Crisis Preparedness and Resilience

Government Leaders Forum Breakout Session September 5, 2024





What can a typical crisis look like?

mintettettettetumm

Phase 1 Escalation

- Viral social media
- Continuous media coverage
- Narrative jumps across issues
- Few facts on scope of challenge
- Loss of control inside and outside of org

Phase 2 Full Strength

- Less emotion but more pervasive impact
- Highly informed stakeholders with playbook
- Push to integrated solution

Phase 3 Decay

- Execution against commitments
- Multi-generation talent loss
- Loss of brand
- Organization adrift

Phase 4 Recovery

 Sustained top-team distraction and talent attrition makes recovery tougher

High velocity, high impact trigger: crisis escalates Media focus reduces; shift to informed stakeholders

Integrated solution: Address, Clear, Invest, Govern Last major areas of exposure addressed

2010 BP Oil Spill

Phase 1 Escalation

- The spill quickly trended on social media, with hashtags like #oilspill¹
- Viral videos and images of oilsoaked wildlife spread widely, amplifying public outrage¹
- Early estimates of the spill's size and impact varied, causing confusion and uncertainty¹
- Lack of clarity on responsible government entity potentially contributed to public confusion²

Phase 2 Full Strength

- Public sentiment shifted from outrage to a deeper concern about long-term environmental and economic impacts²
- The Unified Command structure was established to streamline decision-making and resource allocation²
- Ken Feinberg named BP oil spill escrow pay czar³
- Federal agencies, BP, and local governments developed and implemented coordinated response plans, such as the use of dispersants²

Phase 3 Decay

- Resignation of CEO Tony Hayward⁴
- Significant drop in BP public trust and market value⁴
- Address: BP faced litigation, leading to the largest U.S. environmental settlement at \$20 billion³
- Clear: BP continued clean up efforts along shorelines and skimming oil off water
- Invest: BP committed up to \$1 billion to projects focused on long-term restoration⁵
- Govern: Government enhanced regulatory oversight of offshore drilling⁶

Phase 4 Recovery

- Top executives heavily involved in legal battles and settlements, diverting attention from core business operations⁷
- Heightened regulatory scrutiny required significant management time and resources⁶
- The burden of fines, settlements, and litigation costs strained BP's resources, impacting growth investments⁸

^{1. &}quot;100 Days of Gushing Oil – Media Analysis and Quiz," Pew Research Center. 2. "On Scene Coordinator Report: Deepwater Horizon Oil Spill," USGC. 3. "Kenneth Feinberg talks about compensation for Sept. 11, BP oil spill victims", The Washington Post. 4. "BP chief Tony Hayward 'set to stand down," BBC. 5. "BP to fund \$1 billion in Gulf of Mexico restoration projects," The Guardian. 6. "Obama administration to unveil new offshore drilling rules," The Washington Post. 7. "BP Executives Focus on Legal Battles," The New York Times. 8. "BP's Financial Fallout from the Gulf Spill," The Wall Street Journal.

2024 CrowdStrike Outage

Phase 1 Escalation

- 8.5 million devices experienced "blue screen of death" outages, leading disruptions across sectors worldwide¹
- Confusion spread over social media over outage source, with some citing a cyberattack⁴
- FAA grounded several major air carriers, leading to 5,000+ cancellations²
- Multiple federal agencies, incl. DOJ and DHS, announced involvement alongside the White House³

Phase 2 Full Strength

- CrowdStrike's preliminary review found outage cause to be platform update¹
- Companies estimated economic impact of outage, with Delta Airlines placing lost income at \$500 million⁵
- DOT began investigation of Delta's outage response⁵
- CrowdStrike sued by shareholders⁶
- House committee called on CrowdStrike's CEO to testify⁶

Phase 3 Decay

Phase 4 Recovery

 [&]quot;Helping our customers through the CrowdStrike outage," Microsoft. 2. "Airlines rely on complex systems: Why the CrowdStrike hiccup could cause days of chaos." USA Today. 3. "White House responding to massive IT outage," Politico. 4. "As tech outage impacts millions, CrowdStrike memes quickly circulate on social media," NBC. 5. "Delta CEO says CrowdStrike-Microsoft outage cost the airline \$500 million," CNBC. 6. "CrowdStrike is sued by shareholders over huge software outage," Reuters.

Two principles of crisis resolution



Think fast, act next

Primary goal: Ensure that stakeholders don't take irreversible, knee-jerk actions that could damage the institution

What this can entail

- Contingency planning to get past optimism bias
- Creating stakeholder stabilization packages with "bold moves" for tomorrow's headlines, not just communications reacting to yesterday
- Avoiding early Phase 2 dead zone expensive start and loss of momentum is tough to recover from. To do this, manage liquidity & connect to overall resolution strategy



Secure integrated solution

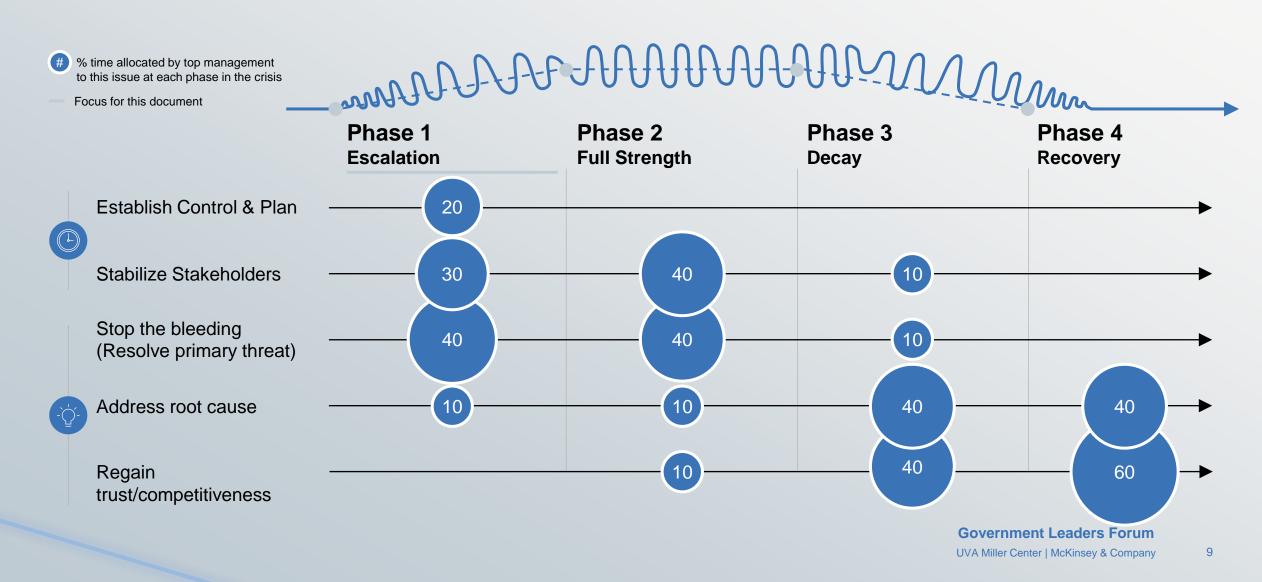
Primary goal: Secure stakeholder agreement on integrated solution that makes them willing to move on

What this can entail

- Stopping the immediate bleeding
- Developing an integrated solution across four dimensions: Address, Clear, Invest, Govern
- Changing governance and organizational structure based on root cause analysis
- Executing a new strategy to regain competitiveness

Integrated approach to address all aspects of a crisis

An approach grounded in leading-edge thinking into crisis anatomy and evolution of crises



What does it mean to lead during a crisis?

Leadership can be divided into three levels







Leading self

Influencing your thinking, feeling, and behaviors to achieve your goals

Leading others

Fostering team collaboration and investing in building capabilities of others

Leading the organization

Creating a vision and catalyzing change by motivating the organization

Leadership across a crisis response

Illustrative





Leading Self



Leading Team



Leading the Organization

Phase 1 Escalation

Develop a **clear understanding** of the
situation while also making
critical decisions

Coordinate efforts within the team to counter the loss of control felt internally

Take actions that **add clarity about the scope** of the challenge, counter narrative jumps, and establish control outside of the organization

Phase 2 Full Strength

Maintain composure, adapt to changing circumstances, and manage personal stress

Involve a broad group of leaders and **provide clear direction** on stakeholder strategy

Push toward an integrated solution and address the concerns of stakeholders given available information

Phase 3 Decay

Look beyond the short-term needs and **set healthy behaviors** for long-term solutions

Manage team dynamics, address individual needs, and provide team support

Focus efforts on centering the organization amid adrift and **executing against commitments** made as part of the integrated solution

Phase 4 Recovery

Reflect on lessons learned, embrace change, and foster a culture of improvement

Communicate lessons learned, empower employees, and promote collaboration

Balance recovery and restoring operations to avoid making recovery tougher and prolongating issues