GAS AND ELECTRIC UTILITY PEER PANEL
BEST PRACTICES SYMPOSIUM

PSEG Corporate Office - Newark, New Jersey
June 11th and 12th, 2015

Recovering from a Major Crisis /
“Black Swan Event”

Final Report

Sponsored by PSE&G, Con Edison, ComEd and Oncor Energy
Prepared by Aon Risk Solutions
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Executive Summary

Managers and senior leaders in the emergency preparedness and response, business reliance, field operations and risk management areas attended the 9th Annual Gas & Electric Utility Peer Panel Best Practices Symposium held at PSEG’s Corporate Offices in Newark, New Jersey. The participants came from all regions of the United States and Canada, representing a spectrum of experience and program maturity in crisis management. They represented 74 operating companies with a total of approximately 80 million electric, gas and water customers. The Symposium was sponsored by PSE&G, Con Edison, ComEd and Oncor Energy. It was facilitated and the Final Report prepared by Aon Risk Solutions.

Purpose of the Symposium

The purpose of the symposium was to identify consistent themes on how organizations successfully position themselves to respond to the unknowable impact of the Black Swan Event. A Black Swan event is defined as an unpredictable or unforeseen event, typically one with extreme consequences. This presented the challenge of identifying how any organization would posture itself to best respond to events and impacts, which are by definition unforeseen. Implicit in the topic under discussion was the “strategic” nature of a major crisis or Black Swan event. While the majority of events that actually impact an organization are tactical in scope (incidents limited to specific areas, assets, operations or departments), are able to be managed at the tactical level. However, at certain times, events may occur that are so significant that they can threaten the continuing viability of the organization. These require a more comprehensive response, managed at the appropriate level; strategic impacts should not be managed at the tactical level. The output from the symposium identified good practice guidance to support broader Black Swan planning within Utility industry.

The following areas were discussed over the course of the two day event in order to explore potential practical solutions and best practices for responding to Major Crisis or Black Swan events:

- Managing an incident vs. managing a Black Swan event
- Key leadership qualities and tactical execution roles
- Resilient response that keeps recovery impactful during event lifecycle
- Why disaster response plans, business continuity plans and ERM are not enough
- Improve ability to react to the unthinkable
- Preparation before a crisis or black swan scenario occurs.

Themes identified were:

- Employee availability and support
- Communication
- Leadership and Ownership
- Flexibility
- Trust
- Training.
The Key Learnings of the Symposium are:

- **Know what impacts constitute a crisis for your organization.** Events that have the potential to significantly affect turnover, revenue, brand or reputation all have strategic impacts. Ensure your organization know when to escalate issues that have potentially strategic implications.

- **Any crisis management plan should, on some level, be expected to fail during a crisis** requiring flexibility and innovation in developing responses. It is the activity of **planning, rather than the plan**, which provides an organization the confidence necessary to achieve success.

- **The investment in developing a crisis management team (CMT) may not be realized until the crisis hits.** This should not be an argument for delaying such investment until that time, as prior preparation of the team is critical. It could be regarded as investing in the intangible, however without it, an organization of any significant complexity will be exposed and seen unprepared should a major crisis occur. The crisis management team is vital and so selection of that team should be active, selective and robust.

- **Any crisis is an opportunity to demonstrate the strength of an organization, of its people and the critically of its senior management team.** It is a test of public, investor and regulators confidence in the leadership of the organization and should be regarded in that context with opportunity to be realized.
Michael Paszynsky – PSEG Vice President, Business Assurance and Resilience

Aaron Ford – PSEG Executive Director, Security and Critical Infrastructure Protection

Mike and Aaron welcomed and thanked all the attendees for taking time from their busy schedules to attend the 2 day event. Both recognized the importance of sharing best practices in this critical area and encouraged participation from all attending.

Mike described the PSEG Business Interruption Management structure (BIM) with the group. He shared the roles and responsibilities of each process area and the reasoning behind why this structure was developed.

Aaron shared with the group his experience of his first assignment when beginning at PSEG, the 2013 Super Bowl held at MetLife Stadium in the PSEG territory. As a former FBI Director he drew on his experience to understand the efforts needed to coordinate the numerous organizations and elements to manage a high profile event and a potential terrorist target. He discussed not only PSEG’s role but how the event fit into a larger picture that impacted many organizations, area residents and ticket holders.

William Gaddis – Chief Security Officer, FBI Newark Division

Bill described the FBIs all hazards approach to the development of plans for responding to high impact events; how to position yourself to respond to any situation. He emphasized the value of having checklists to be used as a handrail to guide responders at all levels; being used to understand intent and facilitate discussion on issues. Also Bill underlined the need to establish firm roles and for crisis management teams to remain within their role and, until it becomes untenable, to follow the planning already undertaken.

Bill identified three essential functions of Major Crisis Planning: The value of good leadership; the staffing of the crisis management team (people who understand and engage with the plan); and communication internally & external to the organization.

Captain Philip Kapusta, United States Special Operations Command

Captain Kapusta described the Special Forces approach to building resilient teams and resilient organizations. He drew parallels with this approach and the development of crisis management teams within the commercial world.

Captain Kapusta emphasized the Special Forces focus on people first and foremost, when developing a robust, flexible capability. Further that not all people will perform to the best of their abilities in a crisis environment so the team needs to be actively selected and then trained in role to confirm suitability.

Evaluation of risk is a backward walk through history; learn from past experiences and as the future is unknown, make educated guesses to posture the group or organization for future
events. Accept that the group may need to be altered depending on the event, to bring the most relevant expertise to bear.

Captain Kapusta highlighted the role of Mission Command within the military; establish and communicate the intent behind and planned action, and then empower those within the team to achieve it, leaving the means of achieving it to the team. This approach accepts the fact that accurate information will be limited during a crisis or Black Swan event, and that communication may be challenging, yet still provides the wider team with enough to be able to respond in a rapidly changing environment.

Be practical about mitigation and capability, and expect a degree of innovation will be required during a crisis event; but also trust your people to be able to cope. Trust and ability is developed through scenario training, regularly. Captain Kapusta underlined the value of challenging perceived wisdom, at the tactical level and the problems that can arise when this does not occur at the operational and strategic levels of an organization.

One final point Captain Kapusta confirmed was the central role of leadership in the success of robust organizations; clear leadership to build a team, to maintain a capability, to drive a response.

Nancy Green – Aon Executive Vice President, Strategic Account Management

Scott Bolton – Aon Director, Americas Crisis Management

Nancy & Scott emphasized what is meant by Black Swan or Major crisis event: one where there is the risk that the organization experiencing it could be overwhelmed by the impact, where there is damage to the ongoing viability of that organization as a result.

There was discussion about not everyone viewing a Black Swan event the same way – what is a Black Swan to some might not be one to others if the others have gone through it before. The challenge of dealing with a Black Swan isn’t just mounting an effective response; it’s mounting that response while simultaneously dealing with the shock of being hit by a situation that is inconceivable to you or your organization.

Nancy contrasted the differences between a smaller scale “incident” and “crisis” and the need to modify the organizational response to each; structured, formal, tactical approach to incident management and a more flexible, innovative, unstructured and agile approach to a crisis. The former can rely more on procedure, the latter more on the individuals involved. Black Swans are strategic events and should not be managed at the tactical level. Also that the response needs to be coordinated and led at a level high enough to balance authority, expertise and the need for the organization to continue with its core business.

The mindset for an organization, especially for a crisis management team, must be one of “this is an opportunity to demonstrate the strength of the organization”, rather than a purely defensive, responsive position.

They introduced the importance of managing the psychological impact on the crisis management team during the response, in order to avoid decision making paralysis in the team.

Organizations should be prepared to differentiate between developing a response and finding a
solution to the underlying problem; the activities for each may not necessarily be aligned as the former addresses the immediate impact of an event, while the latter may require longer to understand and so potentially address to ensure the potential for reoccurrence is minimized.

Scott and Nancy set out the critical tenets of good crisis management teams, beginning with the seven “C’s”:

- **Candor**: Transparency about the causes of the event, the impacts, ultimately responsibility and the actions the organization is taking to address the issue.
- **Creativity**: Use the knowledge, experience and confidence of the team to innovate when planned responses are insufficient.
- **Code of Conduct**: This should guide the team in what they are there to do; high level aims and objectives whose broad goal is to minimize the duration and impact of an event, in order to benefit those who are adversely affected, resolve the event, repair the organization and return to a position of stability and longevity; protecting people, employees, the organization and investors.
- **Competence**: The quality of the team is critical; they should have or have access to the information and skills necessary to establish the appropriate response.
- **Confidence**: This is a sometimes intangible quality in a team, though one that empowers them to achieve success where initially the solution appears insurmountable. Confidence can be gained from a blend of knowledge of their role, familiarity with their team colleagues, trust in their management and in their subordinates and clarity about what the aims of the crisis management team are.
- **Compassion**: It is likely that the team will be removed from the actual events, or at least from those who are directly impacted by event, especially if the public are impacted. Both recognizing the impact on those affected, communicating that the organization sees those affected, and being seen to act to resolve these impacts is fundamental to good crisis management.
- **Coordination**: Rarely can a crisis or Black Swan event be resolved by a single department or individual. By definition, if the event has the potential to overwhelm an organization, and managed response will require the support of a number of departments and levels of authority. The best response will be delivered when the elements act together with a common aim; without close coordination and strong leadership, this will be hard to achieve.
Recovering from a Major Crisis or Black Swan Event

Discussion Topics

Topics were selected to drive the discussion, in order to explore potential practical solutions and best practices for responding to Major Crisis or Black Swan events. These topics were chosen to allow the featured speakers to illustrate the experiences of their specific organizations, success managing responses, multiple stakeholders with sometimes competing priorities, thoughts on future trends, as well as providing opportunities for the attendees to share their thoughts and experiences.

The following areas were discussed during the two day event:

- Managing an incident vs. managing a Black Swan event
- Key leadership qualities and tactical execution roles
- Resilient response that keeps recovery impactful during event lifecycle
- Why disaster response plans, business continuity plans and ERM are not enough
- Improve ability to react to the unthinkable
- Preparation before a crisis or black swan scenario occurs.

Common Themes

Over the course of the two days, the speakers and attendees reinforced the following themes during presentations and discussion – themes that are crucial to the effective management of a major crisis or black swan event:

- Leadership and Ownership
- Flexibility
- People
- Trust
- Training
- Communication
- Information.

This document expands on these themes to illustrate good behaviors of Crisis-Competent organizations.
Wider Response Programs

The approach to strategic issues management is the focus of this document. While incident management, emergency response, disaster and continuity planning are disciplines that have reached a maturity in both guidance and implementation within the industry, they can often be developed in isolation of one another. They may provide a procedural response for the tactical or operational level, suited for use in a prescriptive manner, aiming to provide a specific response for a specific issue (see diagram below).

Such tactical responses are rarely a company wide solution (for example, BCM may just be about elements of IT infrastructure). Furthermore, between them the language used may also be contradictory since the guidance available was developed by different organizations, and tend to be more procedurally focused, less about being the vehicle to solve the strategic issues inherent in a Major Crisis or Black Swan event.

These capabilities tend to bypass the need for flexibility, for the focus to be on the team rather than on the process, on how to support the team through the event.

Major Crisis and Black Swan events are by definition unforeseen and often with short notice, and so may expose a gap in the ability of an organization to respond effectively, unless that organization is postured to step-up appropriately to whatever the resulting issues may be.
Black Swan Events – Preparing for the Unknowable Event

Is it possible for any organization, in any industry, to posture itself for the next crisis despite not knowing what the event or its impacts will be, or when it may occur? Can an organization avoid being hamstrung in its performance during future Crisis events?

The following expands on each theme identified during the symposium, to illustrating their value to organizational planning for major crisis events, and providing commentary for those seeking to validate or further enhance their approach to planning for major crises.

Leadership and Ownership

Ownership & Delegation

Strategic impacts need to be managed at the strategic level. Crisis management is therefore an executive leadership responsibility.

As with all capabilities, but especially those where the value and return will not be apparent until they are needed (like crisis management), the ownership needs to be retained at the highest levels of an organization. So unless the owner (the COO for example) has ultimate responsibility for maintaining the crisis management capability and continues to advocate for it, there is a chance it will degrade and be lost over a period of time. Executive management buy-in needs to be explicit as an example to the organization and to ensure the capability is supported at all levels.

Practically, an organization should avoid having the full C-suite and the Board to become the crisis management team during a major crisis. While ownership of the capability needs to be held at the C-Suite, the heavy lift of the Crisis Management Team (CMT) should be delegated to the appropriate senior management level.
Where the CMT actually lies will be different for most organizations as the roles with the required expertise will shift between organizations, as will governance and cultural requirements.

**Operational Management of the CMT**

For effective response management, there needs to be sufficient expertise in the CMT, delegated authority to act on behalf of the organization, oversight from executive management and understanding within the organization that this team is the lead for the strategic response.

**Crisis Management Team Membership & Selection**

CMTs are multi-disciplinary and often include some or all of the following depending on the event:

- CMT leader (link to CEO and BOD)
- Legal
- Operations
- Facilities
- Human Resources
- First responder liaison
- Security
- IT/Technology
- Scribe/Minute taking
- Finance.

Finding the balance between current expertise, the ability to function in a CMT environment and seniority sometimes means that the person on the CMT from a particular department (for example HR) may not necessarily be the head of that department. The team needs to be actively selected by the lead for the CMT capability. Ongoing selection of the CMT members can take place during periodic familiarization training (see “Training” section below).

**Use Survivor Psychology to Counteract Shock**

*The impact of the crisis on the individuals within the CMT needs to be monitored to avoid the team degrading during the course of a crisis event.* This is especially important when the event or the impacts of the event continue for a longer period than anticipated, or when the impact is particularly severe. All team members should be aware of the potential for their colleagues to become affected by the enormity of their role.

Executive leadership should continually check the following to monitor the CMT’s effectiveness:

- Test and question assumptions to avoid unintentional blindness
- Remove emotion from decision making
- Focus on accurate, factual, objective data
- Expanding access to external resources to give breathing room to leadership and internal resources and free up capacity to run day-to-day operations
- Ensure the CMT have access to resources to broaden their view of options; ensure solution development includes multidisciplinary perspectives
- Understand biases within the team and where they may arise
- Own the responsibility for choices
- Be relentlessly persistent
- Be confident that a solution will be found.

**Flexibility**

**Plans & Procedures**

When considering developing a Major Crisis or Black Swan response, *the maxim should be flexibility*. Organizations should try to avoid being “doctrinal” about the type and method of response, and not rely only on procedures for success. There is likely to be great uncertainty about impacts and consequences, so being comfortable with innovating possible solutions should be the expectation for the CMT.

The importance of this approach increases the higher up the management chain. Excessive documented procedures can be used as a crutch (the thinking has already taken place), allowing the decision making process to become sclerotic or “frozen in the headlights” during the event.

**Posture of the CMT (and the Organization)**

The scope, ultimate impact and duration of a Black Swan event are unknown. *The mindset of the CMT is central to promoting successful outcomes*; looking at the event as an opportunity to show the very best of what the organization can do, rather than as a period to batten down the hatches.

The CMT should expect poor information, unexpected consequences, a longer duration than expected and more intense impacts (see “Information” section below). The organization should have the confidence in the expertise and experience of the CMT to deliver the right solutions for the moment. Such confidence arrives by selecting the right people and developing trust in them and their abilities. This is discussed in the following two sections.

**People**

For the effective, strategic management of events that have the potential to threaten to future of an organization, *the key enabler to success is the people involved*. With the need to increase flexibility, responsiveness and innovation, there is a corresponding need to reduce the reliance on prescriptive guidance (procedures). With a reduction in procedures, there is an increase in the need for expertise from the individuals on the team. *The team then, rather than the procedures, becomes the key.*

If the executive management team are to delegate effectively, and provide the authority to the CMT, they must be reassured of their individual capabilities. This is as true for the crisis management team as it is for the more tactical incident management at individual locations.

Making the point about the required quality of the individuals was a common thread throughout the speakers (FBI, SOCOM, Aon, Con Edison, Eversource, OEM et al), as well as the audience members.
This was especially so with those organizations with the more mature response programs, where there has been time to develop and train a CMT. To build an effective CMT an organization needs active engagement in the selection, training and maintenance of those people tasked with developing and managing responses.

Trust

It is implicit that with the development of a CMT to undertake a crisis response, there is a central need for trust; from the board to the C-Suite; from the C-Suite to the CMT; from the CMT to local incident managers at the frontline. While there should always be the employer-employee trust in place, during high impact, high pressure events, this is often tested. Without fundamental confidence in both individual teams and in the management, it can quickly become eroded impacting on the efficiency of the organization to mount an effective and appropriate response. *The best way to develop trust is to train the individual teams and periodically the organization* (see “Training” section below).

From a Crisis Management perspective, the C-Suite and board are risking both the company reputation and financial position and often their personal reputations in the ability of the designated CMT to develop, manage and deliver an effective response.

Without the fundamental trust that is developed through engaging in strategic exercises and planning around Black Swan or Crisis Management responses there is the potential for “role bleed” during an event. Strategic leaders attempting to become the crisis management team could occur. So while the CMT needs to be trained, the executive management group also needs to take part.

Training

As highlighted, effective delegation of role and responsibility is required during any response management. It is a requirement to ensure that expertise is engaged at the right level to ensure the most effective response. This only works when there’s trust throughout the management chain and this is best established through regular and structured training.
Swan event (which is unknown), which would necessitate defining a Black Swan-type scenario. However, it should be considered as a *vehicle to deliver the wider benefits*: familiarization with roles and responsibilities, confirmation of individual capabilities, being comfortable with the tempo of information and decision making, confidence in the system, becoming comfortable with innovating solutions as required, developing trust from the board to the boots-on-the-ground. The diagram above is intended to illustrate where the weight of training effort lies, as well as the comparative “training burden” between the management levels.

Training can be limited to individual teams, such as, CMT in a desktop setting or at the other end of the spectrum, the grander and less frequent full scale managed exercises which was highlighted by the audience during the symposium discussions. *The key point is to make sure they happen and use them as an opportunity to refine and enhance the overall response*, as well as the membership and capability of the team.

### Communication

This term covers a broad spectrum, which includes Public Relations, internal reporting, employee communications, regulatory reporting media, engagement and social media. *Communication, whatever the format or audience, should be driven by three primary factors:*

- Accuracy
- Consistency
- Timeliness.

Achieving all three during a crisis will always be a challenge, with a balance to be struck between all three (accuracy vs timeliness, for example), this is part of the friction of managing a crisis and should be expected and anticipated by management teams.

*The pathways for communication should be exercised, the expectations for type and tempo of communication should be established and the methods and spokespersons should be tested.*

### Information

No one chooses to make a bad decision. Decisions are made based on the best information available at the time. In the context of crisis management, the crisis management team lives or dies by the information it has and the decisions it makes. The outcome of a crisis response will depend on the quality of the decisions made, as will the reputation of the company and the executive management. The acquisition and management of information is central to effective, successful crisis response.

*The right information, to the right person, in the right timeframe, allows them to decide and to act!*

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1 Correct decision, preferable. A wrong decision is regrettable. No decision is unforgivable.
Timely passage of information is the key. The challenge comes in ensuring that the right information is communicated, that it is collated in one location so the fullest picture of events is maintained, that it is presented in a way that eases understanding and that when a decision is made, the information on which it is based is linked.

Consistent and timely reporting is vital; between the site and the CMT and between the CMT and the executive management team. The diagram above underlines the need for reporting to be formal and recognized at all levels. The direct involvement from executive management should never reach out to the site experiencing an event, as information that site expected to reach the CMT may not, affecting their understanding of the situation and future actions.

Often the information management is referred to as the “CRIP” – common recognized information picture. It does not need to be complex or technology-heavy, however it does need to be consistent and recordable as post-crisis, downstream liability issues may require an organization to justify the decisions it made in the heat of the response.

**Media Management - Crisis Communications**

*Communications or Public Relations are a critical part of a crisis management response.* The response goals, activities and intent will not be recognized by the public or media, unless it is communicated. Often, the success of a plan will require it to be communicated by the media; organizations should be confident about engaging with them.

Communications during a crisis must be fluid and practically it will be hard to define exact content prior to an actual incident. The lead for communications will provide specific internal and external messaging in the event, however there are simple general, holding statements that should be considered and prepared in advance.

Initial communications should, in general, be internal. For example, a company-wide email stating the appropriate known facts, advising that a crisis team is in place to address it, noting who is working on that team and instructing anyone who receives any new information about this matter from an external source to help by noting it down, along with a contact number, and then email it to the CMT.
Media Engagement

Only those trained and designated to do so should brief the media on an event.

The following guidelines should be followed:

- **Show empathy for people affected by the situation.** The organization’s reputation will be better protected if an organization demonstrates the concern and empathy it has for the impact of the situation to the public. Ignore this and an organization may be seen as cold, calculating and more interested in profit than people.

- **Never say “no comment”**. In the early stages of a crisis, there are many questions that can’t be answered – there won’t be the facts available. However, the answer must never be “no comment” – it is often translated as “you’re right, I’m guilty as sin, but for legal reasons, I can’t admit that”.

- **Focus on communicating facts.** Quickly communicate that the organization is on top of the crisis, and establish it as a prime provider of information about the situation. Volunteering clear and relevant facts addresses these objectives as well as filling the communication vacuum.

- **Emphasize the actions being taking to control the situation.** All organizations are vulnerable to crises. The ones that survive and prosper are those that are seen to manage them professionally and effectively. Communicating the steps being taken by the organization demonstrates it is actively managing the situation, not just reacting to events.

- **Do not speculate.** Speculation is the enemy – it leads to lurid, frequently inaccurate headlines, and a crisis spiraling out of control. An effective spokesperson rejects speculation and returns to messages focused on the facts and what the organization is doing to manage the situation.

- **Speak clearly and calmly.** Communicate control through tone of voice and delivery. Not only will the spokesperson embody a professional organization that is handling the situation responsibly, crucially they will also ensure that their messages are received accurately.

- **Avoid using industry jargon or company acronyms.** Using jargon or acronyms means that most people watching, reading or listening to the comments will not understand what is being said. Worse, the spokesperson creates an impression of an aloof organization, out of touch with the outside world and more concerned with itself.

- **Rehearse with a colleague before taking to the airwaves.** Making time for a fifteen minute rehearsal with a colleague before embarking on an interview gives an opportunity to warm up and receive feedback on which messages resonate well – and which ones don’t.

- **Ensure the spokespersons body language matches the messages.** Strong eye contact and an expression of concern – not panic – are crucial to ensuring your words are received as intended. When describing a spokesperson, a viewer will talk about how they “came across” very few talk about the specific words said.
• **Know and repeatedly emphasize key messages.** A media interview is an opportunity for the organization to communicate important information. Plan the messages ahead of the interview and seize every opportunity to introduce them into the interview.

**Black Swan: Developing the Response**

Reviewing the questions previously posed in the “Black Swan Events: Preparing for the Unknowable” section of this report:

Is it possible for any organization, in any industry, to posture itself for the next crisis despite not knowing what the event or its impacts will be, or when it may occur? Can an organization avoid being hamstrung in its performance during future Crisis events?

The answer is yes, it is possible if the organization is able to accommodate the guidance within this document at strategic/board-level planning. While Black Swan push organizations beyond the envelope into areas of considerable uncertainty, companies that demonstrated knowledge, flexibility and innovation had better outcomes and ultimately survived the crisis.

*The Key Learnings of this Symposium are:*

- **Know what impacts constitute a crisis for your organization.** Events that have the potential to significantly affect turnover, revenue, brand or reputation all have strategic impacts. Ensure your organization know when to escalate issues that have potentially strategic implications.

- **Flexibility and innovation are key qualities for CMT** because any crisis management plan should, on some level, be expected to fail during a crisis. It is the activity of planning, rather than the plan, which provides an organization the confidence necessary to achieve success.

- **The investment in developing a crisis management team (CMT) is critical.** Although it may not be realized until the crisis hits, this should not be an argument for delaying such investment until that time. It could be regarded as investing in the intangible, however without it, an organization of any significant complexity will be exposed and seen unprepared should a major crisis occur. The crisis management team is vital and so selection of that team should be active, selective and robust.

- **View any crisis is an opportunity to demonstrate the strength of an organization, of its people and critically its senior management team.** It is a test of public, investor and regulators confidence in the leadership of the organization and should be regarded in that context – as an opportunity to be realized.

"*Know thyself*, be flexible and innovative, trust your people and prepare the team!"