

Effectively Managing Contingencies

Edward V. Badolato and Eric Rojo, Integrated Infrastructure Analytics, Inc.

Recent years have seen a dramatic rise in the numbers of catastrophic natural disasters, terrorist bombings, theft of intellectual property and the crises in general that can adversely affect business and industry. The trend of increasing emergencies has caused untold hardships on the public, and has made it difficult for corporations to meet the huge surge of losses. Not only have we seen an increase in natural hazards, but there is also increased international crime, pandemic threats, a heightened environmental awareness, and the continuing threat of political and drug-related terrorism. In addition, there are a number of specific contributing factors that require businesses to be prepared for a wide range of contingencies.

- Industrial expansion capacity and increasingly complex manufacturing processes have contributed to an upward spiral in the numbers of accidents and emergencies—including environmental catastrophes.
- New laws and regulations directed at worker safety, clean water, clean air, industrial pollution, public safety, process safety management, industrial safety, etc., have all increased the requirements for effective emergency planning.
- The current culture of environmental awareness by the public, industry, and government has created an urgent need for emergency planning and response systems.
- The prevailing standard of accountability for public safety.
- The evolving awareness that under various emergency scenarios, industry and businesses must rely on their own resources to identify risks and take necessary actions to prevent, respond, and recover from all potential emergencies.

Because of these increased threats and the potential risk of huge financial losses, businesses need to examine their preparedness and develop effective corporate contingency plans.

Preparing for Contingencies

Potential Emergencies. Business and industry must be prepared to face a wide variety of potential contingencies, ranging from security incidents to terrorism, from environmental hazards to

economic disruptions, from operational accidents to natural disasters—each crisis with its own specific preparedness and response requirements. Large, global corporations are concerned with the entire spectrum of emergencies (defined today as “all hazards”), but most businesses will be mainly concerned with the areas that place them at the greatest risk. In this regard, the following questions will assist in assessing your current preparedness for corporate emergency management.

Ten Questions You Should Ask About Your Emergency Preparedness Program. Your answers to these ten questions will provide a good indication of your company’s ability to withstand a serious crisis:

1. Do you have a written emergency management plan?
2. When is the last time you audited your emergency preparedness situation?
3. Do you have an emergency coordinator for all of your emergency management functions?
4. Are your emergency preparedness efforts integrated with operations, safety, environmental compliance and security program considerations?
5. Do your preparedness efforts address the critical emergency functions of planning, mitigation, response, recovery, and continuity of operations?
6. Do you understand the major threats and risks to your company, and are they adequately covered?
7. Does your readiness program address emergency communications: the notification of key personnel and the ability to alert response teams?
8. Can your plan be used as a guideline for realistic training and exercises?
9. Are you ready to deal with the media during a crisis?
10. Would you feel comfortable if you had to implement your current plan?

Developing an Effective Emergency Program. Creating an emergency program is a cyclical process that involves assessing your risk and vulnerability, developing an emergency plan, testing the plan, and periodically thereafter reviewing the plan. The rapid succession of catastrophic emergencies that have taken place around the world over the past decade has caused the professional qualifications of emergency planners to greatly escalate. We are now reaching a level of competence that can articulate effective programs and turn theory into practical solutions. Additionally, today’s emergency planners are capable of taking advantage of new high-tech equipment and tools specifically designed for emergency programs.

Assessing Risk and Vulnerability. Any effective contingency management program must begin with an assessment of corporate vulnerability to various threats, and an evaluation of the range and degree of risk accompanying those threats. Understanding and prioritizing the threats to corporate well-being is critical, and the risk managing process begins by identifying essential business functions. Next, determine the threat assumptions, and rank the threats by events and facilities. When the threats are ranked, evaluate the consequences of possible incidents, and analyze the economic impact of these incidents. From this process develop a rank order of the most serious threats so that they can be integrated into the emergency plan. Once the most serious threats are understood and prioritized, the level of risk and corporate exposure can be examined in order to address the options to eliminate or reduce risk and limit liability exposure.

Limiting Corporate Exposure. Increasingly, underwriters are asking companies seeking insurance to define their risks more closely, to provide an analytical framework for quantifying their risk financially, and to show that reasonable steps are being taken to limit their exposure. For example, there are many aspects of risk for which a company may not be fully covered by insurance. An unexpected incident, such as the Exxon Valdez oil spill, can have an impact far beyond its immediate consequences. The effects on a company's bottom line, reputation, share price, employee morale, and trading advantage are difficult to measure. These less tangible costs can ultimately be greater than the amount which can be attributed directly—and thereby is recoverable under standard policies. The effects of hazards that many corporations face on a daily basis pose a real threat to customers, employees, and the bottom line.

Developing an Effective Emergency Plan. Emergency planning is the centerpiece of any corporate emergency preparedness program. Plans should be prepared that are organized, integrated, competently prepared, and frequently exercised. Although the structure and focus of corporate plans will vary by individual businesses and industry, the core components of each plan will essentially contain a detailed description of who, what, where, when, and how to respond to a crisis. Specific information will involve assigning responsibility for managing the crisis; providing the necessary support information and databases; describing how to access and use the desired response resources; and setting forth communications arrangements.

Testing and Exercising the Plan. Realistic training exercises are important to test the soundness of plans and to reveal inherent weaknesses in the response. Crisis situations can be simulated and tested in a number of different ways, such as orientation seminars to address new regulations and emergency procedures; emergency re-call and notification exercises; “tabletop” simulation exercises; emergency management team crisis simulations; and full-scale disaster drills. Training exercises can pay big dividends by using the emergency plan as a “training Bible” to provide the participants with an opportunity to test the guidelines and procedures that will be used in an actual crisis.

Reviewing/Adapting/Changing the Plan. Periodic review of the emergency plan establishes program credibility. Comparing the existing contingency plan, the results of tests, exercises, and simulations allows emergency planners to undertake a thorough review of the specific areas that

may require update and modification. Managerial leadership plays a large role in ensuring that the review process is credible and effective.

Responding to Emergencies

New Technology. The record-breaking numbers of recent natural disasters and man-made accidents have given impetus to the introduction of new technologies to improve emergency preparedness and response. The use and increasing sophistication of computers, including handheld devices, new software, expanded database access, and rapid changes in the communication industry, have all made major technological contributions to the field of emergency management. Major breakthroughs have occurred in the areas of emergency planning software, graphic information systems, optical scanning, video conferencing systems, and automated emergency alert and notification communication systems. These technological improvements allow crisis managers to coordinate their responses faster, over larger areas, more effectively, and to base their decisions on better information.

Learning the Lessons Learned. “Those who cannot remember the past are condemned to repeat it” is a familiar proverb that emergency planners have taken to heart. There are literally hundreds of emergency preparedness organizations, government committees, and journals that study and report on nearly every aspect of disasters and catastrophes. Nearly every country and industry has its own disaster recovery group dedicated to corporate recovery planning. The lessons that contemporary emergency planners are learning from past disasters enhances their ability to integrate improvements into current contingency plans: for example, the need for improved planning methodologies; the availability of trained response teams; an understanding of critical infrastructures and their interdependencies; the importance of public affairs during an emergency; the need for better security protection; the criticality of the utility industry; better evacuation systems; and back up communications are only a few of the important lessons.

The Lessons of the World Trade Center Bombing. The bombing of the World Trade Center (WTC) in 1993 caused a sea change in contingency planning. It was a major world-class disaster similar in scope to the Piper Alpha fire in the North Sea and the Exxon Valdez oil spill, and there are some very important contingency planning lessons to be learned from it. For example, even though the WTC had a large, well-trained, full-time security force, it was not focused on worst-case bomb attack scenarios despite the fact that the numbers of bombings in the U.S. nearly doubled over the three years preceding the attack, that the WTC had been the target of previous terrorist bomb threats, and that the WTC leadership had commissioned an earlier security survey that had pointed out the vulnerability to a bomb attack in the underground garage. The WTC had a plan prior to the bombing, but it hadn’t done the systematic contingency planning that was suggested in the beginning portions of this article. After \$300 million in security improvements, the WTC focused its security efforts on those areas believed to be of greatest risk except, of course, the form of air attack that occurred on 9-11.

The Lessons of 9-11 and Hurricane Katrina. The suicide air attacks on the World Trade Center and the Pentagon, followed later by Hurricane Katrina have caused changes in contingency planning that are still on-going, particularly when planners look at the management of the 9-11 tragedy that resulted, among other changes, in the creation of the U.S. Department of Homeland Security (DHS), and its involvement in the response, and recovery to Hurricane Katrina. Many businesses must realize that, just like in New York City and New Orleans, they must be prepared to rely on their own plans and resources if they are to survive a serious disaster and continue to operate afterward.

The events brought on by the September 11 and Hurricane Katrina disasters revealed the limitations of federal, state, and local governments to attend to catastrophic situations. While many good risk management tools have emerged from these disasters, such as the Incident Command System (ICS), the National Infrastructure Protection Plan (NIPP), and the revised version of the National Response Plan (NRP) that is forthcoming, other tools developed by the federal government such as the DHS Color Security Advisory System are largely ineffective and have helped to create false planning parameters when industry includes local, state, and federal assets (such as access to off-duty police officers) as part of their contingency plans. Until other industries are included in the emergency management plans that are developed by government entities, it is clear that special access to public response resources will be limited at best.

Emergency Communications

Reliable and timely communications are the key to any successful crisis response. The full range of emergency communications involves not only communications, but command, control and information as well. Emergency communications has a central role in alert, warning and notification during pre-incident activities, in command and control during the crisis incident, and in the coordination of post-incident activities. Emergency, alert, warning, and notification systems are critical components of every pre-incident emergency response plan, no matter whether the danger comes from natural disasters, environmental hazards, or industrial accidents. Today's emergency planners, emergency operation centers, and crisis managers are all increasingly using computers, linked with improved emergency communications systems, to alert response teams, provide immediate notifications of the situation to the corporate management staff, and also to warn the public of impending dangers. For example, many energy and environmentally hazardous operations are installing automated emergency alert, warning and notification systems, and applying this technology to their contingency requirements.

The Role of Media in Emergencies. Today's news media plays an important role in reporting crises and disasters. Crisis managers must accept and understand the role of the media, and be well prepared to deal with the press. An initial understanding of the differences in print, radio and TV reporting, their schedules, methods of developing a story, and their orientation on particular issues are all useful background information for the crisis manager. The media has a technological edge in getting a fast-breaking story to the public, so crisis managers should be prepared to work with the

media, not against them. First-line managers are usually approached by the press at the scene of an incident, and they should have the leeway to provide the media with information that is within corporate guidelines. This takes preparation on general do's and don'ts, and how to ensure that an accurate corporate message gets across, rather than a flat "no comment." The same requirement for preparation must be made for the company spokesperson during an emergency. Preparing the staff to deal with the media is an important component of emergency preparedness that is often overlooked.

Protect the Future of Your Business

Whether dealing with a small-scale event or a worst-case scenario, the extent of your preparation can determine the future of your personnel, operations, and your assets. We have learned from the World Trade Center bombing, September 11, and Hurricane Katrina disasters that companies should not rely on government to effectively coordinate a response that will mitigate loss and enable a timely recovery. Today more than ever, it is critical that businesses seek guidance from experienced emergency planners who can help them examine their preparedness and develop written corporate contingency plans before disaster strikes. However, a written plan alone does not guarantee its effectiveness; it must be exercised in a simulated emergency situation to determine inherent weaknesses and ways in which to address them in time for a real event.

Ed Badolato, an internationally recognized authority in the field of both public safety and contingency planning, was involved at every level of emergency activities with both government and private industry. As a Deputy Assistant Secretary of the U.S. Department of Energy, he was the principal architect of the U.S. government's readiness and response to emergencies in the oil, coal, gas, and electricity industries—as well as the U.S. nuclear weapon facilities. Mr. Badolato supported various states and counties with developing their public safety programs and served as a consultant to major corporations and businesses assisting with emergency planning and response activities.

Col. Eric Rojo USA (Ret), Coordinated the first full-scale live counter-terrorist exercise at a U.S. Army base in 1983, this initiative resulted in a major effort in inter-agency coordination with the participation of 21 military, law enforcement and civilian agencies. Mr. Rojo worked and collaborated with Ed Badolato for over 20 years in the risk assessment and the establishment of validation measures for anti-terrorist security at the U.S. nuclear weapons laboratories and facilities, including the establishment of uniform standards for all DOE facilities. Mr. Rojo headed the National Energy Emergencies Operations Steering Group that developed the Energy Emergencies Management System (EEMS). Later he was the security team leader for the New York State Office of Homeland Security energy and chemical industry infrastructure projects.