

ISSUES AND RISK MANAGEMENT – AVERTING CRISES

Caroline Sapriel

CS&A International Risk and Crisis Management

Mechelen, Belgium

Abstract

In the context of today's increasing number of smouldering crises, the strategic functions of risk and issues management are ever more critical to anticipate, prevent, mitigate and recover from crises.

To address effectively the variety and complexity of risks and issues it faces, the Sulphur Industry must take a pro-active and well-structured approach to risk and issues communication and management.

This paper introduces a best practice framework in which risk and issues management, crisis management, and business continuity form an integral part of Business Contingency Planning. It provides planning strategies and guidelines to enhance stakeholder engagement and build effective scenarios with the ultimate goal of being better prepared for the worst.

Presented by Caroline Sapriel at the Sulphur Institute's twentieth biennial, international Sulphur Phosphate Symposium, on April 17-19, 2005 in Amsterdam, The Netherlands 1

INTRODUCTION

The surplus, which the Sulphur industry faces, poses a number of challenges, including whether or not and how to communicate and manage it, communicate the consequences of its growing trend, manage industry stakeholders with multiple interests and positions, find sustainable solutions, and so on.

Will the supply for low sulphur fossil fuels be sustainable? Will the building of sulphur mountains become a sustainable development headache for fossil fuel suppliers? Some of these challenges and issues can shift in nature and intensity with growing stakeholder pressure and, if not managed proactively, can escalate to a crisis.

A crisis is by definition, “an event, revelation, allegation or set of circumstances which threatens the integrity, reputation, or survival of an individual or organization. It challenges the public’s sense of safety, values or appropriateness. The actual or potential damage to the organization is considerable and the organization cannot, on its own, put an immediate end to it.”¹

Statistics show that most business crises today are non-event related or smouldering and that they originate mostly with management inaction and/or neglect.²

Today’s organizations face a multiplicity of issues and stakeholders, and must drive their agenda through a maze of often-conflicting positions. Communicating risk and issues, building alliances, engaging stakeholders, and scenario planning are but some of the strategies that will help anticipate and prevent crises.

¹ International Association of Business Communicators

² Institute of Crisis Management

Presented by Caroline Sapriel at the Sulphur Institute’s twentieth biennial, international Sulphur Phosphate Symposium, on April 17-19, 2005 in Amsterdam, The Netherlands 2

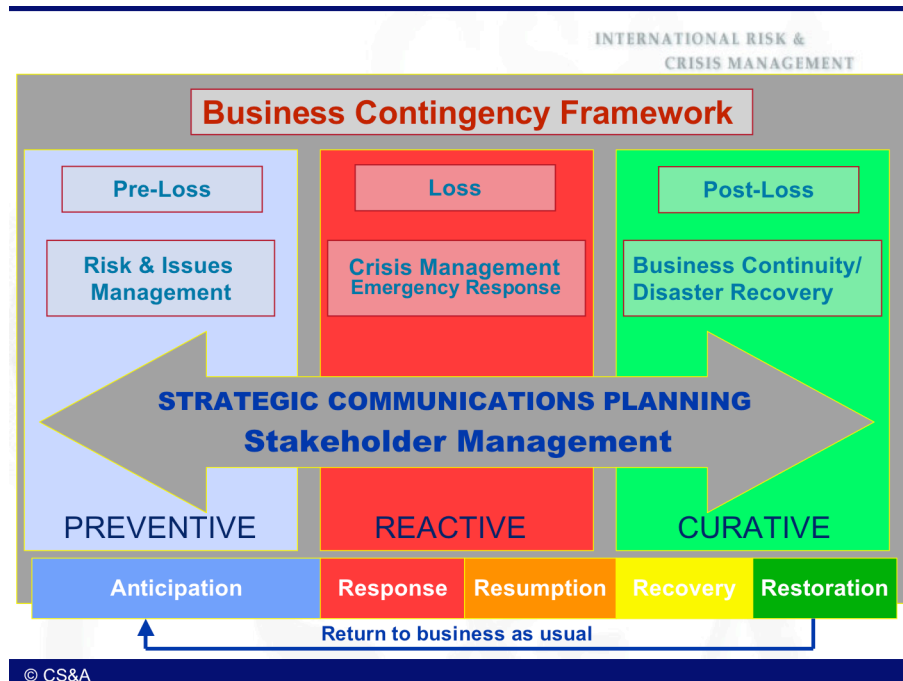
BUSINESS CONTINGENCY PLANNING INTEGRATION

There is a growing recognition among organizations that crisis management must be institutionalized and that all key functions must address crisis prevention and mitigation formally as part of business planning.

In today's world, organizations must take a holistic view and establish solid Business Contingency Plans (BCP), which address crisis anticipation and prevention through risk and issues management, crisis response and mitigation through emergency and crisis management and recovery through business continuity. To be effective Business Contingency Planning must be embedded into the organization's management system.

Many organizations have existing crisis management plans in place and have matured in their overall crisis response capability. Therefore, the objective now is to further enhance this capability and to be better prepared to respond to new and unimagined risks as well as to manage the ever growing number and diversity of stakeholders, many of whom with opposing agendas. This is even more critical when considering the ever more complex organizations, with regular restructuring, mergers and acquisitions and divestments taking place in the business world. This can only be achieved by working in an integrated way.

Business Contingency Planning gained momentum with Y2K. The tragic events of September 11 made it a reality. So how do Issues, Risk and Crisis Management fit into BCP?



When the risk management process addresses issues and is integrated with the issues management process in the organization, the crisis anticipation and prevention capability is noticeably enhanced.

This is particularly the case for “smouldering crises” referred to above. Identifying and evaluating risks and issues are the first steps, but it is the management of the risks and issues which is critical and most challenging for organizations, especially when dealing with intangible issues.

RISK AND ISSUES MANAGEMENT PROCESS

Not all crises are preventable. However, having effective risk and issues management processes in place will help organizations foresee, scenario plan, be more proactive and decide on whether to take, treat, transfer or terminate the risk.

Risk management is defined as “the total concerted effort by an organization aimed at protection people, assets and earnings against potential loss”. Issues management is defined as “the process of managing the gap between an organization’s performance and the perceptions/expectations of its stakeholders”.

Risk management implies more tangible/physical threats, whereas issues management primarily addresses perception gaps on any given subject. An issue can become a risk and therefore both have to be managed concurrently.

Dedicated committees/task forces are required if risk and issues are to be managed effectively. An ad-hoc approach to risk and issues management will at best cover some gaps, at worse create a false sense of safety and complacency.

Defining risk and issues impact categories and criteria, building issues and risk matrix and establishing issues and risk registers are some of the steps and tasks that must be undertaken by issues and risk committees. Based on this, stakeholders and issues must be mapped and communication strategies initiated accordingly. The issues and risk management process is an on-going one, which requires regular review and redirection to achieve the desired results.

In some cases, such as when the gap of opinions is too vast, keeping stakeholders engaged and ensuring that dialogue is sustained so as to avert conflict, may be a tangible result in itself.

Scenario planning is another very effective tool used in issues and risk management that helps analyse next steps, anticipate reactions to decisions, profile a particular situation and maps stakeholder behaviours, all of which facilitates strategic planning and decision-making.

A global industry association facing complex and controversial issues recently initiated its own in-house risk and issues management program to enhance not only its own capability but also provide its members companies with more comprehensive and specialized support. Such a program requires active engagement with external and internal stakeholders all of whom are mapped onto a matrix. This helps the team gain greater clarity and focus to prioritize effectively and achieve more tangible results.

CRISIS MITIGATION

Whereas systematic risk and issues management can actually enhance an organization's crisis anticipation and prevention, solid preparedness can help mitigate and minimize the impact of a crisis. Crisis management is about being prepared to handle adversity under tremendous pressure, minimize negative consequences most effectively and facilitate the response process during chaos.

Best practice calls for linking risk and issues management and emergency response to crisis management. By classifying incidents from emergencies to crises, and defining escalation criteria, an organization can establish the policies and guidelines that can help mitigate a crisis situation.

Organizations must appoint a crisis custodian whose task it is to assess, plan, implement a comprehensive and professional crisis response system bringing together key functions including, operations, human resources, legal, IT, health safety & environment, sales & marketing, communications & reputation, and security, etc.

An oil major in Latin America recently engaged in a program to completely overhaul its existing crisis management plan. The project began with an in-depth assessment of its risk and issues management processes, emergency and crisis response plans and procedures, facilities, and aptitudes and skills.

The findings generated comprehensive recommendations to close the identified gaps. An action plan with specific completion targets was then formulated to revise, expand and integrate processes, train management and staff and test.

Monitoring and evaluation are critical to the success of the process. In this case, a number of tasks still need to be completed before the company receives a "clean bill of health" in the area of crisis management according to accepted criteria. This means that the organization has the processes, facilities, resources, competencies, tools in

place to prevent a crisis wherever possible and manage one effectively. Thereafter, maintenance is key to staying “healthy”.

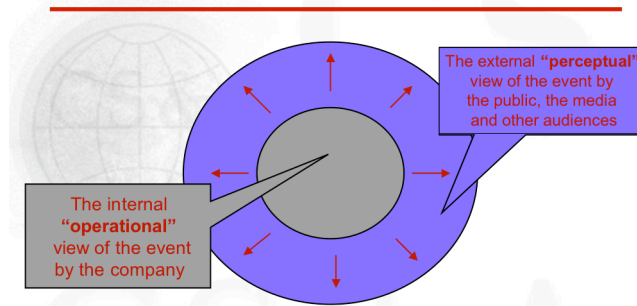
Churchill famously said, “plans are useless, but planning is everything”. It is a fact that a systematic and strategic approach to risk, issues and crisis management will help anticipate, prevent and mitigate crises. However, it is effective perception management and sensitive communication with stakeholders that will help sustain credibility during adverse time, minimize damaging and long-lasting effect, protect and possibly enhance reputation and ultimately facilitate crisis recovery.

COMMUNICATION AND REPUTATION MANAGEMENT

Managing reputation is still one of the most challenging aspects of effective risk, issues and crisis management. The multiplicity and diversity of stakeholders, many of whom with conflicting agendas, can give organizations the impression they are gaining on one side and loosing on the other. Nevertheless, it is vital not to loose site of stakeholder perceptions, and work with a solid communication strategy based on values and principles, which can be drawn from an organizations’ guiding tenets. A commitment to integrity and, demonstrating that commitment or failing to, is often what will make or break a crisis.

Communicating with stakeholders is only half of the equation. Listening to them and their concerns is essential to ensure that the organization’s internal operational view of the way the risk/issue/crisis is being managed is as close as possible to the external perceptual one of stakeholders.

Managing Perceptions



© CS&A

The news media is obviously a key player in the influence of stakeholder perceptions. News shape opinion, uncover “wrong-doing” and can create panic and/or alleviate fears. The fact is most issues and/or risks have the potential to make the headlines. So, when and how to communicate sensitive issues and how to mitigate escalation? This is not about getting a perfect score or a win or lose scenario, but rather one of balance, a give-to-get game, where an open and responsible attitude with the media will generate respect and hopefully a fair hearing. Pro-active and responsible communication with the media on sensitive issues will help demonstrate integrity and protect credibility among stakeholders.

In a crisis, reputation management best practice consists of:

- Preparedness
- A robust yet flexible strategy
- Essential among organizational values & principles:
 - o Honesty & integrity
 - o Transparency
- Two-way communication with stakeholders
- Sensitivity to local considerations
- Ownership & responsibility
- Action not just words
- A commitment to doing the right thing

10-STEP PLANNING MODEL

The following 10-Step Model can help organizations develop and implement a solid, risk, issues and crisis management strategy:

- 1. Assess current risks and issues**
- 2. Design a Risk and Issues Matrix according to impact categories and criteria.**
- 3. Plot risks and issues on a register and map stakeholders accordingly**
- 4. Develop mitigating actions and Business Continuity Plans for “hot” risks and issues**
- 5. Establish a risk and issues management committee to manage and review risks and issues.** This team must assign work groups and task forces within the organization to monitor and manage issues and risks pro-actively. To be effective, the risk management function must follow a process and reporting procedure.
- 6. Assess crisis response preparedness, from alert and mobilization processes to escalation criteria, to competencies, facilities and resources**
- 7. Develop/Enhance and implement fit-for-purpose plans based on gaps identifies during the assessment**
- 8. Train and develop competencies at all relevant levels in the organizations.** Once processes have been developed covering all key business functions, competency needs to be tackled. Skills and experience at all levels of the crisis response structure are critical, from the switchboard response to callers, to the leadership and strategic planning skills of the Crisis Management Tteam, to the ability to provide support to next of kin and victims, and of course to communicating with the media effectively and protecting reputation.
- 9. Practice and Testing.** Practice makes perfect. Organizing regular exercises such as desktop and simulation drills is the only way to discover gaps and address them. Regrettably, a vast number of crisis plans have never been tested and are sitting on office shelves gathering dust.
- 10. Monitor, evaluate and revise accordingly**

CONCLUSION

Like most other industries, the Sulphur Industry faces a number of issues and risk, some with more immediate impact, others with greater long-terms repercussions. The ability to define these issues and develop and implement practical and result-driven strategies for them is a continuous process that demands vision, clarity, commitment, flexibility and a realistic attitude.

Having a solid risk and issues management process in place will facilitate the task and enable those directly involved in its implementation to prioritize, and focus their efforts toward high yield areas where a difference can truly be achieved.

Risk and issues management best practice is not about being able to anticipate every possible crisis scenario, but it is about considering the potential impacts of issues and risks and about being better prepared to face the worst.