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A **CATSHOT Group** White Paper

## **Crisis Decision Making**

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One way for companies to achieve resiliency is to buffer their respective supply chains with a fixed number of days of inventory. Due to the cash flow consequences of the 2009 recession and increasing emphasis on Just-in-Time (JIT) operations, many companies have drawn down inventories to free up cash for the balance sheet. This resulted in major consequences for companies with complex supply chain relationships in Europe during the recent volcanic eruption in Iceland.

Reduced inventories made entities on both sides of the Atlantic vulnerable to delivery failures. One company could not get raw material from Germany to New York, where it is converted by a supplier into a critical chemical production input at a facility in Pennsylvania. Consequently, several principal customers for the high-value product had to shut down production due to drawn down inventories.

Although today's global supply chain is all about JIT and minimizing expensive inventory, contingency decisions about alternate supply chains or routing can easily be anticipated and activated using a disciplined process of scoping consequences over time and applying good business logic.

### Introduction

An essential part of reacting effectively in a crisis involves making good, timely corporate decisions under time pressure and in the absence of important or normally available information. In crisis decision making, there will always be a tension between time available and a perfect understanding of the situation. The longer you wait to achieve the latter, the more likely a decision will be late or ineffectual.

### Problem Statement

As part of the resiliency planning process, corporate teams need to establish parameters for making these decisions and designate the appropriate decision makers based on likely conditions and reduced situational awareness. This requires a straightforward but disciplined approach to anticipate likely and possible crisis circumstances and then requires development of decision support tools that can expedite effective real-time decision making.

### The Team is Key

As with any resilience or business continuity planning effort, the corporate leadership must designate key personnel in every business unit to participate in the collective review of procedures and options. The better the composition of these planning teams, the more competent will be the products and resilience procedures they develop.

Senior and seasoned members of the company culture will have invaluable insight into both the strengths and weaknesses of business operations and can clearly identify where these operations are or will become brittle in a crisis. They will have seen many small-scale setbacks and difficulties, which will allow them to extrapolate to larger scale or intensity events.

### Consequences are Predictable

After the planning team develops the most critical crisis scenarios and analyzes them one by one, it can normally

anticipate the likely downside consequences for corporate operations. As the team moves through different threat impact scenarios in order of severity, it will be able to predict the decisions that can offset or completely circumvent adverse consequences and the relative costs. This leads to an understanding of the key decisions and the criteria that most impact on cost-benefit for the company.

### **Decisions are Time Compressed**

Because things happen quickly in a crisis, and failing to make a decision is, in fact, a decision, it is critical to understand the impact of timing on outcomes. Often, the timing may depend on outside agencies and their respective decisions, such as when critical services or infrastructure will be restored. There is no substitute for establishing shared awareness with those entities and authorities that will control the external environment. Even if communications systems are compromised, companies will need to understand the local emergency response environment and develop contingency procedures to ensure access to the most critical relevant information.

### **Anticipate, Analyze, and Template**

Because preparedness planning will normally involve diverting physical and human resources from standard channels and invoking non-standard or improvised procedures, there is tremendous value in working through the decision criteria in advance. As an example, if a supply chain is compromised, at what point in time or volume does lost revenue justify invoking a more expensive but acceptable alternative?

Documenting this analysis and the projected criteria in a decision support template will dramatically increase the confidence and shared understanding of the decision environment in a crisis. It will never be perfect, but it will often be

a 70 percent product that can be brought to the 90 percent level rapidly and efficiently. It is even more effective if it is developed and exercised periodically by the same management team that eventually has to employ it.

### **Crisis = Danger + Opportunity**

This process and the decision support tools it generates will also help managers understand the sequencing of and relationships between important decisions. Some decisions will lead to branches that eliminate other options later or set the stage for sequels which may change the long-term direction of major business functions.

Much of this can be explored in a pre-crisis deliberate process that will stand any corporation very well in a subsequent crisis. Ultimately, acting faster and more effectively than the competition in times of uncertainty can often have more dramatic and lasting impact than routine decisions in the course of normal business operations.

### **Summary**

CATSHOT Group's homeland security team has extensive experience in facilitating exactly the kind of disciplined planning process that develops effective decision support tools. Tested in innumerable domestic crises, large and small, this team and its techniques have demonstrated their competence repeatedly. As part of a larger business continuity and preparedness planning approach, crisis decision-making analysis and training can be invaluable on many levels. For any company, this will invariably be an important journey of self-discovery.

CATSHOT Group is dedicated to the proposition that companies can thoroughly understand their vulnerabilities in a way that allows implementation of proactive, practical, and effective measures that are well integrated with their partners and communities.