

Disaster Management, The Green Beret and Lamaze Way

By Mariko Gordon
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I hadn't planned on going swimming in the Atlantic fully clothed. But I sensed imminent disaster.

A flock of twelve-year old boys, led by my boogie-board-loving son Lucas, would soon be headed for the west coast of Africa on a riptide if they didn't turn back. **The Brazilian life guards sprinting behind me confirmed that I wasn't some crazy gringa either** - they gave the boys an earful and fun was contained to a narrow corridor much closer to shore.

Growing up on the Hawaiian islands, I've lived through hurricanes, earthquakes, volcanic eruptions, and many reports of drownings by those who were unfamiliar with local conditions and overwhelmed by the sea.

As an adult, I fished out a toddler who rode his tricycle into a swimming pool and gave the Heimlich maneuver to a boy who was choking on a big wad of melted cheese. I've lost professional colleagues in 9/11, but also know many others who made it out in time. No doubt you have your own list of disasters and close calls.

Being alive is risky.

I'm the sort who always wears a seatbelt, looks at the safety information card on planes, and reads the latest in disaster literature. For me, managing the downside in life (not to mention investing) is well worth the time and effort.

My latest foray into disaster literature? [*The Unthinkable: Who Survives When Disaster Strikes - and Why*](#), by Amanda Ripley. This fascinating book is less a survival manual than an exploration on how psychology, neurology and culture lead us to behave in unexpected ways under duress.

For example, our first reaction to disaster is often denial and a lack of urgency (not panic as most of us assume). There's a delay ... a milling around ... a gathering of belongings. "The public totally discounts low probability high consequence events. The individual says, it's not going to be this plane, this bus, this time," according to disaster expert Dennis Mileti.



Ripley explains that on 9/11, people didn't leave immediately. It took some six minutes, others 45 minutes. A thousand people took the time to shut their computers down. 40% of evacuees gathered items to take with them. **Denial can result in an eerie calm and unexpectedly polite behavior.** It took 15,410 people a lethargic average of one minute per floor to exit the World Trade Center; twice as long as expected. Had the building not been less than half full, the death toll would have been five times larger, due to the slow evacuation.

Ripley goes on to compare stress hormones to hallucinogenic drugs. Your heartbeat skyrockets and you get tunnel vision, literally, as your field of vision shrinks by 70%. Time slows down. You experience reality in an altered state.

Well, guess what? **Losing a lot of money in a short amount of time can trigger the same kinds of disaster reactions** - even among those of us who manage money for a living.

Some people go into paralysis mode, do nothing, and watch their assets melt away. Others are slow to react, and then panic. Still others just get swept up in the emotional contagion of their peers, selling low and buying high, based on the collective mood around them.

When the crash of 1987 happened, I was working for small-cap value maven Chuck Royce. From time to time, throughout Black Monday, we clustered around our trader Ken's quotron, watching the Acapulco swan dive that was the market, and then went back to our desks to work. **The atmosphere was calm; Chuck spent most of the day buying stocks hand over fist.** It was only when I walked around my neighborhood after work that I realized our lack of hysteria was unusual. There were guys walking around with glazed expressions, ties askew and completely disheveled.

As it turns out, some of the same techniques that help with disaster management can be used to circumnavigate counterproductive behavior when our investment livelihoods are at stake:

- **Know where the exits are.** The reason for paying attention to how many rows your airplane seat is from the exit, or where exactly the fire stairwell is relative to your hotel room, is so that when the worst happens, you won't freeze. **Your brain will propel you into action because it's already had a dress rehearsal** and knows what to do. If, on the other hand, you wait until there's smoke all around you, it may be too late.

By the same token, if you've thought about why your position in Microwidget, Inc. might be torpedoed, you won't start tripping on your stress hormones and make a



sell decision in an altered state. In this case, your forethought will allow you to distinguish between a temporary stock stumble, and a stock that is about to become a donut.

- **Breathe.** Ripley cites several examples of green berets, women in labor and FBI agents who swear by the importance of practiced breathing techniques for staying calm. Breathing bridges both our conscious and our autonomic nervous systems: **"By consciously slowing down the breath, we can de-escalate the primal fear response that otherwise takes over."** So consider taking a few deep breaths before entering an order, the next time your position nosedives.
- **Expect the unexpected.** Part of the problem with disasters is that the events themselves are typically so out of the norm that when they happen, we refuse to believe it. We spend more energy on denial than on looking for solutions.

When Black Monday hit, many investors did nothing, shocked into inaction by the "impossibility" of what they were seeing. **Chuck Royce spotted the buying opportunity of a lifetime and made a killing as a result.**

I suppose on the subject of disasters, we value types may just be weirdly ghoulish - always anticipating investment meltdowns, and when they hit, hoping to profit by hunting for a bargain. Maybe so, but it sure beats getting caught in a money-losing riptide.

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