordingly, this is why executives need to be given the following:

- 1. More time to think and reflect as individuals and within teams on plausible future threats, vulnerabilities and opportunities**
- 2. More training in how to use futures methods to help steer clear of dangers, spot trends and understand what is really important, and what is vulnerable**
- 3. More time and the right environment to question assumptions and explore the impact that future technological, social and political changes may have**

Strategic anticipation tools: an overview

There are a variety of methods for developing insight; some of the most useful include:

- **Issue management**
- **Forecasting**
- **Horizon scanning**
- **Scenario analysis**
- **Pattern recognition**
- **Simulations**

Issue management is a strategic management tool that helps organisations and NGOs gain legitimacy and credibility in their arguments on contentious, unsettled matters. It is a formal process that seeks to harmonise organisational and stakeholders' interests, thereby reducing the gap between performance and expectation and which aims to reduce negative outcomes for organisations.

Issue management also helps to shape public debate and public policy formation by providing arguments through various approaches, the most common being the advocacy approach, which involves campaigning and lobbying stakeholders in order to change attitudes and beliefs towards an issue.

Based roughly on the Howard Chase model, modern issue management as a process involves a number of sequential steps that attempt to anticipate, identify, analyse and provide strategic solutions options to help tackle the issue in the best interests of the organisation.

The key steps involved are:

- **Environmental scanning**
- **Issue identification**
- **Issue monitoring**
- **Issue analysis**
- **Strategic options and responses**
- **Implementation**
- **Evaluation**

Issue management is a complex process that usually requires the support of a dedicated issues management team. The various stages above are highly interrelated and the stages are not mutually exclusive. Issue management is not without its critics but is a skill and capability that is vastly underused in corporations. It requires resources and dedicated teams (issue management team), in the same way that most corporations have a crisis management team. When used correctly, issue management can help executives to understand complex emerging issues and take proactive steps to help frame and shape the issue to their own advantage, thereby preventing others from hijacking it and turning it into a crisis.

Forecasting is a projection based on various assumptions about the future state of the world and how it may impact an organisation or situation. A forecast is generally a numerical estimate of an event for some future date. Not to be confused with prediction or budgeting, forecasting is a statement of what analysts think will happen and where an organisation is likely to be. The interesting thing about forecasting is that by reacting to it, the forecast can be invalidated as steps can be taken to prevent the forecast from becoming a reality. Forecasting is therefore important to help improve decision-making and shaping

“The interesting thing about forecasting is that by reacting to it, the forecast can be invalidated as steps can be taken to prevent the forecast from becoming a reality.”

the future of an organisation. In this regard it is a useful skill for helping with pre-crisis planning, anticipation and decision-making.

Horizon scanning is a futures tool that helps provide new insights that help in either confirming or discrediting existing trends and patterns. In this regard it is to some extent evidence-based and attempts to think through trends. Given the speed of change, often deep change, catalysed by technological disruption and innovation, businesses can no longer rely on traditional methods of risk assessment to protect and prepare them for disruptions and crises that might befall them. Usually based on desk research, horizon scanning is conducted by governments and multinationals and has a strong link with issue analysis. For example, the Health and Safety Executive (HSE) in the UK uses horizon scanning techniques to increase awareness of trends and development in the work place.¹⁷

Scenarios are descriptions (or narratives) about plausible alternative futures and are particularly useful when a significant degree of uncertainty is involved. Whereas forecasting is based on variation and predictable risk, scenario analysis is a useful analytical tool when analysing discontinuities or uncertainty. Discontinuities can result from an unusual combination of risk factors and are likely to increase as a result of complexity within the global economy. Scenarios help raise awareness of future threats and possibilities, and as a result, stimulate organisations into preparing contingencies, having become sensitised to what may happen. By considering threats and opportunities through scenario analysis and other futures methods, organisations become less vulnerable to uncertainty. Scenarios can be industry-based, sensitivity-based, diversification-based, STEEP-based or public-issue-based.

Scenario analysis is a useful tool in helping organisations prevent themselves from either over-predicting or under-predicting when making decisions. As a tool, scenario analysis can be useful to determine sources of critical success factors, capabilities and competitive advantage of industries. Done well, scenario analysis can enrich an organisation's understanding of plausible future alternatives. A famous example of scenario analysis is the Mont Fleur scenario¹⁸ as used by Shell in South Africa during the country's transition and the dismantling of apartheid.

Pattern recognition is a futures technique that aims to understand elements, (such as events, information, and activities) may form patterns that could represent a threat or opportunity for a business. Pattern recognition allows executives the chance to arrive to some meaning by filtering huge amounts of data or information received from the internal or external environment.

Simulations help evaluate executives' ability to handle discontinuities and critical or major incidents. They use mock crises to put executives under pressure and test their decision-making capability and how resilient an organisation is to pressure. Simulations can be used to test challenges that

¹⁷ www.hse.gov.uk/horizons/

¹⁸ The Mont Fleur scenario exercise was undertaken in South Africa between 1991-1992. It put forward four key scenarios about plausible possible futures for South Africa following the release of Nelson Mandela.

may present in the future, but they can be monitored in real-time and interesting vulnerabilities exposed and highlighted. Linked also to “red teaming,¹⁹” simulations are very useful ways to expose vulnerabilities and complications relating to decision-making and unintended consequences.

Other futures and strategic anticipation methods include:

- **Cross-impact analysis**
- **Trend analysis**
- **Morphological analysis**
- **Futures wheels**
- **Content analysis**
- **Open collaboration**

What needs to be done?

In a word: training. It is our experience that executives are generally poorly trained in basic futures methods. Managers often ignore anticipation as a way of thinking because when things are going well no one seems to be interested. Conversely, when things go wrong, it is too late. But given the speed of change, failure to anticipate changes that may threaten the competitiveness and relevance of the existing business model, operations or brand strength, could easily result in a reputational crisis and significant damage. Educating executives and students in futures methodologies is not only sensible given the nature of the changing environment, but also important as a way of creating the right mindset to tackle the next decade and beyond. Reflection is important as is historical data analysis – but whereas this type of analysis may have sufficed in the late 1990s and early 2000s, the organisation of tomorrow requires a wider range of skills, in particular, the need to anticipate what may happen, and through this realisation takes appropriate steps or decisions.

The lack of capability and skills in strategic anticipation is due in part to the business education system that does not pay enough attention to futures methods and developing strategic foresight within its study programmes. The problem of lack of appropriate training is also caused by the level of abstraction involved. The issue is further compounded by the false notion that futures methodologies are only for multinationals like Shell, P&G and PepsiCo. This has been historically true as scenario analysis was developed in the 1950s for war applications and then became commercially developed by Shell, becoming important following the oil crisis in the 1970s. Given,

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¹⁹ Red Teaming is a training practice that takes the view from an adversary or competitor’s perspective. The red team challenge the organisation; red team is sometimes described as “alternative analysis”

however, that the environment has become complicated for most businesses, in particular SMEs, it makes sense for a much wider range of businesses, irrespective of their size, to now consider strategic foresight techniques.

At the Centre for Issue and Crisis Management (CICM) we suggest the following can be done to help executives better prepare for crisis anticipation and mitigation:

1. Improve the provision of futures techniques within undergraduate and post-graduate courses
2. Highlight the importance of futures techniques as useful strategic business analysis techniques that can provide valuable insights to organisations and become part of their crisis resilience approach
3. Provide specialist training for executives as part of their continuous professional development (CPD) in strategic anticipation skills
4. Highlight the growing skills gap in relation to cyber security and the need to establish further training and knowledge of this important threat
5. Encourage strategic foresight training as a key element in leadership development
6. Reframe and re-define crisis management, emphasising a multidisciplinary approach, with as much emphasis on anticipatory skills as responsive ones
7. Encourage more vulnerability analysis, not just risk assessment, as a starting point for helping executives scan the horizon for threats and opportunities
8. Encourage staff to take more time to reflect and consider plausible alternatives - allocate time off from core business so that individuals and teams can consider plausible futures, seek insights from data and intelligence, and not become fossilised and habituated in their work
9. Encourage business executives, government officials, and policy-makers amongst others, to assimilate more non-business risks into their strategies and contingency plans and seek a better understanding of the dynamic and fluid nature of geo-strategic events and how these may impact business operations in the short-to-medium term
10. Focus on how strategic anticipatory skills can improve decision-making, and the evolution of strategy

Past causes of reputational damage may not be the same factors that will cause reputational issues in the future. This is why at the Centre for Issue and Crisis Management we are focusing on the training of executives in strategic foresight skills. Far too much emphasis and investment has been placed on organisations and their staff in crisis management training and development that makes numerous assumptions and follows the command and control mentality. To be fair, many crisis managers are aware of how they have to change. What they do not have are the opportunities and courses that can help them generate insights about the future that they may find useful. The loss of great names in the high street and in international manufacturing over the last 20 years is a clear signal that even if you have over 100 years' experience in a market your future can never be taken for granted. Marconi, Polaroid, Kodak, Woolworths, Lehman's are just a few who vanished. Blackberry and Dell may soon follow. More importantly, you do not have to be a big name to be concerned - micro businesses and SMEs are just as vulnerable to discontinuities and gradual change. A new approach to crisis management is everyone's business and that business

is as much about anticipation and insight as it is about preparation based on historic events and mounting an effective response. Strategic anticipation skills are still viewed by many as specialist skills – our opinion is they must become mainstream and part of any executives training and leadership development.

The future cannot be accurately predicted, but it can be roughly anticipated, and those who think ahead should prevail, while those who stick to the short-term and take succour from the past are risking everything they worked so hard to build.

End

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ABOUT THE AUTHORS

John Dalton and Steve Dann

Directors: Centre of Issue and Crisis Management: www.issue-crisis.com

John Dalton: CEO and Founder of CICM

John Dalton is a recognised authority on reputation management, in particular its related disciplines of issue and crisis management. With a background as a biochemist and Chartered Biologist, John's rigorous approach has attracted many to his evidence-based, holistic approach to public relations and reputation management. John was previously managing editor of Current Opinion in Gastroenterology, one of the world's leading medical journals and has worked with some of the world's leading scientists. He is also a member of the International Institute of Strategic Studies (IISS) and has a particular interest in CBRN threats. John was also behind development of Consilience, the think-tank of CICM.

John is an advisor and trainer for a number of foreign military organisations and has extensive knowledge of security issues, especially relating to the Middle East. He has deep knowledge of Syria, and is very familiar with Jordan and Qatar, with a particular interest in energy security of the Gulf region. John ran a business in Syria for a number of years and is very familiar with business and cultural aspects related to Middle East.

During his career John has trained many VIPs, ambassadors, multinational executives and CEOs to prepare for crisis situations and crisis communications. John has extensive experience of live TV and radio, including the BBC and Al-Jazeera, and has provided advice to clients on message framing and brand development.

John has taught reputation management and related disciplines in over 30 countries. He is also the author of many books and has published countless business and economic articles. In 2012 John

contributed to a major book on Reputation Management, published by Bloomsbury, along with some of the leading authorities in crisis and reputation management globally.

John's particular interest is in how organisations can build reputational capabilities in order to make themselves more resilient against risks and emerging issues. An enthusiastic advocate of critical-thinking and scenario-planning, John has developed a special method of training that prompts clients to think about their brands and how they secure and improve them in an age of social media and rapid change.

In addition to teaching, John also provides consultancy services to multinational companies, in particular from within the pharmaceutical and oil industries, as well as advising NGOs and foreign governments.

STEVE DANN

Director, Head of Policing and Security for CICM

Steve has vast experience in operational policing across all policing disciplines with a particular focus on all aspects of Serious and Organised Crime, crisis response and management, firearms, public order and counter-terrorism.

He has an outstanding track record of succeeding in a series of unusually challenging and wide-ranging assignments. This included a deployment to Afghanistan in 2011-12 where, as the highest ranking UK police officer he played a vital and active role in providing senior-level direction and strategic advice on civilian policing within the NATO Training Mission - Afghanistan and the wider international community, including the United Nations and European missions in Afghanistan (UNAMA, UNDP, EUPOL). He made a significant contribution to the development of the Afghan National Police and to the wider UK effort in police reform.

As the Strategic Police Advisor for Police Intelligence to the Assistant Commanding General, Steve had extensive involvement in leadership engagements with the Afghan Ministry of Interior and the Afghan National Police in support of the NATO Mission. He led the development of a project approach to delivering an Afghan Police National Intelligence Framework, undertook a comprehensive review and evaluation of the Afghan National Intelligence Training Centre, and identified gaps in the legal framework relating to covert and surveillance activity, delivering improvements to the Criminal Procedure Code. He was asked to take on the role of Director of Democratic Policing within the Mission and had extensive involvement in the development of the Democratic Policing Ministerial Development Plan (MDP), producing an MDP which was cited as good practice.

His deployment to Afghanistan was recognised by the US Military when he was awarded the 'Superior Civilian Medal' for "exceptionally meritorious service", the highest medal the US Military can award to a non-US individual. The UK Government also recognised his outstanding work and achievements by awarding him the 'Civilian Service Medal - Afghanistan'.

In 2006 Steve was posted to Hackney Borough, East London as Borough Commander. This policing environment was described by Her Majesty's Inspectorate for Constabulary's as 'one of the most challenging policing environments in the UK'. Steve oversaw performance, which had the Borough leading the Metropolitan Police year on year in crime reduction and detection. He took over a Borough with the worst community confidence of the 32 London Boroughs at 22%. When he left on promotion in June 2009, he had taken this to an incredible 81% through extensive community and stakeholder engagement and a cultural shift in attitude and behaviour of officers and staff.

As a Senior Detective within New Scotland Yard, Steve led the development and delivery of a new and innovative highly successful joint Police and Customs Drugs Squad tackling 'Middle Market' class A multi kilo drug suppliers. The unit was successful in recovering drugs with an estimated street value of hundreds of millions of pounds and the dismantling of a number of organised criminal networks. As a Senior Investigating Officer, he led and successfully resolved over forty kidnaps and crimes in action including assisting live kidnap operations across Europe.

Between 2005 and 2009, Steve led the Metropolitan Police's Crime and Intelligence response to Notting Hill Carnival, the largest public order event in Europe, producing year-on-year reductions in all crime and serious assaults and utilising innovative investigative techniques to frustrate and disrupt those criminal networks and gangs intent on inflicting serious harm and committing crimes.

Nationally trained and accredited to lead covert Counter-Terrorism Operations across the UK, Steve worked and trained with many other agencies in the preparation, prevention and response to terrorist activity. He was part of a small team of senior officers tasked with reviewing the circumstances of the shooting by police at Stockwell in South London of Jean Charles de Menezes following the terrorist attacks on 7th and 21st July 2005 and implementing the learning from those events.