

The Definitive Guide to Effective Crisis Decision Making



Crisis decision making is not routine decision making

There's a truism about crisis – it happens when you least expect it. Sure, that goes without saying. But management across industry doesn't seem to be taking crisis preparation seriously, as epitomized by the fact that half of all global organizations have no crisis plan in place¹.

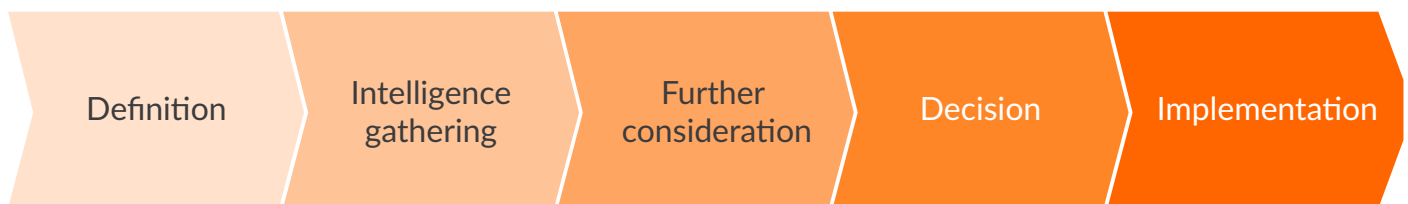


1/2 of all global organizations have no crisis plan in place.

Even those companies who've managed to lower their topline risk profile through crisis preparation aren't out of the woods yet. That's because when crisis finally strikes, it moves fast – really fast. Quick decisions are required. And those decisions will be made in a high-stakes environment (possibly the highest), where information is limited, stress is acute, and scrutiny is intense. Teams rarely make decisions in those conditions.

The specificity of crisis calls for a wholly different decision-making framework than the one practiced in everyday business. People don't often realize this. The decision making of everyday business, mostly learned through (low-stakes) trial and error, relies on a standardized, problem-solving model. The model is relatively straightforward. In it, the decision maker proceeds pretty linearly: problem-definition to intelligence gathering to further consideration to decision and finally to implementation¹.

Figure 1. Decision making in everyday business.




Not so with crisis. As highly ambiguous events, crises must be handled intuitively, *as well as rationally*. Here, veteran crisis teams often rely on pattern recognition to make effective decisions in crisis, i.e. matching the active crisis with past experiences and recalibrating their processes as the crisis evolves.

Clearly, not all (or even most) crisis teams will have a ready store of available patterns at their disposal. Luckily, improving your team's crisis decision-making capabilities doesn't have to entail direct experience of crisis. Having looked to best practices in the field and decision-making research (more broadly), this crisis decision-making guide can help as well. This definitive guide to effective crisis decision making will first lay out the most significant challenges to effective crisis decision making, before defining what effective crisis decision making actually looks like, and finally examining several battle-tested approaches to effective crisis decision making.


Ultimately, this guide hopes to help crisis teams understand the intricacies of effective crisis decision making so as to better prepare for crisis. So throughout, our mantra will be that crisis teams can and should learn from the experiences of others, as well as test those learnings in simulated crisis environments.


Challenges to effective crisis decision making

Let's face it. Decision making is hard, even in a non-crisis. If it were easy, important decisions in business would yield better outcomes. But they often don't. Just taking one example: 83 percent of mergers are unable to produce business benefitⁱⁱⁱ. In the M&A context, decision makers rarely lack for information, resources, or time. And they still manage to get it wrong more than four fifths of the time. What then can we expect in a full-blown crisis?


 **83% of mergers are unable to produce business benefit.**

Part of the problem is that we don't fully comprehend the challenges to effective decision making, challenges which only get exacerbated in emergency or crisis. As humans, we're prone to behaviors that negatively affect our decision-making abilities. Those behaviors beget fairly consistent biases that contribute to ineffective decisions, which, broadly speaking, exhibit one of the two following characteristics:

 **Marked by a flawed approach.** This group includes: important decisions made without systematic decision-making processes, intuitive decisions to non-intuitive problems, and cognitive decisions to non-cognitive problems.

 **Warped by bias.** A wider subset of decision-making "pathologies," which we'll explore further^{iv}.

And it doesn't stop there. In fact, we're just scratching the surface. Under the big tent of ineffective decision-making structures falls a targeted class of decision derailers, or specific, behavioral barriers to rational decision making^v. Here's a broad taxonomy, as outlined by researchers, Guy Higgins and Jennifer Freedman:

 **Altered perspectives** (*Framing, compelling stories, recent events*). This group of derailers consist of influencers that will give us an inaccurate reading of a certain situation. For instance, in crisis, decision makers will base decisions on compelling stories – even if the stories themselves are irrelevant to the active crisis. Similarly, decision makers can be biased by the most recent events, solely because those events provide the freshest memories.



Organizational speed bumps (*Excessive optimism, overconfidence, frequently*). This group deals with our propensity to prematurely cut off consideration of all possible options, either because we feel excessively optimistic or overconfident in the approach we've taken.



Appeal to authority (*Sunflower reflex, champion bias*). In crisis or emergency, teams often default to a superior's authority before making decisions. If that superior isn't present, teams tend to make decisions they think mirror the decision their superior would have taken (the sunflower reflex). Another derailing appeal to authority is deference to experience, which in and of itself isn't a bad thing – only when teams uncritically and unquestioningly privilege the decision of someone who's been there before (the champion bias).



Resistance (*Escalating commitment, anchoring, loss aversion*). In crisis teams get tethered to a set course of action, from which they refuse to deviate. That's even when the situation calls for flexibility and recalibration. Then, teams might double down, or escalate their commitment, throwing more resources at a certain course of action when it's clearly not working. A subset of escalating commitment is anchoring, i.e. prematurely committing to the first piece of information, decision, or solution presented.



Informational pathologies (*Confirmation and information bias, WYSIATI, failure to communicate*). Crisis puts sound communication and information-handling techniques to the test, exacerbating our all-too-human tendency to only accept information that conforms to our preexisting notions. Examples include: decision makers who limit their sources of data and information to "people in the room." Meanwhile, seeking out a wide array of sources to avoid having to make a final decision is another deflecting technique. And finally, just because valuable information is available doesn't always mean that it will be transmitted to the relevant stakeholders. That's because crisis actors don't always communicate good findings, especially when they don't feel empowered to do so, or when those findings contradict the prevailing consensus.

What effective crisis decision making looks like

As reflexive behavioral patterns, decision derailers are easy to fall prey to, especially in a crisis situation. The crisis leader who can accurately identify and correctly diagnose those derailers in their team is better able to mitigate the possible effects when crisis flares. Those leaders will have to actively monitor bias during crisis simulations and check bias in themselves.

What's more, effective crisis decision making isn't just about mitigating. Teams should be able to visualize what effective crisis decision making looks like. By the way, that's an altogether different concept than understanding the stages of the crisis management lifecycle. An effective crisis decision will have two basic characteristics:



It will be timely.

Decisions must be made in a time horizon, during which their execution will actually achieve the intended results. Simple enough, right? Well, crisis decision makers also have to actively resist the urge to commit to a course of action without a full understanding of the quality of their underlying sources. That would constitute a premature decision. Premature decisions aren't the same as timely decisions. Without a full (or fullish) picture, decision makers must defer action.

But there's a marked difference between deferring action to get a better picture of the quality of your intelligence and delaying action beyond a time window in which action should be taken. Effective decisions by definition aren't taken when they're too late to make a difference.



Information will have been shared efficiently to achieve it.

Teams must share and use information effectively across organizational boundaries, which means collecting, organizing, analyzing, and then deploying information as promptly and as usefully as possible. Bulk collection is of little value (it can actually be a derailer) unless that data can be shared in a usable way.


We can't emphasize enough how important efficient information flows are to effective crisis decisions. They allow crisis leaders to identify the broadest swath of practical options when crisis first flares, enabling decision makers to continuously choose the best options as crises evolve. Rather than just picking from a narrow band of bad options.


Keeping a team's options open also helps when that team has to revisit decisions taken, as a fluid crisis evolves. Just think about it, at any one moment, a crisis team gets it "wrong." That's just the nature of the game. But with efficient information flows anchoring crisis decision making, decision makers can course correct more easily.


Effective crisis decision making might seem daunting. But all teams wield innate strengths. One of the biggest: the fact that individual members bring differing perspectives and experiences to decision making. That diversity of thought is simply invaluable in crisis decision making. The best crisis decision makers readily embrace differing opinions, alternatives, and streams of information. They ask the hard questions. They don't settle for the compelling story.

Approaches to effective crisis decision making

The key to successful decision making is repeatability – working through flexible frameworks in a wide range of simulated situations. There’s perhaps no crisis decision-making framework more famous than the OODA loop, also known as the Boyd Cycle. Named after the late-fighter pilot, John Boyd, the OODA loop identifies effective decision-making processes in fast-paced environments. It’s based on the repeatable patterns the pilot himself observed during combat^{vi}. In the crisis decision making context, the OODA model works as follows:

 **Observe.**
 During this phase, crisis teams collect all relevant information available, intelligence data, reports, workflows, etc., in as thorough a fashion as possible given the restraints of time. At this point, the scope and severity of a crisis are gauged.

 **Orient.**
 From the relevant information given, crisis teams establish and maintain as complete an understanding of the situation as possible. This step puts situational awareness to the test, as crisis teams begin to comprehend the full anatomy of the crisis.

 **Decide.**
 At this phase, crisis teams create plans and specific activities. They also anticipate what’s going to happen next – given the information they have.


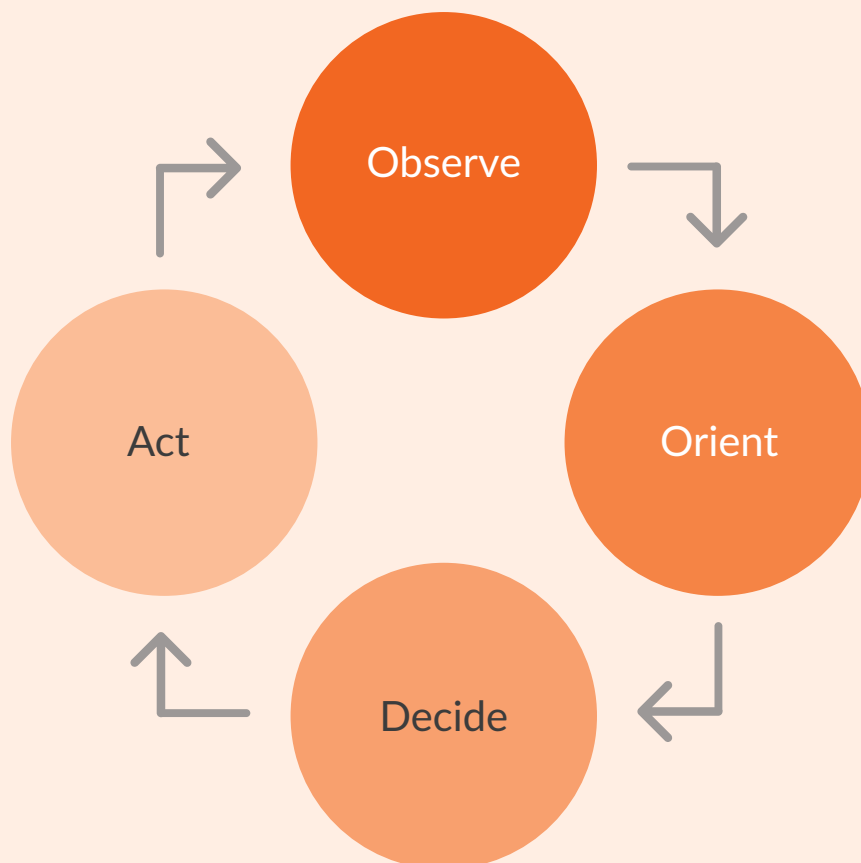
 **Act.**
 Now, crisis teams put their decisions into practice. However, the framework doesn’t end there. Instead, it loops back to the observe stage, only now crisis teams must observe the results of actions taken.

Figure 2. OODA Loop, or Boyd Cycle.



Since its inception, the OODA loop has been a cornerstone of military planning. Its simplicity and malleability predictably have also made it a popular framework in emergency and crisis management. But the OODA model isn't without its limitations, as some have pointed out. For one, it privileges rapid response (speed) in less ambiguous situations^{vii}. It also works best for individuals or small teams. The speed to action it demands is simply more difficult to achieve with large teams or complex tasks.

That's why researchers have introduced supplementary structures, like the Cynefin Sense-making Framework, which allows teams to better assess difference and increasing levels of uncertainty. This framework consists of four main domains of escalating complexity: simple, complicated, complex, and chaos^{viii}. As its goal, the framework seeks to help crisis teams "triage" the chaotic situation as quickly as possible, by turning it into a progressively simpler situation, where best practices can be easily brought to bear. Let's focus, therefore, on the most relevant quadrant, chaos:

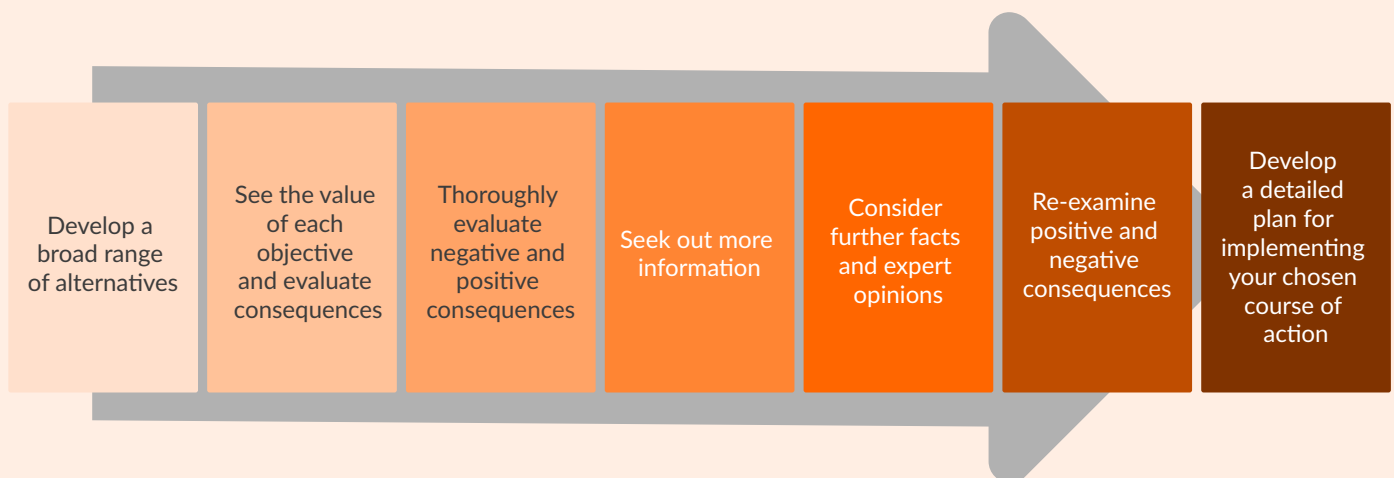


In chaos, the crisis situation will be beyond a team's (direct) previous experience. So unknown or unrecognizable factors will affect how the turbulent situation unfolds. At this point, rather than entering the OODA loop at the traditional entry point, Observe, crisis teams will "Act" first. From there, they'll proceed through to observe, orient, decide, and back again.

That's because the initial move in a chaotic situation is to stabilize the situation, even before improving our (limited) understanding of it. Remember: this quadrant is fundamentally unordered. Crisis teams will have to go through various, quick cycles of the OODA loop to try to deescalate the situation.

The OODA loop and Cynefin framework are two great crisis decision-making structures. But you might want to develop your own, based on an assessment of your own unique risk profile. When building that framework, make sure it captures the following criteria for effective crisis decision making:

Figure 3. Potential framework for crisis decision making.



As an important aside: by their very nature, frameworks can underplay some significant concepts. Please note then that effective crisis decision making, at its core, revolves around data. Acquiring data, turning it into actionable insights, and, of course, acting on those insights – as quickly as practicable.

So finally, when it comes to crisis decision making, make sure you have flexible, repeatable processes in place – processes that account for as full a panoply of crisis contingencies as there are. Hone those processes through a wide range of crisis simulations, because even the best-conceived plans can turn into a pig's breakfast in the field.

Also, never forget the outcome you're working towards. Having a strong crisis-management culture helps in this respect. So before making any decision, ask yourself what does success look like for my organization in this scenario? Communicate that answer with your team; then everyone will be on the same page^{ix}.

Citations

- i Institute for Crisis Management: ICM Annual Crisis Report 2016. Available at https://crisisconsultant.com/wp-content/uploads/2017/04/ICM-Annual-Crisis-Report-for-2016_Issued-April-3_2017.ov_.pdf.
- ii For further reading on problem solving in everyday business, consider: Herbert A. Simon, *The American Economic Review: Rational Decision Making in Business Organizations*.
- iii John Kelly and Colin Cook, KPMG: *Mergers and Acquisitions: Global Research Report 1999*. Available at <http://people.stern.nyu.edu/adamodar/pdfiles/eqnotes/KPMGM&A.pdf>.
- iv Guy Higgins and Jennifer Freedman, *Journal of Business Continuity & Emergency Planning: Improving decision making in crisis*.
- v Ibid.
- vi Mark Bonchek and Chris Fussell, *Harvard Business Review: Decision Making, Top Gun Style*. Available at <https://hbr.org/2013/09/decision-making-top-gun-style>.
- vii Ibid.
- viii For reference: consider the difference between a routine assembly line (simple) and a September 11-type emergency response (chaos). David J. Snowden and Mary E. Boone, *Harvard Business Review: A Leader's Framework for Decision Making*. Available at https://s3.amazonaws.com/academia.edu.documents/3459515/A_Leader_s_Framework_for_Decision_Making_-_HBR.pdf?AWSAccessKeyId=AKIAIWOWYYGZ2Y53UL3A&Expires=1522264010&Signature=NF9LDa%2FPmVZhs99yl902uESWeBY%3D&response-content-disposition=inline%3B%20filename%3DA_leaders_framework_for_decision_making.pdf.
- ix Caleb Barlow and Christopher Crummey, *IBM Institute for Business Value: Beyond the boom: Improving decision making in a security crisis*. Available at <https://public.dhe.ibm.com/common/ssi/ecm/26/en/26012626usen/beyond-the-boom.pdf>.



Like what you read?
Follow Noggin on social media



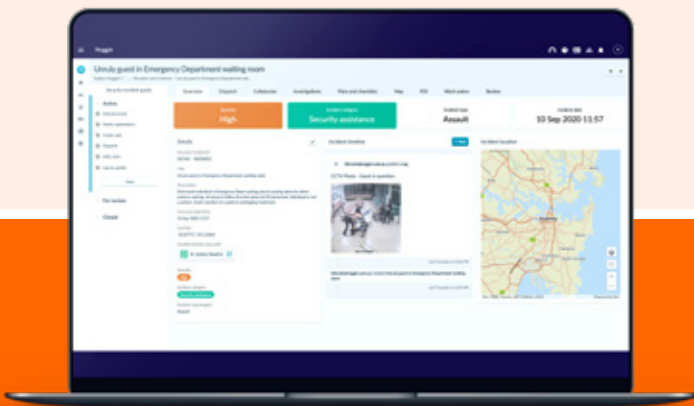
@teamnoggin



facebook.com/teamnoggin



linkedin.com/company/noggin-it



noggin for Crisis

Meet the next-generation tool for corporate crisis and business continuity management teams to collaborate, plan, track their response, and share information. Built on the Noggin Core platform, Noggin Crisis gives response teams and decision makers the tools to know what's happening, collaborate quickly and effectively, make better decisions, and enact the right plans to take action when it counts the most.

The Noggin Crisis solution pack is backed by the Noggin Library with hundreds of plans and best-practice workflows, out of the box, and installed in minutes.

To learn more,
visit: www.noggin.io
or contact: sales@noggin.io