Evolution of an Integrated Crisis Management Program at UPS

Crisis Management Overview

Why Crisis Management?

- Protects people, physical assets, reputation, brand, your future
- Reduces vulnerabilities such as “Negligent Failure to Plan” litigation, corporate governance challenges, etc.
- Preparedness is the standard today – NFPA 1600, Sarbanes-Oxley, Industry Specific Requirements

The $$ Cost of a Crisis

- Employee Productivity
- Customers
- Stock Price
- Facilities and Equipment Repairs/Downtime
- Regulatory Fines and Actions
- Litigation Costs and Settlements
- Insurance Premium Increases
- Additional Mitigation Requirements
Crises and Shareholder Value

Prepared vs. Non-Prepared
Knight & Pretty, Oxford University, Templeton College
Closing Stock Price

5 days before to 250 trading days after event

• They deny it can happen to them
• They are unaware of inherent business risks
• They ignore warning signs
• They fail to make preparedness a priority
• They rely on weak, untested plans
• Low incident rate creates false security

Why Are Companies Unprepared?

Basic Components for Crisis Preparedness

1. Crisis Management Plan – Strategic Level
2. Corporate Crisis Management Team
3. Supporting Teams to Execute Plans
4. Business Continuity, Disaster Recovery, Crisis Communication, People Recovery etc.
5. Command Centers: Onsite and Remote
6. Crisis Management Team Training
7. Notification and Activation Plan and Drills
8. Tabletop Exercises and Simulations
9. Periodic Plan Review and Revisions
Evolution into Integrated Model

- Disjointed, undocumented or non-existent departmental plans over arching alignments
- Combined Disaster Recovery, Business Continuity, Crisis Communications, Emergency Response and other plans with Company Plan
- Business Resumption + Human Impact Plan
- Crisis leadership coaching (strategic) combined with crisis response training (tactical)
- Crisis management as an integral management system – robust notification and tracking

Some Certainties in Uncertain Territory...

- Failing to plan exposes directors and officers to increased PERSONAL risks – Financial, Civil, Criminal and Career
- Planning to prevent, prepare for and respond to crisis decreases risks
- You do NOT need to do something wrong to become involved in a crisis

Benefits of Crisis Management

- Advanced knowledge of potential vulnerabilities
- Issues monitoring & reporting – culture/system
- Corporate view of issues vs. business unit view
- Rapid escalation – accurate information
- Focused decisions – unified message
- Adequate resources applied
- All perspectives and stakeholders considered
- Operating concepts make response process driven
So... What's It Take?

- A champion (prefer CEO, C-suite Exec.)
- Appoint a corporate team (Sr. Execs.)
- Vulnerability assessment
- Corporate plan (policy, roles, resources)
- Supporting plans and teams (business, function)
- Exercises (training, tabletop, simulation)

Integrated CM Organization

The BIG picture
The BIG picture

Multiple Company Response

- Corporate Crisis Response
- Company B Crisis Response
- Company C Crisis Response

The BIG picture

Governmental Impact – Bureaucratic but unavoidable – Integration becomes critical

- Federal Response
- Multi-company Crisis Response
- County Response
- State Response
- Municipal Response

Evolution of an Integrated Crisis Management Program at UPS

Case Study
About UPS

• Founded: August 28, 1907, in Seattle, Wash., USA
• Headquarters: Atlanta, Ga., USA
• 2005 Revenue: US$42.6 billion
• Employees: 407,200 (348,400 U.S.; 58,800 International)

PACKAGE OPERATIONS

• 2005 Revenue: US$6.6 billion
• 2005 Delivery Volume: 3.75 billion packages and documents
• Daily Delivery Volume: 14.8 million packages and documents
• Daily U.S. Air Volume: 2.2 million packages and documents
• Daily International Volume: 1.5 million packages and documents
• Service Area: More than 200 countries and territories
• Customers: 7.5 million daily (1.5 million pick-up, 6.1 million delivery)
• UPS.com: Average 10.0 million daily online tracking requests
• Retail Access: The UPS Store®, 4,400; Mail Boxes Etc.®, 1,300 (global), UPS Customer Centers, 1,000; Authorized Outlets, 17,000; UPS Drop Boxes 40,000

More About UPS

• Operating Facilities: 1,788
• Delivery Fleet: 91,700 package cars, vans, tractors, motorcycles
• UPS Jet Aircraft: 268 - 9th largest airline in the world
• Charter Aircraft: 889; Daily Flight Segments U.S. - 1,871; International - 767
• Airports Served: U.S. - 400; International - 377
• Air Hubs United States – Louisville, Ky. (main U.S. Air Hub); Plus 6 Regional Hubs
• Air Hub World: Europe – Cologne/Bonn, Germany; Asia-Pacific – Taipei, Taiwan; Philippines; Hong Kong; Singapore – Latin America and Caribbean – Miami, Fla., USA; Canada – Hamilton, Ontario
• SUPPLY CHAIN AND FREIGHT
• 2005 Net Revenue US: $6 billion
• UPS Supply Chain Solutions: Facilities – 1,000+ facilities in more than 120 countries; 35 million sq ft.
• Overnite, A UPS Company: Key Services – Leading provider of less-than-truckload services coast-to-coast – Delivery fleet: 6,700 tractors; 22,000 trailers – Facilities: 200+ service centers

Three Types of Emergency Management

• Corporate (in coordination)
• Air/SCS/IS/Business Units
• Region/District/Country
• Site/Facility

Emergency Response Plans are the foundation for Business Continuity and Crisis Management
Crisis Stages

- The Preventive Stage (anticipate and prevent)
- Crisis Response Stage (respond and mitigate)
- Business Recovery Stage (get back to normal)

Key Structures and Activities

- The “Process” is owned by Corporate Risk Management
- A cross-functional Steering Committee meets quarterly and sets annual strategy
- Every key function is required to have plans and participate in drills
- Business Continuity and Disaster Recovery teams are linked by process to the Crisis Team
- Process requires Leadership – Chair, Co-Chair and Information Managers
- 15 Drills among Air, Corporate, SCS, I.S. and International in last two years – Goal is to test plans
- Robust Crisis Notification System
- Workplace Violence Prevention program is sub-set of Crisis Management Program
- Enterprise Risk Management is being used from a “crisis prevention” perspective or to understand vulnerabilities
- Goal is continuous improvement of our readiness and prevention

UPS Crisis Management Structure

100+ Crisis Teams Worldwide with Integrated Processes
Crisis Committee

Who they are
– CEO
– COO
– Senior V.P. of H.R.
– Senior V.P. Worldwide Sales
– Senior V.P. General Counsel
– Senior Vice President, Global Transportation Services
– Senior Vice President, Communications and Brand Management

What they do
– Ultimate decision-making authority for major decisions
– Understands the process and their role
– Makes enterprise-wide critical decisions that cannot be made locally

Crisis Steering Committee

• The CM Steering Committee serves two goals
  – Incident Evaluation to determine activation or incident support
  – Establishing Crisis Strategy and Action Plans
• Members include VPs of PR, Legal, Risk Management, Compliance, Customer Communications, Business Development, Employee Communications, Security, Legal, Operations, Engineering

Launching the Team

• Natural escalation process brings issue to corporate
• The Crisis Management Steering Committee evaluates and brings facts to one of the Crisis Committee Members
• Launch is executed either through phone tree (slow brewers) or automated 3rd party system (large, fast occurring incident)
• Corporate Crisis Room can be completely functional in 13 minutes during business hours (assigned team)
Crisis Process Steps During an Incident

- Incident occurs, emergency response activated
- Notification of Evaluation Team, activation decisions
- Crisis Team activated, BC/DR Teams identified
- Incident facts gathered/shared through coordinator
- Initial messaging created for employees, media, customers, shareowners
- Escalation potential evaluated – critical operational decisions evaluated/made, decisions executed
- BC/DR Teams take direction from Crisis Team

Information Sharing During a Crisis

- Develop key messages
- Develop materials
- Distribute materials

- Gather and share facts from regions/districts/countries
- Mitigate immediate problems, make decisions within normal scope
- Implement strategic decisions

- Review facts & responses
- Evaluate escalation potential
- Make strategic decisions

Key Learnings from Drills

- What looks good on paper may not work – improvements to the plan and process will result
- A defined Crisis Process improves BC/DR performance and coordination
- Communication is the most difficult task in a crisis
- Senior leaders benefit greatly from involvement
- Decision-making and execution improvement opportunities result from every drill.
- Practicing your largest vulnerabilities brings meaning to the drills
- Drills and activations lead you to think about prevention: An Enterprise Risk Assessment identifies key emerging areas of risk and your largest vulnerabilities
- You will learn together what you didn’t know or think about
Katrina Example

Emergency Response Activities
• Secure facilities and equipment
• Evacuate people

Business Continuity/Disaster Recovery Activities
• Develop operating plan around closed zip codes
• Develop workarounds to transmit data
• Re-route or store packages destined for impacted areas
• Develop customer communication process for packages destined for impacted areas
• Ensure fuel availability
• Provide food and water for working employees
• Supply additional resources to help local management
• Ensure safe building before re-opening

Katrina Example

Crisis Management Activities
• Locate 1209 employees living in impacted zip codes
• Establish employee crisis support line
• Immediately establish employee pay policies
• Determine mechanisms to pay employees – electronic or physical transport to where they relocated
• Support government and community requests for help
• Move critical supplies from around the world to impacted area
• Integrate Crisis decisions into Business Continuity plans
• Re-program and deploy customer shipping systems to reflect closed areas
• Hire experts to ensure buildings and people were not at risk of contamination

February 8 Aircraft Incident – The Story

Event Background – the simple story:
• At 12:22 a.m. a UPS DC-8 made an emergency landing at UPS’s Regional Air Hub in Philadelphia due to smoke detected on the plane.
• All crew were evacuated safely. No one on the ground was injured.
• The plane burned and smoldered through most of the night.
• Philadelphia International Airport closed temporarily due to the fire.
• The plane contained 6,622 package belonging to 2,087 shippers.
• The airplane is likely to be a total loss due to fire and water damage.
• More volume was delayed due to operations being halted by the airport closure.
February 8 Aircraft Incident – Integrating Plans

Event Timeline – the response story:
- 12:01 AM – Smoke was detected on the plane that originated from Atlanta
- 12:05 – UPS Flight Control was notified and notified the Air Crisis Evaluation Team, began preparations to launch full Air Crisis Team in Louisville, KY
- 12:10 – Air Crisis Team notifies UPS Metro-Philadelphia Team which begins immediately to handle Emergency Response
- 12:22 – UPS DC-8 makes the emergency landing in Philadelphia
- 12:25 – All crew evacuated safely, no one on the ground injured
- 12:30 – The plane begins burning, Philadelphia International Airport closed
- 12:35 – Decision made to launch Air Crisis Teams – Corporate Crisis Team Members in Atlanta are on Emergency Notification
- 12:35 – Air Business Continuity Team launched to begin handling rerouted planes and cargo
- 1:00 – Crisis Room in Louisville is full of team members and decision-makers
- 1:05 – Corporate Crisis Team decides not to launch full team, Corporate support identified
- 1:05 – CNN calls for UPS position on the story
- 1:30 – Pre-established "Go Team" members selected, transportation to Philadelphia identified
- 2:00 – CEO and other senior management notified of situation under control
- 8:00 – Customer contact plan enacted

Getting started
- Determine Senior Leadership
- Establish process owner
- Determine required team members, roles, responsibilities
- Define what you have today as a starting point for Crisis Management, Business Continuity and Disaster Recovery
- Map the relationships of the processes underneath Crisis Management
- Know the vulnerabilities of today’s world and their impact on your company
- Fully understand your own vulnerabilities based on your unique business
- Use simulations to further test response capabilities and shortcomings
- Develop bench strength – back-ups for every function
- Document and manage improvement plans