

## THE INSTITUTE OF ENGINEERS

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I can only loosely call myself an engineer. I have actually destroyed far more things than I have ever even contemplated building, but what it has taught me to do, is to be able to think, write and act under pressure. So here I am a crisis practitioner masquerading as an engineer. My aim is simple, and that is to share with you some experiences about managing under pressure. Engineers are not known for thinking outside the box. Chances are in crisis that the box no longer even exists anyway. Engineers are better known for pulling the lever and watching which way the flywheel spins, but in all probability in crisis the flywheel will not spin no matter how hard you pull on the lever. Very few academic organizations include Crisis Management on their curriculum as it is about managing failure of something or another, and no one likes to talk about that. For the quality panel people in the audience I will be surprised if we ever see an ISO 9000 on managing failure. If we do it will be camouflaged as something else.

I will begin by addressing what Crisis Management is and what it isn't. In simple terms there are two parts to Crisis Management. There is the planning and preparation side of the discipline very much merged with other styles of management, and then there is the art of doing it when it happens to you. Every organization has a different threshold from when they stop talking about it, and actually find themselves doing it. For some organizations the transition can be very blurry. The art of doing Crisis Management successfully very much depends on recognizing that you have crossed the threshold and then dispensing with all other styles of management.

If the threshold is blurry, how do you definitely know when you are in a crisis? The text book says that any combination of reputation, liability or business continuity will have peaked to the point where you may no longer be able to operate. My crisis practitioner's answer is that you will know that you are in crisis when you find yourself having to deal with multiple stakeholders simultaneously. For example jammed telephone lines are a feature of crisis and this attack can go on for some days.

What is Crisis Management? In organizational terms, it is horizontal team management; the style of management needed to deal with multiple stakeholders simultaneously. There is no other successful style of management when you are faced by this situation. Cabinets, the military and some organizations perpetually operate in this mode. They do this because they generally have a second chance to implement strategy. The difference for business is that failure is not an option. Depending upon the deadlines of the key stakeholders, generally business have will far less than one day to develop and start implementing strategy. This is why the business world sometimes has difficulty in mastering Crisis Management. In protracted situations and in isolation business people are very good at using their rat cunning skills to devise successful strategy at least nine times out of ten. Business people are not so good when they have to devise strategy in a group and under pressure; but only because there are few opportunities to practice.

What is the relationship between Crisis Management and Risk Management? When you are in crisis you want to be making zero-risk decisions, so the relationship is very clear-cut. You may well still use the methodology in assessing strategy but as low as reasonably practicable must also address public outrage and possible entrepreneurial courses of action. In the preparing and planning part of Crisis Management, Crisis Management slots in as a last resort treatment for just about any exposure or opportunity. Some treatments may call for its use as a treatment of choice, rather than a last resort. I will make some more comments about the overlapping disciplines of risk and crisis management later.

Can you have quality crises? The best way of answering that is to ask how much Crisis Management is enough in preparing and how much is enough when you are doing it. In planning terms it all boils down to risk and reward. If you want to take greater risk than Crisis Management is your only reserve, your only safety net. In comparative terms it is one of the cheapest insurance policies that money can buy and it is redeemable straight away. It is acquired through regular practice, learning from other's mistakes and subjecting organizations to audit every one to two years. Of course there are mandated thresholds in some sectors like hazard analysis critical control points for food manufacturing, and safety is regulated to varying degrees across most sectors, often partially legislated through minimum emergency response requirements.

Process versus no process. When you are actually seeking to control or contain a crisis, while there is tried and tested process, which will focus the quality of a teams efforts, the degree to which the process maybe followed depends very much on the team leader and their personal style. Some will abandon any notion of process and survive on strength of character alone and there is nothing wrong with that providing you are successful. Some will err on the side of a committee approach and reduce their chances of success accordingly. Because you are managing on the side of darkness, there is no right or wrong quality, rather that you started to implement successful strategy within the deadlines imposed by stakeholders. That is that you have made the transition from a reactive style of solving the problem back to a proactive style.

What is the relationship between crisis and issues management? Issues are usually a result of focussed public interest. Issues peak when intense public interest turns to public outrage. When issues peak, often as not, it will be a crisis. Out goes styles like relationship and perception management and in comes crisis management.

That is enough definitions and there are endless references about preparing for and seeking to avoid crises. You will read about competitor intelligence collection, threat assessments, scenario-based planning and specific contingency planning for business recovery. But right now I want to focus back on doing it. It is all about process. When you are under pressure, the human brain needs process to guide it. The hardest thing we do in life is interact with our brains. In a team you find the facts, you must then identify issues, you must then prioritise issues and develop strategy, and then you must implement strategy. It is a continuous process, a do loop, and you do the process as many times as you need to until you are confident that you are dealing with sufficient facts to have a workable strategy.

You do all of this in a plenary session, and you use team timeouts initially to find new facts and then later on to implement strategy. Process is imperative if you wish to get inside the decision cycle of the stakeholders who are driving the crisis. Process is all about going from the reactive back to the proactive, and giving you the opportunity to be setting the business agenda.

This sound very simple but many crises seem to happen when half of your team is out of town or when you are all in town but asleep. This is why most corporations and large enterprises have a plan or procedures to follow to help then identify the crisis threshold and to commit them to go into team management style. Was it the engineer in Apollo 13 who said, Houston we have a problem, when they were crossing the threshold. Tailoring the team with the best business thinkers is ideal, but it may just have to be with whoever is available. Few crisis can be managed virtually at least not in the early periods when finding the facts is so crucial. At this time information will be your greatest resource, truth will be the most important value, and speed will be your greatest enemy.

But it is not just the management team that must cease vertical line management; it is the whole company or organization that must flatten. You may need to empower every individual with as much authority as possible. Some traditional managers have difficulty in letting go here. It is standard practice to have a coordinated system of telephone response, a media support team and a HR support team and sometimes a government support team depending the nature of your business and the country you are working in. All of these groupings can go by several different names and come in different shapes and sizes depending upon company culture.

Managing emergencies and crises separately or together. It is important here to understand the relationship with emergency management. An emergency is just any abnormal event which usually requires team management to solve particularly if it pushes past normal emergency response arrangement. 95% of emergencies remain as such and do not require Crisis Management. The 5% that escalate will require simultaneous emergency and crisis management to effectively contain the event and the crisis. There is always the tendency for Crisis Management Teams to want to reach right down and control the event and leadership is required to simply learn enough about the event to get on and deal with the issues. The reality is that by far the majority of crises in the western world have had very little to do with emergencies. Most have been due to corporate mismanagement of one form or another.

Let's look at some of these recent crises. The demise of Ansett is a classic. All companies incubate crises and you just need an internal or external trigger to set them off. The cracks in the wings and the regulators subsequent decision to ground some planes had all the hallmarks of a lurking crisis with reputation, liability and business continuity dimensions. When the owners decided to leave Ansett to sort out its own financial mess, there was clearly both a reputation and a financial liability to the crisis. It took the CEO nearly a week to leave his safe haven in New Zealand during which time the media ripped the company apart. I recall the image of the corporate Affairs manager who was trailing after the CEO with a mobile phone trying to deal with the media sharks. The result was a miserable and tragic failure.

The Singapore Airlines crash in Taiwan a few years ago is another interesting one. Some things were done well and some poorly. Airlines are very good at using their websites to pass information and reduce the log jamming effect of incessant phone calls in this case from distressed stakeholders. Their New York office was not so good when just hours into the crisis they announced that there were no casualties. The pilots who were arrested have long been let out of jail and the human dimension to the crisis has long since moved out of the spotlight. I am not aware of the financial state of Singapore Airlines as a consequence but another potential crisis is in the makings as class action is about to get underway in the United States. The damages being claimed are allegedly going to dwarf all previous class actions but who is at fault? Can a US court determine that the Taiwanese Civil Aviation Authority is at fault? I know that of the three crucial lights, which should have told the pilots to continue straight ahead, one was out and one was barely flickering. The Taiwan Civil aviation authority attest that they check lights every day but if you look at the inspection times, they are all checked by day only and certainly not in a storm. When the pilots turned to the right, there was no X at the end of what they presumed to be a runway telling them not to take off, so they did.

Much has been written about the Longford disaster. And again we are about to see another class action in Australia by the 20,000 businesses and insurers affected by the gas shortage. It will probably challenge all of the profit made by Esso in its 30 odd years of operations in Australia. Esso have paid their safety fine and out of court settlement with next of kin with petty cash so far but the class action may well be a different story. The Institution of Engineers has produced some excellent reports in the aftermath of the crisis, which explains how the crisis was being incubated over failure to identify risks and properly train workers. But was it a real crisis for Esso? ExxonMobil is still the largest company in the world. ExxonMobil is always under attack from Greenpeace over various environmental issues, but it is still trading in Australia. There has been some loss of value to shareholders but the commercial position has not really been effected. Again the real jury is still out on this one. The Institute of Engineers report made many comments about systemic failures leading to loss of corporate engineering memory and amongst many recommendations it said that an effective safety management system must recognize this and include appropriate strategies for the management of unanticipated hazards. I would add to the report that crisis management must be one of these strategies. It come from a different approach to risk and safety management and inculcates a culture of indicators and warnings.

Interestingly when Esso was found guilty of 11 offences, the MD of Esso chose to hide behind the lawyers and only got 5 seconds of TV. The Process worker who Esso had made out to be a scapegoat said that Esso had still not changed its culture after two years and he got three minutes of prime TV. There is no more tangible way to demonstrate that you are in or out of control then when dealing with a barrage of media enquiries. Whether these displays lead to nationwide support for industrial manslaughter laws, time will also tell.

It is worth making comment upon the systemic ability for correctly applied risk management to help prepare for or avoid crises. Indeed it is accepting the inevitability of crisis that most organizations cannot come to terms with. Shell is a good example of a company that does. Their policy simply stated is one of prudent over-reaction and then rapid de-escalation. They posture for dangerous opportunity and may well surpass ExxonMobil because of their attitudinal differences. A recent report by Ernst & Young which surveyed 260 of Australia's top public and private sector companies found that 87% of companies surveyed saw management of risks as important, yet only 50% (outside the banking and finance sectors) were confident that their risks were being effectively managed on a continuing basis. One could suggest that there are few Australian companies postured for dangerous opportunity.

The oil spill in Sydney harbour a few years ago is a good example of a crisis that was successfully controlled. I know that Shell pulled out all stops because of their attitude and while they were nearly brought unstuck they have been commended for their actions. In the absence of the facts they assumed responsibility. They transitioned quickly from reactive to proactive management. They flattened their management into horizontal teams. I know that they were stretched to the limit but that is what managing failure is all about. The risks haven't gone away of course and indeed oil spill remains one of their greatest exposures. How do you decide how much preparatory Crisis Management is enough in terms of both risk and quality. Shell has decided that as long as they spend more than their competitor on this exposure than that constitutes a successful strategy.

Another interesting crisis strategy, which enabled the German Government to successfully transition from reactive back to proactive management, was their decision in 1974 to stage an aircraft hijack to release the Black September terrorist following his capture at the Munich Olympic Games. This action was the opportunity to transform from the crisis. This outright deception was not revealed until just before the Sydney games. Counter-terrorist strategies have come a long way since then of course and it would not work now, but it did then.

A lot of trouble in corporate Australia also stems from very human failings. Ansett collapsed, in part, because of the sloth of its management. The \$5.3-billion collapse of HIH Insurance can be partly traced to the pride of its former chief executive. Pasmenco's failure can be explained by lust, demonstrated in its push to become the biggest zinc producer in the world at all costs. The liquidation of One.Tel can be blamed on greed, and the collapse of Harris Scarfe can be explained by the envy among senior management of competitors such as Woolworths and Coles Myer. The sin of gluttony is evident in the big option packages and bonuses paid to executives over the past two years, particularly at dead or dying dot-coms. And anger in the boardroom of NRMA Insurance Group explains in part why those companies have not performed as well as they should.

Noting the Institutions imminent intention to create a Centre for Engineering Leadership and Management I would like to speak about leadership and teamwork. In many ways when you take away the bells and whistles, Crisis Management is simply leadership and teamwork. Crisis management is about taking control of what has happened before it engulfs the organization. The fundamental job of the leader is to enforce strategy. They require decisiveness and commercial bravery when friendly stakeholders maybe at best neutral, and there are a variety of enemies seeking to take advantage of the situation. In crisis the leader's competencies become much sharper in definition, and there is the crucial requirement to be able to display human passion.

Leaders must maintain their ability to keep thinking when a crisis develops and not become entangled in the swirl of anxiety that threatens to take over the system. Leaders must develop and articulate articulate to their organization. Heroes do not make good crisis managers and leaders should not be afraid to ask advice and receive a contrary opinion. A common reason for events becoming crises is because the line managers involved try to solve the problem themselves or refused to recognize the crisis. Traditional managers used to consider that the requesting of assistance would be perceived as failure on their part. The norm now is for prudent over-reaction as much to posture for a lurking crisis, as it is to look for opportunities to transform and not just survive.

Crisis leadership requires belly-to-belly teamwork to manage to the unexpected. The team should be small enough to be effective, big enough to be representative, and senior enough to be compelling. Team members with different perspectives should speak up because in crisis everyone needs to pull together as a team and each member is effectively earning their salary on one day. Truth is the primary value, and while some team members will be quiet and some cannot be kept quiet, no opinion should be silenced or punished. Everyone should have the freedom to comment to raise the level of dialogue. Any tendency towards pressure to conform could lead to a failure to consider all options.

Crises that do not come from emergencies are often of greater concern. As the Emergency Management Team focuses on the tasks of saving life, containing property damage and protecting the environment, they require multi-disciplined skills like those used in professional response agencies to manage disasters. The hand-off of issues, which are beyond the bounds of an emergency, is a critical procedure. To ensure that a two-way flow of information occurs, Crisis and Emergency Management Teams exchange Liaison Officers so that they can stay abreast of what each other is doing. The management of the event may only dominate the first twelve hours, but crises can last much longer. Smaller organizations may have to combine strategic and tactical approaches into one team to handle emergencies that develop into crises. It can be a delicate practice as if the two approaches are confused then organizations can loose their strategic focus and too much can be expected of tactical managers.

Well, I have imparted just about everything that an engineer needs to know about Crisis Management in just half an hour, but to be able to test that you have absorbed some of what I have been saying I have asked a former SAS colleague to place a bomb in the auditorium, and I have also asked him to lock the door so that escape is not an option. I would like a team of the finest Emergency managers to immediately convene to start to defuse the bomb. For you gentlemen failure is not an option and you have less than half an hour. Most importantly I would like a team of crisis managers to also convene to deal with the crisis. I urge you not to get overly fixated on the management of the event as stressful as it is. Simply learn enough in order to be able to address the issues and get on with controlling the crises.

We need to get some other organization into shape. We need for the two teams to work separately, but we will exchange Liaison Officers. We need the CMT to have a supporting Media Team and a supporting HR Team, as I fear there will be casualties and much press. We also need a team of telephone responders to man the phones and be able to talk to the bomb technician who is on the phone as we speak. So that we can evaluate our hasty capability we need a team of risk and quality auditors to stand off to one side to observe what is happening and to debrief if we all live.

Before we start I want to remind you of the process. The EMT finds the facts. It identifies the tasks to save life and it executes a plan. The CMT finds the facts, but it then uses these facts to identify issues. It develops and then implements strategy. For you the emergency may well be over with the crisis just about to begin.

When you become overwhelmed by the pressures of the proximate – without sense of perspective, meaning and direction – you are immobilized and succumb to inertia. In crisis, leaders need close advisers who offer wise counsel, face and tell the truth, challenge one another, engage in debate without coercion, conduct meetings without blame, and unite behind decisions once made. In crisis a team of leaders with complementary skills and talents can move quickly and effectively. Developing capable, lateral leaders pays big dividends. Be proactive and build your dream team before disaster hits. Tough times won't create leaders – they merely show you what kind of leaders you have.