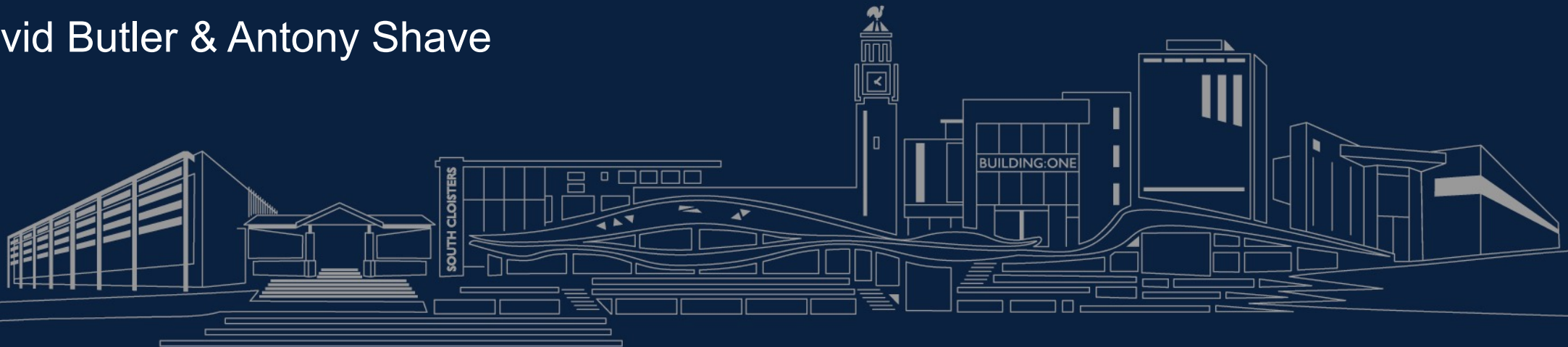


Crisis Leadership Masterclass

Leading Through Organisational Crises

David Butler & Antony Shave



Primary Purpose

Highlight the importance of crisis management as a leadership competency in senior management

Introduce some of you to the composition, frameworks and processes behind an effective crisis management team

Highlight the primary differences between leading organisations through crises and normal business operations

Look at culture and behaviours – the psychology of crisis leadership

Introduce the concept of Novel Crises

Structure

1. Introduction
2. Case Study Review Part 1
3. Inject 4
4. Case Study Review Part 2
5. Crisis Leadership
6. Summary

Crisis Management - the Financial Imperative

The Impact of a crisis:

Boeing and the 737 Max - \$18.6bn. Twice estimated due to mishandling. CEO left

TSB IT upgrade in 2018 - £330m. CEO left

BP Deepwater Horizon 2010 - \$60bn. Was on the brink of collapse. CEO left

Norsk Hydro Cyber-Attack 2019 – 6% increase in share price



Structure

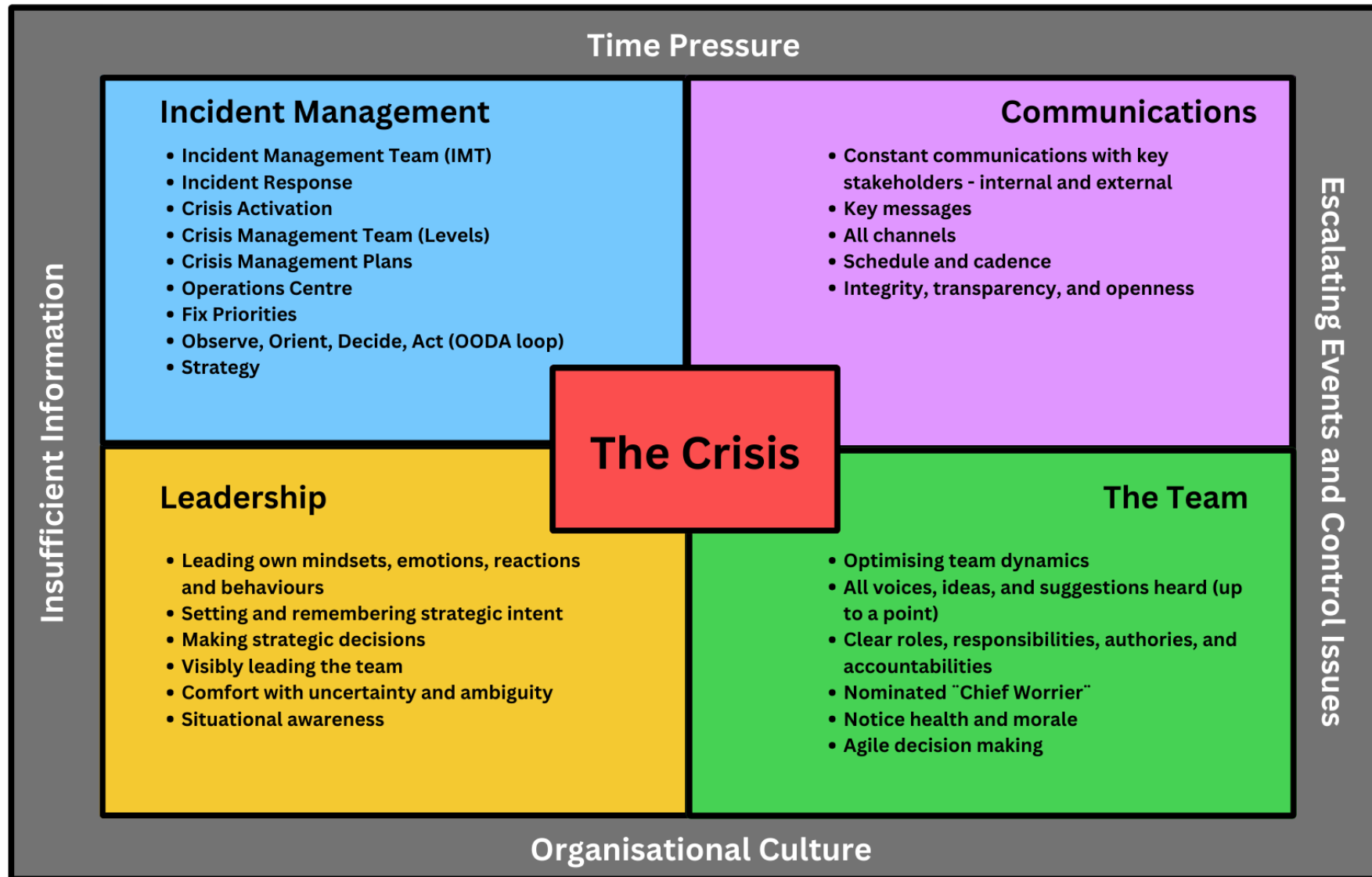
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AQUANTOS Case Study Review Part 1

***Does this cyber-attack constitute a crisis?**

- Element of surprise
- Perceived or real loss of control
- No immediate obvious solutions
- Shortage of time
- Events outpace responses (especially in early stages)
- Escalating flow of events
- Insufficient information
- Lack of resources
- Key players adopt 'siege' mentality
- Regular decision-making processes are disrupted
- Promote short-term management focus

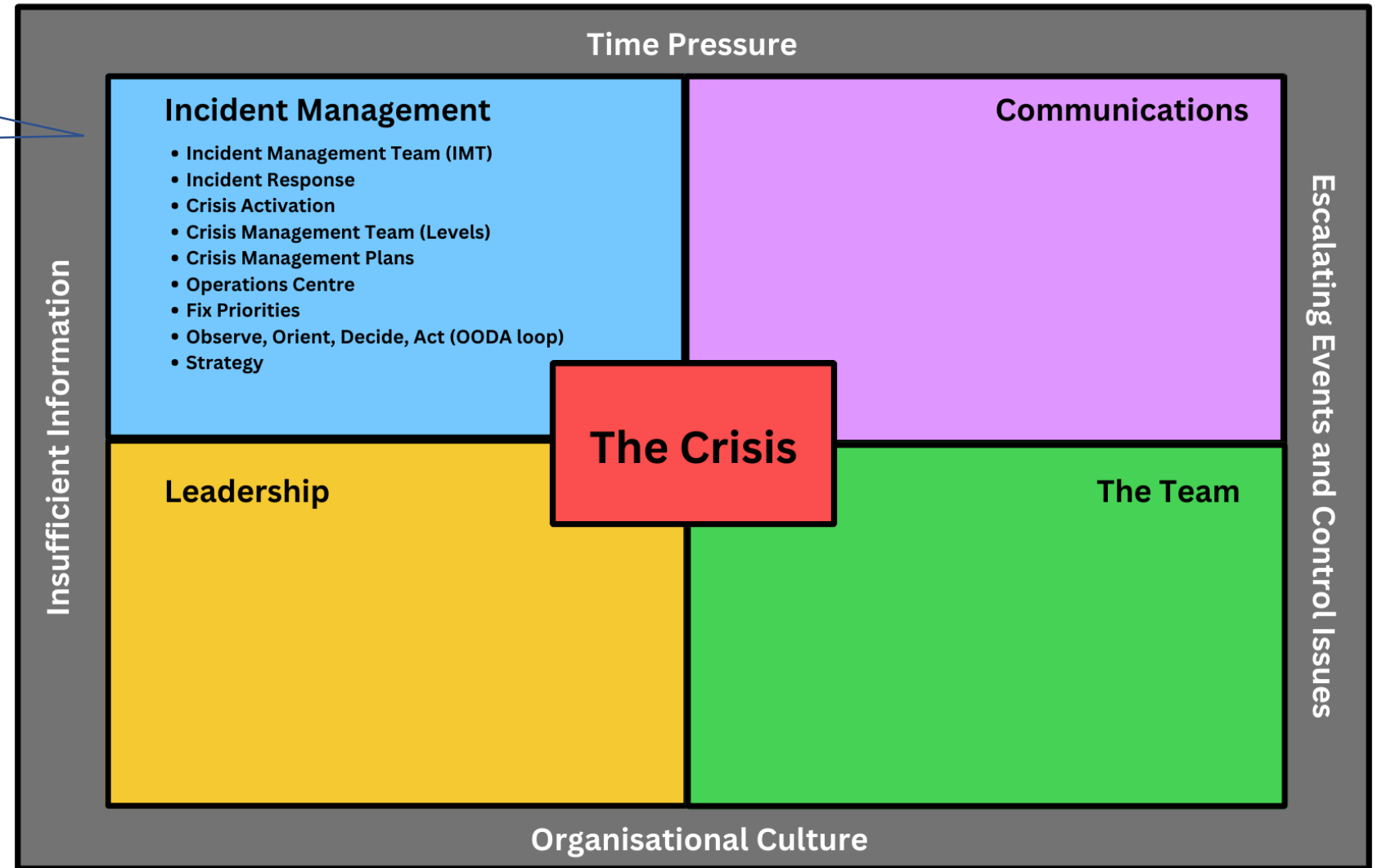
ABSOLUTELY – *‘an abnormal and unstable situation that threatens the strategic objectives, reputation, or viability of an organisation.’ BS11200*



How will the crisis management process be efficiently and effectively worked through?

Critical Questions:

- How long will the crisis last?
- What's the most important priority right now?
- What are the 2nd and 3rd order consequences?
- What are we not thinking about?
- What could make this an even bigger problem?
- What help do we need and from who?



AQUANTOS Case Study Review Part 1

***What is Your Strategic Intent?**

Drives the key objectives, aligns with strategic goals. It's the destination we intend to be at post crisis. It guides our response.

- Paint a vivid, clear picture
- Describe a hopeful short-term future post crisis
- Use present tense language and ideas
- Identify realistic aspiration
- Align with vision, mission and values

Aquantos Strategic Intent:

- Back to business as usual as quickly as possible
- Maintain the company reputation
- Assure the integrity of sensitive patient and customer info

AQUANTOS Case Study Review Part 1

What is the potential business impact of the attack?

Loss through encryption of all Information Systems and data held by the organisation. Total operational disruption. Catastrophic.



AQUANTOS Case Study Review Part 1

*Do you pay?

Decision should align with corporate values... the fear response is to pay

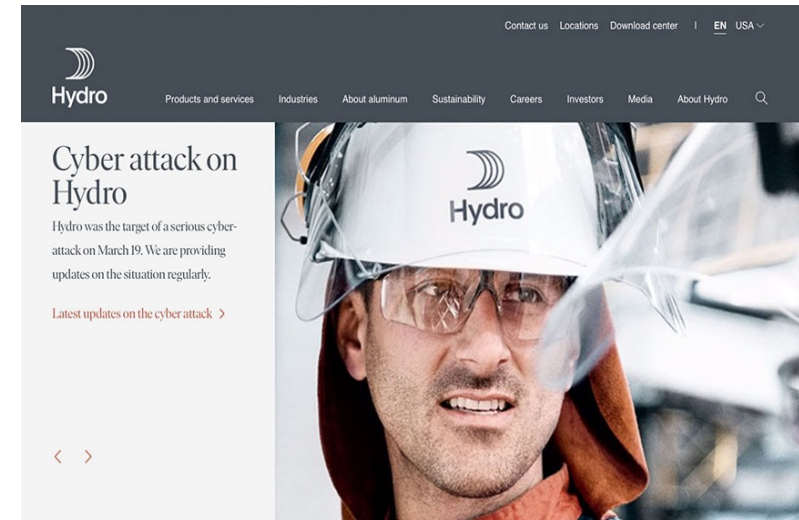
- Organisations that do important things have become dependent on technology
- Ransomware has evolved to become far more aggressive
- 2017 NotPetya attack on Merck –
 - Infected tax software in Ukraine office
 - Malware spread. Took down 30,000 computers
 - 2 weeks total business disruption
 - \$870m damage, \$410m sales
 - No insurance cover – ‘act of war’

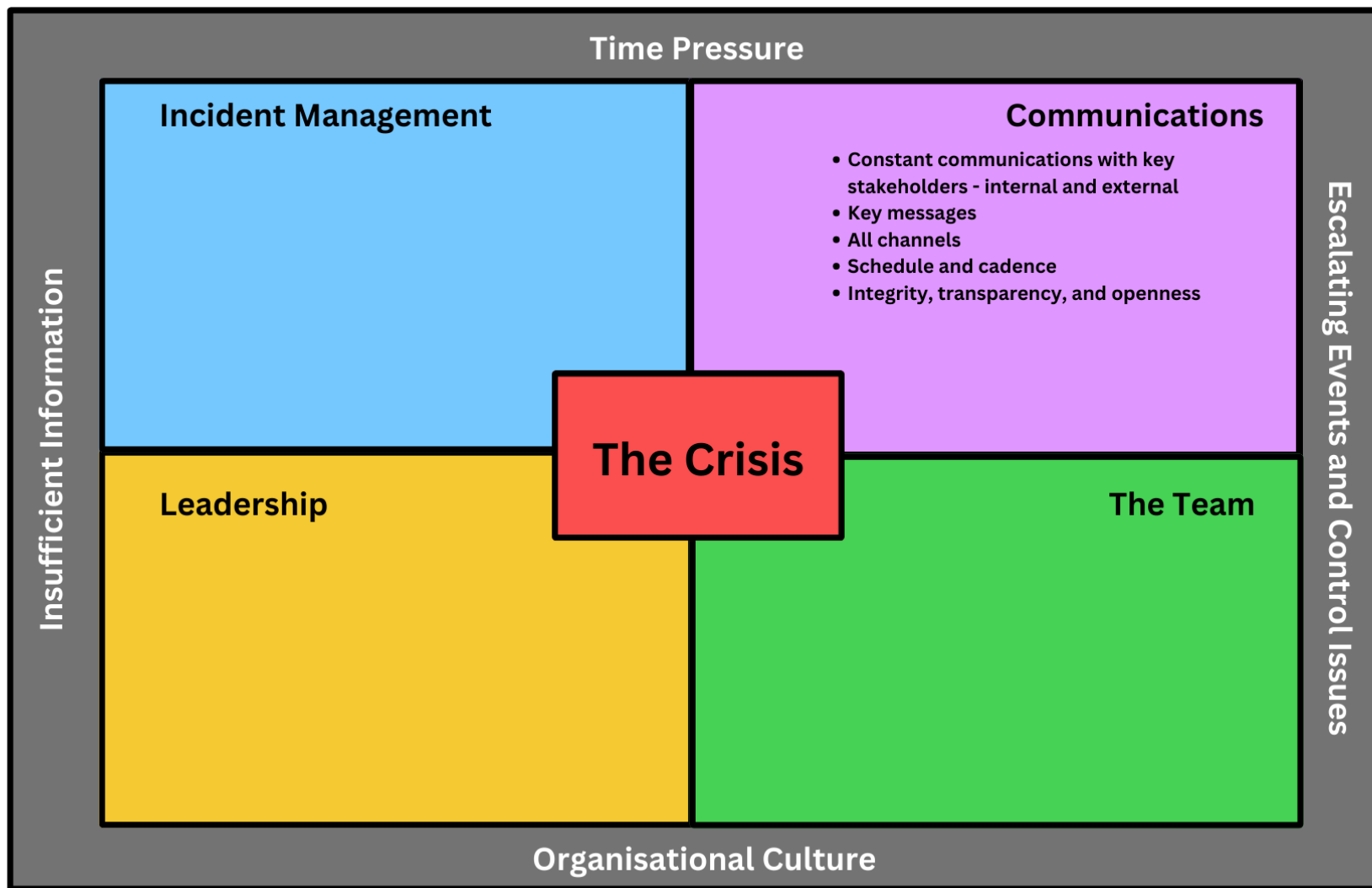


AQUANTOS Case Study Review Part 1

What is your communication strategy?

- Crisis communications are essential. Quality has a direct effect on financial impact of crisis on business
- To emerge successfully a business needs to fix the underlying issue and communicate with stakeholders simultaneously
- Well-judged, timely comms is essential to set the narrative, retain the trust and confidence of your stakeholders and protect your reputation
- Jan 2019 Norsk Hydro was hit by ransomware attack that disrupted all its IS for 2 weeks. Hydro's response was a masterclass in crisis comms





AQUANTOS Case Study Review Part 1

What else?

- Would you rather lose a leg or an arm? 30secs to make a choice....
- A Cyber-crisis often requires making decisions on the *least worse* course of action whilst faced with a combination of incomplete information and time pressure

*How did you feel?

Decision making in crisis:

Amygdala – fight or flight response driven by fear, adrenaline and cortisol.

vs

Neocortex - higher order thinking and decision-making

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Aquantos Inject (4) – Large Breach and further theft of Personal Health Information

*Questions:

- What is the potential business impact of the latest attack?
- Does the strategic intent change?
 - Must remain the same. That is if the original intent was robust...
- What is your top priority?
 - We need to pull the plug on the IS systems and isolate.

Aquantos Inject (4) – Large Breach and further theft of Personal Health Information

Questions:

- What actions should you take (based on strategic intent and top priority)?

Communicate. Isolate systems. Effort to address vulnerabilities.

Cyber 101:

Investigation

Containment

Eradication

Recovery

With ransomware beware other malware.....

Regulatory notification expectations

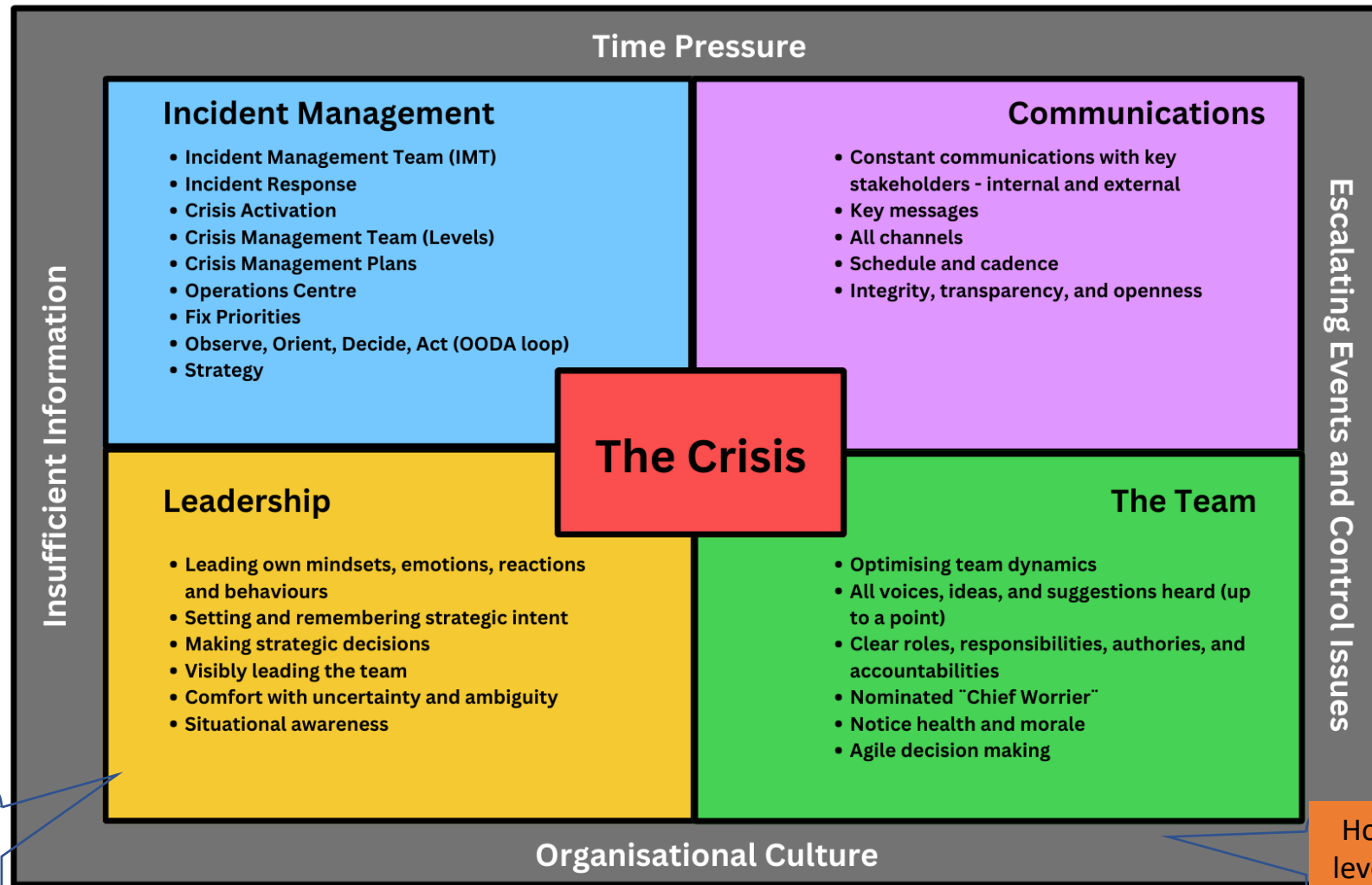
Communicate

- How do you (as the CEO/ELT) feel?

Impending sense of doom. Fatalism. Flight...

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How do you as the leader need to be, think, feel, decide, and act, now and going forward in this crisis?

How can the whole team be leveraged and empowered to deliver the best results (over a sustained period)?

Crisis Leadership – the first hour...

When the first news breaks about a potential organisational crisis:

- It will trigger a fear based reaction in everyone involved (fight or flight - including freeze).
- This reaction will be driven by increased levels of adrenaline and cortisol.
- People's ability to use their neocortex to think will be diminished and their perception will narrow.
- As the leader, if YOU don't cease the moment consciously and quickly, then the following will happen: panic, a few loud voices speaking over everyone else, some members completely silent, hasty knee-jerk decisions...

Crisis Leadership – the first hour...

As the Leader of the team you need to:

- Recognise that this reaction is happening in the team members and in you.
- Press your own Pause Button AND explicitly press the Pause Button for the team. Encourage everyone to be calm, to breath, and to think.
- The best way to encourage your team to think is to ask them a question like: *“Given this news, what is the most important question that we should be asking ourselves right now?”*
- Give them 2 minutes to think (in silence), then ask each and every person on the team for their answer and write all of their suggested questions on a white board or flip chart.
- Then discuss each one briefly and quickly prioritise them, then focus on the MOST important one until that leads to options, decisions, and actions.

Crisis Leadership – Novel Risks

Novel risks have likelihood or consequences that cannot be assessed either because no one has yet envisioned them, or because of high uncertainty about what their likelihood or consequences might be.

Management through routine risk management processes is incomplete and can lead to escalation to fatal consequences (both people and organisation)

- Chief ‘Worry’ Officer
- Crisis team drawn from different levels, expertise, experience, some with novel risk experience elsewhere
- Team agile problem-solving method and processes. (OODA)

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Summary

1. Organisations must be able to navigate successfully through inevitable crises
2. Crisis Management is a key senior management leadership competency
3. Preparation is critical – tried and tested CMP including Crisis Comms
4. Team dynamics and leadership is vital for effective crisis management
5. Novel crises must be prepared for, yet you will need to fall back on leadership and team dynamics

For further questions:

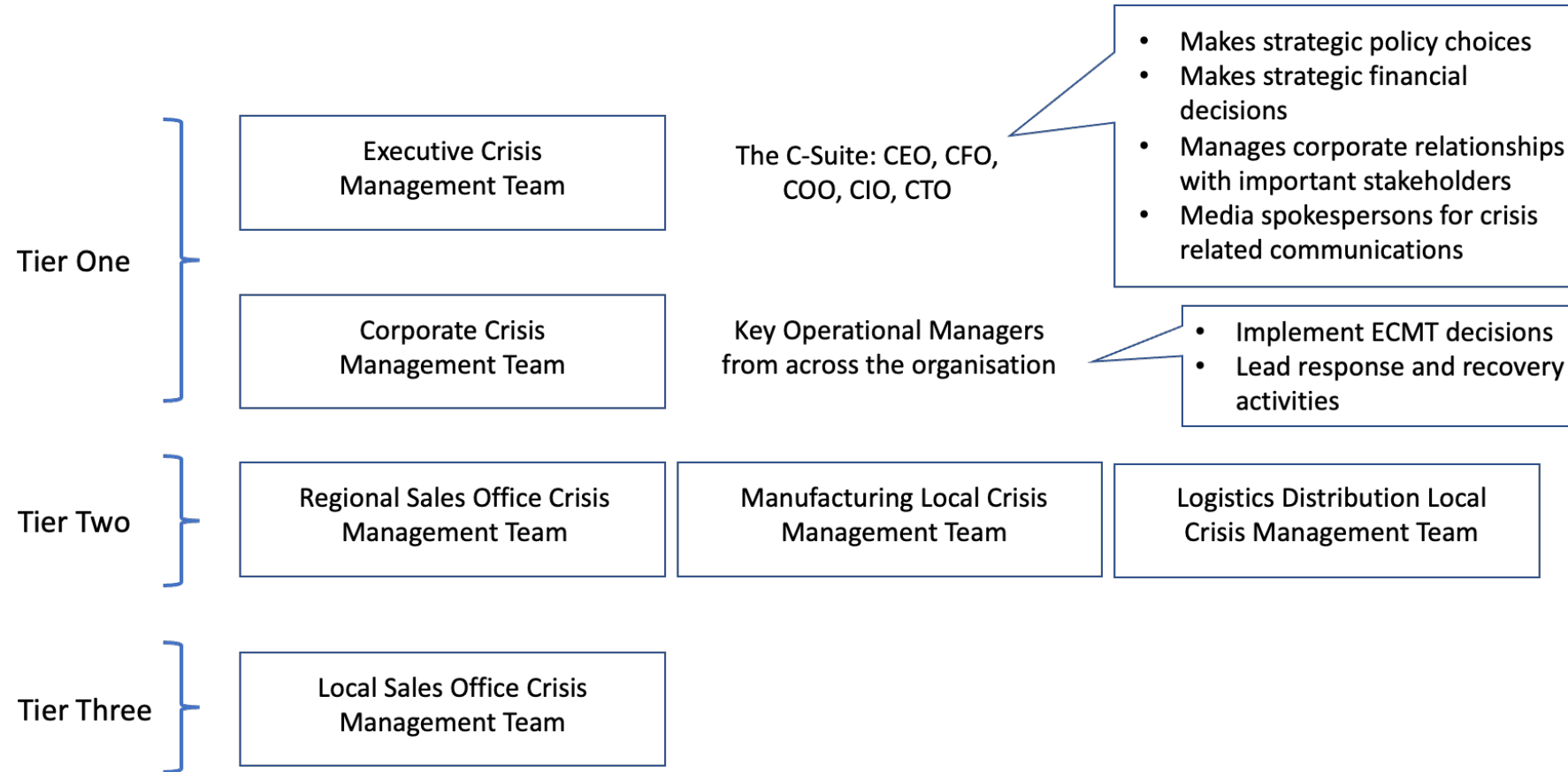
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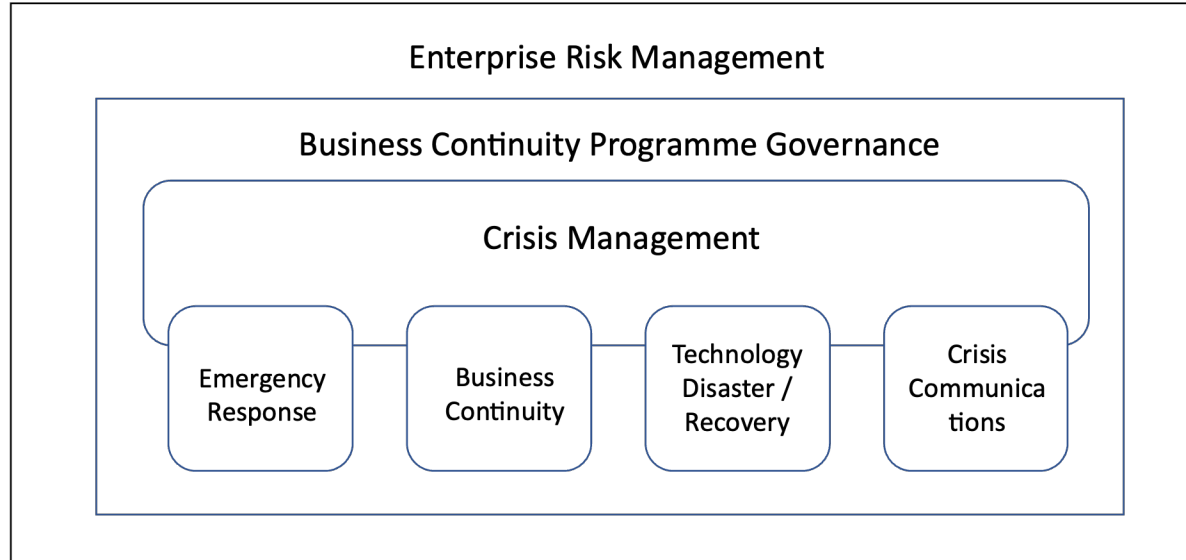
Crisis Management Basics - Who manages an Organisational Crisis? (The Crisis Management Team Structure)



Source: Crisis Management by Regina Phelps

Crisis Management Basics – The Crisis Management Plan

Where Crisis Management fits in the organization:



Purpose and Benefits of a Crisis Management Plan:

- Set priorities and direction
- Simplify decision making
- Organise the team
- Align resources for success
- Enable effective communication

Executive Crisis Management Team Plan:

- Roles and Responsibilities
- Communications
- Reporting

Crisis Management Team Plan:

- Section 1: Incident Assessment Team (IAT)
- Section 2: Team Checklists
- Section 3: Reference Materials (E.g. EOC management).

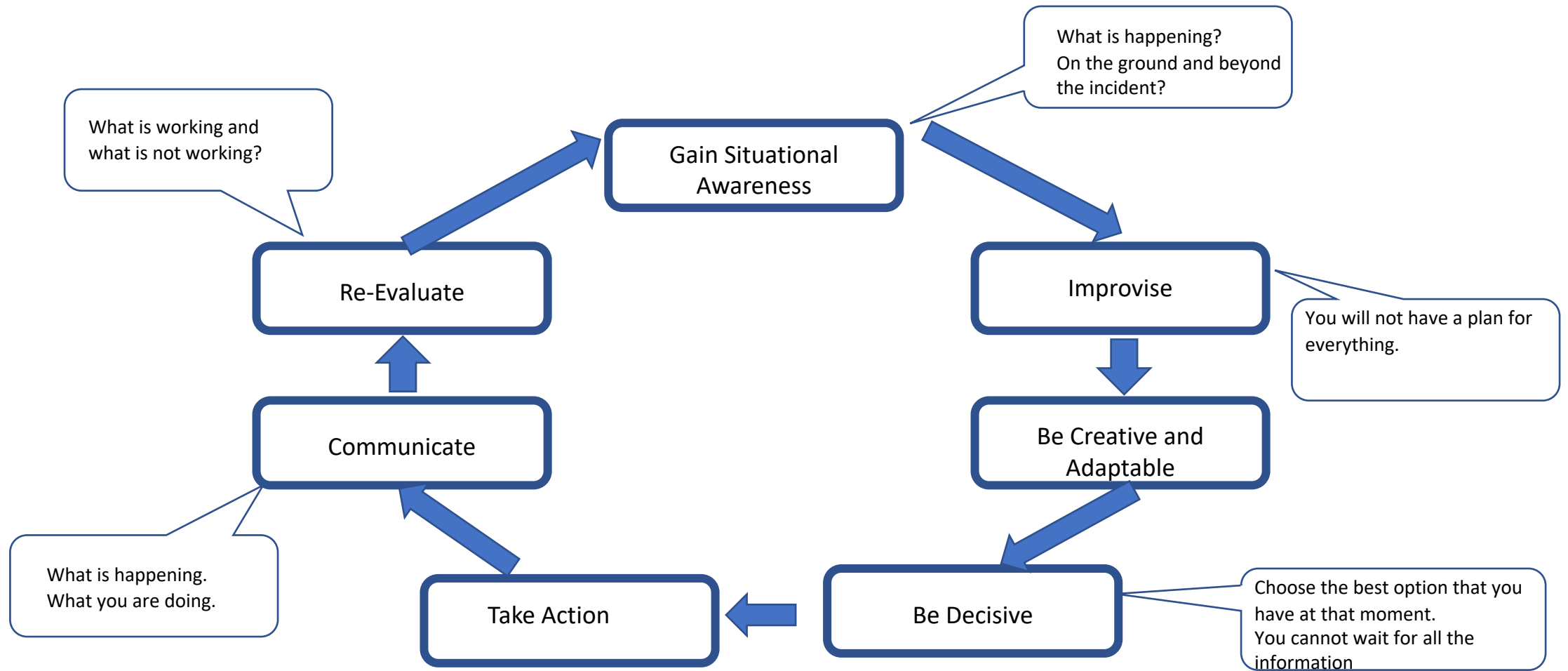
Source: Crisis Management by Regina Phelps

Crisis Leadership – crisis lessons from experience

- Declare the crisis and activate as early as possible.
- Staff initially to a high enough level (don't automatically send everyone home).
- Issue clear, consistent, and unambiguous instructions to employees.
- Delegate authority to those people who have been tasked.
- Assume and plan for degradation over time of the team members, plans, and systems (monitor effectiveness and prepare appropriate admin requirements).
- Avoid the mindsets of “Been there before, done that before” and “We are a really smart group and we will figure it out when it happens”.
- Make decisions and keep moving forward.
- Reassess and readjust when necessary and new information emerges.
- Maintain situational awareness by continuously monitoring of the specific incident AND the bigger picture (and potential second and third order effects).
- Communicate, communicate, communicate (with simplicity, clarity, and honesty - regularly) with all stakeholder groups via all media channels.

Source: Crisis Management by Regina Phelps

Crisis Management Basics - Seven Crisis Management essentials



Source: Crisis Management by Regina Phelps