

# BUSINESS RESILIENCE

Remembering lessons  
from QF32

## THE THREE PINNOCHIOS

Dr Bob Murray looks at lying and why people choose to believe what they do

## THE HONG KONG STOCK EXCHANGE PROPOSAL

Dr Angus Young and Dr Raymond Siu Yeung Chan look at changes in the Hong Kong Stock Exchange

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Wade Martin, was awarded the Risk Professional of the year. → page 32

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**Being a part of a team** Patty Therrios was awarded the Risk Professional of the Year Award Overall at the gala dinner on the first evening of the 21st Annual GRC Conference. → page 44

### Technology

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In October, GRC Solutions and Ash St. announced a new strategic partnership. → page 48

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In September, Thomson Reuters hosted the panel event, The Future of Digital ID and KYC. Members of the panel included Victoria Richardson, Chief Strategy Officer at Australian Payments Network, Bradley Brown, acting Deputy CEO of International and Policy at AUSTRAC, and Bob Schukai, Global Head of Design for Digital Identity Systems at Thomson Reuters. → page 51

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**RISK**





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**“Crisis events of various kinds, and sudden critical disruptions to operations, can occur at any time. Their immediate effects, and the “long tail” of dealing with them, can be felt for years.”**

# BUSINESS RESILIENCE: REMEMBERING LESSONS FROM QF32

By Gareth Byatt

THE NEED FOR ORGANISATIONS TO prepare for and to have good crisis management and business resilience practices in place is arguably more important than ever. Crisis events of various kinds, and sudden critical disruptions to operations, can occur at any time. Their immediate effects, and the “long tail” of dealing with them, can be felt for years. The consequences of a significant crisis event range from critical safety and environmental impacts to large financial, legal, operational and reputational implications. When a crisis event is managed well, the actual impacts can be minimised, and the organisation’s standing and reputation can remain intact (or quickly recover if it is impacted when the event occurs). When a crisis is managed badly, the negative outcomes can cause long-lasting damage.

This article highlights some of the lessons we can learn from the way crisis management was actioned by Qantas, when one of its Airbus A380 fleet suffered an engine explosion shortly after taking off from Singapore’s Changi airport on 4 November, 2010. Of particular focus is the ethos of having a High Reliability Organisation and how this is aligned with having good crisis management practices in place.

Richard de Crespigny was the captain of flight QF32 on the day this near-catastrophic incident occurred. Captain de Crespigny has kindly contributed his thoughts to this article. For those who do not know or recall much about this mid-air crisis, a brief summary about it is provided below.

Captain de Crespigny has written a book, [QF32](#), which provides a detailed account of the event. There are also many good articles in circulation about it online.

## **A brief recap of what happened in the QF32 crisis incident**

On 4 November 2010, flight QF32, an Airbus A380 carrying 469 crew and passengers, was on its usual route from London to Sydney. Shortly after take-off from Changi airport in Singapore, after its scheduled refuelling stop, the plane had reached 7,400 feet in altitude and was climbing to its cruising altitude when a sudden explosion shattered Engine 2 on the plane’s left wing. Hundreds of pieces of shrapnel instantly ripped through the aircraft’s left wing and fuselage, puncturing two wing fuel tanks and damaging 21 of the aircraft’s 22 operating systems.

Passengers heard several loud ‘bangs’; many could see punctures in the left wing, with thin vapour trails emerging from these holes.

Fortunately, no one had been injured when the explosion occurred. The cabin remained pressurised, helped by the plane still being at a low altitude at the time. However, a great deal of damage had been done to the aircraft—more than could be seen from the cabin windows. The flight crew quickly ascertained that shrapnel from the explosion had severed two of the aircraft’s main electrical trunk lines. The A380 has inbuilt redundancy but the damage caused →



**“The elements of resilience build upon the essential foundations of leadership and teamwork onto which we then build knowledge, training, experience, decision-making, risk and crisis management.”**

to the two primary trunk lines was potentially fatal. The airplane had lost about half of its electronic systems and its roll control had been severely compromised. In short, the damage incurred made it very difficult to fly, and land, the plane.

Some pieces of the engine casing that were blown off in the explosion, including fragments displaying the Qantas logo, landed on the ground in Batam, Indonesia (about 50km from where the plane took off in Singapore), and within minutes tweets were being posted about “a Qantas plane that had crashed”. The Qantas CEO Alan Joyce was travelling in a car when he received a phone call asking why the Qantas share price had suddenly dropped.

Adding to the problems, the Qantas Operations Centre in Mascot, just outside Kingsford Smith International Airport in Sydney, lost contact with the plane, meaning it could not assist the flight crew with emergency diagnostics and support.

The crisis situation was on a knife-edge. What ensued (articulated in detail by Captain de Crespigny in his book) was a coordinated and successful management of the crisis under extreme pressure that resulted in the plane being flown back to and landing (all the while overcoming many challenges) at Changi airport, with all 469 crew and passengers safely disembarking from the aircraft.

Here’s how Captain de Crespigny remembers key elements of the event and how the crisis was managed by his flight crew and the Qantas operations team, as well as some of his thoughts about what it takes to have organisational resilience.



“We can never know when or how you will be put to the ultimate test.

The QF32 crisis started with the initial two explosions, then evolved over a two-hour period in the air, followed by another two-hour period on the ground. During that time we were challenged by many situations we had not expected or trained for.

The elements of resilience build upon the essential foundations of leadership and teamwork onto which we then build knowledge, training, experience, decision-making, risk and crisis management. I have written more about this topic in my next book, due in September 2018.

Good enough is never good enough. Resilient people commit to a lifetime of learning to develop and extend these skills, to be the best **they can be**. They also exhibit a sense of chronic unease to expect the unexpected.

When we build our confidence to make courageous decisions, this is when we become intrepid leaders of intrepid teams, and to be best prepared to face the ‘Black Swan event’ if it occurs.”

It is patently clear that this crisis event involved first and foremost a serious and critical threat to life, and all activities that ensued in this event were focused on safeguarding lives. Other crisis events—from cyber-attacks to extreme weather events and critical supply chain failures—cause critical harm to the environment, or critical business disruption and cost, or reputation damage, or all of the above.

Thinking through that near-disaster event of QF32 on 4 November 2010, and the context provided by Captain de Crespigny for this article, below are six interlinked considerations for crisis management and resiliency I hope you find useful.

### **1. A High Reliability Organisation (HRO) is one that is well-positioned to manage a crisis event**

- The characteristics of a High Reliability Organisation (HRO) apply to all types of industries. HROs are able to manage a crisis event effectively because they have the following traits:
- There is a focus on highly-trained people and reward systems that reflect their abilities, and people are trained in how to deal with a high-stress crisis environment;
- There are frequent process audits and continuous improvement efforts (on controls, processes,





technology solutions, etc.) occur as “business as usual”;

- There is a widely-distributed sense of responsibility and accountability for reliability, for thinking through risks and possible failures, and for ensuring there is the right level of redundancy (with appropriate controls) in place;
- The ethos of checks and counter-checks as a precaution against potential mistakes is part of the organisational culture;
- When a crisis situation occurs, people come together quickly and in a concerted manner to manage the situation; they have been trained to deal with such situations and on how to act under intense pressure.

## 2. Quantify and rationalise your key crisis risks

Whether you consider your organisation to be an HRO or not, do you quantify and rationalise the crisis risks with which you may be faced? Training and



**“Whether you consider your organisation to be an HRO or not, do you quantify and rationalise the crisis risks with which you may be faced?”**

preparedness for them results in a concerted and coordinated effort to ensure you can respond to a crisis event, should it occur, in the most effective way possible.

## 3. Prepare for a crisis. You never know when one will strike

Investing in crisis management and resiliency means having good practices to manage them (such as Standard Operating Procedures or similar), ensuring people have the skills and authority to quickly form a team to manage a crisis, and ensuring well-planned and high-quality crisis simulations / exercises are held at a suitable frequency to ensure team capabilities and competencies are in place.

## 4. Strong team leadership and culture in a crisis is critical

Leadership and culture is key. The people →



**“The health and stress levels of everyone involved in dealing with the crisis are important to monitor. The ability to keep calm, think positively and clearly, and constantly review options is key.”**

“on the sharp end” of the crisis, that is those who are dealing with the immediate event, must immediately operate as a high-performing team, led by a high-performing leader. Others in the organisation—such as those assisting with communications, logistics, finances, HR and many other supporting activities—need similarly crisp leadership. The health and stress levels of everyone involved in dealing with the crisis are important to monitor. The ability to keep calm, think positively and clearly, and constantly review options is key. In a good organisational culture, people know how to take charge and assume responsibility for their actions.

#### **5. Communication during and after a crisis is key**

Whatever the crisis is, clear communication with people who are involved in, and affected by it (such as your customers), is critical. This means clear



and regular internal communication and external communication. As just one aspect of external communication, how you respond to social media during a crisis can have profound consequences for your organisation in the immediate and the long term. With social media at everyone’s disposal, information and views about an event, factual and non-factual, can instantly go global. When a crisis is managed as well as it could be, with genuine authenticity, it will be recognised by people who are impacted and affected. You don’t need to look for such coverage; it will just happen.

#### **6. Manage the “long tail” as efficiently as possible**

A crisis event can have a long tail of activities to manage and close out after the initial event has been brought to an end. This long tail can incur a lot of effort and cost and involve many people who may need to divert their attention from regular business towards these efforts. Planning your post-crisis business continuity tasks early, and ensuring they are dealt with as efficiently as possible, is key (HROs, for example, plan for such times, sometimes with a separate team being formed early in a crisis to deal with the long tail of business continuity activities).

Seven years on, the near-disaster of flight QF32 rightly continues to be a case study of how good crisis management and business resilience preparedness can lead to a successful outcome from a potentially-catastrophic crisis event. Whatever the crisis events are that you may be faced with, having good crisis management and business resilience practices in place is of significant importance.

The book, *QF32*, by Richard de Crespigny, Captain of the QF32 flight on 4 November 2010, is available from various booksellers. •••

#### **About the Author**

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