



A. C. MACRIS CONSULTANTS

# UPDATE

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## HIGHLIGHTS

This is the first in a series of articles that look at terrorism in the context of business and leadership. We explore new and challenging roles and responsibilities of business leaders in the post 9/11 era. This issue sets the stage. We present a series of challenging questions primarily to stimulate your thinking as related to terrorism and the emerging role for business leaders. We then provide some compelling background information based upon research and experts in the field of terrorism. Finally we introduce the concept of perceived complacency on the part of business leaders in contrast to the position that complacency may be a misrepresentation of a true lack of understanding and ability to get a clear perspective of this new leadership role. While this article is introductory, subsequent issues will address concepts of leadership in the post 9/11 era for business leaders.

I thank Ozzie for his depth of understanding of the issue of terrorism and his contributions to this article and commitment to future writings.

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## Leadership, Business and Terrorism The Case for Understanding Your Risks & Vulnerability

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This article is the first in a series that looks at terrorism in the context of business and leadership. Ozzie Paez and I have known each other for many years and have collaborated on numerous projects and initiatives in the civilian nuclear power industry and now on terrorism and risk management. Ozzie has been involved with IT security for many years and with international terrorism since 9/11. His focus has been on developing analytical frameworks that facilitate the assessment of conflicts in general and terrorism in particular; our two-year long collaboration has centered on integrating a contextual model with the analytical framework to deliver a situational specific analytical methodology. This integrated approach affords a unique perspective that establishes an initial set of contextual parameters to frame the overall scope and configures the framework; then, following the analysis, applies a matching contextual methodology to ensure that the results match the target audience and application environment. Follow-up articles will discuss specific aspects of our collaboration in the areas of leadership, business and terrorism.

### Introduction

This article on leadership, business and terrorism is the first in a series intended to address what we believe to be the latest and perhaps the most compelling challenge to business leaders, managing risks in the post 9/11 era. Why do we believe that terrorism represents a compelling challenge? If you are a business leader, just evaluate the following statements and see with which ones you concur in terms of your business and your responsibilities as a leader:

1. I understand the implications of terrorism for my business, my people and my clients,
2. I am confident that my risk management plans adequately address the risks and implications of terrorism,
3. I was trained to understand, evaluate and manage the types of risks, direct and indirect, posed by terrorism,
4. I understand my role and my business' role in the war on terror and have taken steps to align aspects of my security and risk management programs with principles put forth by the Federal Government,
5. I understand the legal and civil implications of my business' response to another terrorist attack,
6. I have taken steps to ensure that my business practices include outreach to stakeholders, political leaders and the international community so that the organization can respond when an event requires it,
7. When the next attack happens and the business is affected directly or indirectly, the responsibility will/will not be mine,

8. I am committed to doing my part in the war on terror and know how best I and my company can play that part in securing the Homeland,

Depending on where the organization is headquartered and who comprise its partners and clients, there may be additional factors to consider, particularly if any of those activities or associations involves interacting with other businesses or people in/from the Middle East. Thus, the first challenge that a business leader faces is one of understanding the threats, their associated risks and the readiness of the organization to mitigate the risk and keep the business operational.

While you might think we were either sloppy or negligent in not indicating which leaders (U.S. etc.) we were neither. In this context when we refer to leadership we are referring to global business leadership. Over the past several years UPDATE has published many articles on leadership. On one end of the spectrum we provided writings from Colin Powell on leadership indicating a military perspective (perhaps made generic to be more widely applicable) up to our last article titled The Elixir of Leadership that challenges the guru approach to leadership of 'do as I say and you too shall be a great leader.' This series of articles will address perhaps the biggest challenge to business leaders – terrorist risks. We hope to provide insights into these challenges, a perspective of how business can be affected and thoughts on how to address the challenges.

As the first and overview article we feel a few probing questions will aid in setting the stage for whole series:

- Why should terrorism matter to you and your business?
- What are the challenges and barriers facing business leaders in the war on terror and why must leaders overcome them?
- What are the consequences of not recognizing the potential threat to your business?
- Is there more to security than the Department of Homeland Security?
- What is the Business Case for recognizing, addressing and implementing strategies and plans that mitigate the impact of potential terrorist activities?

#### Background

Before proceeding we believe we need to establish a framework for our position. We are quite confident that many of our readers have encountered this concept so we

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will be brief. Culturally, Americans perceive wars and adversaries as things that our government will deal with somewhere else – not on our soil. In previous conflicts, businesses contributed people when needed (reservists, national guardsmen), built systems, provided services and supported functions; but it was the Federal Government through its array of departments and agencies that actually dealt with the threat and its source. This approach worked until recently because our adversaries were known, the lines of ideology were well-defined, the risks to either side were considerable and there were general rules that were commonly followed. There were definitive objectives to be achieved in the service of a defined strategic vision. There were rules of engagement, war and peace. During the Cold War, our land mass was threatened by Soviet missiles, but not by traditional forces, so that previous paradigms remained applicable. Today, no one is left who can reasonably provide a direct violent challenge to America and its allies' position in the world, i.e. there is no symmetry between our position of power and anybody else's, be it a country or a block of countries.

The current war on terror is different from previous conflicts in that our enemy is not based in any country, and does not control or need to control any particular geographic area. Our enemies made a conscious choice to include our territory as part of the battlefield and rely on asymmetric warfare to negate our technical and material advantages. In addition, bin Laden and Al-Qaeda have made our economy a primary target due to the global nature of business and the economy, generally referred to as globalization, and the cultural threat it represents to their professed value system. As a result, the rules of engagement as we knew them don't hold; in fact, there are very few traditional rules of warfare that our adversaries consistently follow, preferring to leverage opportunity and surprise to offset our overwhelming power.

The risk and consequence differential is tremendous. "Lucky once" is good enough for a terrorist, while even 98% vigilance can be catastrophic for the civilized world. Traditional governmental and military roles are being challenged as never before. American business cannot count on the security afforded by our traditional military strategy because the battle or struggle, as it is so often referred to by our adversaries, can be taken almost anywhere – including our own backyard. In addition to the wellbeing of our populace, there is a vulnerability to the engine that drives the world's existence, the business community.

In summary, unfortunately, we are all victims of our history, and our research to date demonstrates that businesses and business leaders have been struggling in their search for an appropriate role and response to circumstances to which they are not accustomed. Research conducted by a member of our team on behalf of Northern Command validated this conclusion, as reported in Disaster Prevention and Management Journal, Volume 14. No. 1 (2005), pages 20-31:

Many countries, such as the USA, have recently taken a number of important steps to provide for greater security and disaster management. Despite these trends, many key industry and governmental sectors in the USA continue to be largely unprepared to prevent or appropriately respond to a major terrorist attack (Hart and Rudman, 2002; Hymowitz and Totty, 2003). In fact, many US organizations have not even developed basic practices associated with emergency response plans (Dunham, 2003). There are a number of governmental, regulatory, legal, cultural, and business reasons for this lack of response. Some of the key organizational constraints are that the various personnel (security, IT, and EH&S) frequently have very different educational backgrounds and perspectives on security matters and that traditional organizational structures often reinforce functional departmentalization. Given this "silo effect" and lack of initiative, we believe there are several reasons why organizational managers should look for new and synergistic ways to address security and other organizational risk related issues (Milliman et al., 2004).

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Unfortunately, this expression of faith in the market has not been borne out by security investments within the private sector. According to a survey commissioned by the Washington-based Council on Competitiveness just one year after September 11, 92 percent of executives did not believe that terrorists would target their companies, and only 53 percent of the respondents indicated that their companies had increased security spending between 2001 and 2002. With the passing of each month without a new attack, the reluctance of companies to invest in security has only grown.

Various security and policy experts have concluded that this attitude is a reflection of indifference and short sightedness by the Business Community. We believe, as previously stated, that the limited response shown by the business community reflects a lack of understanding of the terrorist threat to their operations and confusion over what they could or should do about it. Thus, we assert that the first test of leadership for business executives is awareness, followed by planning and response based on their improved understanding of the threat and associated direct/indirect risks.

**Today's phenomenon**

As discussed above, there is evidence of an interesting phenomenon reflected in the business community's response to terrorism, which is often attributed to complacency. As a society Americans tend to be problem solvers who want to address the challenges ahead so that they can move on with their lives. We inherently feel safe on our own turf, secure in the knowledge that our geography and power will keep us from harm. If and when threats present themselves, we deal with them and move on. If the threat becomes dormant we continue to move forward with our lives and tend not to dwell, particularly when we feel our government is working to mitigate the underlying risks. Hence we are inclined to take an eye off the ball in order to focus on activities, which directly contribute to the quality of our lives. Inherent in this attitude lies a major cultural difference between western culture and that of terrorists, which can provide our adversaries with a significant advantage. They look at the struggle between the West and their culture as one that spans generations, indeed centuries, and they have demonstrated the patience and commitment to continue their struggle over time.

A similar conclusion was reached by Stephen E. Flynn, Ph.D. Commander, U.S. Coast Guard (ret.) and Jeane J. Kirkpatrick Senior Fellow in National Security Studies at the Council on Foreign Relations in their testimony before a Senate hearing of the Committee on Homeland Security and Governmental Affairs.

In Chapter Six, "The Costs of Homeland Security," the [Government's] strategy lays out "the broad principles that should guide the allocation of funding for homeland security (and) help determine who should bear the financial burdens." It declares:

*"The government should only address those activities that the market does not adequately provide—for example, national defense or border security. . . . For other aspects of homeland security, sufficient incentives exist in the private market to supply protection. In these cases we should rely on the private sector."*

There is another perspective on complacency in the business context. We believe that the perception of complacency may in-fact be masking a more significant issue. As stated above, *“With the passing of each month without a new attack, the reluctance of companies to invest in security has only grown.”* We are suggesting that this reluctance may be a result of business leaders being unsure of what and how to invest in security, for how long, what returns on investment to expect and ultimately how to defend such investments to their board of directors. Consider this – recent articles and newscasts point out that many of the homeland security initiatives were either inappropriate, ineffective or both. The colored warning system, the TSA procedures and practices, and as *US News and World Report* magazine’s title to their cover story from the May 30, 2005 issue states, *“Pigging Out – Exclusive: How Homeland Security became Washington’s Biggest Porkfest.”* What is an executive or leader to do? This is where we find business leaders struggling and suggest a different dynamic behind what we have termed the ‘security complacency myth’ driven by the following factors:

1. Business leaders do not understand the nature of the threat and what to do about it
2. Terrorism and threat mitigation is not their expertise
3. Spending more on traditional security measures seems not to make sense
4. Therefore they are not convinced of what to do to address an unknown threat, and as long as things seem quiet the ‘do nothing option’ seems very appropriate – furthermore when looking at the threat risk, the probability of something directly affecting a singular company is very small – thereby reinforcing the do nothing option.

It is to the underlying causes of the reluctance of businesses and business leaders in engaging the challenge of terrorism that we will turn in our upcoming articles. This article’s objective was to introduce the concept that there is a distinct and necessary new leadership challenge to American and global business leaders as a result of the ever-present terrorism threat. In future articles we will further define the nature of threats and provide some initial thoughts of what can be done by business leaders to mitigate the impact of terrorism on their businesses. We will:

- Discuss why business leaders must invest some of their valuable time on key areas of the war on terror and why this is a test of leadership
- Characterize challenges and barriers facing business leaders in the war on terror and reassert why they must be overcome
- Make the Business Case for recognizing, addressing and implementing strategies and plans that mitigate the impact of potential terrorist activities
- Provide an enticing solutions in general terms that can be developed for specific applications

We hope that you will join us on this journey. In the meantime, should you have any questions or want to discuss/see specific issues covered in upcoming articles, do not hesitate to contact Ozzie at 303.332.5363 or Dean at 860.572.0043.



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