

CORPORATE STRATEGIC PLANNING AND THE SEPTEMBER 11, 2001 ATTACKS

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KeyWords: Crisis and Disaster Management; World Trade Center; Corporate Strategic Contingency Planning; Risk Assessment; Business continuity & Recovery

Abstract

The September 11, 2001 attacks on the World Trade Center complex resulted in massive losses for United States publicly held corporations that were WTC tenants as well as for corporate America as a whole. This paper reports on a National Science Foundation funded study of the impacts of the attacks on corporate strategic planning in the context of these extreme events. The paper presents the research problem and methodology underlying this ongoing study, notably centering on the state and impact of corporate strategic contingency planning through the design and implementation of research and analysis based on interviews of corporate leaders and professionals as well as a paper-based survey targeting a sample of publicly held corporations directly or indirectly impacted by the September 11, 2001 attacks. The two year NSF-funded project titled "Terrorism and Corporate Crisis Management: The Strategic Effect of the September 11 Attacks", is intended to provide the basis for quantitative and qualitative research results, outcomes and analysis which will allow to develop an increased body of knowledge on strategic contingency planning as it relates to mitigating the impact of extreme events in corporate settings. The cost of an inadequate preparedness has been made obvious by the aftermath of the September 11 attacks. Corporate executives realize that they have an obligation to shareholders to be prepared. There is, however, a very real potential for unproductive, wasteful investment of resources as corporations act without a firm conceptual and experiential basis and without a method of prioritizing and evaluating the capabilities that they create.

Introduction

Corporate America is now in the midst of a strategic change. Since September 11, 2001, issues of crisis preparedness, physical and information security, and continuity of operations have become central and immediate. This change in perception started several years ago with the awareness of potential catastrophic system failures due to Y2K-related problems. The attacks of September 11 removed any doubt that unanticipated extreme events could occur, and that corporations must be prepared to survive them. In particular, the private sector has had to come to terms with the new reality that economic assets are prime terrorist targets. As the quotations below highlight, Al-Qaeda and other terrorist groups have a strong interest in targeting the economy of the United States:

"The settlement of this overburdened account will indeed be heavy. We will also aim to continue, by permission of Allah, the destruction of the American economy."
(Ayman al-Zawahiri, head of Al-Qaeda operational planning (6 October 2002))

"I say before God, the youth of Islam are preparing for you what will till your hearts with terror and they will target the keys of your economy until you stop your



transgression or one of us dies.” (“A Message to the American People.” The Qatar news station *Al-Jazeera* aired and released a tape of Osama Bin Laden on Tuesday, 12 November 2002.)

For the corporate world, this is largely uncharted territory and the penalty for errors could be severe. The cost of an inadequate preparedness has been made obvious by the aftermath of the September 11 attacks. Corporate executives realize that they have an obligation to shareholders to be prepared. There is, however, a very real potential for unproductive, wasteful investment of resources as corporations act without a firm conceptual and experiential basis and without a method of prioritizing and evaluating the capabilities that they create.

This paper describes a key component of a research project funded in fall 2002, by the National Science Foundation and titled “Terrorism and Corporate Crisis Management: The Strategic Affect of the September 11 Attacks”, undertaken by The Institute of Crisis, Disaster, and Risk Management of The George Washington University and the University of Pittsburgh. The overall purpose of this study is to conduct the necessary research to better understand the impacts of extreme events and to communicate the results in a manner that contributes to the ability of businesses to prepare for, respond to, and recover from extreme events.

Our focus within the study presented in this paper will be the research and analysis on the state and impact of strategic contingency planning (risk assessment, disaster management and business continuity and recovery) for publicly held corporations which were directly (New York World Trade Center tenants) or indirectly impacted by the attacks of September 11, 2001.

Theory and Methodology

The project necessitates strong background research on the pre-existing (pre-event) status of strategic planning for crisis management in corporate America, as well as an evaluation of the effectiveness of planned and improvised response measures, and documenting the evolution of corporate planning in this respect. The framework of analysis is built on the model of strategic corporate crisis management proposed by Harrald (1998). The financial performance of the impacted companies, analyzed in the first stage of this project, is reported in a companion paper (Coppola, Harrald and Yeletaysi, 2003).

The key parameters of the projected body of research revolve around the fact that major units of US publicly held corporations housed in the World Trade Center were destroyed, making the September 11 attacks an attack on corporate America. The World Trade Center housed 435 companies employing 40,000 professionals and the attacks resulted in catastrophic losses beyond the directly impacted pool of corporations.

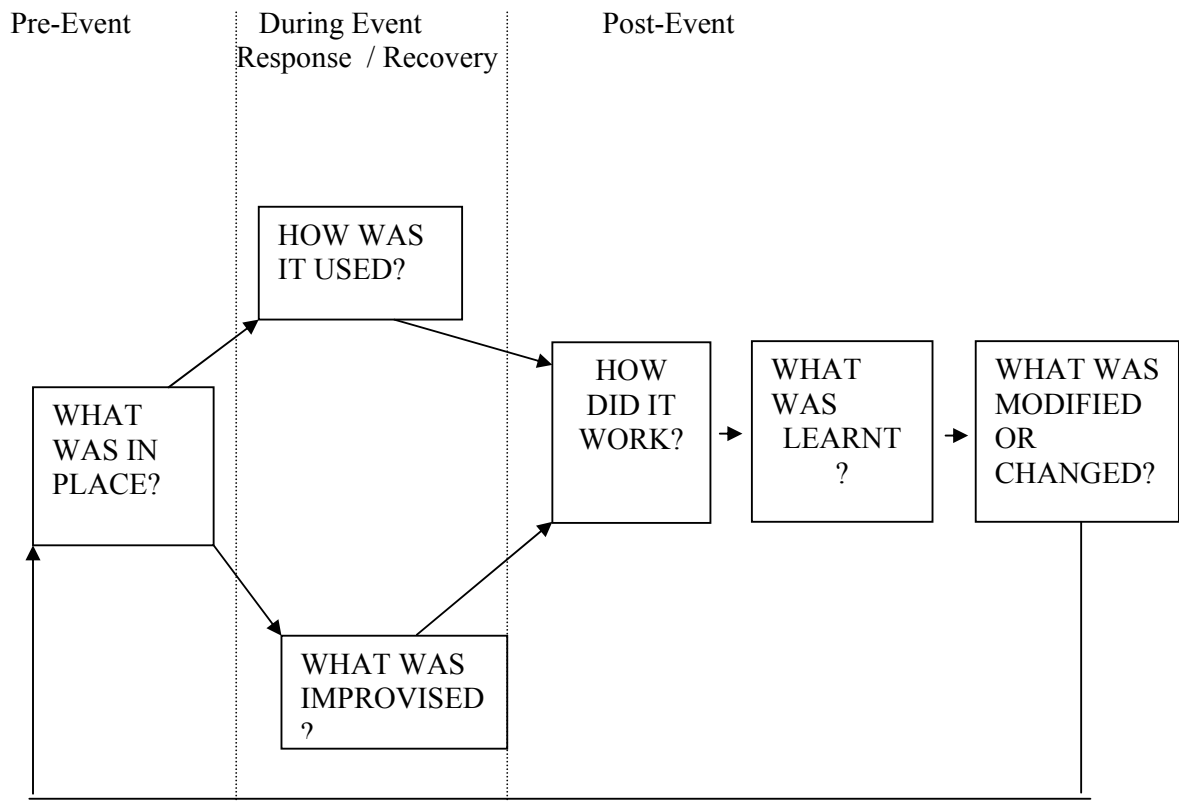
Our study concentrates on the following key research questions (see Figure 1):

- Was any strategic crisis management and contingency planning (for extreme events) in place before and on September 11, 2001?
- If so, what did it consist in?
- How did it work?
- Did corporations with extensive contingency plans fare better than those with weaker contingency planning resources?

As a corollary to these research problems, we will also examine what were key elements of eventual improvisation which contributed to the response, in order to be able to evaluate what measures of response were attributable to existing strategic contingency plans. This will also allow us to determine what was **not** in place and essential but could not be addressed through improvisation.



Figure 1. Block diagram outlining research methodology for data collection, processing and analysis



The following research components will constitute the body of our research problem:

What was in place prior to 9-11 ?

This component will examine the risks and vulnerabilities assessments, if any, as well as all preparedness measures in the fields of emergency, crisis and disaster response, continuity, recovery, and management. This will include all prior organizational imperatives as well as in-built capacity (training, operational systems, human resources, business risk and potential impact analysis, etc.).

How were the measures in place used in face of 9-11 events ?

This will capture and describe all pre-existing response, continuity and recovery measures effectively utilized in the context of the 9/11 emergency.

What was improvised ?

This will examine response measures taken by the corporation spontaneously or as a result of unexpected events which were not planned in the corporation's emergency preparedness and contingency plans.

How did response measures (both planned and improvised) work ?

This component will evaluate the effectiveness of both contingency plans in place and the actual implementation and management of the response by the corporation in addressing the emergency as well as its aftermath (continuity and recovery).



What were the lessons learned ?

This will encapsulate key lessons learned on the existing levels of preparedness as well as the corporations' respective capacities in dealing effectively with emergency management and all other related issues.

What was modified or changed as a consequence of lessons learned ?

This should provide input on the retroactive feedback loop allowing to improve state of the art and best practices in order to modify future preparedness and emergency contingency plans according to the lessons learned on 9/11 and thereafter.

The researchers will be interviewing personnel identified by Internet and media searches as corporate leaders of companies directly or indirectly impacted by the attacks of September 11, 2001, to determine the state of strategic corporate crisis management planning for extreme events in place prior to September 11, to evaluate its effectiveness (including comparative analysis between different levels of existing preparedness within the corporate sample), and the transformations in strategic planning subsequent to the September 11 events and lessons learned. Depending on the level of feedback obtained from directly and indirectly impacted publicly held corporations, additional data may be sought from expert sources representing industry, trade and business professional associations concerned with strategic planning for disaster management and risk mitigation.

The content of interviews will be summarized by the researchers in a way allowing to process data with a view to conducting extensive analysis.

Additionally, the research team will administer a paper-based survey to business contingency personnel with permission of their corporate leaders (interview subjects). Surveys will also be provided to other executives and practitioners identified through contacts with professional groups such as Disaster Research Institute International and the Association of Contingency Planners. The researchers are also be analyzing relevant reports, agreements, plans and documents provided by the interviewees or located in publicly released articles and reports.

Research Design

As concerns the **Study Population** (Sample), the research team will identify 20-25 publicly held corporations directly impacted by the collapse of the World Trade Center complex and 20-25 corporations that did not incur direct damage or loses but were significantly economically impacted. Twenty to twenty-five corporate leaders (half from the 20-25 corporations directly impacted and half from corporations indirectly impacted) will be interviewed using a structured interview format. The corporate leaders chosen for the interviews will be the most senior executives with identifiable pre-event strategic planning, crisis management and/or business continuity responsibilities. A smaller number of experts representing industry, trade and business associations may be interviewed using a structured interview format in order to enrich the qualitative analysis dimension of the study.

The interview **sample size**, approximately 40-60 interviews, is manageable within the scope and finding of the research project and will provide sufficient input to develop meaningful research findings and reports.

The survey will also be provided to business continuity personnel (with the permission of their corporate leaders who are the main interview subjects). The goal is to receive 150 completed surveys (including the ones submitted to other executives and practitioners identified through contact with professional groups such as Disaster Research Institute International and the Association of Contingency Planners). It is estimated that 400 surveys will be distributed to achieve that goal.

The researchers are attempting to make the interview and survey questions as interesting as possible, but one identifiable risk which may be involved in this study is that some boredom



may result. The research team is also making every effort to obtain data which is quantifiable and which is obtainable under verifiable form in an area of research where confidentiality and data access may be an issue. In this regard, notably with respect to confidentiality and privacy for the subject, researchers will be aware of the subjects' identity but will not record them on the interview notes. Instead, a consecutive number, cross-referenced to a list of names that will be maintained separately will identify interviews. All records will be stored confidentially and be accessible only to the Principal Investigators. Only aggregate data will be reported and at the conclusion of the project, all records will be destroyed.

Expected results and outcomes

The data collected will be used to develop a research report and thesis that will increase the understanding of the impacts of extreme events on the private sector and the ability of corporations to prepare for and recover from these events. The report will focus on determining the state of strategic planning prior to September 11, 2001 and developing a framework for evaluating corporate preparedness in light of the impact of these extreme events and assessing the role of September 11, 2001 on subsequent transformations in corporate practices as regards strategic disaster planning and management. The expected outcomes are thus a set of research instruments allowing us to increase the existing body of knowledge on strategic corporate contingency planning for extreme events.

The research results for which the survey and interviews will be designed can be summarized to capture the following data:

- Section (0): Basic information on corporate information provider (Identity, title and responsibilities as well as contact details).
- Section (1): Background information on corporation, especially as regards defining what entity or entities within the corporation were directly impacted on 9/11 (WTC).
- Sections (2/3): Risk and vulnerabilities assessment – what the corporation had in place as regards policies and measures for risk assessment and if these were relevant to the subsequent 9/11 disaster. This should also allow us to identify who plays a key role in assessing risk and vulnerabilities, and what are the perceived vulnerabilities for each corporation.
- Section (4): Preparedness and contingency planning. This section should be able to solicit relevant data on measures in place prior to 9/11 as well as their effectiveness and some of the lessons learned as well as eventual changes in preparedness measures as a consequence of 9/11.
- Section (5): Response – This should provide detailed descriptive data on the actual immediate response (within the first 6 hours but also in the immediate aftermath – days and weeks). This section should cover both the elements of planned response and those of improvised response and they should provide a basis for analysis of the relative effectiveness of various response measures. They should also allow us to understand which response actions were most critical, if any, to ensuring optimum business continuity. The issue of corporate internal and external communications may be one of the important subjects to cover among other response-related topics.
- Section (6): Recovery – This should scan the scope of existing recovery plans and assess if and how they were implemented in the wake of the 9/11 attacks. Effectiveness of various measures and their role in delaying or facilitating recovery should be fully analyzed. A sense should be gotten of if and when normal operations resumed, and the relative place and importance of various corporate operational systems in recovering (HR, logistics, technology, finances, decision-making, etc.). As for all sections the loop should be closed on lessons learned and consequences towards eventual changes brought to the business recovery plans



- subsequently. As always, data should be obtained as to whom is entrusted with oversight and responsibility over recovery planning, operations and management.
- Section (7): Business continuity – Assessment of impacts on business continuity, measures planned (key continuity features and systems in place) and taken, eventual improvised measures to ensure continuity, responsibility for this function and continuity as regards critical business processes for the corporation. As for other parameters studied, lessons learned and their input into current continuity planning will also need to be surveyed.
 - Section (8): Business performance – Data will need to be collected on the status of the corporation’s performance prior to 9/11 in order to assess impacts for the last quarter of 2001 as well as ensuing performance in 2002. We must attempt to weed-out what impact stems from 9/11 and what is related to the prevailing economic environment. It will be important to survey management’s perception of the 9/11 impacts when analyzing economic performance data. It would be useful to attempt to gauge if the disaster contingency planning and disaster management measures are purported to have any significant influence on the company’s ability to mitigate the consequences of 9/11.
 - Section (9): Measuring the effectiveness of disaster planning & management – This section will attempt to draw information on what, if any, mechanisms are in place to monitor and measure the effectiveness of crisis preparedness and disaster management systems. The information sought will be on monitoring and evaluation methodologies and systems as regards preparedness, planning, response, continuity and recovery. We will try to ascertain if there is a repository of knowledge on best practices and state of the art in the disaster management field within corporate entities, as well as if there is a system by which these practices are promoted within corporations.
 - Section (10): Consequences of 9/11 on corporate disaster management – This section is meant to investigate the effect of any retro-feedback loop of lessons learned which may have modified corporate approaches to disaster management.
 - Section (11): World Economic Environment – this section should allow us to get a sense of what part the prevailing world economic crisis (and eventually other parameters of world instability and tensions) has played in the context of 9/11 disaster management and recovery concerns. This should allow us to also analyze if the prevailing situation compounded the crisis or had any other secondary effect in terms of response.
 - Section (12): Integration of corporate resources for disaster management – This section seeks to shed light on corporate mechanisms allowing to pool or otherwise organize corporate resources so as to integrate them into key business streams of corporations. The data should allow to quantify resources allocated but much of it should also be qualitative allowing us to analyze the modus operandi of corporate disaster management systems, their levels of integration and coordination as well as the availability of specific resources such as training, drills, etc., and the management structure in place to deal with crisis situations.
 - Section (13): Corporate responsibility & authority – Data allowing to ascertain where corporate power and decision-making lie in the field of disaster management.
 - Section (14): Inter-corporate cooperation and relations – This section seeks to investigate what levels of cooperation exist, in terms of resource-sharing and cross-support within Corporate America in the context of an event such as the 9/11 attacks.
 - Section (15): External linkages, assistance and cooperation – In this section, we try to see if any other external support was available in the context of 9/11, notably from Government and civil society institutions.



- Section (16): Strategic corporate communication – This section seeks to obtain analyzable data as to internal and external corporate communications systems set-up to support disaster management imperatives.

Discussion

The publicly held companies in and around the World Trade Center absorbed catastrophic physical and financial impacts. As reported elsewhere (Coppola et al., 2003), these impacts were not apparent in the financial performance of most of these companies 18 months after the attacks. The lessons of the attacks have not been lost on the corporate world, and most major companies are investing in crisis management and business continuity actions. There is, however, very little research to guide the development of these programs. The experiences of those companies impacted by the September 11, 2001 attack on the World Trade Center could provide invaluable theoretical knowledge and practical guidance.

Acknowledgement

The research described in this paper was funded by the National Science Foundation grant CMS 0219953

Author Biography

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