



Crisis Management— Are you prepared?

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Advisory Services LLP

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Presenters

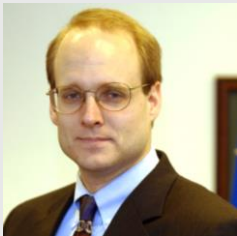
Denise Pacofsky



Partner | Deloitte Advisory
Deloitte & Touche LLP

- Over 20 years of experience, largely international
- Focus on Crisis Management to assist companies in preparing for, responding to, and recovering from crisis events; international IPOs; regulation and public policy; auditing multinationals

Marshall Billingslea



Director | Deloitte Advisory
Deloitte Financial Advisory Services LLP

- Supports Deloitte Advisory's work with NATO, the European Union, US Special Operations, and Intelligence communities
- Prior to Deloitte Advisory, held senior positions within US Federal Government and overseas, including Deputy Under Secretary of the Navy, Assistant Secretary General of NATO for Defense Investment



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Have you experienced a corporate crisis?

- Yes, it was horrific
- Yes, it was not so bad
- Yes, barely
- No

What was the most challenging aspect of the crisis?

- We were not prepared
- We were in denial
- Events unfolded so fast
- We overanalyzed
- Media was unforgiving
- Would have been different before the days of social media
- All of the above
- Other
- N/A

THE FIVE STAGES OF A PR DISASTER

MAYBE IT
WILL ALL
BLOW OVER.



TOM
FISH
BURNE

DENIAL

HOW DARE
ANYONE
CRITICIZE?
WE'RE THE
VICTIMS!



ANGER

PLEASE
LEAVE OUR
FACEBOOK
WALL OUT
OF IT.



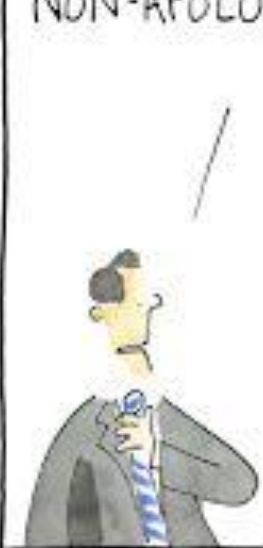
BARGAINING

WHAT WILL
THIS DO
TO OUR
BRAND?



DEPRESSION

WE ACCEPT
THAT OUR
LAWYERS
WILL DRAFT
A HEARTFELT
NON-APOLOGY.



ACCEPTANCE

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What is your biggest crisis concern today?

- Cyber attack
- Food safety
- Financial crime
- Labor disputes
- Natural disaster
- Terrorism
- All of the above
- Other
- Not sure

In your opinion, how equipped is your organization to handle a crisis?

- Ready to go – robust program in place
- Currently working to mature our capabilities
- Not very prepared
- Not sure

“A reputation crisis – where a company may suddenly lose more than a fifth of its value – carries an 80% likelihood in a five year period.”



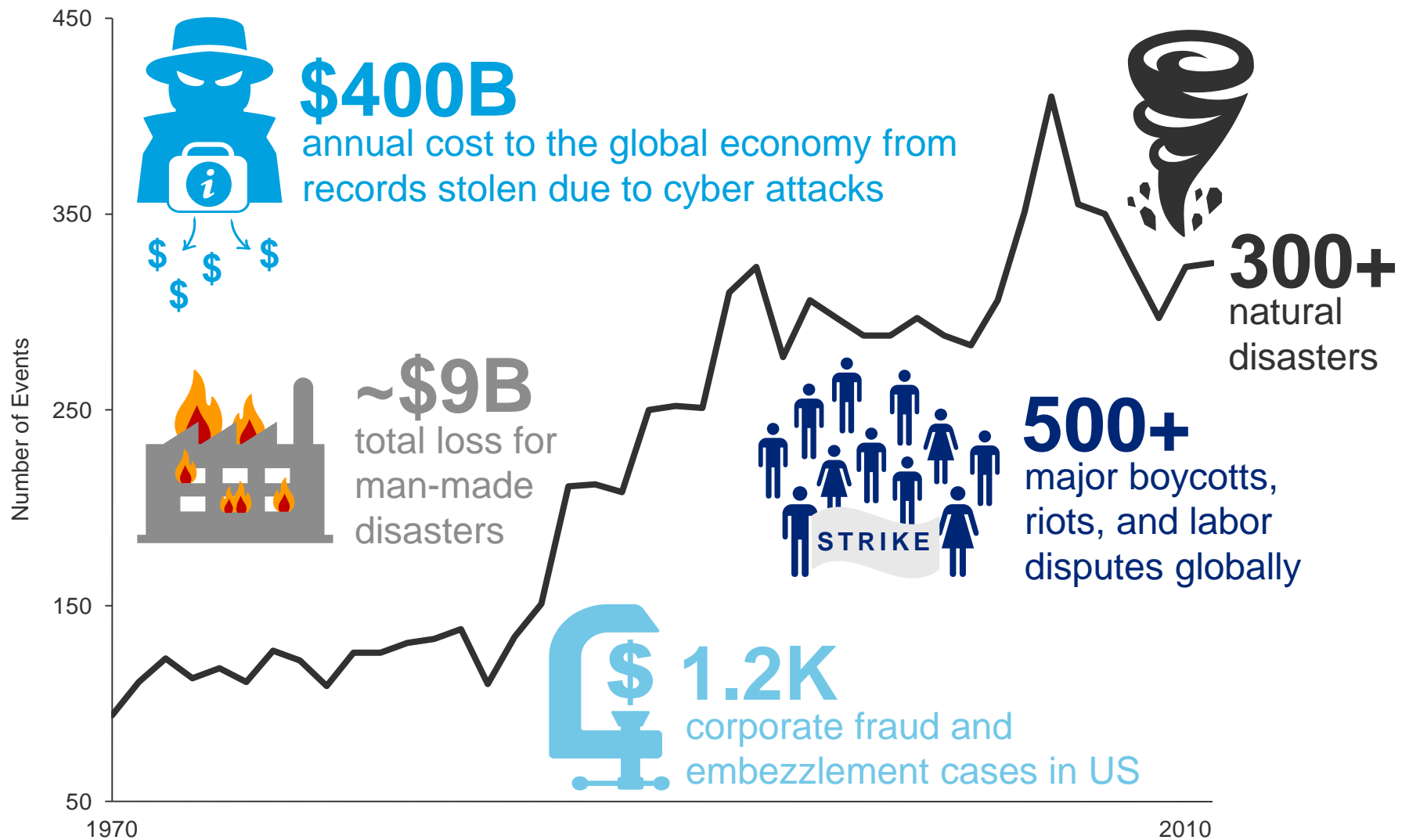
A crisis...



... a major catastrophic event, or a series of escalating events, that threatens an organization's strategic objectives, reputation, or viability.

Crises typically exceed existing mitigation techniques and risk management programs such as Business Continuity, Disaster Recovery, Health and Safety plans, or Emergency Response.

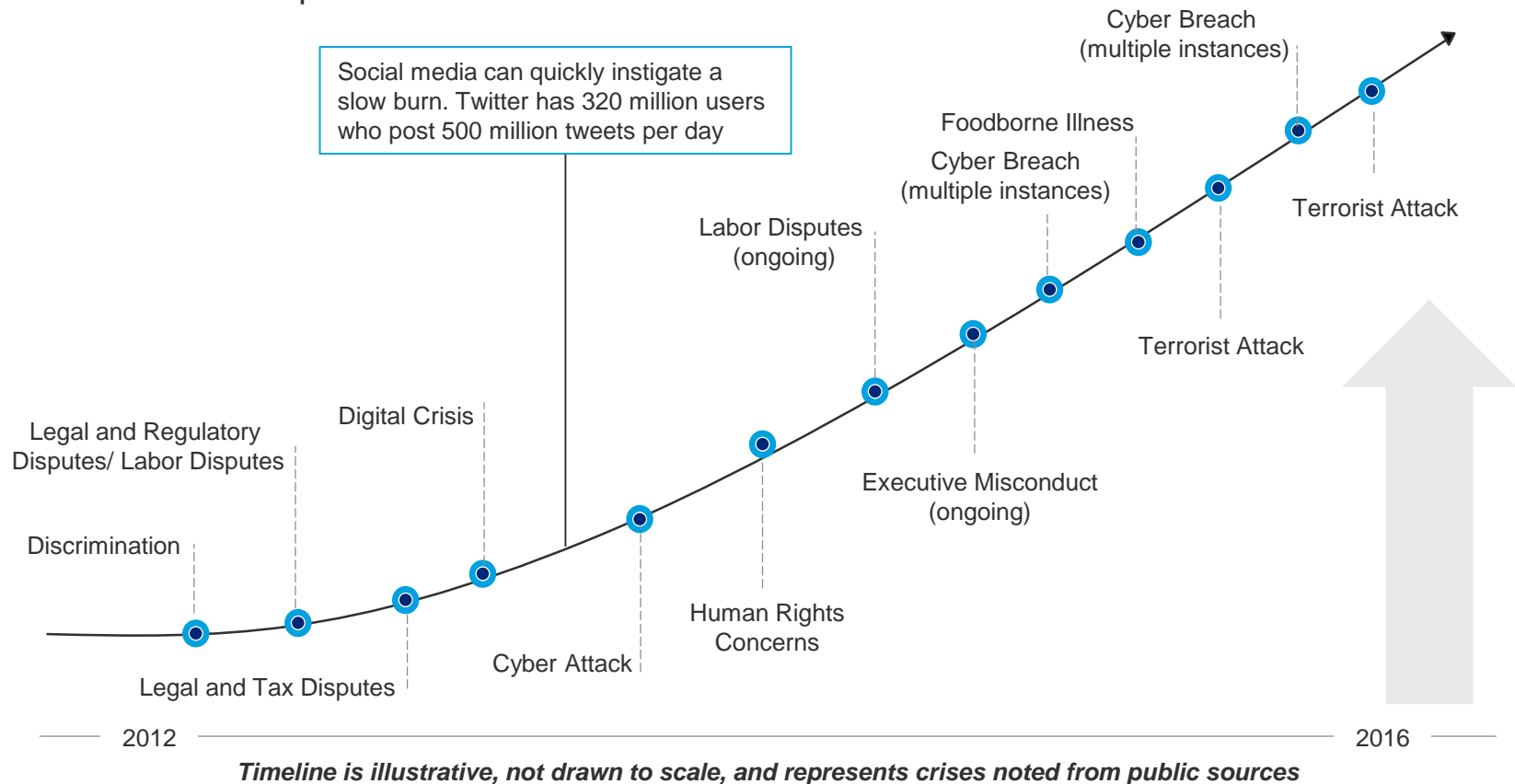
Crises have grown in severity and frequency



Source: See Appendix slide for sources

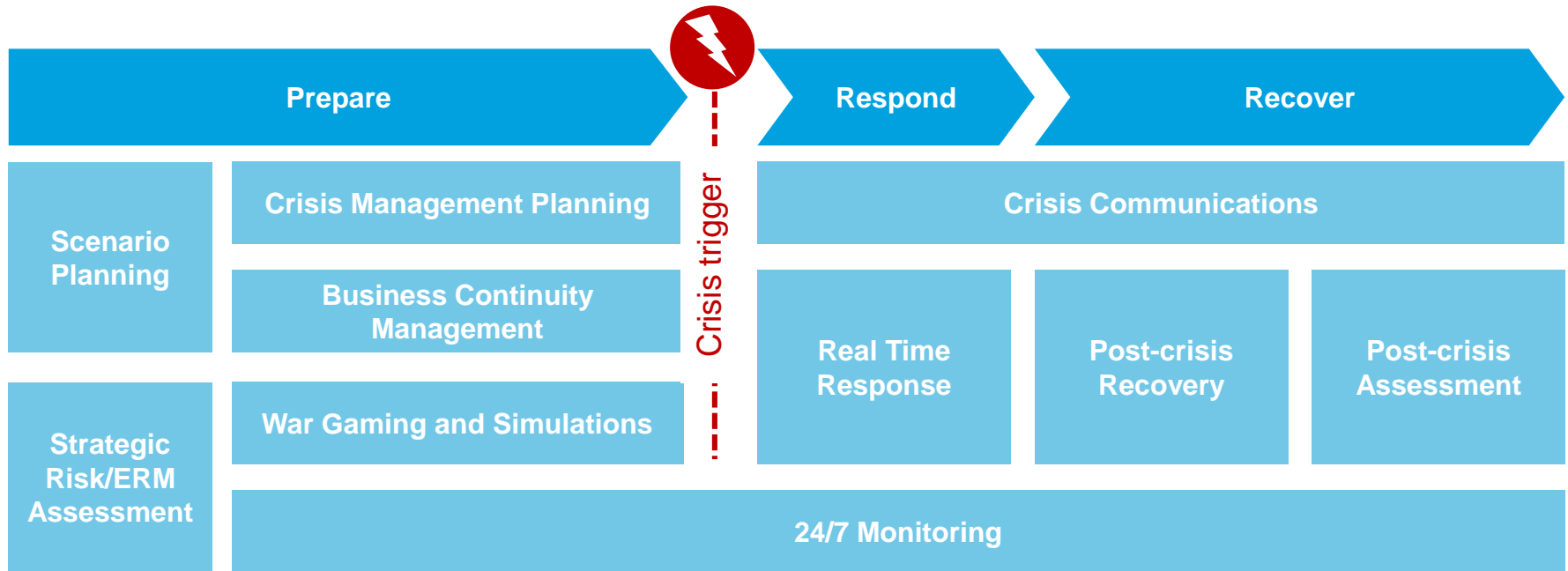
Hospitality industry has similarly experienced a wide spectrum of crises, with increased frequency

The data below represents actual events that placed a hospitality company in the public spotlight and often resulted in financial implications.












Source: Deloitte analysis, Twitter September 30, 2015

Crisis management capabilities are integral to an organization's ability to manage unforeseen crises



Moving toward effective crisis management

Topic	Description
 Response Organization	Pre-defined group of senior leaders responsible for all aspects of organization's response
 Crisis Management Plan	Guidelines and procedures developed in advance of a crisis
 Common Operating Picture	Situational awareness capability
 Decision Making Process	Structured approach for analyzing situation, identifying issues, assessing options, taking decisive actions
 Control Hierarchy	Structure that defines decision rights, leadership succession, other management controls
 Crisis Communications	Communications internally and externally during a crisis
 Information Management	Formal documentation to track the details of the event and response actions
 Ongoing Crisis Monitoring	Collecting and analyzing pertinent information on a continuous basis throughout the crisis
 Private — Public Coordination	Integration between public and private sector to respond to events that may involve critical infrastructure and key resources

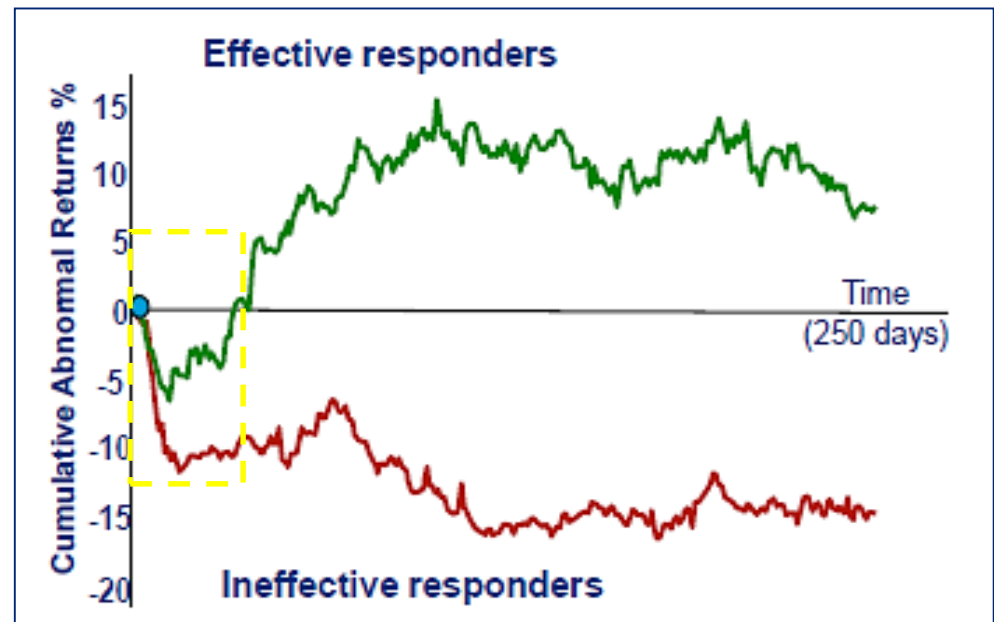
Effective crisis response is essential to preserving shareholder value

Crisis challenges can delay and degrade response

Effective crisis response shown to reverse negative effects on shareholder returns

Crisis Characteristics

- Sudden, unexpected event or multiple precipitating events
- Compressed time for decision-making and action
- High potential for negative impact to organization
- High uncertainty, low clarity
- High media scrutiny
- Significant business disruption



Source: Research from 15 high-profile crises focused on the impact on shareholder value following the crisis; *Oxford Metrica and Aon Reputation Review 2012*



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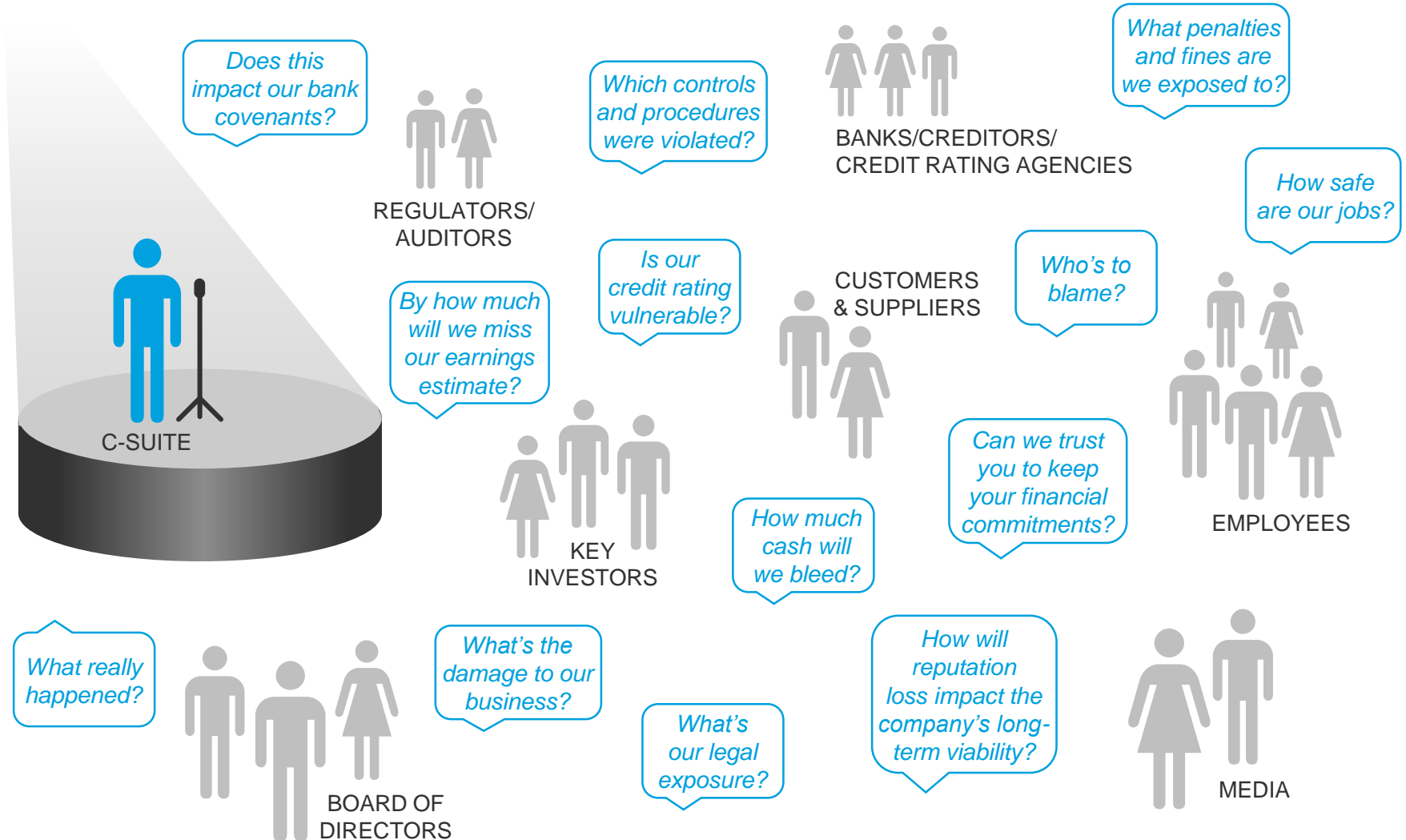
Who is on point to lead a crisis for your organization?

- CEO
- CFO
- Chief Risk Officer
- Legal
- PR/Communications
- SME (i.e., CIO for cyber)
- Other
- Unsure

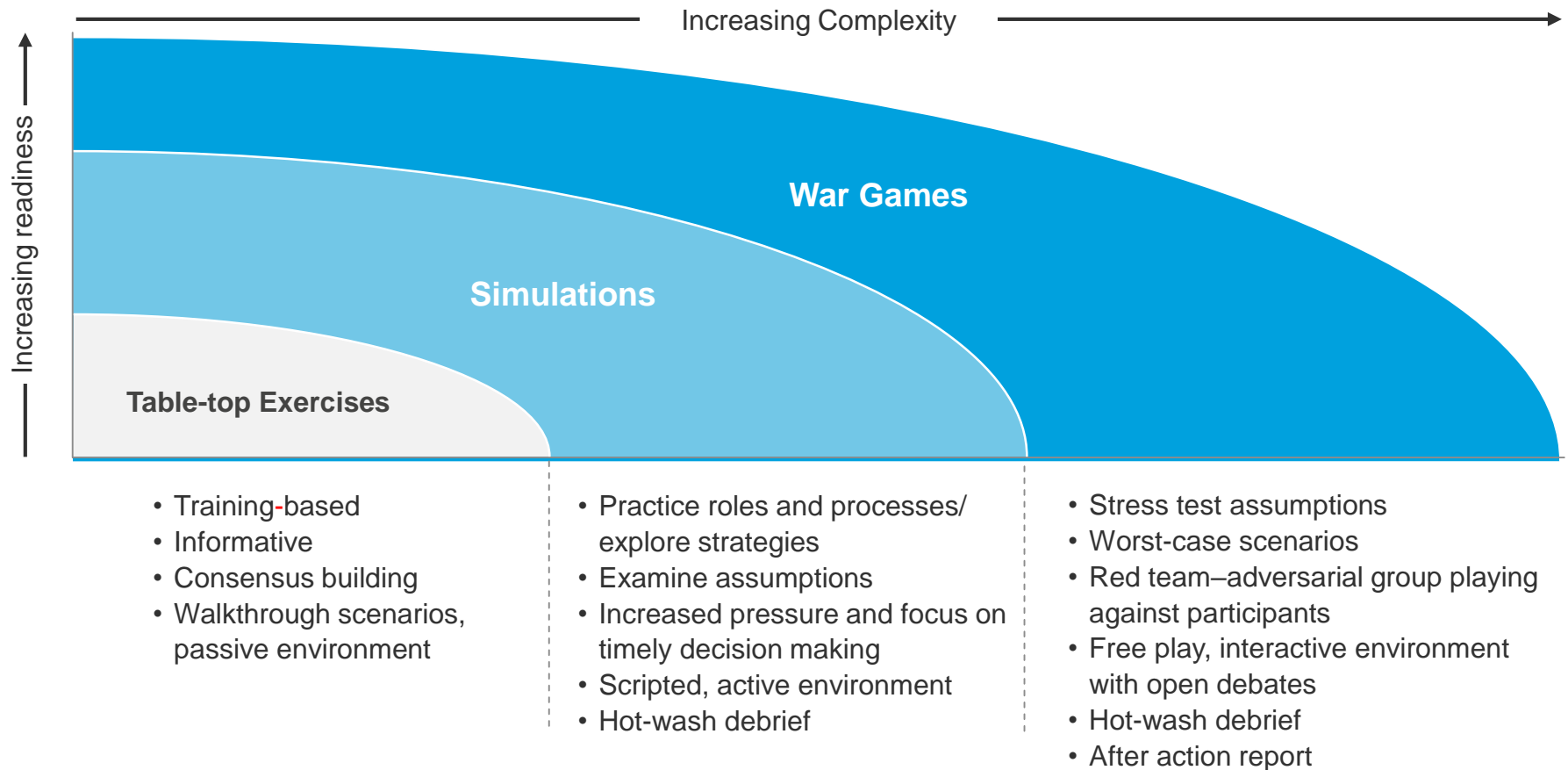
In your opinion, who might be the most overlooked stakeholder in a crisis?

- Customers
- Employees
- Investors
- Media
- Third parties/vendors
- Other
- Not sure

Is your organization prepared to be in the spotlight?



Rehearsing and practicing *before* a crisis can lead to greater success with crisis response and recovery



War Games can enable risk-informed decision-making through immersive and experiential learning

Plausible scenarios are customized depending on requirements and can include exploring an issue, assessing capabilities against established processes, or anticipating future risk and examining an organization's ability to manage it.

War Game Types



Discovery

Illuminates emerging crises and risks, and their impacts; and identifies ideas to prepare, respond, and recover



Assessment

Evaluates current plans, procedures and capabilities; and identifies gaps for improvement



Strategic Futures

Probes future environments to recognize emerging threats, enabling pro-action rather than reaction

War Game Outcomes



Improved Understanding

Breaks through organizational bias and enables common understanding of risks



Identification of Alternatives

Enables development and refinement of alternatives and their effects



Readiness and Reduced Surprise

Enables organizations to be better prepared through rehearsing in a simulated environment

"I hear and I forget, I see and I remember, I do and I learn." - Confucius

Overview—hotel terrorism

An increase of hotel terrorist attacks prompts a reevaluation of current security postures within the hospitality industry. Adapting to this threat environment will require new approaches and the implementation of industry-wide security standards.



Indicators of attractiveness

Identify indicators that make hotels attractive targets
Understand vulnerable exposure points that can be exploited by terrorists



Trends in terrorism

Understand global terrorism trends and implications on hotel security.



Success factors

Outline critical factors needed to effectively adapt to the threat environment

Leading Practices

Highlight leading practices for implementing success factors

Attractiveness of a target

Terrorists are focused on targets that provide the greatest return on investment. Hotels often exhibit many of the qualities that make a target “attractive” to terrorists.



- Dense western populations
- Symbolic of western values, culture



- Traditionally weak security posture



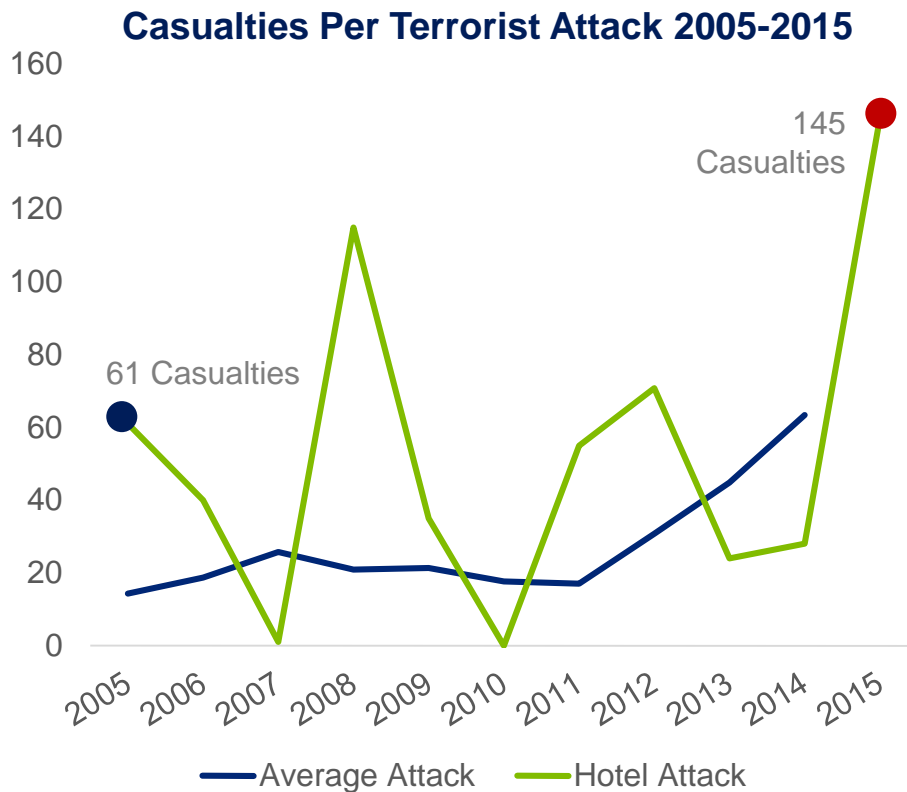
- Requires few resources
- Involves minimal planning



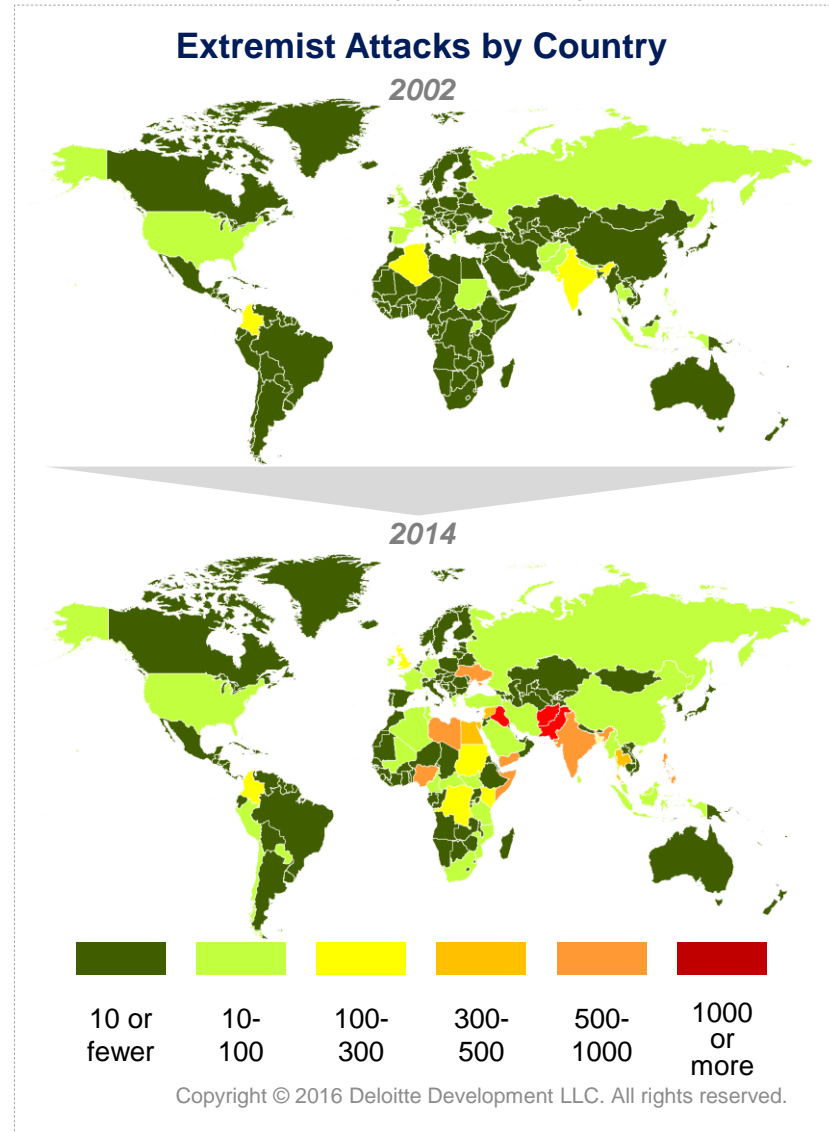
- Potential to elicit fear among the masses

Increases in hotel terrorism

Trends in global terrorism appear to correlate with hotel terrorism and are on the rise. This should spur both owners and operators in the hospitality industry to reconsider hotel security strategies.



Data Sources: National Consortium for the Study of Terrorism and Responses to Terrorism (START). (2013). Global Terrorism Database [Data file]. Retrieved from <http://www.start.umd.edu/gtd>. Combined with other external media sources.



Critical success factors

These critical success factors set forth a multifaceted strategy to help address the security vulnerabilities that make hotels attractive terrorist targets.



Background checks

Comprehensive vetting process not only validates skills, but also helps protect against potential insider threats. Background checks should be performed on hotel employees, vendors, and contractors.



Well-trained employees

Every hotel employee plays a role in maintaining the security of the property and its guests. Therefore, training in basic security awareness and response should be a necessary component of every employee's orientation and continued training.



Multi-layered security

The application of proactive, effective security capabilities include layering security--crucial for protecting hotels and guests from terrorist attacks.



Community buy-in & engagement

Approximately 98 percent of terrorist attacks live within 28 miles of their target.* The more that a hotel is locally connected, the more likely it can keep abreast of patterns of behavior in the community that may signal preparation activities for an attack.



Symbolic appeal

By understanding what makes a soft target appetizing to a terrorist group, countermeasures may be taken to minimize the profile of the hotel.



Industry standards

There is a need for coordination across the hospitality industry to establish a global security framework with minimum standards and leading practices.

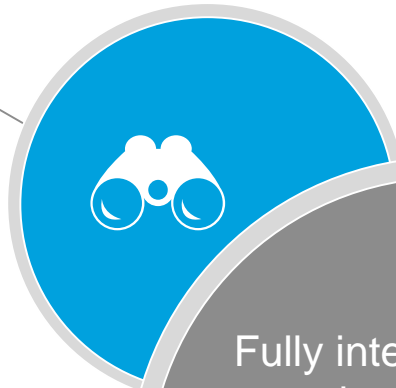
* Data Source: National Institutes of Justice

Leading practices

While there is no proverbial silver bullet, the current and emerging trend of hotel terrorist attacks requires an integrated response anchored in leading practices.

Security Assessments

Perform routine **hotel security assessments** to identify security gaps and vulnerabilities.



Security Strategy

Develop a **security strategy** that enables the business capabilities, services, and processes to function with minimal disruption.



Policy Guidance

Provide clear **policy guidance** for the establishment of a security strategy that defines roles and responsibilities throughout the hotel compound.



Fully integrating robust security measures and leading practices into daily operations is essential to preserving security.

Regular Meetings

Conduct **regular employee meetings** to develop a shared understanding around critical functions of hotel security.



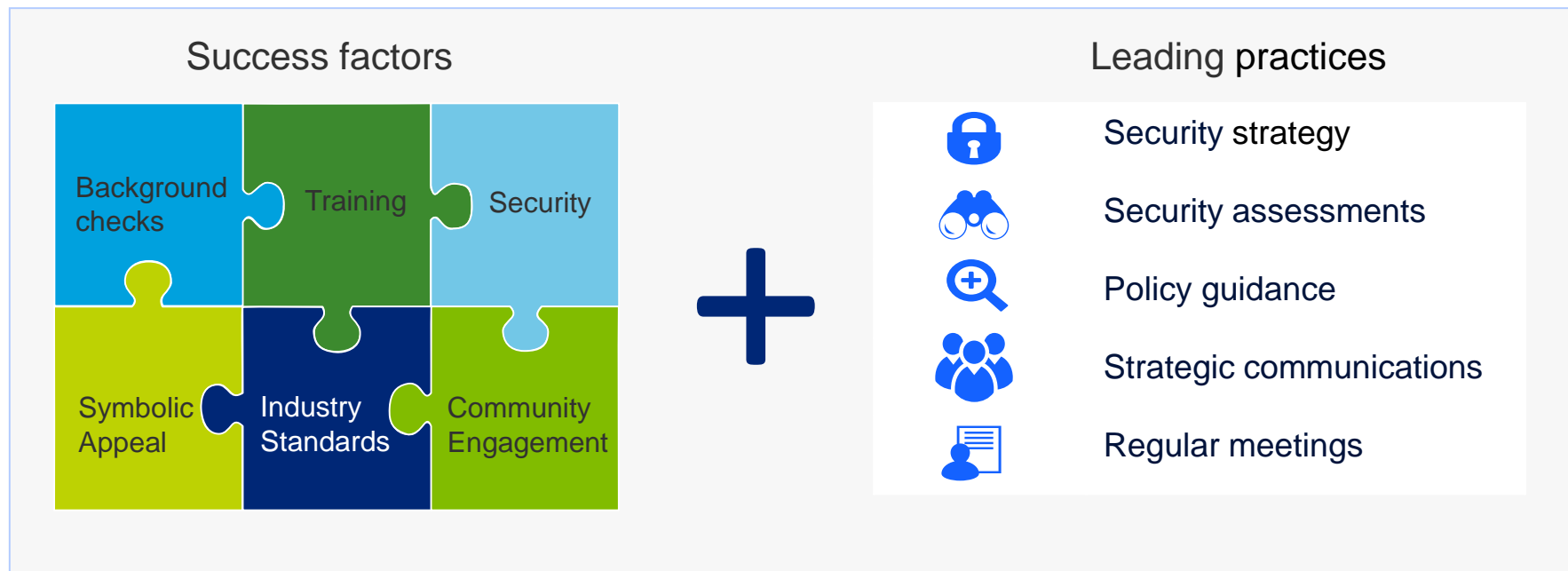
Communications

Employ **strategic communications** to sustain buy-in from community leaders and encourage employees to keep hotel security staff informed.



Summary

The identified critical success factors and leading practices can serve as a model for standing up a capability for hotels to mitigate the risk and reduce the impact of a terrorist attack.



Implemented together, hotels have the ability to improve security effectiveness.
This mission is essential to preserving the confidence of travelers.

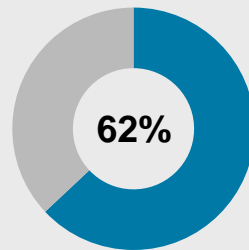
Questions

Feeling ready vs. being ready – board survey results

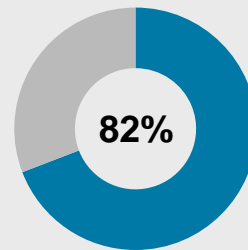
Board members feel ready to handle crisis, but a deeper dive hints otherwise

How would you rate your organization's crisis management strategies and capabilities?

Respondents who answered "4" or "5" on a five-point scale where 1= not at all prepared and 5= fully prepared



OVERALL

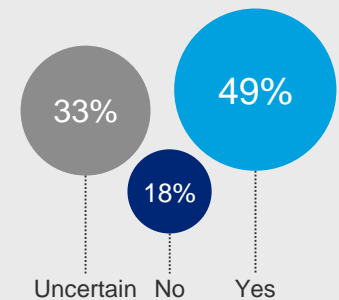


OVER US\$10B REVENUE



Fewer than half of the total respondents say they have a “playbook” that sets out some of the options, actions and decisions that may be required for specific, defined crisis scenarios.

Does this organization define a specific set of actions—a distinct “playbook”—for each of its specifically defined crises scenarios?



Feeling ready vs. being ready – board survey results

Most steps toward crisis preparedness go ignored

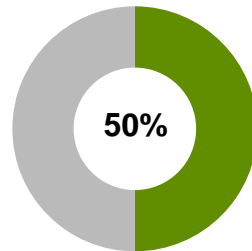
Half the total respondents or fewer reported having engaged in each of a list of specific crisis preparedness activities

What steps have you taken in crisis preparedness?

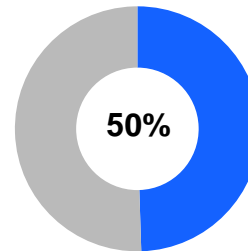
Respondents who answered "4" or "5" on a five-point scale where 1= not at all and 5= extensively



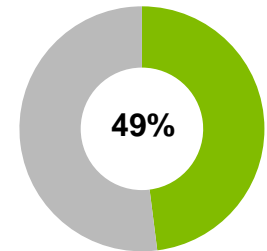
Evaluated
key crisis scenarios



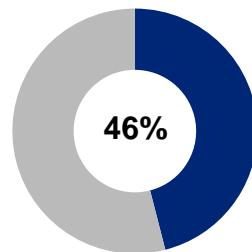
Evaluated strengths/weaknesses/
opportunities/threats (SWOT)



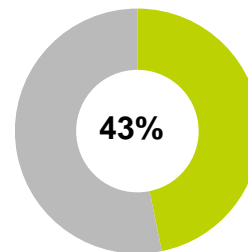
Identified
relevant stakeholders



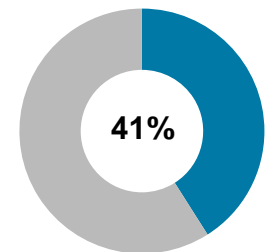
Engaged
multifunctional teams



Evaluated
worst-case scenarios



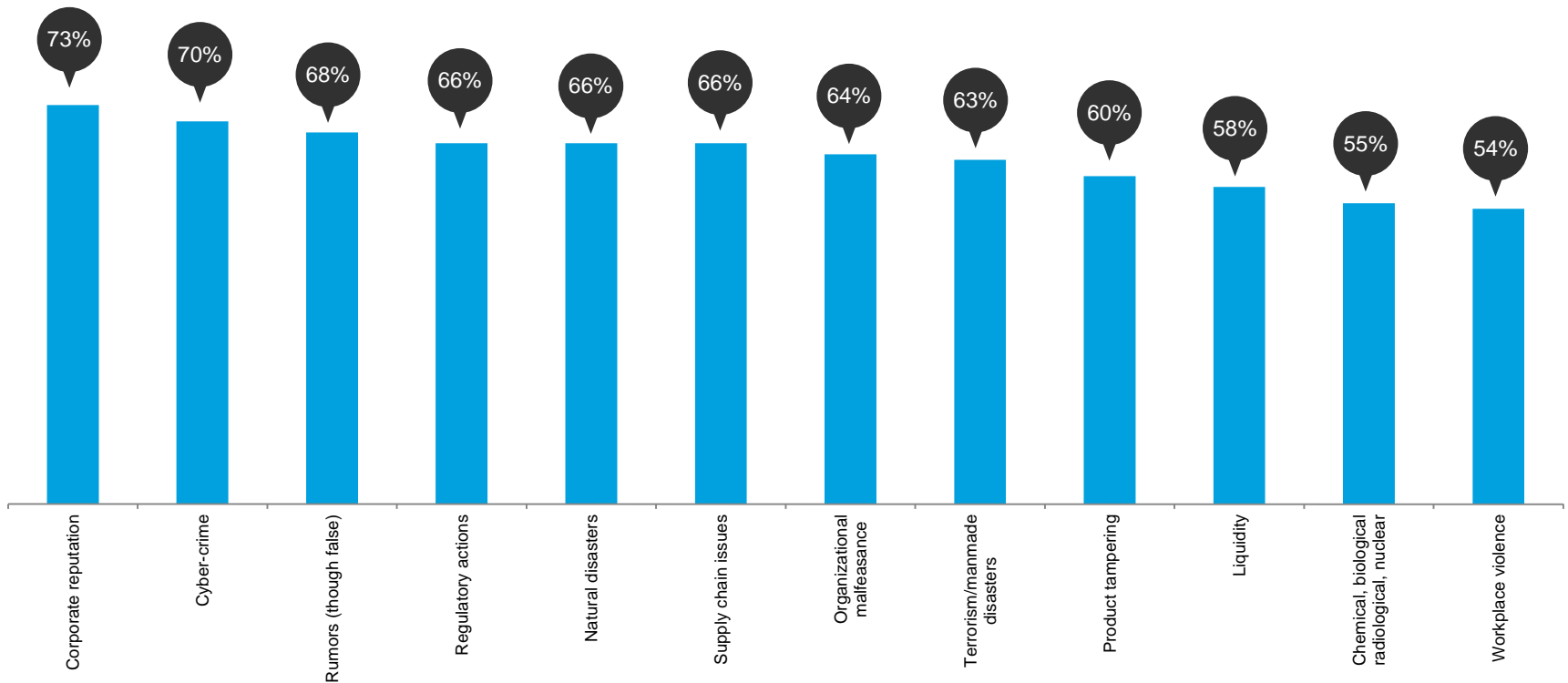
Evaluated stakeholders in
analysis of specific scenarios



Ranking the threats – board survey results

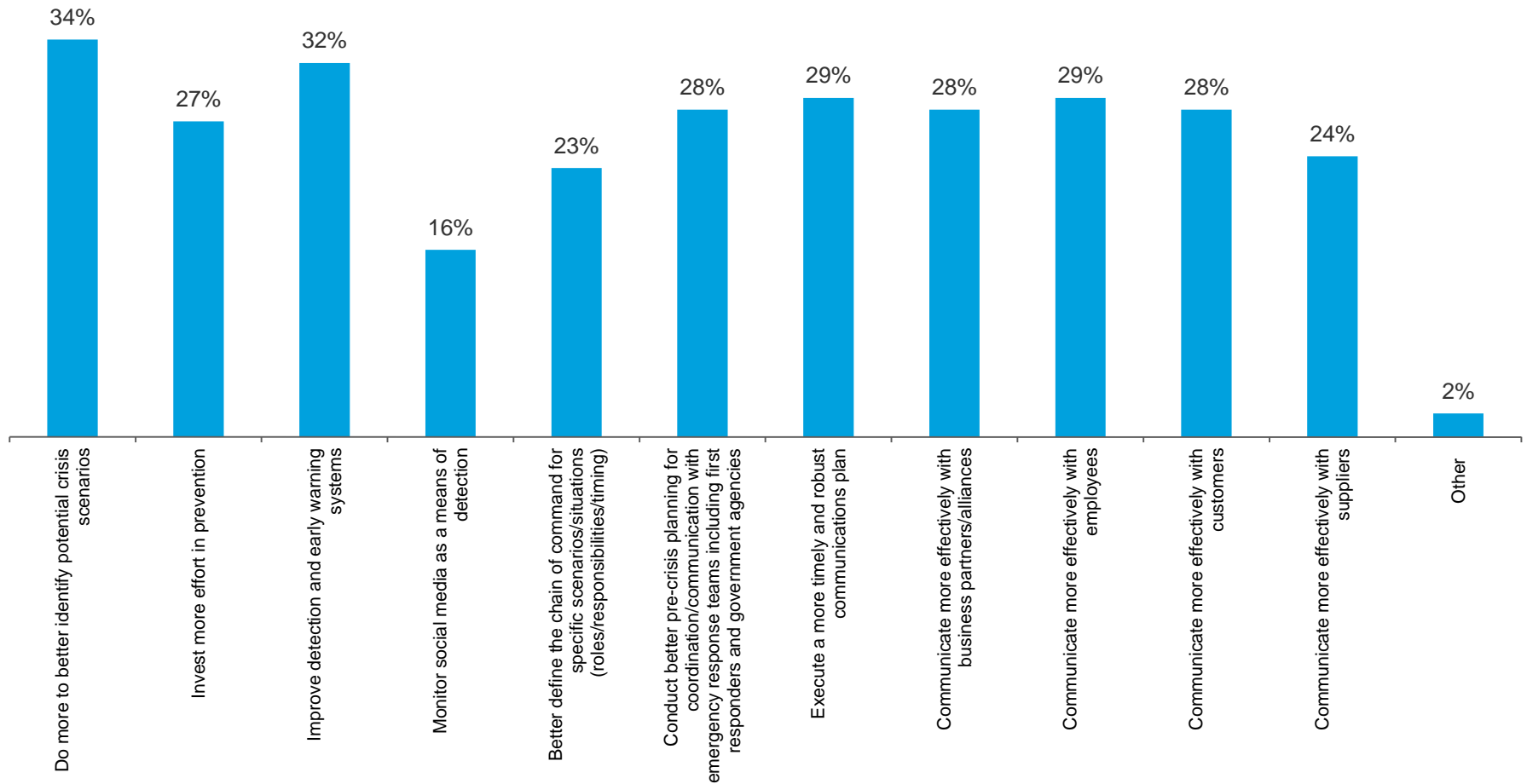
We asked companies how vulnerable they might be to the following potential crises (on a scale from 1-5 where 1 = not at all vulnerable and 5 = extremely vulnerable)

Across all industries, locations, and company sizes, the most commonly cited vulnerabilities were corporate reputation and cyber-crime. Chemical, biological, radiological, or nuclear attack and the threat of workplace violence were at the bottom of the list.

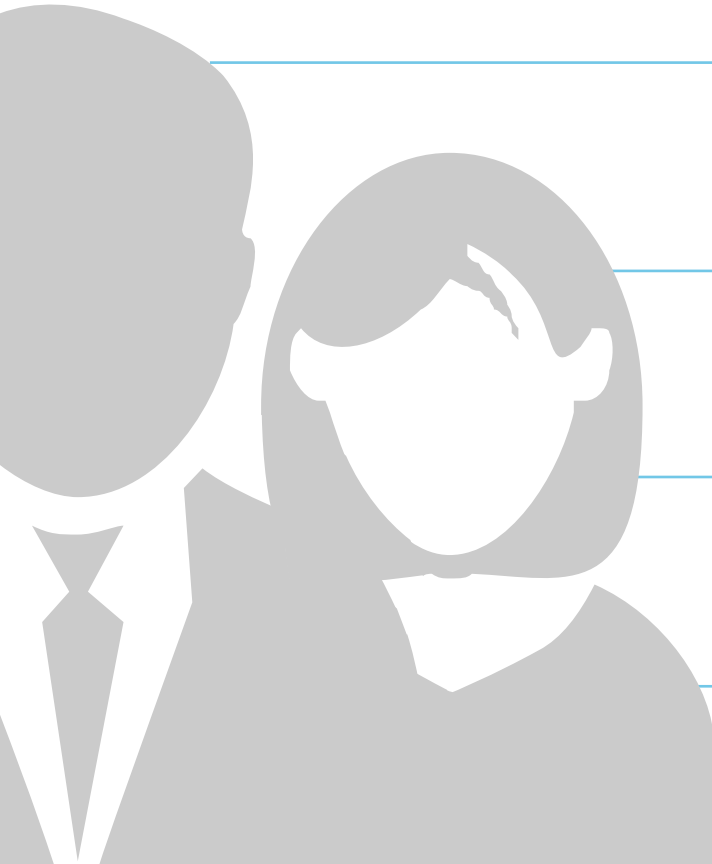


Question 17 – board survey results

(If answered Yes to 2A or 3) Having indicated earlier that you have gone through a crisis—what are the lessons that your company has learned, or that you would do differently? Choose top three



Many organizations face challenges and stumbling blocks that can delay or degrade crisis response



Excessive focus on fixing the incident, rather than leading the response and addressing the strategic impacts

Failing to understand or underestimating the scale, breadth, and speed of the crisis and its unanticipated consequences

Making inaccurate decisions and unintentionally causing harm, due to bad or incorrect information in the first few hours of a crisis

Not having enough time to make sense of the chaotic inflow of information and answering all of the direct inquiries

And furthermore, in a crisis.....

- ❑ Have a plan in place and exercise it before a crisis hits
- ❑ Lead decisively – remember, taking no action is making a decision
- ❑ Continually frame the crisis – don't underestimate the scale, breadth, and speed of the crisis and its unanticipated consequences
- ❑ Focus on what you can control; accept what you cannot
- ❑ Address the strategic impacts – avoid excessive focus on fixing the incident
- ❑ Avoid analysis paralysis – you will never have all the information
- ❑ Actively communicate – own the story, don't let others tell it for you
- ❑ Be ready for the unexpected
- ❑ Drive toward actionable intelligence
- ❑ ...*Don't panic*



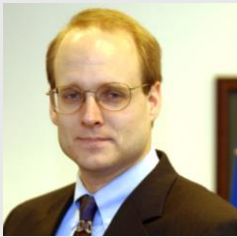
For further information

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Appendix

Sources for slide: 'crises have grown in severity and frequency'

Sources:

Financial disruption: <http://www2.deloitte.com/la/en/pages/risk/articles/ceo-of-queensland-reconstruction-authority-to-join-deloitte-and-set-up-a-centre-for-excellence-for-crisis-management-for-sea.html>

Other catastrophes: Swiss Re: Natural disasters and man-made disasters 2011

Sources of data points on the right:

4,000 successful cyber-terrorism attacks globally (every year): Cyber-terrorism:

http://www.hpenterprisesecurity.com/collateral/report/2011_Cost_of_Cyber_Crime_Study_August.pdf;

<https://securitymetrics.org/content/attach/ReturnOnInvestment/economic.impact.cyberattacks.pdf>

800 Billion individual records lost with an annual cost to the global economy of more than \$400 Billion: Net Losses: Estimating the Global Cost of Cybercrime June 2014 – McAfee



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