LEADING PRACTICES PROFILES SERIES

Crisis Management And The Role Of In-House Lawyers: Company Leading Practices
Crisis Management and the Role of In-House Lawyers: Company Leading Practices

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This Leading Practices Profile, an update to ACC’s 2004 Leading Practices Profile, Leading Practices in Crisis Management and the Role of In-House Lawyers: What Companies are Doing, features the leading business continuity and crisis management plans of five entities who share plan aspects, including core components, operational strategy, and lessons learned. The Profile also addresses the law departments’ role in prevention planning, training, risk assessment, crisis management and continuity planning.

The information in this Leading Practices Profile (“LPP”) should not be construed as legal advice or legal opinion on specific facts, and should not be considered representative of the views of ACC, unless so stated. Further, this LPP is not intended as a definitive statement on the subject; rather, it is intended to serve as a tool for readers, providing practical, benchmarking information to the in-house practitioner.

This material was compiled by the Association of Corporate Counsel. For more information about ACC please visit our website at www.acc.com.
OVERVIEW

This Leading Practices Profile is an update of ACC’s 2004 resource, *Leading Practices in Crisis Management and the Role of In-House Lawyers: What Companies are Doing*. The original profile featured the crisis prevention and management strategies of five companies who shared information on how they designed and implemented their programs. This update highlights the leading practices of five new participants, who share their best practices for business continuity planning and crisis management readiness.

Effective crisis management programs strive to prevent crises from occurring. They also guide prompt and decisive responses designed to save lives, restore trust and resume operations. While some crises can be avoided, others cannot be, and preparedness programs and systems for prompt and effective response to crisis events can make the difference between chaos and a managed response with mitigated loss.

The organizations presented here are representative of and leaders in their respective industries, and include a Fortune 500 company, a privately held leading food manufacturer, and a private organization with a single legal department office that is staffed with only 5 attorneys. Participating legal departments are headquartered in either the US or Canada.

Section I of this Profile provides an introduction to business continuity and crisis management approached by companies as they anticipate and mitigate possible risks and establish their crisis response procedures. Included in the introduction are insights from Debra Ballen, General Counsel and Senior Vice President of Public Policy at the Insurance Institute for Business and Home Safety, and Martha Healey and Cristine Carron, Partners at Norton Rose OR LLP. Section II examines the key crisis management themes and leading practices of participant companies. Section III describes in detail how the five profiled organizations have designed and structured their crisis management practices. Section IV identifies key relevant resources for in-house counsel.

This Profile features the following five profiled entities:

- McCain Foods Ltd
- American University
- Salt River Project
- Valerus Compression
- Royal Bank of Canada

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I. INTRODUCTION

Since 2008, significant crises have plagued organizations across the globe. These include environmental and natural disasters, and corporations have also grappled with serious problems such as financial meltdowns and pandemics, product recalls and supply chain interruptions. In just the past year, devastating earthquakes, contamination from nuclear fallout and oil spills have also cost energy, technology and industrial companies billions in destroyed and damaged facilities, major interruption of production and supply lines, burgeoning claims and declining share prices.

The good news is that organizations are mindful of risks and committed to crisis planning to allow business continuity. Organizations featured in this Profile share best practices, which are predicated on the involvement of cross-functional teams. Organizational plans represented here rely on input from in-house counsel, as well as business continuity managers, risk officers, human resources, and sales and manufacturing arms. These groups work together to prevent incidents, provide ongoing training, incorporate solid communications channels and identify first responders. Overall, corporate counsel have a vital role in crisis planning, which requires balancing legal risk with preserving organizational good will and reputation.

A. Defining Crisis and Crisis Management

What is a crisis in the context of organizational operations? According to American University, a participant in this Profile with a laudable, multi-dimensional crisis management strategy, a crisis is:

“any global, regional, or local natural or human-caused event or business interruption that runs the risk of escalating in intensity; adversely impacting the (organization’s) financial position; causing harm to people or damage to property or the environment; falling under close media or government scrutiny; interfering with normal operations and wasting significant management time and or financial resources; adversely affecting employee morale; or jeopardizing the (organization’s) reputation, products, or officers, and therefore negatively impacting its future.”

A 2011 poll of members of several ACC Committees revealed that 64% of the 61 respondents work for organizations that have faced some type of corporate crisis in the past five years. The most frequent types of crises were compliance-related (19%), followed by natural disasters (16%). Tied for third place, with 11.2% each, were tort/accident, workplace (i.e., employee misconduct, harassment, violence), and environmental crises.

What then is crisis management and when is the strategy triggered? American University defines crisis management as “the intervention and coordination of individuals or teams before, during, and after an event to resolve a crisis, minimize loss, and otherwise protect the university.” The need for crisis management is triggered, according to the Salt River Project, when an incident or set of circumstances is so serious that it has the potential to cause fundamental changes in the way the organization conducts business, or, worse, even threaten the organization’s existence.
An integrated crisis management program incorporates interdisciplinary and cross-functional planning, continuous training and simulations, regular crisis audits, a designated command center, and a high-level response office or executive function that integrates business continuity management and/or crisis management. Consistent with this best-model, the organizations featured here and preparedness experts emphasize that important components of a solid crisis management strategy include thorough risk examination and assessment, a comprehensive business continuity or incident management plan, advance training, communications, a clear strategy for branding and protection of reputation, and a corporate culture that values safety, preparedness and responsiveness.

Since ACC first published the Leading Practices Profile, Crisis Management and the Role of In-House Lawyers, in 2004, several trends in crisis preparedness have emerged. Companies are turning more frequently to business continuity methodologies as a strategic tool for incident management. The prevalence of social networking as a communications tool increasingly calls for a digital crisis management strategy that can enable immediate updates, communication with stakeholders and the public, and brand protection. Nevertheless, and perhaps troubling, is the fact that while 15% of respondents to ACC’s short survey reported that crisis communications policies make up a core component of the organization’s crisis management/response program, a solid majority of respondents (85%) reported that their organizations do not use social media outlets as part of their crisis management programs. Today’s ideal crisis management strategy should incorporate enhanced technology developments and social media channels.

B. Regulatory Developments

Along with in-house counsel, organizational leaders continuously review policies and procedures around product issues, recalls, and crisis management to ensure compliance. As the Canada Consumer Product Safety Act comes into effect in June 2011, for example, hundreds of thousands of consumer products will be the subject of direct government regulation for the first time; and the Act will require affected companies (including manufacturers, importers or retailers) to report serious product incidents within two days of becoming aware of an incident.

In June 2010, the US Department of Homeland Security announced three standards that will be part of the Private Sector Preparedness program, a voluntary certification program enacted as Title IX of the Implementing Recommendations of the 9/11 Commission Act of 2007. Also known as PS-Prep, the program’s goal is to “promote private sector preparedness, including disaster management, emergency management and business continuity programs.” External organizations created the three standards to address preparedness across a broad range of public sector entities. Like the US DHS, Public Safety Canada has published its own guide to business continuity planning. Separately, the Canadian Standards Association, a non-profit, independent association serving industry, government and consumers, launched CSA Z1600 in 2008. Standard Z1600 provides public and private organizations with a framework to create and assess their own integrated emergency and business continuity plans within their organizations. In developing the standard, CSA gathered input from Public Safety Canada, Canada’s homeland security agency.

To learn more about preparedness for small and mid-sized businesses, ACC spoke with Debra Ballen, General Counsel and Senior Vice President of Public Policy at the Insurance Institute for Business and Home Safety (IBHS). As a non-profit organization with a mission of helping businesses minimize the impact of disasters through preparedness practices, IBHS developed
Open for Business®, a comprehensive disaster planning toolkit designed to help small and mid-sized businesses with business continuity planning. Although it predates PS-Prep, the Open for Business® program shares many of the same goals, including increasing the level of voluntary small business disaster preparedness; training tools to help small business implement and maintain plans; and supporting first- and second-party attestations as lower-cost alternatives to the third-party certification process noted in PS-Prep.

C. Best Practices for Successful Crisis Management: Insights from Ogilvy Renault

ACC also spoke with Martha Healey and Cristine Carron, Partners at Norton Rose OR LLP with extensive experience in crisis preparedness and response, to gain further insight into the evolving area of crisis management for organizations and legal departments. These experts urge preparedness planning as an important tool for minimizing organizational damage during a critical incident. According to both Healey and Carron, effective, proactive crisis management requires:

- A crisis management plan and incident response team that is in place, fully trained and rehearsed, before an incident;
- A central decision-making command and established communications procedures;
- Audits and pretests of the crisis management plan; and
- In-house counsel involved at all stages of crisis response planning and management. Equally important is a corporate culture that embraces safety, prevention and incident response and management throughout the leadership hierarchy, from the board to line leaders.

1. An Established Crisis Management Plan and Team

Well-conceived plans identify areas of weaknesses, enabling pre-need fixes and decreasing response times during an incident. Healey notes that ensuring the right crisis management team is in place is a critical aspect of successful crisis management. “Crisis management is greater than the sum of its parts.” A combination of strong leadership represented by key business sectors, 24/7 availability of team members and senior management, the incorporation of escalation measures, pre-identified “fixes” and containment measures, and senior management buy-in and support are essential elements of an effective crisis management strategy.

2. Central Command and Internal/External Communications Channels

An important component of successful crisis management is identifying in advance who will be in charge during a crisis. When an incident occurs, this group must be able to mobilize immediately and be ready and authorized to make immediate decisions and ensure that leaders, privacy and risk officers are notified. These leaders must be accessible to those on the frontline who may have relevant, discreet information. Crucial for this communications component is keeping open lines of
communications with on-scene/on the ground personnel so that central command can fine-tune its response in light of what may be happening on the frontline. At the same time, there should be contact information and a pre-planned strategy regarding communications with external parties (i.e., suppliers and customers), relevant regulatory agencies, public health and safety officials, and law enforcement.

3. Audit/Pre-test the Crisis Management Plan

Successful crisis management also relies on advance testing of the plan. According to Healey, “It’s fairly easy to come up with a very good recall and crisis management framework and a well written policy for responding to a crisis situation; what is a very significant challenge to organizations is to make sure they are able to activate the plan when the time comes.”

Solid planning includes audits to ensure key personnel are reachable and building redundancy into the system so that person B is at the ready to step in if person A is not available. “Do as much work as possible on the plan and the system in the absence of crisis; run mock crises to make sure the plan operates not only on a theoretical level, but also at a very basic level. A common sticking point is that at some point a very basic element (such as, for example, properly trained teams or effective communication channels) isn’t sufficiently actionable and leads to unintended, costly delays.”

4. Role of In-house Counsel

Effective crisis management also relies on in-house counsel, as they provide support to the organization in preparing for the number of critical factors that typically collide during a crisis. In times of crisis, the legal strategy, public relations and communications strategies, and product issues/distribution systems/consumer or customer outreach strategies must function seamlessly.

Corporate counsel supporting an organization in crisis must maintain a mindset that transcends the realm of legal implications and response. When a critical situation occurs, the more traditional mindset of counsel may be temporarily replaced by one that balances legal risks in light of the reputational risks that are at play in a particular situation, for as Carron notes, “it does no good to legally batten down the company if there’s no company at the end of the day because its goodwill and reputation have been destroyed.”

D. Conclusion

Developing and implementing a strategic crisis management plan that takes into account the values and principles of the organization is an important first step in positioning the organization to weather crises successfully. As the following profiles reveal, organizational leaders, in-house counsel included, utilize strategic planning, risk assessment, training, audits and after-action reviews of lessons learned to respond to incidents in a way that preserves both stakeholder confidence and business reputation.
II. THEMES, TRENDS, LEADING PRACTICES

A. Themes

The following themes emerged among participants in discussing their crisis management programs. For details on participant programs, please see Section III, Participant Profiles.


All profiled participants rely on cross-functional crisis management teams composed of leaders from key functional areas (including human resources, legal, operations, sales, supply chain, finance, marketing, IT and others). This cross-mix of representatives helps to ensure that incidents are tackled head on by a team that is both versed in key components of the organization’s infrastructure and equipped with the expertise to contain and respond. At McCain Foods, each of the company’s geographic regions has a crisis management team (CMT) headed by the President of that region. Each regional team includes representatives from each of the major functional areas of the company. Valerus Compression’s program is staffed by both a senior crisis management team and by regional, facility level crisis management teams. While these regional-level CMTs report back to the senior CMT, the regional teams are authorized to operate independently in responding to incidents that involve only that facility (i.e., weather-related interruptions). Crisis categories with potential to affect the entire company (such as the death of a senior official, geopolitical incidents, financial crisis, a pandemic) are managed centrally by the senior CMT. At Royal Bank of Canada, the CMT and Business Continuity Management Office operate below the Business Continuity Management Committee, as separate, tiered structures of cross-functional leaders who support the organization at enterprise, regional/business line and local levels. American University and Salt River Project also rely on cross-functional CMTs.

2. Individualization of Plans by Contingency, Functional Area.

The crisis management plans highlighted here are often individualized for the functional areas they serve. Crisis management teams in several of the organizations are regionalized, providing support for incidents that have only a limited, regional impact. The various regional CMTs at McCain operate under a master plan template that is customized for regional requirements. Tiered teams at Royal Bank of Canada have authority to make decisions about what action should be taken in response to a local incident. When an incident has the potential to impact the entire organization, the enterprise CMT steps in to provide coordination for decision-making as needed. Tiered plans at Salt River Project follow a master template, but are customized to suit the individualized needs of the five readiness areas and the units below them.


Two participants emphasized that effective crisis management plans are those that scale down the number of potential eventualities/scenarios and focus instead on what risks the organization must protect against. According to RBC’s John Antunes, organizations should “focus on four or five key elements and what those impacts are and how those impacts would be mitigated, as opposed to spending time on a multitude of scenarios that ultimately are repetitions with different cosmetic facing, but that ultimately impact your organization the same way.” Tyler Langdon of McCain
Foods adds: “You’re never going to be able to completely document everything that might happen within a company, nor should you try to do so; such a plan would be voluminous and impractical. There will be key areas of risk that a company’s legal department knows will be relevant given the in-depth corporate knowledge an in-house legal team has with respect to the company it serves; these are the types or incidents a plan should focus on.”

4. Communications Should be Accurate and Timely.

Corporations and in-house counsel acknowledge that responding quickly and with the right message can decrease or avert a negative outcome. “Tell the truth and tell it fast. A swift, clear and accountable response is fundamental to controlling a crisis,” advises Norton Rose OR LLP. Corporate counsel play a significant role in ensuring that communications to internal and external stakeholders is consistent with organizational policies and interests. They can also help ensure that key messages are developed in advance and reflect business core values. Fostering and maintaining strong communication with stakeholders and regulators is a key facet of Valerus Compression’s crisis management and disaster recovery program.

5. Notification Rosters.

Some companies use notification rosters to keep track of on-call crisis management team members and backups. The rosters are updated regularly and frequently, and are disseminated to the crisis management team and to senior leaders. At Salt River Project, the notification procedure also includes notification lists of persons who are to be contacted in the event the crisis management team is activated. Included within SRP’s notification lists is a call cascade to ensure that communication flows adequately, throughout all necessary channels. At McCain Foods, the regional crisis management plans incorporate the use of external communications companies that can serve as call center augmentation service providers, if needed.

B. Trends

The following practices as emerged as in line with the general direction organizations and their legal departments are moving.

I. Business Continuity Management.

Business continuity management (BCM) has emerged in many industries, especially in the aftermath of 9/11, as a systematic process to stabilize operations following an emergency or crisis incident. A business continuity plan integrates with a crisis management plan to help the organization address functions of prevention and mitigation, preparedness, response and recovery. As with many organizations, crisis management is for American University a component of business continuity planning. Royal Bank of Canada (RBC) adopted a business continuity management structure in 2006 to ensure adequate readiness. RBC’s structure consists of an Enterprise Business Continuity Management Committee that oversees the Enterprise Business Continuity Management (EBCM) Office and the Enterprise Crisis Management Team. The EBCM Office ensures that businesses and business units/departments across the organization are adequately prepared to deal with a wide variety of incidents by helping identify risks, create mitigation plans, and coordinate plan testing. McCain Foods ensures business continuity measures are in place to mitigate risk exposure.
2. **Increasing Impact of Regulator Announcements on Crisis Communications.**

Especially since 2008, as membership in listservs and subscription services has grown substantially, regulator announcements are picked up virtually instantly by news wire services throughout the world. A crisis management plan that recognizes the need for a solid rapport with regulators, in advance of an incident, is highly beneficial. This is an area where in-house counsel can have a significant role. Proactive corporate attorneys who foster relationships with industry regulators may have an advantage in times of crisis, where that pre-existing relationship can facilitate collaboration on press releases before they are disseminated, observes Martha Healey, of Norton Rose OR LLP. Crisis response planning should also incorporate template documents for incidents that may require notice to regulatory bodies. Doing so enables crisis management teams to get information out as quickly as possible, notes Tyler Langdon, Counsel for McCain Foods. Valerus Compression and Salt River Project also shared that they have ongoing relationships with regulators.

3. **Technology.**

Enhanced technology developments, including automated notification solutions, improved databases for managing volumes of customer calls, and applications for tracking and scheduling personnel, continue to advance the field of crisis management. In the wake of 9/11, American University invested in enhanced technologies that provide instantaneous, campus-wide notices in the event of an emergency or campus lock down. Enhancements to the university’s website allow communications with parents and students, and closed-circuit televisions situated in large gathering locations enable enhanced communication of emergency messages. In addition, AU has an FM radio station that assists in communication with off-campus populations. Commercial reliance on technology has not only changed the way business is done, but has also diminished the need for the underlying knowledge to perform rote operations. Notes John Antunes, Director of Enterprise Business Continuity Management, Technology and Operations at the Royal Bank of Canada, “We have become so reliant on the technologies to effect our day to day service to our clients that the absence of technology or the failure of the technology is quite possibly our biggest risk.”

4. **Use of Social Media in Crisis Communications.**

As previously noted, many organizations believe that social media can play an important role in crisis communications. Companies interviewed for this profile are beginning to turn to social media as an additional avenue for communication during a crisis. At American University, social media and IT increasingly play a role in crisis communications, although this avenue of communications is still growing. The Communications Department manages the University’s social media presence and addresses social media issues, enlisting the help of the legal department to review media communications in advance. For other organizations, the use of social media for crisis communication is a tool that is “in the tool bag” but that has not yet been fully developed for that purpose.

C. **Leading Practices**

Participants were asked to identify aspects of their crisis management practices they considered to be leading or best practices. The following are the program elements cited as leading or best practices. Program summaries for each participant providing additional details on their leading
practices, as well as other preparedness practices and program elements, can be found Section III of this resource.

1. Establish Detailed Crisis, Emergency and Incident Management Strategies in Advance...

All participants have mature business continuity and crisis management plans in place. The Salt River Project’s tiered and organizationally embedded strategy for crisis prevention and management, a strategy that infiltrates all levels of the organization, is a best practice. Critical to the success of this strategy is the involvement of the highest levels of leaders from inception of the strategy; executive managers that work cross-functionally on the crisis management team; and small teams that support the individualized unit crisis management plans.

2. But Be Flexible.

For McCain, a structure that allows for adaptability of the crisis management team, as necessary, is a leading practice. Flexibility, combined with the multidisciplinary, cross-functional nature of McCain’s CMT, allows for this enhanced team adaptability.

3. Plans Should Focus on Key Elements.

Business continuity management and crisis management plans that focus on key essential elements are a leading practice for Royal Bank of Canada. Instead of attempting to identify individual scenarios and formulate responses based on discrete contingencies, RBC’s risk mitigation and incident response planning strategy focuses on those critical areas that need protection, including its personnel, technology systems and facilities. Organizations that prepare for potential impacts (instead of discrete scenarios) scale down the number of potential eventualities and focus on what, materially, the organization must protect against.


Companies with clearly defined corporate values and core elements of corporate mission have an edge in responding to and managing emergencies and crises. Healey and Carron of Norton Rose OR LLP, who each have extensive experience counseling and supporting organizations in crisis, believe that when top leaders support a business culture of responsibility, responsiveness, safety and ethical conduct throughout all levels of the organizational hierarchy, they enable a framework capable of navigating through the extreme uncertainty that comes with a crisis event. This framework facilitates response by staff, including legal counsel, and reassures external stakeholders (including regulators and clients) that the organization is committed to “making things right”. For many of the organizations profiled here, the success of crisis management programs is a reflection of the commitment by organizational top leaders to the execution and governance of business continuity and crisis management strategies.

McCain Food’s philosophy of safety, prevention and learning from incidents, is engrained throughout the entire organization’s operations and leadership hierarchy. Although privately held, McCain openly publishes its Code of Conduct, Social Responsibility Policy, and ethical values on the company website. A letter from the company’s CEO in the McCain Corporate Social...
Responsibility Benchmark Report 2009 explains that the company’s culture of social responsibility starts at the top, with a senior leadership team that reports directly to the CEO, and includes all employees. At Salt River Project, that commitment to safety, risk mitigation and crisis prevention is demonstrated top down, from the close collaboration of top managers, to the discrete, nimble teams that drive the individualized planning. Crisis management is also part of the governance policy at the Royal Bank of Canada.

5. Natural Disaster Preparedness.

Valerus Compression’s hurricane preparedness and recovery strategy is a leading practice for this corporation with headquarters on the Gulf Coast. A comprehensive response plan that addresses weather damage, evacuation, safe termination of operations and safe restart of operations enhances readiness.


Several participants cite security and safety as leading practices. Several McCain best practices, including prevention training, the Key Elements of Safety (a health & safety management and continuous improvement program), First Responder and first aid training have reduced the company’s total incidents rate by 90 percent, worldwide, since 2005. As a gas compression and treatment company operating in politically unstable areas around the world, Valerus Compression implements security and safety practices designed to train personnel on necessary precautions for staying safe in the event of political unrest. Security partners that are ready to protect personnel are part of the company’s effective planning strategy. American University’s emergency plans have mapped the successful evacuation of students from areas of political-, violence-, and weather-related emergencies.

7. Communicate Before, During and After Incidents or Crises.

From global councils dedicated to the sharing of best practices, to post-incident key lessons analysis and information sharing, McCain’s strategy to ensure free-flowing, rapid and frequent sharing of knowledge and lessons learned within all corners of the company is a leading practice. American University leverages advice and lessons learned from universities facing their own incidents and incorporates these critical lessons to enhance its own readiness. Valerus Compression’s communications strategy is a key facet of its crisis management and disaster recovery program. By working closely with its customers in foreign locations and maintaining good communications with personnel and resources on the ground, the company is readily able to tap those resources to assess emerging situations, evacuate personnel, and liaise with government and private resources. This ability to gather accurate facts quickly, respond to personnel, partners and clients, and put risk in context is an important communications leading practice.

8. Continuously Improve Readiness.

American University’s ongoing commitment to readiness planning is a leading practice. Annual training using “real time” scenarios to test systems, tabletop exercises that allow evaluation and modification of existing plans, and the incorporation of lessons learned from past emergency or critical events are some examples of the University’s continuous planning. Incorporating lessons learned to enhance planning and response is also a leading practice for Royal Bank of Canada.
Consistent with its corporate values, McCain Foods approaches crisis management and risk mitigation from a continuous improvement perspective. Debriefing sessions following an incident, as well as its practice of identifying successes, areas of needed improvement and lessons learned, are key components of its strategy.

III. PARTICIPANT PROFILES

A. McCAIN FOODS LIMITED

1. Background

McCain Foods Limited is an international leader in the frozen food industry, employing 20,000 people and operating 50 production facilities on six continents. A privately owned company based in New Brunswick, with corporate headquarters in Toronto, McCain generates annual sales in excess of $6 billion CAD. Additionally, McCain owns The Day & Ross Transportation Group, one of the largest transportation companies in Canada.

McCain is the world’s largest manufacturer of frozen potato specialties and also produces other food products, which are available in thousands of restaurants and supermarkets in more than 130 countries around the world. As the world’s largest manufacturer of French fries (one in every three fries consumed in the world comes from McCain), the company places a high priority on food safety and incident prevention, and has an imitable crisis management strategy that incorporates matrixed, cross-functional teams with a strong focus on prevention, early identification and rapid remediation approaches. Although privately held, McCain has adopted many of the best practices followed by companies that are accountable to securities regulators and public shareholders. These practices ensure that McCain has rigorous oversight of its management and operations.

The McCain legal department is lean, consisting of 10 attorneys located around the globe, plus six full-time support staff. Five of the attorneys are based throughout the organization’s offices in Canada (including one at Day & Ross), while the remaining five attorneys are located in McCain’s US, Belgium, France, Poland and Russia operating offices. Because the department is small, McCain’s in-house global legal team collectively shares responsibility in supporting crisis, emergency and high impact situations throughout the organization’s regional Crisis Management Teams. ACC acknowledges Tyler Langdon, Counsel for McCain Foods Limited, for his sharing of strategies and best practices in this Profile.

As a food manufacturer, there is no higher priority for McCain than ensuring the safety of its products. McCain has rigorous measures in place throughout its plants to make certain that the food it manufactures is safe for consumption. The company has voluntarily sought and adopted the American Institute of Bakers (AIB) Gold Standard certification system, which assures customers that a manufacturer’s facility has met the highest standards of sanitation and cleanliness, food safety, ingredient quality, and manufacturing integrity. The AIB Gold Standard is awarded to facilities that score successfully on audits of manufacturing practices and sanitation, hazard analysis and critical control, and quality system evaluation. Of course, McCain also
2. Crisis Planning and Risk Mitigation: Prevention, Technology, Training and Crisis Management Teams

McCain treats urgent, high impact and crisis situations using the same planning and team crisis readiness structure. The company’s readiness strategy is memorialized in comprehensive, global crisis management plans developed by McCain’s risk management team, in collaboration with the legal and communications departments, as well as external expert advisors. The strategy relies on elements of leading safety and quality assurance practices that serve as a key foundation for the organization’s prevention framework. The strategy also incorporates a training program. In-house counsel support McCain’s crisis readiness structure on both the prevention and training fronts and serve as legal advisors on the regional crisis management teams. As well, the legal team supports the company’s compliance requirements around the globe.

Each geographic region owns a customized version of the global crisis management plan template, which factors in operational variances and jurisdictional requirements unique to that region. In addition, each regional plan incorporates the core McCain Key Elements of Safety (KES) and the McCain Key Elements of Quality (KEQ). The KES are measures deemed critical for the assurance of safety for customers, employees and visitors. The KEQ are elements considered pivotal to ensuring product quality and compliance with McCain standards within the manufacturing and distribution system. Individual crisis management teams serve their respective geographic regions (i.e., there is a Canadian Crisis Management Team, a US Crisis Management Team, a European Crisis Management Team, etc.).

a. Prevention Framework: Safety, Quality and Technology

Within McCain’s prevention framework, safety is paramount. The McCain Global Safety Council created KES as its health & safety management and continuous improvement program. This leading program is designed to maintain McCain’s world-class culture of safety by ensuring nine key safety elements are present throughout its global operations. These elements range from management and employee involvement, to safety policies and practices, site training systems, behavior observation systems, safe work practices, planning for safe conditions and operations, failure analysis and feedback and performance measurement. The McCain KES rely on a Total Incidents Reported (TIR) standard that has significantly improved the company’s ability to track safety incidents and fine-tune enhancements since first implemented in 2005.

In addition to the KES, the company has the KEQ, which are the seven elements in its quality control system that have been identified as pivotal and central to its risk mitigation strategy. Used when designing, manufacturing, testing and auditing, the KEQ informs how the company ensures that its products meet the highest levels of McCain quality and food safety standards and specifications. The KEQ achieve this by focusing on McCain’s seven pillars of quality control:

- Food safety;
- Product quality;
- Quality in design;
- Third-party supply chain management;
- Compliance management systems;
- Training;
- Document and sample control

This formal quality control process helps to ensure early identification and prevention of incidents. Internally, McCain thinks of its business as falling within three main categories: retail, quick service and industrial. In keeping with its quality control elements, the Consumer Affairs Team that serves the retail sector, for example, is trained under the KEQ standards on how to look for patterns and identify potential trends coming from consumers who call the company about a particular product. If they suspect product quality or safety issues, the Consumer Affairs Team files a report in the Consumer Affairs Management System (CAMS), and the system automatically sends email notifications to key members of the management team, whether quality assurance, legal, communications, or another group, depending on the nature of the concern.

McCain’s commitment to safety is engrained throughout the entire organization’s operations as well as throughout the leadership hierarchy. This culture of incident prevention and quality is illustrated by a safety protocol that governs meetings throughout the organizational hierarchy, from the Global Leadership Team to individual plant shift teams. Meetings start with an overview of most recent safety performance and a safety awareness discussion.

Employees are also sensitized to risk management and crisis avoidance policies through the McCain Code of Conduct. Circulated to and acknowledged by all employees globally, the McCain Code of Conduct addresses fraud, external communications, occupational health and safety, privacy, as well as other aspects of expected ethical and responsible conduct. The Code also contains a 24/7/365 hotline, where permitted by law, where employees can report any incident confidentially. The McCain legal department played an important role in drafting the Code, and provides ongoing training under it, including anti-trust and competition training. Along with the Global Internal Audit Team and the Global HR Team, the Chief Legal Officer is also responsible for investigating certain types of hotline calls and identifying potential concerns early.

True to the company’s mantra that “Nothing we do is worth getting hurt for,” McCain relies on safety metrics to measure performance. Programs are administered by a safety team consisting of 50 safety managers around the world (averaging essentially one manager per plant) who report to one of nine Regional Safety Leaders. In turn, the Regional Safety Leaders report to a Global Safety Director who is responsible for worldwide programs. Safety managers customize the KES as required by the location and nature of each manufacturing facility. For example, individual plants rely either on internally trained fire brigades or on municipal emergency service providers. McCain also has a laudable First Responder training program offered to individuals in both plants and offices throughout the company to ensure there are employees on site with training to provide crucial assistance until paramedics arrive, and this training is tailored to the particular manufacturing environment of a given plant. The combined customized regional/geographic crisis management response plans, the McCain Key Elements of Safety, the McCain Key Elements of Quality, and the First Responder program has been extremely successful in mitigating and averting incidents; since 2005, these measures have led to a whopping 90% reduction of total incidents recordable (“TIR”) worldwide despite having over 20,000 employees in 50 manufacturing plants around the world. While this success is remarkable, McCain continues to strive for improvement.
McCain relies on innovative technologies to manage risk and respond to incidents. As mentioned, the company depends upon CAMS to help identify and notify of potential patterns and trends in products, as well as the McCain Learning Center and WebEx programs to assist with training. As well, Day & Ross, McCain’s transportation company, uses several innovative technology enhancements to avert incidents and compile data. Specifically, Day & Ross relies on electronic alerts to key staff of incidents; electronic bulletins to inform drivers when severe weather triggers Day & Ross’ winter driving policy; and e-logs of drive time/distances. The company also utilizes in-truck cameras on internally identified high risk routes to record certain types of incidents (i.e., hard braking applications, use of horns, abnormal lane deviations), transmitting the video electronically to the Central Driver Safety Supervisor, who may take action, determine if there is a trend of incidents with a particular driver, etc. The result of these technology enhancements is a TIR ratio at Day & Ross that compares very favorably to similar companies within the transportation industry.

b. Training Framework

In addition to the prevention framework, McCain utilizes a comprehensive training framework as part of its risk and crisis management strategy. Each region runs a mock “product recall” at least once per year. Every 2 to 6 months, each region also conducts product traceability exercises that allow the company quickly to track a product from the plant to the marketplace. Each exercise is followed with a debriefing session. Additional training is also provided when there are plan or personnel changes.

The company delivers training through in-person, real exercise and WebEx technology training vehicles. Online instruction is delivered through the McCain Learning Center, a proprietary institution developed by McCain that allows staff worldwide to access a range of online modules on topics that relate to life at McCain, including safety, prevention, and crisis response policies. Third-party consultants are regularly brought in for real-life simulations –– intense training scenarios where new facts are added every few minutes, media calls are staged, and mock government inquiries are presented. Internal assessments and situational audits following drills, training exercises or actual incidents identify areas of needed improvement and facilitate continuous improvement.

McCain’s legal department has successfully leveraged the McCain Learning Center to deliver anti-trust and competition training modules, and is in the process of rolling out anti-fraud and anti-corruption policies training, which will be delivered using live training sessions.

c. Crisis Management and Response Teams

1. Organizational Structure

The McCain Crisis Management and Response Teams (CMTs) are cross-functionally based units. Each of the company’s geographic regions has a CMT headed by the President of that region. When an incident occurs, the matter is escalated to the relevant functional head (i.e., the human resources functional head receives personnel-related issues). Functional heads, who usually hold the title of vice president, have authority to decide how to manage or respond to an incident, including whether to convene the CMT serving that region. The functional head also reports the incident to his/her global functional head. Likewise, the President of the affected McCain company will notify the Regional CEO or Global CEO, as necessary. In those rare incidents involving a possible product withdrawal or recall, the President of the relevant McCain company
makes the ultimate decision and has ultimate accountability.

Each regional CMT includes representatives from each of the major functional areas of the company (in addition to representatives from human resources and legal, team members may also include safety, quality assurance, operations, communications, sales, supply chain, finance, marketing and IT); the head of the regional CMT is the President of that region. Teams are structured intentionally so as to permit flexibility. If, for example, an incident relates to the design of a building, the functional head of engineering for that region would be brought in. Such flexibility, when coupled with the matrix-based, cross-functional structure greatly enhances the teams’ ability to respond in such a way that incorporates important company values across the board.

2. CMT Role and Response

McCain’s Crisis Management and Response Teams (CMTs) act as the organization’s response mechanism in the event of an urgent, high impact, crisis or emergency situation. To that end, the CMT streamlines, directs, and drives information gathering, decision-making, and communications processes. Key roles of the team include timely and rapid identification of urgent situations, protecting the safety of customers/employees/visitors, rapid sharing of information and communications internally, and facilitating group decision making within the team itself. As well, the CMT has oversight of incident de-briefing and identifying/evaluating Key Lessons Learned.

The various CMTs operate under a master plan template that is customized for regional requirements. There is redundancy built into the plans, and backups are always identified. The plans incorporate internal and external response elements, including service arrangements with key external providers including analytical laboratories, legal service providers and an external communications company at the ready to serve as a call center augmentation service provider, as needed. The plans include information flow charts, checklists for each function, and customized action plans for different incident types. The CMT master plan also includes template documents vetted by the legal department, with cooperation from the relevant functions, for incidents requiring legislative notices to regulatory bodies. This enables the CMTs to get information out as quickly as possible.

3. Legal Support for the CMT

In-house attorneys serve a support role on the CMT. They provide support and advice to the team and sit at the table in the event of an incident as part of the cross-functional team. For example, counsel, with the cooperation of the functional units, approve the CMT master plan. When necessary, the in-house counsel representative, in coordination with other company attorneys, conducts the legal investigation, retains experts and leads the processing of claims or litigation as well as regulatory compliance.

The legal team also supports company compliance by providing training on emerging issues. Nevertheless, as a very lean, matrix-based team, the 10 in-house counsel that support the organization’s operations entrust the functional heads to be aware of changes in their respective fields. In-house counsel support and provide interpretative assistance to the functions, as needed. The legal reporting structure is typical, with in-house counsel reporting in some manner to the CLO, and the CLO reporting to the Global CEO.
3. Key Lessons Learned

Following an incident or a “near miss”, the crisis management team for that region assembles a list of key lessons learned. The list includes what went well, what did not, what could have been done differently, what other tools, structures or equipment could have mitigated that type of risk, etc. That document is shared with the Global Risk Management Team (GRMT). This team has a notification system that circulates the document to other personnel with similar jobs around the world. This notification system serves as part of McCain’s philosophy of constant review and improvement of crisis response processes.

As a multi-billion dollar multinational leader in frozen food manufacturing and distribution since the 1950s, McCain Foods has faced -- and successfully responded to -- a range of incidents, from product recalls and withdrawals to supply interruptions and environmental and fraud issues. In responding to these challenges, the company has distilled valuable lessons learned that guide its culture of safety and prevention. These key crisis and risk management lessons learned include:

- Prevention is the best risk and crisis management strategy.
- Challenge each other as CMT members. Langdon explains, “you have to question everything and be objective with your data; you can’t talk yourself into the solution you want. One of the things we do well is to encourage CMT members to freely exchange ideas and voice objections. We recognize that we have to be willing to challenge each other, and our members understand and practice this philosophy.”
- Ensure that plans contain redundancies to guarantee proper coverage, and that they are flexible. Langdon adds, “A company is never going to be able to completely document everything that might happen within the company, nor should it try to do so; such a plan would be voluminous and impractical. There will be key areas of risk that a company’s legal department knows will be relevant given the in-depth corporate knowledge an in-house legal team has with respect to the company it serves; these are the types of incidents a plan should focus on. Flexibility should be built into the plan and the entire team has to appreciate and recognize that flexibility and adaptability are required.”
- Ensure business continuity measures are in place to mitigate risk exposure (the ability, for example, to transfer volume from one affected facility to another reduces some of the possible financial impact.)

Other key lessons learned include identifying developing situations immediately to ensure rapid convening of the CMT, ensuring timely and regular communications, asking the right questions to get to the root of the problem, and ensuring CMTs are regularly trained to deliver 24/7 readiness.

4. Key Factors for Success

McCain’s operational emphasis on safety and prevention is part of its overall philosophy to set aggressive but attainable goals, and never let up on finding ways to improve incident prevention, management and response. Explains Langdon:
“A company needs to ensure that it sets aggressive, but achievable goals, and should always be aiming for continuous improvement. Just because a company hits its targets one year is no reason that it shouldn’t push those targets even further the next. As a starting point, that is something that needs to be part of the successful mindset.”

The company’s commitment to raising the bar is achieved with key success factors specifically outlined below as Leading Practices.

5. Leading Practices

“We approach crisis management and risk mitigation from a continuous improvement perspective. The debrief sessions, as well as our practice of identifying successes, areas of needed improvement, and lessons learned, are all key components of our strategy,” explains Langdon. Relying on a comprehensive, cross-functional strategy incorporating crisis, emergency and incident management scenarios, McCain Foods has in place a structure that is ready to identify issues, and respond competently to urgent situations.

Emerging from this strategic planning are several crisis and incident management best practices, which include:

- **Safety Performance.** McCain’s deep commitment to safety, from its Key Elements of Safety (KES), to protocols such as beginning meeting sessions with an overview of most recent safety performance, to the companywide mantra that “Nothing we do is worth getting hurt for,” is a leading practice that has shown significant results. The company’s Total Incidents Rate (TIR), its metric on safety performance, reveals a whopping 90 percent drop in the number of incidents worldwide, since 2005, thanks to the success of measures including the development of the McCain KES, prevention training, First Responder and First Aid Training and the Day & Ross safety enhancements.

- **Communication.** From global councils dedicated to the sharing of best practices, innovations and after-action assessments, to post-incident key lessons learned analysis and information sharing, McCain’s strategy to ensure free-flowing, rapid and frequent sharing of knowledge and lessons learned within all corners of the company is another leading practice. The key lessons learned system and the information sharing ensures that as an enterprise, the company gains understanding from significant, emergency or crisis situations.

- **Structure that Allows for Adaptability of the Crisis Management Team.** Flexibility of the CMT, combined with the multidisciplinary, cross-functional nature of the team, allows for superior team adaptability.

- **Corporate Culture that Embraces Safety and Prevention.** At all levels, from the top leadership to the front-line, to the company’s Key Elements of Safety, Key Elements of Prevention and the Code of Conduct, McCain’s philosophy of safety, prevention, and learning from incidents permeates the organization. Buy-in at all functions and levels, clear accountability with a designated decision-maker,
continuous training across functions and responsibility levels, and a Crisis Management Team fully versed in all elements of the plan and ready to act as necessary make this aspect of preparedness another leading practice. The company’s global councils are also pivotal to successful crisis management as they share best practices, innovations, and key lessons learned within the individual functional areas.

B. AMERICAN UNIVERSITY

I. Background

American University, a private, coed, liberal arts university located in Washington DC, utilizes a detailed emergency management and continuity of operations plan that incorporates operational contingency planning across a range of departments and service areas. With a total enrollment excess of 12,000 undergraduate, graduate, law and nondegree students, and a staff of over 600 faculty and 1,400 personnel, AU relies on a top-notch emergency and crisis/continuity strategy to respond in the event of a crisis.

The university’s legal authority is vested in the 33-member Board of Trustees. Executive and administrative authority resides with the chief executive officer, President Cornelius M. Kerwin. The Provost, a team of C-suite leaders and functional vice presidents are among the university’s leadership staff. AU’s legal department consists of five attorneys and two law clerks. The Vice President and General Counsel, Mary E. Kennard, responded to ACC’s invitation to share AU’s crisis and emergency planning program and best practices.

2. Emergency and Crisis Management and Response: The Plan

American University has a laudable emergency and crisis response plan that incorporates a cross-functional, matrixed management structure and procedures for responding to a comprehensive range of emergencies and crises (including fires, storms, hazmat incidents and terrorist threats). The Plan, which was developed by the Risk Management and Safety Services Office with assistance from the Legal Department, designates three hierarchical leadership teams composed of leaders from across functions to collectively manage the institution’s emergency and crisis preparedness and response.

AU’s Emergency Management and Continuity of Operations Plan is a detailed, regularly updated emergency preparedness plan that provides notification instructions and operating procedures to students, faculty, and staff in the event of an emergency. This Plan, a 114-page document posted on the [AU Emergency Preparedness website](http://www.au.edu/emergency), provides detailed instructions for a range of potential emergency situations, from severe weather and natural disasters, to health and safety crises (including active shooter, anthrax, bomb threat, civil disorder/demonstrations, hazmat accident, psychological crisis, violent/criminal behavior situations). The Plan designates the student health center as the site where provisional medical emergency care will be administered in the event of a medical disaster emergency occurring on campus (i.e., mass food poisonings or viral epidemics). Additionally, the Plan includes discreet, department-specific responsibilities for responding to incidents. Designated leaders from a range of functions (including dining services, public safety
emergency, residence halls emergency and technology emergency response) have specific responsibilities under the Plan. Also part of the plan is a detailed, 51-page guideline for pandemic preparedness, a link to which is provided on the AU Emergency Preparedness webpage.


The University relies on three key groups to assist with implementation of plans and response to incidents: the Executive Leadership Group, the Emergency Response Team, and Departmental Response Teams. In the event of an emergency incident, these teams can be activated simultaneously and work in concert to facilitate a coordinated response.

- **The Executive Leadership Group:** Consists of eight cabinet executives and includes the University’s CFO and Vice President for Finance and Treasurer, who is responsible for and owns the enterprise-wide emergency management and continuity of operations planning program, the University’s President, the Provost, the General Counsel, the Chief of Staff, the Executive Director of Communications/Marketing, the Vice Presidents of Campus Life and Development, the Vice President for Finance and Treasurer. This group is the university-wide decision making body focusing on risk assessment and emergency response (but not implementation). In this capacity, the group has an overall responsibility for the recovery and continuity of the University’s operations and services. As needed during the crisis, this group will plan and direct activities of the Executive Command Center established for the recovery efforts.

- **The Emergency Response Team:** Consists of 14 members, including the Executive Director of Risk Management and Safety Services, the Assist. VP of Facilities and Administration (the ERT team leader), the Associate Provost, the CIO, and a number of departmental directors. The Emergency Response Team (ERT) is charged with developing and implementing the strategic plan and managing the emergency response. In doing so, this group sets the scope of emergency and continuity planning, guides the enterprise-wide departmental response teams, determines funding for continuity-related programs, and ensures organization-wide compliance with the emergency policy.

- **Departmental Response Teams:** These teams are responsible for developing and implementing departmental plans and for executing recovery and continuity processes. Each is comprised of personnel from functions that include human resources, facilities, IT, risk management, media relations, finance, and others. Response team leaders report to the ERT. DRTs execute recovery procedures for their areas of responsibilities in order of priority identified.

4. Risk Assessment and Training

Assessing risk and analyzing business impact is a multi-dimensional process involving the Emergency Planning Workgroup (chaired by the Executive Director of Risk Management and Safety Services, who also sits on the ERT), the Director of Business Compliance, and the university departments. The Emergency Planning Workgroup meets periodically to assess and understand
likely risks, and also to assess vulnerability. Certain risk categories, such as environmental, man-made (intentional and unintentional), business process, and IT-related risks impacting emergency management and continuity of operations are assessed annually, and the Director of Business Compliance maintains all risk assessment documentation for five years. The Workgroup also leads periodic business impact analyses for each department, examining each critical process and each support function to track priorities and recovery time objectives. Findings are tracked and maintained by the Director of Business Compliance.

The Executive Director of Risk Management and Safety Services and the Director of Business Compliance jointly oversee training exercises, including script development, execution, monitoring and reporting. Emergency management and continuity training is focused on preparing the emergency response team and the recovery teams to execute the Plan and to recover critical processes. These leaders also oversee awareness programs geared toward educating the AU community and concerned parties about what to expect if the Plan is executed.

5. Role of In-House Counsel

The University’s Legal Department is an important part of the preparedness and response strategy. Mary Kennard, the University’s General Counsel, is a member of the Executive Leadership Group, and helps lead decisions affecting risk assessment and emergency response, business continuity, and directing activities of the Executive Command Center. In its capacity as part of the senior management structure, the Legal Department works directly with other executives to manage critical incidents. In-house counsel also advise on preservation of records, maintaining/protecting student and personnel privacy, reviewing internal and external communications, and provide legal support to the University’s health care providers, as well as external first responders.

In-house attorneys work with the Executive Director of Risk Management and her team on various aspects of the plan and on response strategies. Depending on the nature of the incident or the response, specialized in-house counsel may work with function leaders on human resources and personnel issues, student conduct and discipline, international law, IP protection, IT issues, environmental law or research and export controls matters.

6. During Emergency/Crisis: Activation of Plan and Communications

In the event of an emergency, the Emergency Management and Continuity of Operations Plan is activated. The University President may convene an Executive Command Center off-campus to plan and direct activities. Once the Executive Command Center (ECC) is activated, the ERT convenes at an off-campus Operations Command Center to oversee operational functions and the execution of emergency management procedures on site. The ERT oversees the recovery and restoration process that is executed by the departmental response teams and reports to the ECC. The ERT is also responsible for communicating the status of operations to the Cabinet and making management decisions to support recovery efforts. Collectively, the Command Centers ensure university communications and decision-making during a crisis situation.

The Chief of Staff is the University’s spokesperson in the event of an emergency or crisis. Using the most effective means of communication media (including email, text alerts, phone calls, broadcast media and the University’s website), the spokesperson communicates vital information, including preliminary impact assessments, immediate course of action, emergency procedures in place, time
of safe return to campus, and other significant decisions/information. The University also maintains the American University Emergency Preparedness site, with active links for what to do in an emergency, campus safety, campus connect, as well as links to the Plan and points of contact. Most importantly, “every effort is made to communicate a single, clear message simultaneously to as many students, faculty, and staff as possible,” as underscored by the communications component of the Plan.

7. Leading Practices

Asked to identify best practices of AU’s crisis management program, Kennard cites to the University’s commitment to continuous improvement of preparedness planning. Members of the various response teams train annually using “real time” scenarios to test systems. “These training sessions have helped us to identify those parts of our plan that worked well and other parts that performed less than satisfactorily.” Tabletop exercises allow planning leaders to evaluate and tweak the plan as needed. The University’s emergency plans have been used in recent years to evacuate students from programs in the Middle East in 2011, including the evacuation of students from programs in Egypt during the 2011 uprising, in the aftermath of 9/11, local bomb threats, anthrax in the US mail, the Beltway sniper incidents, and snow emergencies as well as local emergencies in Washington DC.

This culture of continuous examination, practice and enhancement permeates the University’s crisis management philosophy. As underscored by AU’s Pandemic Preparedness Guidelines: “our plans have focused on evacuating the university and responding when damage has occurred to university property. As the events of September 11, 2001 taught us, we cannot wait to be presented with a crisis. We have to continually develop, refine and educate community members about how the university will respond.”

Another leading practice for AU is communication. Shares Kennard: “Communication is key. The ability of the various teams to practice together, helps us learn more about the best ways to communicate with each other and externally, and builds up our sense of security in the effectiveness of the plan and in our teams’ ability to carry out their individual parts of the plan.” American University has also gained invaluable advice from other colleges and universities who have experienced crises (i.e., Tulane University’s experience after Hurricane Katrina, Virginia Tech University’s campus shootings, and AU’s own evacuations of students from Egypt and surrounding areas) and incorporates these critical lessons to enhance its own preparedness.

8. New Trends and Developing Issues

American University invested in enhanced technologies after 9/11 to provide instantaneous, campus-wide notices in the event of an emergency or campus lock down. Enhancements to the university’s website allow communications with parents and students, and closed-circuit televisions situated in large gathering locations enable enhanced communication of emergency messages. In addition, AU has an FM radio station that assists in communication with off-campus populations.

Social media and IT increasingly play a role in crisis communications, although this avenue of communications is still growing. The Communications Department manages the University’s social media presence and addresses social media issues, enlisting the help of the legal department to review media communications in advance. The Communications Department also relies on
Google alerting technology to track websites mentioning the university. The University utilizes an Acceptable Use Policy to grant access to its technology networks.

C. SALT RIVER PROJECT

1. Background

The Salt River Project (SRP) is an Arizona utility composed of the Salt River Project Agricultural Improvement and Power District, a political subdivision of the State of Arizona that provides electricity to nearly 1 million customers in the Phoenix metropolitan area; and the Salt River Valley Water Users' Association, a private corporation that delivers water to residents, agricultural customers and municipalities of central Arizona. Each SRP entity is governed by a separate board, and each board collaborates with the utility’s management to implement the business affairs of SRP. Through its 4,600 employees, SRP operates dams and canals and generating stations to deliver water and electricity to residents in the Phoenix metropolitan area of central Arizona.

ACC spoke with Frederic Beeson, Manager of the Litigation and Claims Department within SRP’s legal department, and Bill Powell, Manager of Risk Management/Environmental Services and Chair of the SRP Crisis Management Team, about the utility’s crisis management program and best practices.

SRP’s Law Services division consists of three major elements: Legal Services, which is responsible to transactions work, governance, finance and related areas; Litigation, which manages water rights, fuels, resource, tort and environmental litigation; and Regulatory Affairs and Contracts, which handles SRP’s relations with FERC and the Arizona Corporation Commission and major utility related contracts, such as power purchase, transmission access, and generation asset acquisition agreements.

2. Crisis Management Program

As a water supplier and an electrical power utility, SRP operates within two of the 18 defined national critical infrastructure sectors. Critical infrastructure sectors are those sectors whose physical and cyber-based systems and assets are “so vital to the Nation that their incapacity or destruction would have a debilitating impact on national security, national economic security, and/or national public health and safety.”

SRP’s comprehensive emergency and crisis management program enables this organization to anticipate and prepare for a crisis situation, as well as meet requirements under the National Electric Reliability Corporation Standards to develop, maintain, and implement a set of policies that mitigate operating emergencies, and establish response plans and recovery plans. While the breadth of SRP’s crisis management program correlates to its role as a critical infrastructure industry, the detailed program implemented by this Arizona utility is, nevertheless, an adaptable model of best practices for industries operating even outside these critical infrastructure sectors.

In line with its role as a critical infrastructure industry, SRP’s Crisis Management Team (CMT) holds the safety of its employees, customers and the public in the event of an incident as a top priority. Another critical goal of the CMT is enabling the utility’s resumption of normal business operations as soon as possible following an event. Other key objectives are to minimize loss and
damages and to serve as initial point of contact for crisis or escalating situations. Achieving these goals requires proactive, detailed and intelligent planning, a corporate priority for SRP since 1995.

Crisis management planning is governed by SRP’s Crisis Management Team Operating Guidelines, which, in addition to setting forth the mission, goals and member responsibilities, also include an incident classification system, a Team notification list, a management flow chart, and an emergency plans listing. As part and parcel of its planning, the CMT continually evaluates the nature and extent of risks to which SRP is exposed, and ensures a continuously updated blueprint for effective planning that is reviewed annually or more frequently if significant changes occur.

3. Crisis Management Team

a. Organizational Structure

The Salt River Project’s Crisis Management Team is composed of a cross-section of 12 senior executives from different functional areas throughout the organization, led by Bill Powell, the manager of the Risk Management/Environmental Services who serves as Chair of the Team. The Team is composed of representatives from a broad range of company functions, including: communications, power generation, transmission, distribution, water, legal services, facility services, human resources, information technology, customer service, and supply and training.

In keeping with SRP’s proactive approach to needs and risks assessment, the Team meets quarterly to evaluate existing plans and assess whether modifications may be warranted. The Team also brings in outside experts who address the CMT on current crisis and emergency planning issues. Through Powell, as CMT Chair, the Team reports in a direct line to the General Manager and staff. The GM serves as the Chief Executive Officer of SRP. The Team also communicates regularly with the managers of the divisions they represent about plans, training, and continuity of operations strategies.

b. Crisis Management Team Operating Guidelines

The role of the CMT is to manage the impact of a serious incident on the organization, its employees and external stakeholders. The Team’s blueprint for achieving crisis containment and management roles is the SRP Crisis Management Team Operating Guidelines, a copy of which are included in Section IV of this Profile.

The Guidelines govern the structure, mission, goals, and responsibilities of the CMT. The Guidelines also provide that the CMT exists to prevent, mitigate, respond to and recover from emergency situations affecting SRP. The Team accomplishes this by assuring the existence and adequacy of emergency plans; directing and overseeing the development of new emergency plans, as needed; facilitating communications; serving as first responders to a crisis; and mitigating consequences of emergency events impacting SRP.

Crisis monitoring and preparedness is a tiered system that relies on 26 plans managed by the CMT designed to ensure readiness in areas of:

- business continuity,
- corporate support,
emergency response,

operational contingency, and

individual departments.

The 26 preparedness plans are scenario based addressing area-specific crises contingencies ranging from business resumption coordination planning to computer intrusion, trauma response, strike planning and EOC procedures, to name a few. Further, within the business continuity area alone, 156 targeted and discrete Continuity of Operations Plans support that area, with each plan drafted by teams of representatives that sit on the Business Continuity Subcommittee.

CMT Guidelines define media interface, meeting frequency, training exercises, as well as the frequency with which the guidelines must be reviewed and updated (annually). A 27-point incident classification system for assessing and categorizing a crisis, ranging from non-life threatening/no protective action required, to major crises requiring significant and immediate protective action rounds out the organization’s Crisis Management Team Operating Guidelines.

c. Crisis Management Plans

As mentioned, each of CMT’s five readiness areas is supported by a number of preparedness plans and by a number of more refined individualized plans (60 in the Business Continuity Subcommittee alone). Plans address the entire range of operations within readiness areas, from minor exposure (i.e., ensuring continuity of the in-house print shop in the event the dedicated space were to become unavailable), to losses that would have significant impact on customers (i.e., planning in the event a large generating station goes down, telecommunications interruptions, planning for a flu pandemic). This intricate planning strategy includes business continuity in the event of loss, staff responsibilities during a crisis, reporting structure and back-up planning. As well, the strategy anticipates the impact of a crisis event on customers, claimants and staff.

These tiered plans follow a template approved by SRP’s General Manager and staff. The template is used for plans written for every readiness area and every critical organization within SRP. Relying on the template for guidance, the CMT develops the plans in conjunction with the asset owners and members of the respective readiness areas. The legal department also plays an important role in developing the individualized plans and ensures that each plan meets the goals for compliance set out by the CMT.

d. Crisis Communications

The CMT relies on a structured communications policy to disseminate crucial information in the event of a crisis. Internal and external communications procedures ensure that the General Manager, top governmental leaders, all departments and the public, are immediately notified of incidents with escalation potential.

The policy for internal communications includes an on-call notification roster that tracks all CMT members who are presently available. The roster also includes the names and contact information of backups. Each CMT member is assigned a notification list detailing who is to be contacted in the event the team is activated. The list is updated weekly and is disseminated not only to the team, but also to the General Manager and staff, and to team back-up personnel.
Those on the notification list are immediately notified of an incident and receive frequent and regular updates. As chair of the CMT, Powell ensures that executive management is informed of crisis developments as they unfold. The notification lists also include a call cascade to ensure that the communications flow adequately both internally and externally. This list, updated continuously, ensures that the CMT is at the ready 24/7 to respond to any incident and are accessible by the divisions.

Externally, the Public Information Officer manages public communication of crises events and is alone authorized to speak to the press during a crisis. While SRP has not yet had a need to rely on the use of social media for crisis communications, it is a readily available tool. According to Powell, “in a crisis, the top three priorities are: communicate, communicate, communicate.” Relying on an organizational plan that includes both internal and external communications components, the CMT has mapped an effective communications strategy that ensures critical messages and other communications get through.

In crisis communications, accuracy and timeliness are crucial. An important component of communications is the legal department’s role in reviewing and proposing media statements to ensure accuracy and proper tone. According to Beeson, in communications the first priority is sending out the right message, one that is accurate and not alarmist. Communicating to the public and to employees who need immediate legal advice about the implications of the crisis relies on in-house legal counsel.

e. Exercises/Training

The Crisis Management Team also leads departmental plan exercises and employee education. Each plan and each policy is drilled annually. Drills normally take the place of a tabletop exercise or discussion. In addition, the department and asset owners execute individual drills for the individualized plans, which are separate from the CMT annual drills. Apart from the CMT, the individual readiness areas also conduct drills in their operating or staff departments.

4. Role of the Legal Department in Crisis Management

The SRP legal department plays an important role in devising the individualized operating plans. The legal department ensures, for example, that the plans meet the goals for compliance set out by the CMT for each plan. The legal department also guides the organization’s compliance with the National Electric Reliability Corporation Standards and the Bureau of Reclamation. SRP counsel work with regulators to ensure compliance and seeks compromise in instances where the utility’s objectives and regulatory mandates may conflict. In-house counsel also work closely with the government affairs office to understand and prepare for pending regulatory requirements that may affect operations. The legal department partners with the communications and public affairs offices to formulate accurate and timely responses to the public, and also internally, to employees and leaders who need immediate legal advice about the implications of the crisis.

An important priority for the legal department is protecting the organization’s legal interests against future claims and anticipating how responses may affect organizational risk. In this respect, in-house counsel’s presence on the CMT helps minimize exposure by helping to develop strategies to contain risk and providing counseling on how to protect against potential litigation or claims.
5. Leading Practices

The Salt River Project’s crisis management strategy was instituted well in advance of 9/11 and was designed to position the organization to anticipate and respond to emergency or crisis situations. SRP’s detailed, tiered and organizationally embedded strategy for crisis anticipation/management is a leading practice for SRP. The strategy of preparedness reduces internal anxiety, a fact that is underscored by Beeson: “everyone almost invariably expresses some comfort in the fact that, in the event of a crisis, there is a strategy in existence that addresses all areas of operations.” And while 9/11 did not pose a significant threat to SRP, during the Year 2000 rollover, the strategy also ensured that SRP had a fully functional 24-hour command center in place to prepare for any Y2K eventualities.

This intricate level of crisis management and preparedness is reflected in three leadership areas considered by both Powell and Beeson to be leading practices:

1) The involvement by SRP’s General Manager and his staff in crisis management planning from the inception of the crisis management strategy.

2) The leadership of a group of executive managers that work cross-functionally together on the CMT. That close relationship between all executive managers helps ensure that what needs to be done is done. Notes Beeson, “that cultural piece can be a major hurdle. It doesn’t work unless everyone’s on board and there is that kind of buy-in from the highest levels to get this done, and to get it done correctly.” At SRP, that commitment to safety, risk mitigation and crisis prevention is demonstrated top down, from the close collaboration of top managers, to the discrete, nimble teams that drive the individualized planning.

3) The small team of staff members involved with the individualized plans, especially those in the Business Continuity/ Emergency Management planning area, who quickly established themselves as well-respected experts, both internally and in the community for their expertise.

D. VALERUS COMPRESSION SERVICES

1. Background

Valerus Compression Services is a privately held, worldwide leader in natural gas services. The company provides gas compression, production, packaging and compressor manufacturing to oil and gas companies. Headquartered in Houston, Valerus employs 1,200 employees in key facility locations throughout North America, South East Asia, North Africa, the Middle East and South America.

The legal department is small, with five attorneys, all of whom work out of the Houston headquarters, plus two paralegals and administrative and clerical support personnel. For legal issues arising outside the US, the legal department collaborates with local counsel. ACC spoke with Kerry Galvin, Senior VP, General Counsel and Secretary, about the organization’s best crisis and risk mitigation, planning and response strategies.
2. Organizational Crisis Management and Response Program

Valerus is an expanding company, with growth expected to continue into 2013 and beyond as expansion of operations domestically and abroad necessitates additional resource infrastructure. The US boom in the production of natural gas from shale rock formations, as well as key international opportunities have contributed to the growth of Valerus. While the company’s existing crisis management program has served Valerus’ needs well during times of natural disasters and personnel evacuations, one of the company’s top priorities presently is to build upon the existing program so that it can continue to support the organization’s rapid expansion.

a. Organizational Model and Reporting Structure

Valerus’ crisis management program is cross-functional and centralized. The program consists of a Senior Crisis Management Team (the “Senior CMT”), which is based out of the company’s Houston headquarters, and Facility Crisis Management Teams that are based out of the company’s other domestic facilities (as well as some facilities abroad). Written crisis management guidelines are in place for the Senior CMT. Likewise, most of the regional facility-level CMTs have written guidelines for localized incident management and response. As the company’s crisis management program is updated to accommodate corporate growth, all domestic and foreign-based facility operations will have individualized written crisis management plans. The crisis management program, also referred to as the Disaster Recovery Program, relies on coordination and implementation by staff who direct safety, facilities management, communications and human resources to ensure safety of personnel, safety of operations and optimal performance of equipment and services for the Company’s customers.

The Senior CMT consists of the CEO, the Director of Safety, the Director of Human Resources, and Galvin, who, in addition to her roles as General Counsel, Vice-President and Secretary, also serves as Executive Sponsor of the crisis management program. Facility CMTs are composed of the Plant Manager, as well as the most senior human resources, operations, and designated health safety personnel on site.

Facility CMT operations report to the headquarters Senior CMT. Nevertheless, these regional teams are authorized to operate independently and initiate crisis management and response processes for incidents that involve only that facility (such as weather-related interruptions). In these instances, according to Galvin, the facilities “do not require permission from the headquarters to initiate response operations, but there is a definite reporting back to the headquarters anytime an incident response plan is activated.”

Valerus considers the relative autonomy of the Facility CMTs to be a key element of successful crisis management. Nevertheless, there are crisis categories that the company manages through the Senior CMT centrally, including incidents affecting the entire organization (or significant parts of it), such as a pandemic, the death of a senior official, or a financial crisis. And because safety and corporate security are critical elements for the company in 2011, especially in light of geopolitical events affecting its operations in Mexico, Tunisia and Bahrain, any safety or security incidents must be reported to the senior team as well as to the regional plant manager. Incidents involving environmental concerns are also reported to the central team.

b. Crisis Management Program Components

Valerus’s focus in crisis and disaster planning and prevention is driven by the company’s
geographic location and the nature of its operations. With headquarters and significant manufacturing facilities located along the Gulf Coast area of the US and Mexico, hurricane preparedness and recovery has been a key concern. As such, a significant part of the company’s crisis management and planning strategy has historically focused on evacuation and safe termination and restart of both the Company’s and its customers’ operations following these natural disasters. International security for personnel based abroad is another key priority, due to company operations in areas of the world that can be politically unstable or lacking in infrastructure.

Valerus’ approach for ensuring the safety of employees and contracted personnel working abroad is assured through a multidimensional plan that incorporates personnel training on site, as well as partnerships with external service providers in the areas of security, medicine and communications. Company personnel working on site receive training about how to behave, and what precautions to take while living and working abroad. External security service providers are on retainer to provide evacuation services, whether for security protection or medical emergency.

Although as a private company Valerus is not subject to the same communications considerations that impact public companies, the company nevertheless takes communications seriously. Dedicated first responders within the Senior CMT, including the Director of Safety and the Director of Environmental Matters, operate under reporting protocols and have open communication lines with regulators in states where the company operates. And while regulators typically look first to the owner of the well or the site in the event of an incident, the company is prepared to work with regulators as may be necessary and is also prepared to respond promptly and transparently to all stakeholders in the event of an incident. The company also has an ongoing relationship with an external communications firm to support internal and external communications and government communications in the event of an emergency. Recent successful evacuations of personnel from Tunisia and Bahrain following geopolitical unrest in 2011 have demonstrated the effectiveness of the plans.

Ensuring the safety of personnel working abroad requires accurate, clear communication that is disseminated as needed. Achieving this requires a clear delineation of decision-making authority for initiating an investigation, taking disciplinary action, and reporting to regulatory bodies. Adds Galvin, “Understanding the need for this structure and who has what role is critical for developing a crisis management policy.” Credible communications, delivered timely and through the proper channels, whether to regulators, insurers, or business partners is a key component of Valerus’s crisis management program. The legal department’s role in evaluating the legal ramifications of a crisis event, coordinating with insurers, assessing and mitigating risk and supporting contracting roles is another key component of internal communications.

3. Key Lessons Learned

Especially in the wake of successful evacuation of personnel from areas of political unrest, the company has distilled key lessons. These include working very closely with their customers and maintaining solid lines of communication with all stakeholders, and having external resources in place, ready to provide evacuation services if needed.

As a gas compression, treating and service provider, Valerus’ customers include large integrated oil and gas companies, independent producers, midstream companies and government owned entities outside the US. Close communications with those customers and with other partners on
location is very important. Explains Galvin, “maintaining good communications with the people and the resources on the ground is critical because they can help you assess the situation, evacuate personnel, and serve as an entrée or liaison with the government or to private resource.”

Also key is having external resources at the ready to provide evacuation, medical and security services. Valerus’s ideal crisis management plan provides evacuation contingencies to address a variety of scenarios, including evacuation alternatives in the event the airport is closed, bad weather intervenes, or borders are closed. Security partners that are ready to keep personnel safe are part of the company’s effective planning strategy.

4. Leading Practices

The company has experienced rapid growth since 2009 and expects continued growth over the next several years. In response to this anticipated expansion of operations and personnel worldwide, Valerus is taking steps to ensure its formal crisis and disaster response program expands correspondingly. “We are a company in transition so it’s important to build a crisis management/disaster recovery program that can support that growth. This is one of our most important goals,” explains Galvin. In this regard, the senior crisis management team, along with the senior corporate team, is reviewing and updating preparedness planning to meet these growth demands. Once fully implemented, Valerus expects that its crisis management system will be among the best in class in three aspects:

- **Natural disaster preparedness.** Valerus’ hurricane preparedness and recovery strategy is a leading practice of this corporation headquartered on the Gulf Coast. A comprehensive response plan that addresses weather damage response, evacuation, safe termination of operations and safe restart of operations is a best practice.

- **Security for personnel working outside the US** is another leading practice. Valerus’s focus on training employees and contractors on precautions to take while living abroad and on measures for staying safe in the event of unrest, as well as the company’s relationships with outside resources that are ever-ready to evacuate personnel for security or medical purposes, are commendable practices to ensure personnel safety and security.

- **Communications.** From its practice of maintaining strong, open communication channels with partners, gas clients, and personnel providers in foreign sites, to fostering relationships with external public relations firms for ensuring rapid and accurate communications should a crisis arise, Valerus’s communications strategy is a key facet of its crisis management and disaster recovery program. By working closely with its customers in foreign locations and maintaining good communications with personnel and resources on the ground, the company is readily able to tap those resources to assess emerging situations, evacuate personnel, and liaise with government and private resources. This ability to quickly and accurately understand the facts, respond to personnel, partner and client concerns, and put risk in context is an important leading practice.
E. ROYAL BANK OF CANADA

1. Background

Royal Bank of Canada (RBC) is Canada’s largest bank, as measured by market capitalization and assets, and is one of North America’s leading diversified financial services companies. RBC provides personal and commercial banking, wealth management services, insurance, corporate and investment banking, and transaction processing services on a global basis. The company employs 80,000 people who serve more than 18 million personal, business and public sector clients through offices in North America and some 30 countries around the world.

In May of 2004, RBC encountered a processing disruption that delayed the posting of debits and credits to client accounts. In a model example of effective crisis management, RBC accepted responsibility and issued a firm commitment to its clients that it would rectify the problem and “make things right.” It accomplished this by immediately extending branch hours, automatically reversing late fees and interest charges, and promptly setting up a claims process to reimburse clients who incurred expenses related to the disruption. Since that incident, RBC has further enhanced its crisis management strategy through a centralized business continuity management structure.

ACC acknowledges the contributions of John Antunes, Director, Enterprise Business Continuity Management, Technology and Operations, and Blake Messmer, Business Continuity Manager, for sharing RBC’s best business continuity and crisis prevention practices.


a. Organizational Structure

Royal Bank of Canada has an imitable risk identification and crisis preparedness program. Managing risk is a core competency for RBC that is supported by a strong risk culture and effective risk management, business continuity, and crisis management frameworks. The bank relies on a best-in-class Business Continuity Management model that is a departure from mainstream industry approaches. In 2004, following the technology interruption that led to a temporary processing disruption of account transactions, RBC implemented a centralized BCM program designed to embrace a methodology that is consistent with and representative of the hierarchical structure of the organization and, most importantly, that ensures the business is adequately prepared to deal with any disruption of service to its clients.

Aware that a common challenge to effective crisis management is the inconsistent support from senior levels throughout the organization, RBC established an Enterprise Business Continuity Management Committee to serve as the governing body for the crisis management program. The EBCM Committee is composed of cross-sectional, senior organizational leaders, including RBC’s Chief Financial Officer, the Chief Risk Officer, the General Counsel, Chief Information Office, Head of Retail Operations, the Head of Insurance and other high senior officials within the organization. This panel of senior leaders sets both continuity policy and a tone at the top focused on mitigation and continuity/response strategies that benefit the organization as a whole, and provides the support necessary for effective continuity management and more effective risk mitigation. This high level involvement also minimizes the risk of regional or business-units
making decisions that may not be equally beneficial to the organization as a whole. While the EBCM Committee does not play a role in the nuts and bolts of active crisis response, as the governing entity that approves policies, it resolves contentious issues and obtains the necessary funding and approvals. As well, it provides the framework for crisis and other incident response and is a cohesive voice from the top.

Operating below the EBCM Committee are the Enterprise Crisis Management Team (“CMT”) and Enterprise Business Continuity Management Office. The CMT has the role of responding to the business units in times of crisis. The Enterprise Business Continuity Management Office, headed by Antunes, is comprised of a team of specialists who ensure that businesses and business units/departments across the organization are adequately prepared to deal with a wide variety of incidents by helping them identify risks and create plans to mitigate these risks and test plans.

### b. Role and Response

The BCM Office engages in risk identification, risk mitigation planning, and periodic testing of plans across the organization, throughout all 3,200 departments. This approach of active engagement in all facets of continuity and crisis planning is a deviation from many conventional models, in which business continuity leaders regard situations from a distance. Notes Antunes: “[T]hat conventional model didn’t work for us. We felt that if we didn’t have skin in the game, that we weren’t going to get the same results.”

Like the EBCM Committee, the CMT is composed of senior executives from the organization, except that these leaders are business line and operational representatives who also serve as active crisis responders. The CMT supports the organization during a crisis on an enterprise level, a regional/business line level, and a local level. Throughout the tiered structure, up and down, are specialized individuals and teams from the CMT that assist the various groups to address breaking situations. Regional components of the CMT (supported always by functional head components of operational, legal, HR, IT, communications, as necessary) provide support for incidents that have only a limited, regional impact. When an incident has the potential to impact the entire organization, the head CMT steps in and provides coordination for decision-making and communications, as necessary. While the tiered components are obligated to notify the next higher tier of an incident, they are also authorized to make decisions about what action should be taken.

### 3. Preparing For and Responding to Crises

RBC’s approach to crisis management is an impact-centric practice that emphasizes an adaptable structure based on key essential elements, rather than on detailed written plans that may be rigid, unable to anticipate every contingency, and thus of little benefit during a live event. Cautions Antunes:

> There are those who will try to convince you that crisis management is about an organized response to an event. Not quite. Crisis management is about minimizing the chaos involved during the response to a disruptive event. There will always be a chaotic element to it. It’s about putting some structure around it and being able to deal with the unexpected.

RBC’s structured approach to business continuity and crisis management prepares for the potential impact of an incident, rather than attempting to anticipate and prepare for specific
scenarios. According to Antunes, an organization is better prepared for emergencies/crises by scaling down the number of potential eventualities or scenarios and focusing instead on what, materially, the organization must protect against. Fundamentally, an organization must protect against the inability to run its systems, the impact on personnel, the impact on facilities and infrastructure (which includes technology systems, the failure of which is one of RBC’s biggest risks). Says Antunes, “Focus on four or five key elements and what those impacts are and how those impacts would be mitigated, as opposed to spending time on a multitude of scenarios that ultimately are repetitions with different cosmetic facing, but nevertheless impact your organization the same way.”

Business continuity and crisis management planning incorporates these key elements as it establishes command centers, prepares communications and assesses incident impact. While unit or businesses nuances may warrant personalization of the response, the key elements are what will be leveraged time and again. Antunes stresses that plans are meant to serve as guides, but that each incident is unique and must be confronted in its own way. “The plans are there to help you; they’re not there to resolve the issue.”

As important as managing risk and responding to crises is the ability to communicate with external and internal sources. Like other crisis management leaders, RBC underscores the importance of timely, accurate and honest communication in effective crisis management. The BCM Team works directly with industry regulators to ensure that RBC’s program complies with or exceeds the most stringent regulatory requirements. Along this vein, Antunes’ office ensures the organization complies with regulations throughout the many jurisdictions where RBC operates worldwide. To ensure compliance globally, the approach is simple. According to Antunes: “We base our approach on the most stringent common denominator.” The CMT legal representative reviews communications to internal and external stakeholders, to ensure the message is consistent with organizational policies and interests.

4. Lessons Learned

Following the processing disruption of 2004, which temporarily halted the processing and clearing of transactions, affected millions of Canadian banking transactions, and prompted regulatory and media scrutiny, RBC enhanced its business continuity and incident response plans to ensure even faster response to incidents.

Although RBC handled the processing disruption quickly and very effectively with the support of a preexisting, well-laid crisis management foundation, RBC enhanced its planning to ensure expedited decision making and technology enhancements that would reduce the probability of future disruptions. RBC successfully expedited its delivery of communications, decision-making, and sequential responses. The bank has also implemented changes to the technological recovery process, including coding and the way that code is propagated from a test environment to actual production environments. These enhancements built upon RBC’s 2004 crisis management response, which included solid teamwork to identify and resolve issues; prompt, proactive and transparent communication with all stakeholders; accountability, including an immediate commitment to “make things right” for customers; rigorous follow-through and a post-mortem analysis of lessons learned.

Business continuity and crisis management are evolutionary processes that are enhanced with experiences and after-action reviews and analysis. “Ultimately, being prepared to invoke
appropriate procedures, thinking with your feet on the ground, being street-smart during the event, coupled with information of lessons learned is how you’re going to protect your organization and your people,” explains Antunes.

5. Leading Practices

RBC’s commitment to process enhancement is reflected in its leading business continuity and crisis mitigation practices, which include:

- **Corporate Culture the Embraces Business Continuity and Crisis Management, Top Down.** The success of RBC’s programs hails largely from the fact that top leaders are fully committed to execution and governance of business continuity and crisis management strategies. The Enterprise Business Continuity Management Committee, as a governing body composed of RBC senior leaders, is emblematic of this philosophy. Companies have a vested interest in ensuring that their structure and reputation are protected and that the right people are in place to address incidents, advises Antunes. “Once you have [this] top-of-the-house buy in, the focus for the bottom rung is no longer trying to garner support and lobby support. Rather, the focus becomes identifying the risks, identifying the concerns, raising them to the appropriate audiences and getting them addressed.”

- **Focusing on Key Elements.** BCM and CM plans that focus on key essential elements are another leading practice of RBC’s program. Rather than attempting to identify individual scenarios and formulating response strategies based on discrete contingencies, RBC’s risk mitigation and incident response planning strategy focuses on material areas that need protection, including its personnel, technology systems and facilities.

- **Improved Response Time.** The BCM Office’s ability to reduce the time required to convene, execute and reestablish service following an incident is a leading practice.

- **Incorporating lessons learned** to enhance planning and response is another leading practice.
IV. SAMPLE BUSINESS CONTINUITY AND CRISIS MANAGEMENT PLANS

**American University:** The American University Emergency Management and Continuity of Operations Plan.

*This sample plan can be downloaded by [clicking here](http://www.acc.com/lpp).*

**Salt River Project:** Crisis Management Team Operating Guidelines

*This sample plan is located on the next page.*
CRISIS MANAGEMENT TEAM

Operating Guidelines

SRP
Delivering More Than Power.™
SRP Crisis Management Team Operating Guidelines

General Overview

Crisis Management occurs when an incident, or set of circumstances, is so serious that it has the potential to cause fundamental changes in the way the organization conducts business, or even threatens the organization's existence. The role of the Crisis Management Team (CMT) is to manage the impact of a serious incident on the organization and its employees.

Typically, the CMT will be mobilized when an incident causes significant impact on operations; immediate impact on the workforce, community, and/or company; or extensive media coverage. Once notified of an incident requiring the mobilization of the Crisis Management Team, the CMT Chairman will ensure team members are notified and available/assembled.

Mission

The Crisis Management Team exists to prevent, mitigate, respond to, and recover from emergency situations affecting SRP. This is accomplished by:

- Assuring the existence/adequacy of emergency plans;
- Directing/overseeing the development of new emergency plans where needed;
- Facilitating communications before/during/after emergency events;
- Serving as first response when useful;
- Mitigating the immediate and long-term consequences of emergency events impacting SRP.

Goals

- Protect employee and public safety.
- Get back in business as soon as possible.
- Reduce anxiety levels.
- Minimize loss or extent of damage.
- Intelligent planning and plans.
- Protect positive corporate image.

S:\RiskMgmt\CMT Operating Guideline 1

revised 5/2/02
SRP Crisis Management Team Operating Guidelines

Membership

The Crisis Management Team shall be a small group of executive managers from throughout the company. The manager of Risk Management shall serve as the Chairman of the Crisis Management Team. In addition, Risk Management shall serve as an administrative resource and contingency planning consultant to the CMT.

<table>
<thead>
<tr>
<th>Bill Powell, Chairman</th>
<th>Risk Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barbara Hoffnagle</td>
<td>Operations Support Services</td>
</tr>
<tr>
<td>Kathy Haake</td>
<td>Human Resources Services</td>
</tr>
<tr>
<td>Paul Cherrington</td>
<td>Water Engineering &amp; Transmission</td>
</tr>
<tr>
<td>Bob Thomas</td>
<td>Information Systems</td>
</tr>
<tr>
<td>John Underhill</td>
<td>Electric System O&amp;M</td>
</tr>
<tr>
<td>George Sarkisian</td>
<td>Communications &amp; Internet Media</td>
</tr>
<tr>
<td>Gary Harper</td>
<td>Relations</td>
</tr>
<tr>
<td>Mike Lowe</td>
<td>System Operations</td>
</tr>
<tr>
<td></td>
<td>Customer Services - Power</td>
</tr>
</tbody>
</table>

CMT Responsibilities

- Ensure adequate plans are in place for all potential exposures.
- Continual evaluation of the nature and extent of the risks to which SRP is exposed.
- Provide a blueprint for effective planning.
- Be available at all times to receive initial notification of a crisis, or a situation that could escalate into a crisis.
- Provide leadership by making timely high level decisions to protect the interests of employees, customers, and shareholders.
- Serve as a policy making group.
- Keep the General Manager’s Staff and Board informed of corporate preparedness.
SRP Crisis Management Team Operating Guidelines

CMT Member Duties

Planning Duties

- Assure the adequacy and regular review of existing plans.
- Maintain a high level of response capability by participating in ongoing training and periodical exercising of plans.
- Provide education and guide management and personnel in understanding the importance of contingency planning.
- Designate a back up and ensure the back up is aware of roles and responsibilities.

Response Duties

- Staff Corporate EOC.
- Direct response and recovery activities.
- Ensure adequate resources are available for the immediate and long-term response to the event.
- Facilitate effective communications with media, public, employees, and senior management.
- Conduct post-incident reviews to evaluate overall response to, and long-term consequences to an event. Make continuous improvement.

CMT Chairman Duties

Planning Duties

- Maintain a current master copy of all corporate emergency plans secured at their primary workplace, and a duplicate master copy at another appropriate location.
- Conduct team meetings as needed.
- Ensure this operating guideline reflects changes in organizational structure, technology and philosophy as well as ensuring that team member information is kept current.

S:\RiskMgmt\CMT Operating Guideline 3
revised 5/2/02
SRP Crisis Management Team Operating Guidelines

Response Duties

- Ensure that all CMT members have been notified in the event of an emergency.
- Establish the Corporate Emergency Operations Center (EOC) facility and ensure it is appropriately equipped with necessary office equipment and communication equipment.
- Act as liaison with law enforcement, fire and medical personnel.
- Assemble documentation on problems, so they can be evaluated, prioritized and assigned.
- Establish and maintain direct communications to key internal areas.
- Provide copies of all corporate emergency plans and contact lists.

Media Interface

It is company policy that ONLY THE DESIGNATED SPOKESPERSON TALKS TO THE MEDIA. All employees are reminded that they should not make any unauthorized statements to the News Media.

Meeting Frequency

The Crisis Management Team shall meet as needed. The need for a meeting can be determined by any member of the CMT or by the Chairman. Typically meetings will be held to identify or review new corporate plans, or for preparation activities prior to identified hazards.

Exercise and Maintenance Process

The Crisis Management Team shall be activated and exercise the Emergency Operations Center at least once a year. The scope, objectives, and measurement criteria of each exercise will be determined and coordinated by the CMT Chairman and Risk Management.

The Crisis Management Team Operating Guideline will be updated annually, or more often if significant changes have occurred within the organization. It is important that each team member review this operating guideline to ensure all information is kept current.
Appendices:

Crisis Management Team Model
Incident Classification System
Crisis Management Team Notification List
Management (Notification) Flow Chart
Crisis Management Team Emergency Plans Listing
SRP Crisis Management Team Operating Guidelines

CRISIS MANAGEMENT TEAM

Business Continuity
- Business Resumption Coordination Plan
- Emergency Preparedness Plan Facilities & Mechanical Services

Corporate Support Plans
- Crisis Communication Plan
- Trauma Response Plan

Emergency Response Plans
- Computer Intrusion
- Physical Security
- Fire & Evacuation Plan
- Executive Protection
- Terrorism Threats Response Plan
- Emergency Response Plan For Chemical & Medical Wastes
- Bomb Threat Procedures

Operational Contingency Plans
- I.S. Business Continuity Plan
- Emergency Power Curtailment Plan
- Aircraft Accident Emergency Plan
- Strike Plan
- Emergency Reservoir Operating Procedures
- Fuel Contingency Plan
- Emergency Restoration Plan
- Storm Operations Manual

Department Plans
- EMS CIRT Plan
- Business Resumption Plans
- Postal Strike Emergency Plan
- Transportation Fuel Emergency Plan
- Electric System EOC Procedure
- System Off – Frequency Protection Operating Criteria
- Groundwater Weed Control Manual

S:\RiskMgmt\CMT Operating Guideline 6 revised 5/2/02
## Assessing and Categorizing a Crisis

### INCIDENT CLASSIFICATION SYSTEM

<table>
<thead>
<tr>
<th>Severity Impact</th>
<th>Facility Occupancy</th>
<th>Infrastructures</th>
<th>Operational Status</th>
<th>Corporate Impact</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Non-life threatening injuries No protective action recommended No employee impact</td>
<td>No evacuation Facility has no damage</td>
<td>No loss of critical infrastructure No immediate or long term impacts</td>
<td>Damage not requiring suspension of core operations</td>
<td>No threat to workforce No threat to company Low liability Media coverage limited or none</td>
<td>Employee L Customer L Shareholder L Localized fire; fire control systems work; building systems failure No evacuation</td>
</tr>
<tr>
<td>2 Minor medical injuries Employee welfare impact Protective actions recommended for site, employees / contractors</td>
<td>Short to medium duration evacuation Minor facility damage No relocation of resources</td>
<td>Loss of critical infrastructure Short term impact, short duration</td>
<td>Damage requiring limited suspension of operations, minor impact to time critical functions and activities</td>
<td>Threat to workforce Threat to company Some liability Media coverage limited</td>
<td>Employee M Customer L Shareholder L Air quality resulting in temporary employee evacuation</td>
</tr>
<tr>
<td>3 Serious medical injuries Protective actions recommended for site and nearby areas</td>
<td>Medium to long term evacuation Facility damages requiring relocation of certain resources</td>
<td>Loss of critical infrastructure near term impact, medium duration</td>
<td>Significant impact on operations Medium term suspension of operations Time critical functions and activities impacted</td>
<td>Potential for immediate impact on workforce, community, and/or company Low liability National Media coverage</td>
<td>Employee H Customer M Shareholder L Earthquake; Tornado/Micro burst; Facility damage, full facility evacuation</td>
</tr>
<tr>
<td>4 Terrorism, workplace violence, kidnapping, civil disruption, bombing, general public casualties Protective action recommended for general public</td>
<td>Extended recovery of facility, requiring relocation of workforce for extended time</td>
<td>Loss of critical infrastructure Immediate impact, extended duration</td>
<td>Major impact on operations Long term loss of operational capability Relocation of time critical functions and activities</td>
<td>Immediate impact on employees, community, company Extensive media coverage Inquiries extensive Liability high</td>
<td>Employee H Customer M Shareholder M Bombing with fire and smoke damage, full facility evacuation</td>
</tr>
</tbody>
</table>

S:\RiskMgmt\CMT Operating Guideline revised 5/2/02
V. ADDITIONAL RESOURCES

A. ACC RESOURCES

1. InfoPAKS


2. Education Programs

Battening Down Before the Storm Hits: Recall and Other Crisis Management, AM, October 2010, (cite)


Crisis Management: Responding When Disaster Strikes, AM, October 2008 (slides contain a Desktop Reference for Crisis Communications), http://www.acc.com/legalresources/resource.cfm?show=154477

Crisis Management: What to Do When a Company/Brand-Threatening Event Occurs, AM, June 2006 (Europe source)

B. ADDITIONAL RESOURCES

Institute for Business & Home Safety, Open for Business Initiative, http://www.ibhs.org/ofbInfo?execution=e6s1&type=ofb_basic


Corporate Counsel’s Role in Containing and Resolving Corporate Crises: 6 Principles for Successful Crisis Management and Resolution, Ogilvy Renault


Ian I. Mitroff, Managing Crises Before They Happen: What Every Executive and Manager Needs to Know About Crisis Management (New York 2001).
VI. ENDNOTES


2 Id.

3 See, SRP Crisis Management Team Operating Guidelines, attached to this Leading Practices Profile in Section IV.

4 See, Ian I. Mitroff, Managing Crises Before They Happen: What Every Executive and Manager Needs to Know About Crisis Management (New York 2001).

5 A notable example is Domino Pizza’s response to the 2009 YouTube scandal involving employees defacing the product. The company responded with a viral video to respond to the crisis and successfully restored customer trust. See, Domino’s Discovers Social Media, Richard S. Levick, Bloomberg Businessweek, April 21, 2009, http://www.businessweek.com/managing/content/apr2009/ca20090421_555468.htm.


8 The three PS-Prep standards are adopted from the following external standards: ASIS International SPC.1-2009; Business Standards Institution 25999; and National Fire Protection Association 1600.

9 The PS Prep program is designed to build awareness and enable businesses of all sizes, the ability to plan, test and recover by having disaster management, emergency management and business continuity programs. Similarly, Canada’s homeland security agency, Public Safety Canada, has published a guide to business continuity planning for private industry. The Canada Standards Association’s Z 1600 (modeled after NFPA’s 1600) set forth standards for establishing and integrating business continuity and emergency management programs. Many other countries have also enacted legislation governing business continuity management, and crisis, emergency or disaster planning. For a list of BCM authorities by country, see, Business Continuity Institute, Business Continuity Management Legislations, Regulations and Standards, Version 4 – June 2010, www.thebci.org/LRSGVersion4.pdf

10 Open for Business focuses on two categories of protection: the Business Continuity Plan and the Property Protection Plan. The initiative’s BCP consists of 13 forms designed to provide participants with the basics of a customized business continuity plan. For companies with the fundamentals in place, the OFB toolkit also offers an advanced track with modules on crisis communication planning, supply chain risk management, financial controls, vulnerability assessment, etc.

11 Formerly Ogilvy Renault LPP.

12 At McCain, product withdrawals refer to voluntary retrieval of products from the marketplace, as contrasted with product recalls, which can be mandatory.


14 The 18 sectors established by Homeland Security Presidential Directive 7 (HSPD-7) are: agriculture and food, commercial facilities, dams, energy, information technology, postal and shipping, banking and finance, communications, defense industrial base, government facilities, national monuments and icons, transportation systems, chemical, critical manufacturing, emergency services, healthcare and public health, nuclear reactors materials and waste, and water. See, Department of Homeland Security, Critical Infrastructure and Key Resources website and HSPD-7. In response to the President’s Commission on Critical Infrastructure Protection final report, President Clinton signed Presidential Decision Directive 63 (PDD-63) on May 22, 1998. The Directive’s goal was to establish a national capability within five years to protect “critical” infrastructure from intentional disruption. According to PDD-63, “critical” infrastructures were “those physical and cyber-based systems essential to the minimum operations of the economy and government.”


16 Under NERC Standard EOP-001-2 - Emergency Operations Planning, transmission operators are required
to develop, maintain, and implement a set of plans to mitigate operating emergencies. NERC Standards can be found here: http://www.nerc.com/page.php?cid=2120.