



**Australian Government**

# **DECISION MAKING DURING A CRISIS: A PRACTICAL GUIDE**

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# FOREWORD

**Effective decision making is a positive element of organisational resilience. In a crisis, decisions have the potential to impact the organisation involved and the broader community.**

An organisational crisis is a significant and unexpected disruptive event that threatens to harm the organisation or its stakeholders and can threaten an organisation's goals, performance and even the viability of the organisation.

Modern society is reliant on the effective functioning of critical infrastructure to provide public services, maintain a quality of life and encourage economic growth. Critical infrastructure owners and operators need to build the capability of their executives to perform well in a crisis to ensure their organisation maintains a continuity of supply under all plausible circumstances.

*Decision making during a crisis: a practical guide (2018)* complements the *Good Business Guide (2016)* and assists stakeholders to better understand and apply the principles of decision making during a crisis.

Resilience Expert Advisory Group (REAG)



# INTRODUCTION

*Decision making during a crisis: a practical guide (2018)* provides a self-audit tool which allows an organisation to reflect on their decision making capability under crisis conditions.

Underpinning this self-audit tool are six characteristics of decision making which organisations should implement in a crisis (see Figure 1 for an overview of the six characteristics). Enhancing decision making capabilities in a crisis will contribute to strengthening organisational resilience.

## BACKGROUND

The Australian Government's *Critical Infrastructure Resilience Strategy* seeks to ensure continued operation of critical infrastructure in the face of all hazards. The Resilience Expert Advisory Group (REAG) supports the Strategy through its resilience work with industry. This work includes developing practical user-friendly tools and guidance material to assist businesses to enhance resilience within their organisation and across sectors.

*Decision making during a crisis: a practical guide (2018)* builds on the organisational resilience decision making indicators in the *Good Business Guide (2016)*.

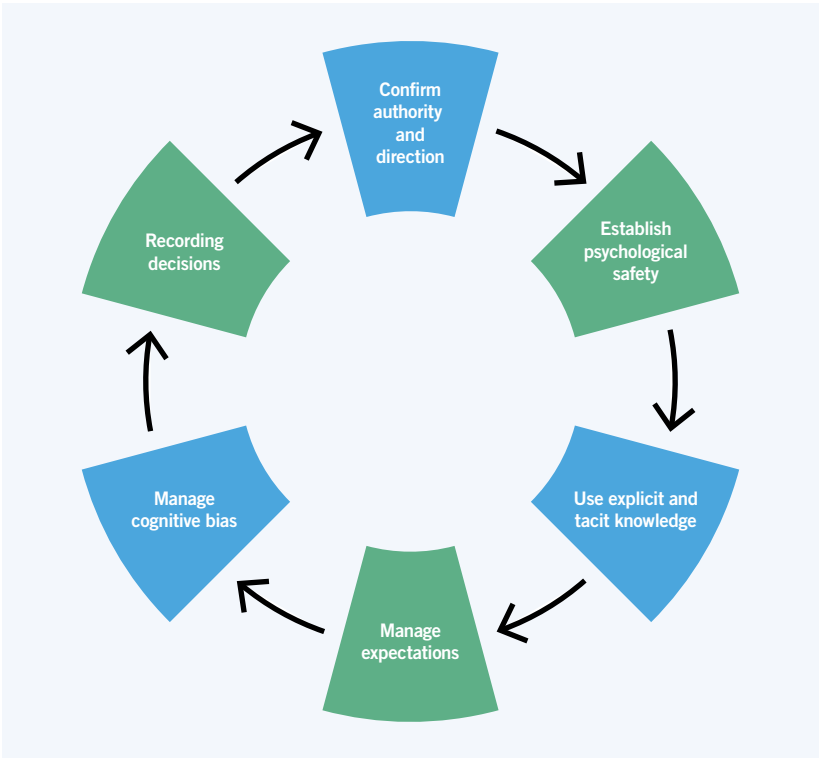
## HOW THIS GUIDE IS STRUCTURED

This guide identifies six characteristics of decision making for organisations to apply during a crisis (see Figure 1). Applying these six characteristics in an organisation can enhance the rigour of the decision making process in crisis conditions. These six characteristics should be repeated iteratively as required.

This guide will provide an explanation of each characteristic, how it can be applied to an organisation and practical examples to assist with implementation by crisis management teams. The examples provided in quotation marks are from a series of crisis management exercises conducted with various Australian organisations, including critical infrastructure owners and operators, as part of a research project with the Bushfire and Natural Hazards Cooperative Research Centre.

A simple self-audit tool is included to enable organisations to quickly evaluate their decision making capabilities under crisis conditions.

**Figure 1.** Characteristics of the decision making process in crisis conditions



# CONFIRM AUTHORITY AND DIRECTION

In a crisis, changing circumstances may prompt a change in management style from consultative to a 'command and control' approach.

Due to the uncertainty, complexity and dynamic nature of a crisis that usually occurs in the initial phase, there will be a requirement for someone to lead decision making.

This individual typically assumes the role of crisis leader and will exercise conferred authority on behalf of an organisation and provide direction to the crisis management team.

In providing direction, crisis leaders need to find a balance between the rigidity often found in command and control structures and the use of decentralised consultative decision making processes which is important in effective crisis management.

Consultative management is where managers consult other team members before arriving at a decision. Command and control is often hierarchical with clearly defined decision making structures and responsibilities.

Command and control management style is often favoured in a crisis and requires decisions to be made quickly. Inevitably, this relies on strong leadership and a clear understanding of actual and potential issues that impact the organisation.

The crisis management team will need a process to refer decisions beyond their authority to the Chief Executive Officer and/or Board.

## SUGGESTIONS TO CONSIDER

- Establish and train multiple crisis leaders in case the primary crisis leader is unavailable to assume the role.
- If the Chief Executive Officer is not a member of the crisis management team, consider the thresholds for decisions that are beyond the authority of the crisis management team.
- Ensure all members in the crisis management team are aware of any thresholds for decision making beyond their authority and that thresholds are documented.
- During the prevention and preparedness phase, consider if the crisis management structure is appropriate for the particular type of crisis or if it requires modification.

### Decision making threshold

“This is no longer a question of command and control, when you talk about [losing] a \$100 million asset, all bets are off and the decision defaults to the CEO.”

# ESTABLISH PSYCHOLOGICAL SAFETY

Members of the crisis management team need to have a 'safe environment' where they can voice any concerns. This psychologically safe environment can support team members to influence change and allows the crisis management team to take appropriate interpersonal risk.

Members of the crisis management team should feel they can speak up even when this may potentially contradict specific expertise within the team.

Creating a psychologically safe environment does not mean there has to be consensus among the crisis management team to arrive on quality decisions.

Absolute consensus in a team can lead to groupthink. This irrational and dysfunctional outcome occurs when decisions are made due to the unified nature of decision makers.

It happens when decision makers strive for unanimous agreement, and this overrides their motivation to consider alternative views or raise controversial issues.



## SUGGESTIONS TO CONSIDER

- It is everybody's responsibility to make it clear there will be areas in the decision making process during the crisis that still require explanation.
- Input from each member of the crisis management team matters and will be considered.
- Offer simple statements to encourage all members of the crisis management team to speak up and voice any concerns, raise alternatives and make suggestions.
- Actively model curiosity by asking and encouraging many questions as this creates a necessity for the crisis management team to discuss any concerns and generate options.
- Train staff in the knowledge and skills needed to build, maintain and retrieve psychological safety.

### Encouragement

“We need to minimise the reputational impact of the crisis on the organisation, so to do this I want all of your cards on the table, in this situation there is no such thing as a stupid question or a stupid solution.”

# USING EXPLICIT AND TACIT KNOWLEDGE

Crisis management teams can use explicit and tacit knowledge. Explicit knowledge is knowledge that can be easily identified, accessed and shared. Tacit or implicit knowledge involves learning and skill, but not in a way that can be written down. It is embedded in the human mind through experience, including insights and intuition.

Crisis management teams use explicit and tacit knowledge to create mental models.

Mental models use memory and intuition to support decision making. Mental models help to build an understanding of the current situation and enable the crisis management team to better anticipate how a crisis will progress.

The crisis management team can use their expertise to identify indicators and recognise patterns that allow them to choose a course of action that they consider will achieve the best outcome.

Accomplished crisis management teams develop and consider multiple options. This involves understanding, and interpreting what the situation means to the organisation and includes the ongoing development of plausible options to address the immediate situation and implications for the future.

## SUGGESTIONS TO CONSIDER

- Where possible, the crisis management team should look to verify the authenticity of all critical intelligence used to inform their decisions.
- To manage the potential emergence of bias, experts need to make the tacit more explicit by identifying the similarities and differences between the current situation and stored experiences.
- To ensure the crisis management team remain updated, use a schedule of meetings to verify new intelligence.
- Integrate this intelligence into an assessment of the changing probability of the success of current and potential options based on what the organisation currently knows, what this could mean and what the strategies are to address this.

### Consequence management

“We need to think about what may happen and how any consequences may play out in the short, medium and long term, and then look at the possible effectiveness of our existing decision options.”

# MANAGING EXPECTATIONS

Expectation management is important, as positive and negative expectations influence attitudes. When expectations are unmet or misunderstood, this may lead to disappointment, frustration and occasionally anger and hostility.

In crisis management, stakeholders tend to demand action very quickly and by doing so create an 'obligation to act' by the organisation.

Internal expectations include upholding the organisation's values, complying with internal governance structures, and recognising the board and shareholders position.

External expectations can involve assumptions made by the public, the media and other organisations currently involved in or impacted by a crisis. It can also include partners who are pivotal to existing and future joint ventures outside this crisis.

Techniques are available for managing expectations, including good interpersonal skills and various methods of communication. It is important to have a well prepared communications strategy and dedicated team responsible for managing communication to customers, staff and stakeholders.



## SUGGESTIONS TO CONSIDER

- Consider the potential interaction between underlying values of the organisation and the tensions associated with the crisis.
- Do not underestimate the use of ‘regular’ dialogue to help determine stakeholder expectations. Through such communication the organisation can learn what expectations stakeholders have about the organisation and can inform stakeholders how they are ‘meeting’ those expectations, or if not, why.
- Consider if the crisis management team has social capital. This is the trust, knowledge, reciprocity and shared norms required for social connectedness and plays a critical role in making individuals and organisations more resilient.

### Boundary spanning

“We need to have one designated person from the crisis management team who is providing strategic representation for the business and managing the expectations of our external stakeholders. They need to be the conduit so we are not sending out mixed messages to our stakeholders, we need to ensure that we are trusted during this entire event.”

# MANAGING BIAS

Cognitive bias refers to a systematic error caused by simplified information processing strategies employed by our subconscious mind.

These biases are an ever-present ingredient of all decision making which may be amplified under dynamic, complex and uncertain conditions.

Three common types of cognitive bias that feature in decision making in a crisis are:

**Anchoring bias** - the common human tendency to rely too heavily, or 'anchor', on one trait or piece of information then adjust to that value to account for other elements of the circumstance when making decisions. Often the anchoring occurs early in the decision making process with the first viable intelligence you receive.

**Confirmation bias** - the tendency to process information by looking for, or interpreting, information that is consistent with one's existing beliefs. This biased approach to decision making is largely unintentional and often results in ignoring inconsistent information.

**Overconfidence bias** - when someone believes subjectively his or her judgement is better or more reliable than it objectively is. This bias is the tendency people have to be more confident in their own abilities.

## SUGGESTIONS TO CONSIDER

- Often the most important step in managing bias is simply to build into the decision making process a mechanism to reflect on the bias. For example, crisis management teams can consider if they have based their final judgment on information gained early on in the decision making process.
- Reflect if the team has objectively considered all other possibilities.
- Consider ways to challenge what the team think they see and seek out information from a range of sources.
- Actively listen to dissenting views and consider looking for people and information that challenge opinions.
- Consider nominating someone on the crisis management team to play 'devil's advocate' when formulating decisions.
- Consider if the crisis management team has placed too much faith in their own knowledge and opinions.

### Brainstorming

“It wasn’t clear if there was an opportunity to challenge bias as we never really stepped back collectively to brainstorm and throw our prejudices out of the room.”

# RECORDING DECISIONS

Decisions made by crisis management teams potentially affect the whole organisation, stakeholders and the impacted community. Crisis driven decisions must be accurately documented.

It is common for an organisation's executives to have to publicly defend their decisions made during a crisis so it is important to record and provide justification for decisions throughout the crisis.

The use of designated information technology platforms can also assist in making the recording and retrieval of decisions more visible.

Visualisation of the crisis management team's decision making process can act as a frame of reference for others managing the crisis and is a check point for cognitive biases.

Visualising decisions and decision options can also augment the team's memory to provide a larger working set for thinking and analysis. It also allows the crisis management team to share their progress to newcomers.



## SUGGESTIONS TO CONSIDER

- Ensure internal documentation and databases are maintained to continuously demonstrate how each decision was made.
- Where appropriate, share the decision making process to internal and external stakeholders.
- Remember that recording decisions is crucial in recollecting the decision making process and assists in defending decisions made during the crisis in a public enquiry if need.
- Consider how the organisation will actually display decisions made and decision making options for future eventualities.
- When recording decisions consider the identification of information or events that might change that decision in the future, and the recording of alternative options. Make the information that the decision is based on explicit in the recording tool.

### Scenario planning

“I want all the different options displayed on a whiteboard so everyone can see all the various scenarios. Someone also needs to take a photo of the board now and every time we change something on it as I don’t want us to lose any of this information”.

# SELF-AUDIT TOOL

The aim of this self-audit tool is to provide a quick evaluation of an organisation's decision making capabilities under crisis conditions.

Using the self-audit tool will allow organisations to identify strengths in their decision making process. An audit by executive members outside of the crisis management team can add fresh ideas and feedback not seen by those close to the team.

The self-audit tool can also be used to identify areas for improvement. Users of the guide are encouraged to explore concepts introduced in this guide and specifically adopt the recommendations in the 'suggestions to consider' sections.

No.	Question	Yes	No
1a	Is it clear in the crisis management plan(s) who has the delegated authority to make decisions?		
1b	Is their span of decision making capability defined?		
2a	Do crisis leaders have the skills to build, maintain and retrieve psychological safety with their teams?		
2b	Do they have adequate support mechanisms to ensure it is maintained?		
3	Is the crisis management team regularly creating mental models to develop options of how the crisis will progress?		
4	Is the crisis management team actively spanning intra and inter-organisational boundaries to establish and meet stakeholder expectations?		
5a	Is the crisis management team actively adopting mechanisms to manage bias?		
5b	Has anyone adopted the role of 'devil's advocate' to monitor for signs of bias?		
6a	Is the crisis management team regularly recording their decision options?		
6b	Are they regularly documenting what factors could modify future decisions?		

## ABOUT US

**The Resilience Expert Advisory Group (REAG) comprises representatives from Australian, state and territory governments, critical infrastructure owners and operators, academia and research organisations. The REAG's mission is to promote the concept of sector and organisational resilience within the business community generally, and critical infrastructure owners and operators in particular.**

The REAG forms part of the Australian Government's Trusted Information Sharing Network (TISN). The TISN is the Australian Government's primary engagement mechanism for business government information sharing and resilience building initiatives on critical infrastructure. The TISN connects representatives from industry and government to ensure the ongoing operation of critical infrastructure in the face of all hazards.

By sharing information on current and medium-to-long-term threats and vulnerabilities, industry and government can collaborate on appropriate measures to mitigate risk and enhance the resilience of Australia's critical infrastructure.



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