

The “Oops” Factor of Risk Management

Contingency planning might be the most important element of risk management. Director magazine several years ago reported that 80% of firms that suffer a major setback to revenue do not survive – unless they have a contingency plan.

While prevention is great, it's not foolproof. Something's going to go wrong – it might be a computer glitch or a Katrina, a project hiccup or a major fire, an auto accident or a 9/11 – and in any of these, you can easily be an “innocent” victim.

This Tip will talk about when contingency plans are needed and what they look like. The next Tip will show how to create effective plans that produce great outcomes.

When do you wish you had one? ~

A contingency plan (CP) should be broad enough to handle different scenarios – because you don't know what will happen. For example, it can be designed to respond to:

- A customer service breakdown that gets blown out of proportion on Twitter;
- A hacked computer or other failure – and loss of sensitive data leading to identity theft;
- A supplier problem – perhaps a fire – preventing you from getting promised deliveries and delaying a customer project and invoking a penalty clause;
- Loss of a key employee – accident, disability, hired away by competition – impacting important relationships or involving critical corporate knowledge.
- What others can you think of?

What does it look like? ~

A CP is a step-by-step road map that will be implemented after something has gone wrong – like one of the examples above. It's detailed, but not complicated.

The plans must be created, stress-tested and practiced beforehand. You can't wing it because you really have no experience to guide you. You'll get something else wrong or miss an important step and create additional delays, hassles and misunderstandings. The beauty is that one plan can probably be used – with some tweaks – in several different circumstances.

I recommend a series of checklists. Start with a high level overview list then dig down to more and more detail and add some specific forms and attachments.

Next create a “dream team” roster even if you don't have all the players, and outline roles and responsibilities for a crisis. Don't do everything yourself: consider outside resources – a business colleague, marketing consultant, coach.

List your audiences – the people, groups or agencies you might have to deal with. Outline different messages that could be important to each group. Think about employees, customers, regulators, and of course the media.

Start your CP draft today: It's never too early, and it *is* a matter of survival. Let me know if you have any questions.