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Protocols for Responding to Black Swan Events

StrategyDriven
Risk Management
Whitepaper



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Protocols for Responding to Black Swan Events

Black Swans events are rare (low probability), catastrophic (high impact) incidents that are seemingly unpredictable, go unrecognized, or are deemed so unlikely as to not reasonably warrant expensive preventive measures. Their characteristics include:

- Occur unpredictably or unexpectedly
- Are significant in scale and broad in scope
- Develop rapidly with effects continuing for days, weeks, and even months
- Present hazards beyond immediate financial risks; jeopardizing people's lives and long-term health and damaging the environment
- Involve significant asset damage or loss
- Typically require significant corporate and/or government resources to effectively resolve

Black Swans are initiated by unintended human error, negligence, malicious actions, or acts of nature.

Why Prepare for a Black Swan Event?

While many think of Black Swan events as rare, in reality, they actually occur with some regularity.

Traditional emergency response plans prescribe methods for responding to predictable events but are unlikely to adequately cover all Black Swan event conditions and situation-management needs. Preplanning provides a framework and guidelines that are readily adaptable to changing circumstances and helps ensure an organization is ready to effectively respond should a Black Swan event occur.

An effective response to a Black Swan is one that minimizes impact by limiting the scope and duration of the event.

Protocols for Effective Black Swan Event Response

An effective set of Black Swan event response protocols provides an action framework that can be easily adapted to each unique situation. Such an action set should include:

1. **Recognize the event.** Clearly define what constitutes an event and how to report it. Enabling personnel to recognize and report the onset of a catastrophic event is critically important to the timely initiation of the event response protocols

2. **Deploy the organization.** Rapid staffing of the on and off-site event response organization, led by a single decision-maker who is supported by a multidiscipline team and appropriate facilities, is important because event containment and resolution is more easily achieved early on and prevents undesired impact growth
 3. **Assess the situation.** Identify well-defined focal points and desired outcomes for selecting and performing appropriate and efficient response actions. Narrow the response team's focus to the most important issues with the intention of resolving less critical problems after the event is contained
 4. **Identify response alternatives.** Define a large body of prioritized alternatives based on their estimated ability to yield a maximum number of desired outcomes. This enables the decision-maker to select the most optimal mitigation strategy given his or her understanding of existing circumstances and provides a set of next-in-line backup plans should the primary efforts to contain the event fail
 5. **Select a response alternative.** The decision-maker carefully chooses the emergency response actions to be implemented based on his or her understanding of existing conditions; an assessment of the risks to people, property, and the environment; the potential consequences - both positive and negative - of the actions to be taken; and the availability of limited resources
 6. **Execute the plan.** The response team develops, communicates, and implements the selected response plan; rapidly deploying equipment and personnel resources, robustly maintaining communications channels, continuously monitoring for changing conditions, periodically performing situation reassessments, and conducting decision reevaluations and adjustments as needed until the event is contained
 7. **Identify and implement improvements.** Critical, ongoing performance assessment at all levels of the organization and the incorporation of lessons learned into decisions, procedures, and training programs is important to sustaining a successful event monitoring and response program
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Preparing for the Black Swan Training

Register for StrategyDriven's FREE Preparing for the Black Swan online training series during which you'll learn the effective methods of dealing with unexpected, catastrophic events – *Black Swans*.

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Nathan Ives is a highly successful executive with over twenty years of Energy Industry and consulting experience. As an experienced management consultant, he serves as a trusted advisor to executives and senior managers at dozens of Fortune 500, government, and large regional utilities; helping them define organizational needs and develop and manage the complex, mission critical projects needed to improve operational effectiveness and lower costs. Nathan's insights have been quoted by news journalists, published in several well respected periodicals, presented at national conferences, and broadcast internationally via webcast.

About StrategyDriven

StrategyDriven provides executives and managers with the planning and execution advice, tools, and practices needed to create greater organizational alignment and accountability for the achievement of superior results. We believe a clear, forward-looking strategy, translatable to the day-to-day activities of all organization members, is critical to realizing success in today's fast paced market environment. Not only does a compelling, well-executed strategy align individuals to common goals, it ensures those goals best serve the company's mission.

At StrategyDriven, our seasoned business leaders deliver real-world strategic business planning and tactical execution best practice advice – a blending of workplace experience with sound research and academic principles – to business leaders who may not otherwise have access to these resources.

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