"Unrealistic Scenarios – C'mon Man!"

Introduction

The next time you hear that one of your scenarios is unrealistic and that the events could not have occurred in the sequence that are being depicted you might direct your audience to Japan. Imagine a scenario that contained an earthquake, followed by a tsunami, a nuclear accident, bird flu, snow and bad weather, panic buying of food, fuel and other necessities. Unreal? That is exactly what is happening in Japan right now; and why your key executives need to be a bigger part of the business continuity planning process.

Japan Timeline – to date

According to an update by Jenna Fisher, a Staff Writer for the (March 15, 2011) Christian Science Monitor, the sequence of events in Japan goes something like this:

Day 1 – Friday, March 11

- **At 2:47 p.m. local time, Japan is struck by the largest recorded earthquake in its history** off the coast of the northeastern city of Sendai. Meteorologists log it at 8.9 on the Richter scale.
- 11 nuclear reactors shut down automatically.
- A powerful tsunami triggered by the earthquake sweeps away cars and homes and knocks out regular and backup cooling systems at the six-reactor Fukushima Daiichi nuclear power plant. Several reactors are affected.
- The government orders everyone within a three kilometer radius of the plant to leave the area.
- Japanese authorities report that a fire at the Onagawa nuclear power plant is extinguished.

Day 2 – Saturday, March 12

- A blast caused by a pressure buildup blows the roof off the containment structure of the Fukushima Daiichi plant's Unit 1 reactor, but reports say the nuclear fuel rods are not affected. Four workers are reported injured.
- Residents within a 6-mile radius of the plant are evacuated. Kyodo news agency estimates that 20,000 people are being evacuated.
- Workers begin injecting seawater and boric acid into the reactors in what experts say is a last-ditch attempt to prevent a meltdown after the backup cooling systems for reactors 1 and 3 fail completely.

Day 3 – Sunday, March 13

- Fukushima reactor No. 3 is vented again.
- There is believed to have been a partial meltdown in the reactor.
- A company spokesman states that the radiation released thus far does not pose a health risk to humans.
- The cooling system in reactor 2 fails and more radioactive steam is released.
- The government evacuates more than 200,000 residents from homes within a 20-kilometer (12.4-mile) radius of the plant and tests 160 people for radiation exposure, authorities said Sunday.
- IAEA rates the accident as a level four out of seven on the scale of international nuclear disasters. Three-Mile-Island was rated a five, Chernobyl a seven.
- Meanwhile, in southwestern Japan, Shinmoedake volcano erupts for the second time in 2011, sending ash and rock more than two miles into the air. Analysts say it was the biggest volcanic activity there in 52 years.
- An explosion caused by pressure buildup blows away the roof and walls of the building housing the Fukushima Daiichi plant's No. 3 reactor and injured 11 people. The plant's No. 2 reactor loses its cooling capabilities after the explosion. Workers begin injecting seawater and boric acid into that reactor.
- A fire is extinguished, but Chief Cabinet Secretary Yukio Edano says that more radiation was released as a result and that "now we are talking about levels that can damage human health."
- The US Geological Survey upgrades the earthquake from an 8.9 to a 9.0.

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Day 5 – Tuesday, March 15

- An explosion hits Fukushima Daiichi's No. 2 reactor in the morning. Readings indicate some damage to the No. 2 reactor's suppression pool, a donut-shaped reservoir at the base of the reactor's containment vessel.
- A fire is ignited in the No. 4 reactor building Tuesday, but is later put out, according to officials.
- The plant is emitting as much radiation in one hour as it normally would in six months, but government spokesman Yukio Edano says: "The possibility that a large amount of radiation has been released is low."
- The head of France's Nuclear Safety Authority, upgrades the international alert from a level 4 disaster to a level 6 incident.
- Foreign companies begin to order evacuations of their employees.

Day 6 - Wednesday, March 16

- A fire brakes out at the building housing the No. 4 reactor. It's believed to be the same spot where a fire broke out Tuesday.
- The roof of reactor No. 4 is believed to be cracked.
- Japan suspends operations at Fukushima after a surge in radiation makes it "too dangerous for workers to remain at the facility."
- After a brief suspension, workers are allowed back on site.
- Japan's emperor makes a rare national appearance, officials say it is his first ever TV appearance

Some key numbers as of Wednesday, March 16:

- Death toll: 3,676
- Injured: 2,043
- Confirmed missing: 7,845
- Unaccounted for: at least 15,000
- Evacuated: about 500,000
- Temporary Shelter: Over 434,000
- Houses damaged: 68,231
- Houses destroyed: 4,648
- Countries offering aid: 102

Assessing and Exercising Your Business' Resilience

Imagine that your plan has been implemented as it was designed in response to a scenario like the one unfolding in Japan. You and your organization would seek to carry out the plan following every detail that was contained in the planning documents. Would your plan succeed or would your plan fail?

Your challenge and that of your planning team is to assess the impact of a multi-scenario event; a worst, worst case so to speak. You must determine how much contrary evidence (information) will negate the theory that the plan you developed will succeed if you implement the steps required to respond to a disruption of your business operations.

A key goal that you should consider incorporating in your exercise methodology is to break all emotional attachments to the plan's success. When we create a plan we become emotionally attached to its success. By showing the likely sources of breakdown that will impede and/or negate the plan (failure), we utilize a methodology that allows us to conduct a validation of the plan by determining the potential failure points that are not readily apparent in typical exercise processes.

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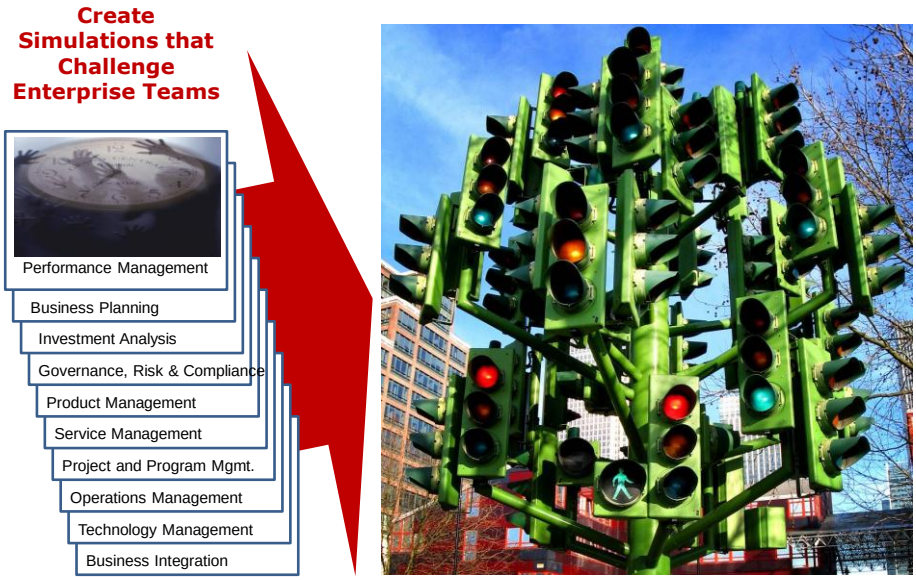
Developing "Decision Scenarios" allow us to describe forces that are operating to enable the use of judgment. Based on the Failure Point Methodology, we can identify, define and assess the dependencies and assumptions that were made in developing the plan. This methodology facilitates a non-biased and critical analysis of the plan that allows planners and the Business Continuity Team (personnel assigned to carry out the plan) to better understand the limitations that they may face when implementing the plan in a response to an actual event.

The figure below identifies many areas that are not commonly exercised in typical business continuity simulations.



Ask yourself, "How often do we identify the issues that arise as we move to solve the problem presented in the simulation?" Most will honestly answer that this is not how simulations are run. In fact that is a key point as to why plans fail. We fail to identify the issues that will create the crises and instead focus solely on the solution to the immediate problem. Think of how much preparation the Japanese have put into earthquake preparedness. Now, think of all the lessons learned by virtue of having to address multiple scenarios that, at the time of this writing, are still unfolding.

Planning – Degrees of Flexibility based on Uncertainty

Developing plans and simulations should be predicated on coherence, completeness, plausibility and consistency. Too complicated, you say? Complex systems are not incomprehensible. If complexity where unmanageable and chaos reigned, we would have no Internet, functioning infrastructure systems, global trade or financial markets.

In his recent book, "The Age of the Unthinkable," Joshua Ramo cites studies done by Per Bak on "organized instability." Bak's idea had to do with things that appear simple on the surface but, in fact, contain many layers of complexity. You might think of modern business as a good example of layered complexity. Bak used sandpiles to study, what eventually he called, "organized instability." Bak explained, "Complex behavior in nature reflects the tendency of large systems to evolve into a poised 'critical' state, way out of balance, where minor disturbances may lead to events, called avalanches, of all sizes."

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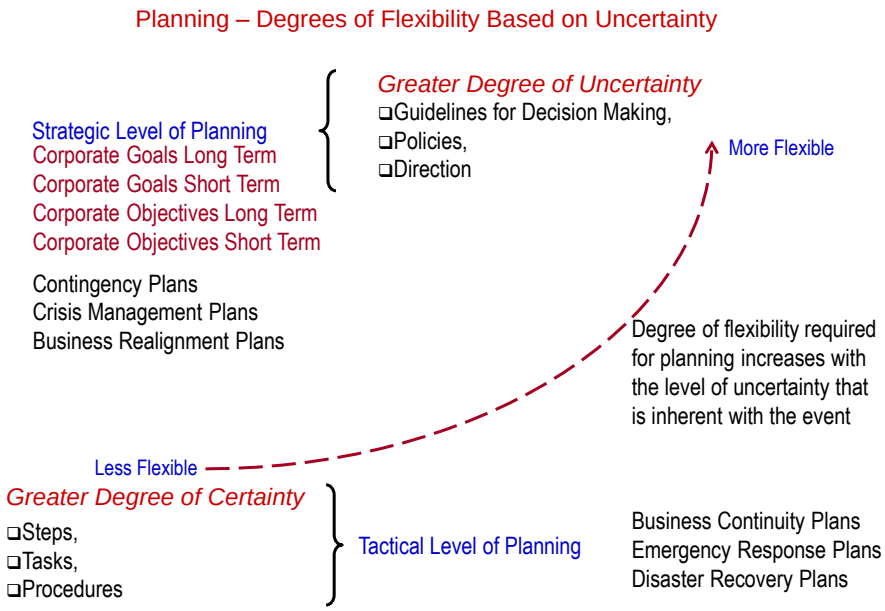
We need to recognize that our current planning and exercise paradigm is like a sandpile, complex and poised for an avalanche. It is therefore necessary to rethink catastrophic event planning in great detail. Trigger points that could create reasons for plans to fail must be identified. This goes beyond the typical business impact analysis (BIA), SWOT (strengths, weaknesses, opportunities and threats) analysis; we must allow for maximizing the creativity of the Business Continuity Team in identifying vulnerabilities and potential plan failure points.

The figure below depicts a new paradigm for the business continuity management cycle.



Enter the Age of Nonlinear Planning

Nonlinear thinking is needed in order to develop truly resilient plans and capabilities. The business landscape is changing due to emergence and spread of digital technology. We have greater access to knowledge, capital and talent due to the emergence and spread of digital technology. This has led to performance improvements and ever greater planning challenges. Linear thinking can be defined as:

> *"a process of thought following known cycles or step-by-step progression where a response to a step must be elicited before another step is taken."*

Nonlinear thinking can be thought of as:

> *"Thinking characterized by expansion in multiple directions, rather than in one direction; based on the premise that there are many points from which one can apply logic to problems."*

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Non-linear thinking is less constrictive – letting your creative side run rampant. Think in terms of "Fractals" with their inherent lack of structure. A Non-linear planning process increases possible outcomes by not being locked into established outcomes (i.e., problem – solution). While some performance degradation may take place during the transition process, most organizations can quickly configure to take positive steps to improve performance.

Summary Points

I will offer the following summary points:

- Clearly defined rules for the world do not exist, therefore computing future risks can only be accomplished if one knows future uncertainty;
- Business Continuity Planners need to expand their horizons to effectively identify and monitor potential threats, hazards, risks, vulnerabilities, contingencies and their consequences;
- The biggest single threat to business is staying with a previously successful business model too long and not being able to adapt to the fluidity of the situation;
- Current planning techniques are asking the wrong questions precisely; and we are getting the wrong answers precisely; the result is the creation of false positives;
- Complex systems are not incomprehensible;
- This requires that you create an intelligence mosaic that can be viewed and evaluated by various disciplines within the organization in order to create a product that is meaningful to the entire organization, not just specific disciplines with limited or narrow value;
- The resulting convergence assessment allows the organization to categorize with greater clarity allowing decision makers to consider multiple factors with potential for convergence in the overall decision making process;
- Mitigation (addressing) does not necessarily mean that the problem/issue is gone; it means that it is assessed, quantified, valued, transformed (what does it mean to the organization) and constantly monitored.

Unpredictability is fast becoming our new normal. Addressing unpredictability requires that we change how planning programs operate. Rigid plans that lock us into courses of action that cannot be changed without gutting the plans need to be put in the historical dust bin. Assumptions on the other hand, depend on situational analysis and the ongoing tweaking via assessment of new information. An assumption can be changed and adjusted as new information becomes available. Assumptions are flexible and less damaging to the reputation of the organization.

Recognize too, that unpredictability can be positive or negative. For example; our increasing rate of knowledge creates increased unpredictability due to the speed at which knowledge can create change.

Conclusion

The degree of risk is based on the perception of the person regarding their vulnerability to the consequences of the risk that is being posited materializing. Risk is, therefore, never absolute. Risk is set by the receiver of the consequences.

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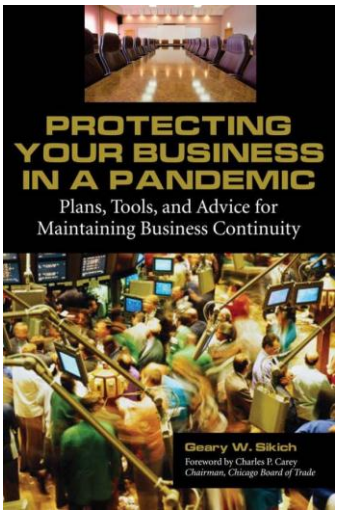
Geary Sikich is a Principal with Logical Management Systems, Corp., a consulting and executive education firm with a focus on enterprise risk management and issues analysis; the firm's web site is www.logicalmanagement.com. Geary is also engaged in the development and financing of private placement offerings in the alternative energy sector (biofuels, etc.), multi-media entertainment and advertising technology and food products. Geary developed *LMSCARVER*tm the "Active Analysis" framework, which directly links key value drivers to operating processes and activities. *LMSCARVER*tm provides a framework that enables a progressive approach to business planning, scenario planning, performance assessment and goal setting.

Prior to founding Logical Management Systems, Corp. in 1985 Geary held a number of senior operational management positions in a variety of industry sectors. Geary served as an intelligence officer in the U.S. Army; responsible for the initial concept design and testing of the U.S. Army's National Training Center and other intelligence related activities. Geary holds a M.Ed. in Counseling and Guidance from the University of Texas at El Paso and a B.S. in Criminology from Indiana State University.



Geary is also an Adjunct Professor at Norwich University, where he teaches Enterprise Risk Management (ERM) and contingency planning electives in the MSBC program, including "Value Chain" Continuity, Pandemic Planning and Strategic Risk Management. He is presently active in Executive Education, where he has developed and delivered courses in enterprise risk management, contingency planning, performance management and analytics. Geary is a frequent speaker on business continuity issues business performance management. He is the author of over 220 published articles and four books, his latest being "*Protecting Your Business in Pandemic,"* published in June 2008 (available on Amazon.com).

Geary is a frequent speaker on high profile continuity issues, having developed and validated over 2,000+ plans and conducted over 260 seminars and workshops worldwide for over 100 clients in energy, chemical, transportation, government, healthcare, technology, manufacturing, heavy industry, utilities, legal & insurance, banking & finance, security services, institutions and management advisory specialty firms. Geary consults on a regular basis with companies worldwide on business-continuity and crisis management issues.

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