CPA Practice Advisor

they can respond to crises and its level of preparedness. The gap becomes even more evident when evaluating whether organizations have ...

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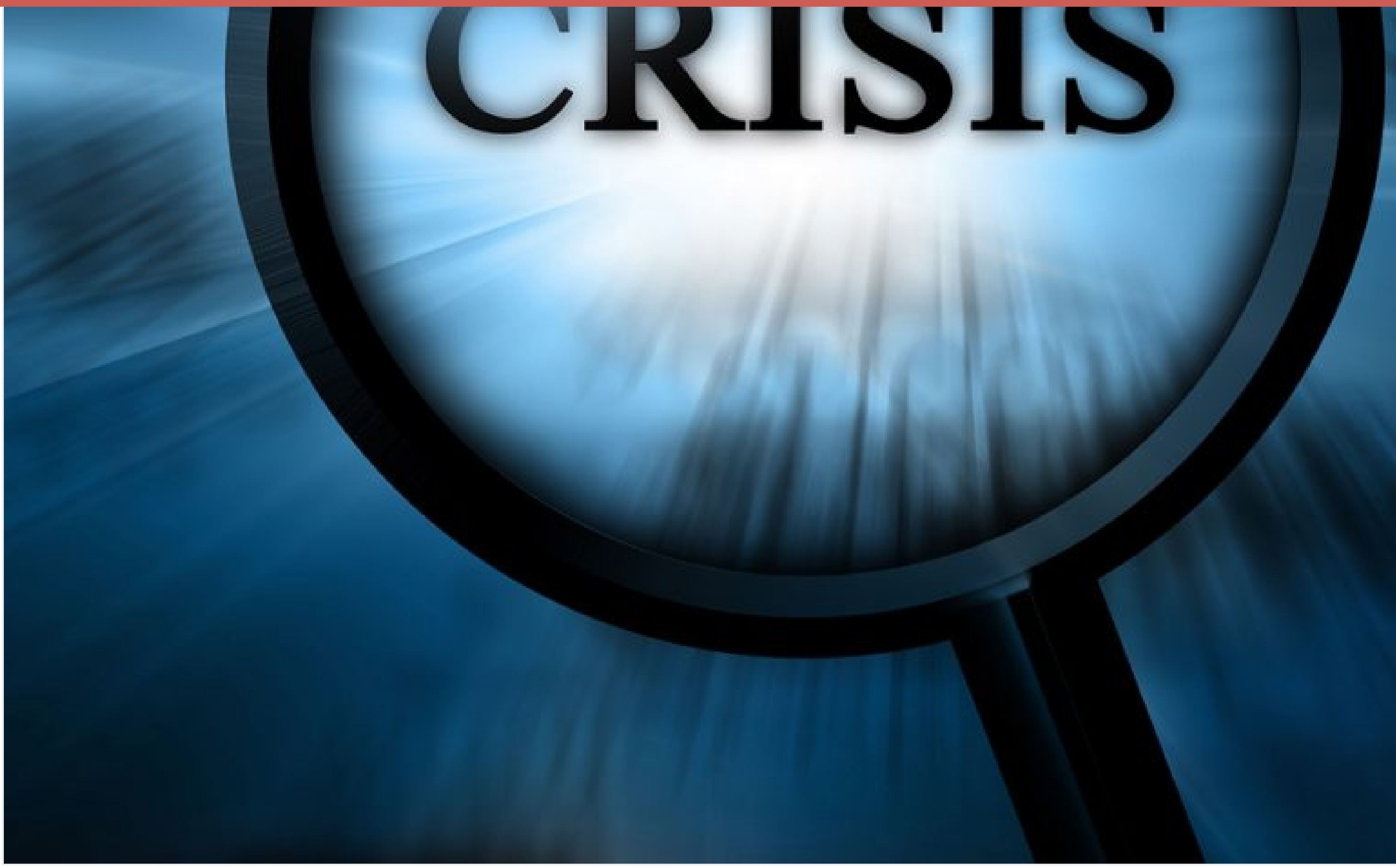

According to Deloitte Global's 2018 crisis management survey, nearly 60 percent of respondents believe that organizations face more crises today than they did 10 years ago, yet many may overestimate their capabilities to respond.

"Today's organizations face a global business environment with change happening quickly and crises on the rise," said Rhoda Woo, managing director in Deloitte & Touche LLP's Risk and Financial Advisory practice and leader of Deloitte's crisis management practice for the U.S. firm. "But those who take a systematic approach to steering clear of crises and effectively managing ones that do arise, especially by engaging senior management and board members, can avoid the devastating impact a crisis can have on financial performance, employee morale, sales and reputation."

Confidence outstrips preparedness

management teams at least once in the past two years. In particular, cyber and safety incidents have topped companies' crises (46 and 45 percent, respectively). Following a crisis, nearly 90 percent of organizations have conducted reviews. The major insight from these examinations is that many potential crises may have been averted. Respondents identified the need to improve detection and early warning systems, invest more effort in prevention, and do more to identify potential crisis scenarios.

Boards and business leaders must be crisis-ready
When responding to a crisis, strong leadership skills and situational awareness are critical. The survey finds that 24 percent of respondents cite leadership and decision making as one of their greatest crisis management challenges. To help leaders be prepared, organizations should consider: organizing leaders ahead of time, clearly defining their various roles and responsibilities; training leaders in the tools and techniques that can help them through a crisis; identifying, improving and counterbalancing leadership tendencies and styles which, while they may serve as strengths in normal situations, could cause trouble in a crisis.

"The survey results reinforce the need for senior leaders to take an objective and detailed look at their organizational approach to crisis management," explained Deloitte Risk and Financial Advisory CEO Chuck Saia. "Today's complex business environment requires a risk management program that's agile, disciplined and proactive. Leveraging scenario planning like war-gaming and cognitive technologies like reputational sensing can strengthen crisis preparedness and protect reputation, one of an organization's most valuable assets."

Board and senior management participation in crisis exercises is critical, as is their involvement in developing an organization's crisis plan. More than 4 in 5 (84 percent) said their organizations have a crisis management plan in place, and those who enlist the board to participate say the number of crises has declined over the last

Crises aren't inevitable. Many of them are avoidable, which is why smart business leaders invest in crisis management capabilities. These strengths can help their organizations avoid costly, and sometimes irreparable, damage to finances, employee morale, brand and reputation. Truly effective crisis management goes beyond being reactive and simply protecting existing value. It also enables resilience and powers future performance, thereby enabling an organization to emerge stronger.

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