Organizations Are Least Prepared for Crises that Pose the Greatest Risk, According to FTI Consulting-Sponsored General Counsel Survey

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More Than Two-Thirds of Surveyed Organizations Do Not Conduct Crisis Scenario Drills Based on Learnings from Past Events

About 60% of GCs Surveyed Reported Being More Involved in Organizational Crisis Management Strategy

Close to 70% of Surveyed Organizations Lack a Cross-Functional Crisis Response Team or Pre-Selected External Advisors

WASHINGTON, Oct. 15, 2024 (GLOBE NEWSWIRE) -- Organizations are least prepared for crises that pose the greatest risk to their business and are slow to implement lessons that would improve their ability to respond to future events, according to a recent study sponsored by FTI Consulting (NYSE: FCN).

Economist Impact's survey on the role of the general counsel in a crisis canvassed 600 primary legal decision makers across North America; Europe, the Middle East and Africa ("EMEA"); and Asia Pacific. When asked to select crises that pose the greatest risks to their organizations, reputational or operational crisis events were cited among the top three out of 12 types of crises by nearly 30% of the surveyed GCs. Reputational or operational crisis events are also among the top three crises that their organizations are least prepared to manage, according to about 30% of GCs.

More than two-thirds of organizations surveyed did not incorporate lessons from past crises into trainings and crisis drills. This gap will leave many organizations vulnerable to the impacts of a crisis or black swan event, particularly against a backdrop of a series of disruptive external events, such as cyber attacks and data breaches, macroeconomic shocks, political disruption and geopolitical conflicts.

"The reality today is that the number and variety of major corporate events and crises that companies can face has soared," said Steven H. Gunby, President and Chief Executive Officer of FTI Consulting. "Example after example have shown that whether the company handles the crisis well or not, can be the single largest determinant of its market value over a five-year period, as well as its reputation. As a result, the general counsel is increasingly not only being asked to play the role of the chief legal officer but is also very frequently being asked to play the role of 'chief line manager in charge of the crisis or event.' Everyone is looking to them to lead."

With the increasing frequency, complexity and unpredictability of crisis events over the past five years, about 60% of all GCs surveyed reported being more involved in their organization's crisis management strategy. However, their involvement is not uniform across the globe. A higher share of GCs in North America (64%) and EMEA (60%) are more involved in business continuity and financial contingency planning compared to their peers in Asia Pacific (42%). Similarly, close to twice as many GCs in North America (63%) compared to Asia Pacific (33%) are more involved in monitoring and analyzing the impact of early-warning signs beyond the legal remit that affect the organization's reputation or brand.

Artificial intelligence ("AI") or machine learning ("ML")-based modeling can be particularly powerful in delivering comprehensive, granular and precise crisis impact assessments. Yet, more than half of surveyed organizations are not deploying AI or ML-powered modeling for crisis management. One possible reason is a gap in skills needed to run impact analyses and utilize technology solutions, which was cited by three in 10 GCs as one of the top five challenges preventing their organizations from being more prepared for crisis events.

Close to 70% of surveyed organizations lack an identified ad-hoc, cross-functional crisis response team or a pre-selected list of external crisis response advisors that can assemble easily when a crisis arises. When asked to select the top priorities of their legal department to better prepare for the next crisis based on learnings from past events, 42% of GCs cited the creation of a well-rounded crisis response team among their top three priorities. Increased spend on crisis preparedness activities, tools, technology enhancements, external advisors or vendors (40%) and adopting more advanced technologies for crisis monitoring and impact analysis (33%) were the other two top priorities.

Lars Faeste, EMEA Chairman of FTI Consulting, added, "The stakes have never been higher when it comes to the navigation of crises and black swan events. The fact that this report reveals that a significant majority of organizations are not incorporating lessons from past crises into their contingency planning is a concern. Leadership teams often recognize what needs to be done but are yet to take timely and decisive action. Others lack the tools and resources that provide a comprehensive understanding of emerging risks. General counsel play a vital and ongoing role in helping their organization close these crisis preparedness gaps, enabling them to become more informed, agile and effective in managing future events."

Additional key survey findings include:

- More than two-thirds of GCs in financial services, banking and insurance have expanded the scope of their early-warning monitoring and analysis exercises across strategic partners beyond legal, compared with less than half across all surveyed organizations.
- GCs in manufacturing are more involved in managing crises and their impacts (72%) than their peers in financial services, banking and insurance (68%), IT/technology, media and telecommunications (64%), energy, oil and gas (63%), retail (62%) and healthcare and life sciences (54%).
- Nearly 40% of respondents said they did not have a contingency plan in place for a cyber attack or a supply-chain failure.

For additional findings, view the full report: *Turbulent waters, trusted anchors: The general counsel's evolving role in navigating crises* .

Demographics and Methodology
FTI Consulting sponsored the research for *Turbulent waters, trusted anchors: The general counsel's evolving role in navigating crises* , which was conducted by Economist Impact. This survey-based study explores the perspectives of primary legal decision-makers on the nature of the crisis

landscape today, their organization's crisis preparedness, and how their roles have evolved in managing these events.

The survey field work was conducted online and by telephone between April to May 2024. It covered a total of 600 primary legal decision-makers across North America (25%); Europe, Middle East and Africa (50%); and Asia Pacific (25%). All respondents worked in organizations with annual revenues of more than $1 billion.

About FTI Consulting
FTI Consulting, Inc. is a global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. With more than 8,000 employees located in 33 countries and territories, FTI Consulting professionals work closely with clients to anticipate, illuminate and overcome complex business challenges and make the most of opportunities. The Company generated $3.49 billion in revenues during fiscal year 2023. In certain jurisdictions, FTI Consulting's services are provided through distinct legal entities that are separately capitalized and independently managed. More information can be found at www.fticonsulting.com.

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