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Fight, Flight, and Freeze: Human Responses in a Business Strategy Environment

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Honors Thesis

FIGHT, FLIGHT, AND FREEZE: HUMAN RESPONSES IN BUSINESS STRATEGY ENVIRONMENTS

by
Michael J. Nixon

Submitted to Brigham Young University in partial fulfillment of graduation requirements for University Honors

Department of Management
Brigham Young University
April 2019

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Honors Coordinator: Dr. Mark Hanson
Faculty Reader: Dr. Stacy Taniguchi
ABSTRACT

FIGHT, FLIGHT, AND FREEZE: HUMAN RESPONSES IN A BUSINESS STRATEGICAL ENVIRONMENT

Michael J. Nixon
Department of Management
Bachelor of Science

Fight, flight, and freeze responses are a natural part of how we operate as humans. These responses permeate our lives and affect our decisions in major ways. This thesis first employs a case study to help the reader understand natural reaction processes, then analyzes case studies where businesses applied strategies that closely resembled these reaction processes. I then propose a framework to mimic physiological reaction processes to help companies arrive at the optimal solution.
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Stage 1

Always looking for a unique perspective and a hike off the beaten path, your group was tipped off about the route to the top of Elephant Butte, the highest point in Arches National Park, by a fellow adventurer. Eager to try this fun route and figuring that February would be as good a time as any to escape to the Southern Utah sun, you planned the trip, managed to book a campsite in the stunning Devils Garden campground, and invited your friends. This was the moment your crew was going to stand on top of Arches National Park.

You arrive late in the night on February 9th and set up camp quietly as to not disturb your neighbors. The group divides in two, half start setting up tents, the other half start making the hamburgers you will be eating for dinner. Eager to separate the frozen
patties and get them on the grill, Jane uses a knife to separate them when the knife slips and she slices her finger open. Steven takes her to the emergency room in his car, while the rest of you finish dinner. After some games and good conversation around the campfire you turn in for the night.

The next morning you awake to light streaming into your tent. “Well, it looks like we didn’t get any of the snow we were expecting last night” you hear from a nearby tent. Looking around, you see a small cluster of tents surrounding the campfire someone has just brought back to life from the night before. Around you, you hear the sounds of people waking up and getting ready for the day ahead. Today is the day that you, and 23 friends, will attempt to reach the highest point in Arches National Park: Elephant Butte.

At 5,650 feet, the relative flatness of the desert is a stark contrast to Elephant Butte, a monolith of sandstone rising up out of the flat desert like a petrified, prehistoric pachyderm. While it is one of the lowest high points in any of the 59 U.S. National Parks, it is still a popular route for canyoneers, high point baggers, and anyone else who wants an unparalleled view of the park.

Originating from the Garden of Eden/ Owl Rock view point, the route to the top of Elephant Butte is fairly straightforward. Rated a 3A III (see Exhibit 1 for a map of the route and Exhibit 3 for a guide to canyoneering rankings), the route is about 2 miles long and involves two rappels of 100 and 50 feet respectively and two quarter-mile stretches of technical climbing. While no rating has been officially assigned, it is estimated that these stretches would be rated around 5.4 (see Exhibit 3 for a guide to climbing ratings). After the first rappel, this route is virtually non-reversible because the climb back up the 100-foot wall is near-impossible. The only way out is by continuing on.
Permit restrictions strictly limit group sizes to twelve people per group. Because of this, your group will divide into two teams. Each team will be led by two experienced canyoneers, with the rest of the participants varying in skill from beginner to intermediate.

**Case Table 1: Group Members**

<table>
<thead>
<tr>
<th>Name</th>
<th>Age</th>
<th>Gender</th>
<th>Skill</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steven</td>
<td>23</td>
<td>Male</td>
<td>High</td>
<td>Needs to be with Jane</td>
</tr>
<tr>
<td>Jane</td>
<td>22</td>
<td>Female</td>
<td>Mid</td>
<td>Cut a finger on her non-dominant hand the night before and needed 3 stitches.</td>
</tr>
<tr>
<td>You</td>
<td>24</td>
<td>Male</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>Jake</td>
<td>22</td>
<td>Male</td>
<td>High</td>
<td>Group Videographer. He is getting footage to use in a commissioned promotional video for a local gas chain.</td>
</tr>
<tr>
<td>Maria</td>
<td>25</td>
<td>Female</td>
<td>Mid</td>
<td></td>
</tr>
<tr>
<td>Steve</td>
<td>22</td>
<td>Male</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Martha</td>
<td>22</td>
<td>Female</td>
<td>Low</td>
<td>First time rappelling</td>
</tr>
<tr>
<td>Brinlee</td>
<td>22</td>
<td>Female</td>
<td>Low</td>
<td>Very excited to rappel</td>
</tr>
<tr>
<td>Onyx</td>
<td>24</td>
<td>Male</td>
<td>Mid</td>
<td>Experienced climber. First time canyoneering</td>
</tr>
<tr>
<td>Brian</td>
<td>24</td>
<td>Male</td>
<td>Low</td>
<td>Had a negative experience rappelling a few years ago. Will need some support throughout. Didn’t bring a lot of cold weather gear.</td>
</tr>
<tr>
<td>Matt</td>
<td>22</td>
<td>Male</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Erick</td>
<td>27</td>
<td>Male</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Alex</td>
<td>25</td>
<td>Male</td>
<td>High</td>
<td>Extensive experience in the area</td>
</tr>
<tr>
<td>Stanford</td>
<td>25</td>
<td>Male</td>
<td>High</td>
<td>One of the most experienced canyoneers in the state.</td>
</tr>
<tr>
<td>Trevor</td>
<td>24</td>
<td>Male</td>
<td>Mid</td>
<td></td>
</tr>
<tr>
<td>Jared J</td>
<td>25</td>
<td>Male</td>
<td>Low</td>
<td>Incredible core strength</td>
</tr>
<tr>
<td>Craig</td>
<td>27</td>
<td>Male</td>
<td>Mid</td>
<td></td>
</tr>
<tr>
<td>Name</td>
<td>Age</td>
<td>Gender</td>
<td>Experience</td>
<td>Notes</td>
</tr>
<tr>
<td>--------</td>
<td>-----</td>
<td>--------</td>
<td>------------</td>
<td>--------------------------------------------</td>
</tr>
<tr>
<td>Randy</td>
<td>24</td>
<td>Female</td>
<td>Mid</td>
<td>Has done canyons with Alex and Stanford before.</td>
</tr>
<tr>
<td>David</td>
<td>22</td>
<td>Male</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>Stanley</td>
<td>24</td>
<td>Male</td>
<td>Mid</td>
<td>Experienced mountaineer, first time in a canyon.</td>
</tr>
<tr>
<td>Jared S</td>
<td>25</td>
<td>Male</td>
<td>Low</td>
<td>Very loquacious.</td>
</tr>
<tr>
<td>Earl</td>
<td>20</td>
<td>Male</td>
<td>Low</td>
<td>Low experience. Big energy.</td>
</tr>
</tbody>
</table>

**Decision 1:** Divide the group into two teams.
Stage 2

After finishing breakfast, everyone gathers around you as you announce the teams and go through final gear checks with both teams; ensuring everyone has the necessary gear. While you had sorted out the logistics beforehand, some last-minute changes were made to the teams in order to keep some friend groups intact; which has made execution a little dicey. After making sure everyone has a harness and belay device, you start trying to sort people into cars. This is complicated by the fact that you have a third group going to do some hiking and none of the groups split naturally with the limited number of cars you have. After one of the drivers offers to come back and pick up a second group of people, you are ready to go. You make a final check of weather information on your cell phone, as well as do a visual check of the horizons; both look clear (for complete forecast information see Exhibit 2). You release team one to begin the route. You wait with team two for about 30 minutes before you begin the route yourselves.

Case Table 2: Team Assignments

<table>
<thead>
<tr>
<th>Team 1</th>
<th>Team 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steven</td>
<td>Alex</td>
</tr>
<tr>
<td>Jane</td>
<td>Stanford</td>
</tr>
<tr>
<td>You</td>
<td>Trevor</td>
</tr>
<tr>
<td>Jake</td>
<td>Jared J</td>
</tr>
<tr>
<td>Maria</td>
<td>Craig</td>
</tr>
<tr>
<td>Steve</td>
<td>Randy</td>
</tr>
<tr>
<td>Maria</td>
<td>David</td>
</tr>
<tr>
<td>Brinlee</td>
<td>Stanley</td>
</tr>
<tr>
<td>Onyx</td>
<td>Jared S (For story purposes you will also be Jared)</td>
</tr>
<tr>
<td>Erick</td>
<td>Earl</td>
</tr>
<tr>
<td>Matt</td>
<td>Brian</td>
</tr>
</tbody>
</table>
Each group has the following gear:

- 1 80 m rope (rope needs to be double the longest rapell)
- 10 m webbing
- 4 Standard quick-draws
- 4 Screw gate chain links
- 1 harness for each member
- 1 helmet for each member
- 1 belay device for each member (of different varieties)
- 1 First aid kit
  - Ibuprophen
  - Bandages of various sizes
  - Gauze
  - Athletic Tape
  - Quick Splint

Group 1

Your journey to the approach goes according to plan, but as you begin climbing up the canyon you notice that what had previously been clear skies are beginning to fill up with clouds. You arrive at the first rappel and you begin to set your anchor. As you look over the 100-foot drop, you realize that this is the point of no return in this canyon. Once you’re down this rappel the only way out is to go all the way through.

Decision 2:

**Fight:** Go down the rappel.

**Flight:** Return the way you came.

**Freeze:** Stay at the top of the rappel.
Stage 3
Group 2

While groups are fairly evenly matched in skill, your group planning is very strategic. Since your group is getting the footage for the video, you wanted to make things look as smooth as possible. Consequently, you have a slightly higher number of mid-level members in your group, compensating by giving group 1 the more advanced guides.

As you wait for Group 1 to get a head start, you film a little preliminary footage with our group, including a group safety briefing and members of your group scrambling up and down random rocks in the area. You also check Jane’s stitches and rebandage her finger. You then walk through how she will perform the various tasks necessary to minimize further injury. Everyone is very excited to get on the trail.

30 minutes expires and you begin the approach to the route. As you do, you notice dark clouds are quickly filling the sky. Your trail takes you through various rock formations in the Garden of Eden area. While anxious to make sure you enter the correct slot canyon; you certainly enjoy your time in the beautiful terrain. You are enjoying yourself so much that you forget, for a moment, that clouds are gathering overhead. Suddenly you are snapped back to reality by a snowflake landing on your nose. Within minutes, what was a gentle skiff of snow turns into a blizzard, thickening with each passing minute. Beneath your feet, the slick-rock that normally firmly grips the bottom of your shoes begins living up to its name, and the approach begins to get more and more difficult.
Decision 3:

**Fight:** Continue onward to the first rappel.

**Flight:** Pull the plug on the trip and return to the car. You will have to get footage later.

**Freeze:** Stay where you are in hopes that the storm passes.
Stage 4
Group 1:

Everyone gets through the first rappel without any major incident. One member of the group, Brian, needed a little coaxing, but after explaining the redundancies in the systems (multiple anchors, a belayer in case he can’t stop himself etc.) he goes down without any further issue. Just as you are pulling the ropes down from the rappel a gentle snow starts to fall. While this is not a huge issue, you know that if it gets worse, the scrambles ahead of you could get tricky.

![Figure 2 View From the Top of Elephant Butte](image)

While the rock is slightly slippery, and the climb requires a little teamwork, you make it to top of the butte and the view that awaits you is incredible. As you take in the breathtaking panorama however, you notice that visibility is quickly dropping and that the snow is now not only wetting the rock, but sticking to it. When you look around, you notice that your teammates who are enjoying the view are well dressed for the cold but are underdressed for snow.
While you are worried about the steep decent ahead of you, which will now be coated in snow, you are also worried about your underdressed team members. While waiting out the storm on top of the butte would certainly make for the best route conditions, sitting still for too long could quickly lead to hypothermia as their inactive bodies cool down.

**Decision 4:**

**Fight:** Push on to the descent.

**Flight:** Attempt to contact Search and Rescue

**Freeze:** Wait out the storm at the top of the butte.
Stage 5

You slowly begin the decent. It is down a different canyon than the one you ascended. It is much steeper and has a lot of exposed drop offs along the route. Navigating the route is treacherous due to the slippery rock. You lose your footing multiple times.

While the rest of the group is following your route, all but Stanley, Earl and Brian are well behind you, slowly picking their way down the rock. You look ahead, only to see the route you thought you were following has suddenly disappeared. The rock ahead of you has become very steep, and while there is a small strip that is slightly more level then the rest, traversing it in these conditions would be very risky since the steep 25-foot grade ends in a 150-foot cliff. You look at the rock that you just came down and realize that in the current conditions it will be impossible to get back up. Unsure of what to do, you motion to the others to find a different route. They proceed on a different path stopping about 100 meters down the route. You then begin to work out how you should proceed.

Decision 5:

**Fight:** Try and cross via the narrow level ledge.

**Flight:** Try and figure out a way to get back up the way you came down.

**Freeze:** Hold your position.
Stage 6

**Try to cross:** With the rest of your group now ahead of you, you decide your best option is to try and cross the narrow flat part in the steep incline. You begin advancing on all fours and get about half way when you feel yourself starting to lose traction. You try and move faster but it is to no avail. You begin slipping down the incline. You let out a yell, the rest of your group freezes. You start picking up speed, unable to stop yourself, and the cliff edge gets closer by the second. Suddenly you notice a soccer-ball size rock in your path. You reach for it and are able to grab it. Its mass is just enough to stop you a mere five feet from the edge. After you catch your breath, you notice that with a couple more controlled slides, there is a route to get to your group. You are able to follow that route and rejoin them.

**Do nothing:** As the weight of the situation crashes down on you, you freeze. Although you want to do something, you don’t know what, nor does your body seem capable of doing something even if you wanted. You sit in place unable to move. The rest of your group tries to coax you into action but there is nothing they can say that will move you. After 30 minutes, two of the members back track to the ledge above you. One member ties the rope to his harness and wedges himself into a shallow, waterfilled pot-hole, they then throw the rope to you but you are still unable to coax yourself into moving. At one point you try and use your cellphone to call search and rescue, but you don’t have service. Eventually the other member of the group clips in and rappels down to you. He attaches himself to you and together, with the help of the rope, you are able to get back to the path. This process takes well over an hour, during which the remainder of your group huddles for warmth in what many would describe as “the coldest moment of [their] life”. Many, including the member who has now sat in a puddle for almost an hour are pre-hypothermic, if not hypothermic.
With the group all together, you finish the remainder of the decent. You arrive at the final 50 foot rappel. Nervous about popping a bolt, you ensure there are extra redundancies in your anchor system. You also emphasize the importance of fast and smooth rappels. Your group makes it to the bottom without incident.

You emerge from the canyon and see group 1, who decided not to go through the first rappel, waiting anxiously for you at the cars with blankets and sandwiches. A wave of relief rushes over you as you have realized that you and the rest of group 1 and have successfully navigated what could have been a fatal day. After changing into dry clothes, you settle in for the three-hour drive home and begin recounting the adventures of the day to each other. In spite of the pain, fear, and trauma from the day you can’t help but smile because you made it.
Exhibits

Exhibit 1: Topographic Map of Elephant Butte Route

Exhibit 2: Weather Forecast

Exhibit 3: Guide to Climbing and Canyoneering Rating Systems

Climbing Rating System

<table>
<thead>
<tr>
<th>Symbol</th>
<th>Level</th>
<th>YDS Grade</th>
<th>French Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homo Sapien</td>
<td>5.1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.3</td>
<td>2+</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.4</td>
<td>3-</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.5</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.6</td>
<td>3+</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.7</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.8</td>
<td>4+</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.9</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.10a</td>
<td>5+</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.10b</td>
<td>6a</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.10c</td>
<td>6a*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.10d</td>
<td>6b</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.11a</td>
<td>6b+</td>
<td></td>
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<tr>
<td></td>
<td>5.11b</td>
<td>6c</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.11c</td>
<td>6c*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.11d</td>
<td>7a</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.12a</td>
<td>7b</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.12b</td>
<td>7b</td>
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<tr>
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<td>5.12c</td>
<td>7b</td>
<td></td>
</tr>
<tr>
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<td>5.12d</td>
<td>7c</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.13a</td>
<td>7c+</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.13b</td>
<td>8a</td>
<td></td>
</tr>
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<td></td>
<td>5.13c</td>
<td>8a+</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5.13d</td>
<td>8b</td>
<td></td>
</tr>
</tbody>
</table>

Canyoneering Rating System

**Water Rating**

- Easy (0): Canyons may have running water, but only at very low flow rates.
- Moderate (1): Canyons may have running water, but only at high flow rates.
- Difficult (2): Canyons may have running water, but only at medium flow rates.
- Advanced (3): Canyons may have running water, but only at extreme flow rates.
- Extreme (4): Canyons may have running water, but only at very high flow rates.

**Time Rating**

- Easy (0): Canyons may have running water, but only at very low flow rates.
- Moderate (1): Canyons may have running water, but only at high flow rates.
- Difficult (2): Canyons may have running water, but only at medium flow rates.
- Advanced (3): Canyons may have running water, but only at extreme flow rates.
- Extreme (4): Canyons may have running water, but only at very high flow rates.

**RISK FACTORS**

- The route rating has sections with above average risk. There will be at least one obstacle that has more than the normally accepted level of risk. You need to have good technical skills in your mental tool box for attempting one of these routes.
- The route has sections with below average risk. There will be at least one obstacle that has less than the normally accepted level of risk. You need to have good technical skills in your mental tool box for attempting one of these routes.
- The route has sections with above average risk. There will be at least one obstacle that has more than the normally accepted level of risk. You need to have good technical skills in your mental tool box for attempting one of these routes.
- The route has sections with below average risk. There will be at least one obstacle that has less than the normally accepted level of risk. You need to have good technical skills in your mental tool box for attempting one of these routes.

---

ANALYSIS

Originating from the limbic system in the brain, fight, flight, and freeze responses are a fundamental part of human psychology. These basic responses to threats permeate our lives, regardless of actual threat. Whether we are about to slide off a rock face in southern Utah, playing sports, or having an important conversation with our manager, these responses will trigger. If these triggers are a regular experience, and they affect each of us differently, it is important that we understand how they affect us. This allows us to recognize them when they happen, and harness or counteract them accordingly.

This leads us to the first important take-away from the Elephant Butte case study: understanding our natural tendencies. Since fight, flight, and freeze responses come from calculations based on our perceptions of ourselves and our threat (Herman 1969), it is possible for these responses to become biased. This bias is important to recognize and counteract because there may be circumstances in which the best response is not the instinctive one. For example, someone whose instinct biases toward fight would easily come to the optimal solution to push forward in case decision 4 (the decision between unfavorable descent conditions and waiting at the top of the butte and risking hypothermia). However, for this same person, choosing a flight response, such as the one in decision 2 (sending group 2 on or pulling the plug) would not come as naturally. Yielding to their bias for fight and choosing to have group 2 continue on would have led to even more disastrous circumstances than those encountered by group 1. By becoming aware of our natural reactions, we are more able to recognize them when they are triggered, which can help us step back, objectively analyze the situation.
Using the case as a thread to tie together our ideas, the following analysis will explore first where these instinctive reactions come from physiologically speaking, and then how these reactions affect both interpersonal and strategic aspects of business. I will then seek to establish frameworks that, as we view our circumstances more objectively, we can apply to eliminate bias and make better decisions.

**Psychology of Responses**

Fight, flight, and freeze responses are an evolved, shared by humans and animals alike, that our brains have developed to keep us safe from dangers in the world around us. A response is cued when our amygdala, the brain’s watchdog, senses danger in our surroundings; such as when you looked over the edge of the first 100-foot rappel, or when you started sliding down the rock towards the edge of the cliff. The amygdala does a quick calculation of its perceptions of our own skill and the magnitude of the threat. Based on this calculation the amygdala triggers one of the responses. Fight is triggered when we perceive that we are more powerful than our threat. Flight is triggered when we perceive our threat is more powerful than us. Freeze is triggered when the amygdala calculates that we can neither over-power our threat, nor outrun it. When this occurs, the brain begins disassociating itself with the body to deaden any pain—physical or mental—that we are about to feel.

The amazing part about this whole analysis and process is that it takes place faster than our minds have an opportunity to form a cognitive thought. While this is ideal in scenarios where we have to make split second, life or death decisions, we live in a modern world where those instances are increasingly scarce and can consequently lead to false triggers. These may occur when your boss says, “can we talk in my office”, or when it’s time for quarterly performance evaluations.
These responses also serve as a great framework through which we can analyze strategic business decisions. While it is highly unlikely that you will encounter a business strategy situation that will necessitate a split-second response, thus causing your amygdala to fully fire, these instinctive responses may still trigger to some degree and influence our decisions.

Responses in Strategic Aspects of Business

To date, there has been a lot of academic research done examining crisis perception and response. Charles Herman first developed a model of threat perception that incorporated elements of value, seriousness of threat, and timing (Hermann 1969). Billings, Milburn, and Schaallman then improved on this model by incorporating elements of discrepancy between the desired and standard state of the organization, and the perception of time by the organization (Billings, Milburn, Schaalman 1980).

These frameworks on threat perception in business environments are important since they help us understand the triggers for crisis response. Using our knowledge of these triggers, we can then construct a framework to make optimal business decisions. While no business research I have found explores crisis response through the framework of fight, flight and freeze, certain academics have begun exploring certain components of it. For example, Osiyevskyy and Dewald


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found that perceived time pressure and perceived predictability can lead to a “threat-rigidity” paradox (what I will refer to in this paper as a freeze response) (Osiyevskyy, Dewald 2018)6.

Business is fraught with examples of these principles applied to the benefit, or hindrance of the business. In the following section, I will examine case studies where businesses applied strategies that closely resemble fight, flight, or freeze responses to help us understand which strategic response is correct when making critical business decisions.

### Analysis Table 1: Optimal and Suboptimal Examples to Each Response

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**Fight as an optimal response**

In 1987, the once dominant Nike fell prey to Reebok, a British company brought to America by Paul Fireman. Nike, focused on the male sports market, missed a rapidly growing jogging trend among American woman and was soon a speck in Reebok’s rearview mirror. With sales down 17%, the first drop in Nike’s history since it went public7, and its stock price


resembling the hilly terrain Reebok customers loved to run, it became apparent Nike needed to change its strategy.

While athletic endorsements were a common practice for both companies at the time, athlete collaboration was not. Nike decided to adopt a collaborative strategy to reenergize the company. With this in mind, they approached Michael Jordan, who had recently graduated from Duke, and was about to play his rookie season in the NBA to become their first co-branding collaborator. While Jordan had been courted by most major athletic shoe makers, he was discouraged by the lack of innovation and the take-it or leave-it attitude they gave him. When Nike approached him offering him $500k a year, more than triple the previous contract record, AND the opportunity to help design and co-brand his own sneaker with them, Jordan was sold.

Co-designing the sneaker with Jordan and providing him with exactly what he wanted in a shoe created a tremendous amount of loyalty from him. When the NBA, which at the time limited sneaker designs to one solid color, fined Jordan every game for wearing his multicolored shoes, Jordan and Nike paid the fine and made a commercial out of it. When the US Men’s Basketball team, who had a contract with Reebok, won gold, Jordan covered the Reebok logos by draping an American flag over his shoulder in what is now one of the most iconic Olympic pictures of all time. Traditional athletic endorsements created ambassadors; co-branding created someone who would fight for his shoe as a part of their own personal brand.

Fueled by their unique look, the conflict with the NBA, and Jordan’s incredible rookie season, the Air Jordan franchise yielded more than $100 million in revenue in the first year, $70 million of which came during the first three months\(^8\). Shocked by the sudden resurgence of their

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old rival, Reebok signed Shaquille O’Neal to collaborate with them. For the next five years, the two brands would engage in an arms race of sorts to sign and collaborate with the best emerging talent. Ultimately, Reebok couldn’t match Nike’s success and ceded the #1 spot to Nike.

Nike’s success with Air Jordan continues today, with the brand selling more than $2.5 billion worth of shoes in 2012. That year, SportsOneSource, a market retail tracking firm, estimated that the Air Jordan brand accounted for 58% of all basketball shoes sold in the US, and 77% of all youth basketball shoes⁹, a market segment who had never seen Jordan play basketball. The Reebok brand was ultimately bought out by their competitor Adidas and mostly focuses on making athletic accessories while still releasing a few lines of shoes.

We also see fight as an optimal response in decision four in the case where you had to choose between pushing forward in spite of unfavorable conditions (fight) or remaining at the top of the butte and risking hypothermia since members of your group were not adequately clothed (freeze). While neither of these options are ideal, fight was the optimal response because it kept people warm and moving whereas staying at the top could have led to hypothermia which would have complicated the extraction of the group after the storm passed.

Fight as a suboptimal response

By 1994, Sir Richard Branson had already started more than 200 companies, most of which were successful. With businesses in almost every industry, he decided it was time to take on two of the biggest kids on the block: Coke and Pepsi. Launching first in the UK, Virgin Cola was a decent success, instantly grabbing market share with a new recipe that customers

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⁹ ibid
preferred. After decent success in that market, Branson decided to bring the company to America.

In a symbolic invasion of the American market, Branson launched his product by driving a Sherman tank through a wall of Coke cans in the middle of Times Square New York and placing a Virgin Cola ad above the famous Coke billboard. Catching the attention of customers and competitors alike, Coke and Pepsi gave Virgin Coke what Branson describes as “a systematic kneecapping”. Coke and Pepsi quickly doubled their marketing efforts and leveraged their decades long relationships with vendors to ensure that Virgin Coke couldn’t get shelf space in stores.

While it took 16 years to officially kill off Virgin Cola, Branson had all but abandoned them within 3 or 4. Branson attributes his failure with Virgin Cola to two factors. First, he underestimated the size of the fight he was picking. Motivated by the wide popularity of Virgin Cola in the United Kingdom, or possibly feeling over-confident from his overwhelmingly successful track record, Branson figured smashing his way into the US market was the best strategy. What Branson widely underestimated was Coke and Pepsi’s quick and systematic response to the threat; sweeping Virgin’s feet out from under them before they could gain traction in the US market. Second, Branson violated a long-standing personal rule of not entering a market unless the product was “palpably” better than the existing options. While consumers indeed preferred Virgin Cola, they were not so attached to it as to demand it from suppliers. Contrary to Branson’s belief, there was not room for a third player in the existing cola duopoly.

Fight as a suboptimal response is demonstrated in the case in decision 2, the decision for group one to push forward with the route in spite of the snow or to pull the plug on the route. Had you chosen to push forward, you would have been on the exposed, climbing portions of the
route during the height of the blizzard which would have been incredibly dangerous and potentially lethal. Although it meant losing the footage, choosing a flight response over a fight response in this instance guaranteed the safety of all the members of your group.

**Flight as an optimal response**

In 2016, the consumer retail sector was gearing up for a battle among titans. Traditional big box retailers found their market share decreasing as Walmart, a company that had started as a low-end disruptor in the industry focusing on value brand customers, had advanced, eating away at competitors. Meanwhile, the entire industry was being threatened with disruption again by Amazon, an online retail company that was quickly gaining relevance.

In spite of a bull market, Target posted their lowest revenues since the recession\(^\text{10}\) and experienced four straight quarters of negative growth\(^\text{11}\). With retailers such as K-Mart, Shopko, and Sears all teetering on the brink of bankruptcy, and posting a revenue loss of 5.89% themselves, it was evident that Target was facing an existential threat.

In response to this two-fronted threat, Target chose a flight strategy. In 2017 Target announced several new initiatives including “reimagining its owned brand portfolio” and “remodeling stores and reaching new guests with new small-formats”\(^\text{12}\). In essence, these changes shifted Target’s positioning as they moved from being a value brand to a mid-level quality brand, focusing on giving consumers both a high-quality product and experience at a reasonable price, while not competing for value customers. This repositioning led consumers to

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begin jokingly referring to the brand as Targé (Tar-zhay), a nickname the company has now adopted with the release of its new line called Target (Tar-zhay) Couture\(^{13}\).

Target’s shift in position led to more than a catchy new nickname. In 2018 they had 3.43% revenue growth, reversing the trend of decline. While the fight for the retail sector certainly isn’t over, Target has given itself a much better footing to fight from.

**Flight as a suboptimal response**

Sears’ fall from grace as a titan of the retail world has been long and hard. A brand that was one of the largest names in retail has now fallen into ignominy. While it is hard to point to one single decision as a point of failure in a disaster as large as this, you can certainly narrow it down to a few. One of these was Sears’ attempt to transition to an online retailer.

With Walmart eating away at the bottom of Sears’ market-share, companies such as Nordstrom eating away at the top, and single market specialists such as Home Depot eating away at its edges, Sears realized that it wasn’t going to have customers left to sell to unless they made a change. With a goal of re-capturing old customers, Sears implemented a strategy that involved both store improvements, and a stronger online presence, expanding into what was then an adolescent market. Intriguingly, Sears was the first to try many online models which have since become successful elsewhere. This includes modes such as a club format that gives customers free shipping (now used by Amazon), the online marketplace model (Amazon and eBay), and the shop online then pick up in-store model (Walmart). If these models have proved successful now, what stopped them from being successful for Sears?

Many attribute Sears’ failure to its inability to provide a “complete value proposition” to customers\textsuperscript{14}. While they were providing easy access to their customers, their selection of products, price points, and consumer experience were not up to snuff. In essence, online innovation was not enough by itself, Sears needed to make a wholesale change to their business.

Flight as a sub-optimal response is demonstrated in decision 1, the decision for group one to go through the first rappel or pull the plug. While it could be said that choosing a flight response at this point would have allowed you to avoid the rest of the issues, this opinion would reflect hindsight bias. At this point in the case, it had not begun snowing and there was no other information present indicating future danger. Choosing a flight response in these conditions would have been overly precautious, ruining the trip for more members of the group, and creating a sub-optimal scenario.

**Freeze as an optimal response**

Bitcoin had its promoters and naysayers from the beginning. It’s unique use of blockchain technology to create a fiat currency divided people across industries and disciplines. Leading the charge against bitcoin was JP Morgan’s CEO and Chairman Jamie Dimon. At his best, he called bitcoin a “fraud.” At his worst, he threatened to fire any employee he found to be invested in it.

While Dimon claimed his opposition was because Bitcoin was “a terrible store of value”\textsuperscript{15}, but many speculated his opposition was actually due to Bitcoin’s potential to usurp the


banking establishment as we know it. As a currency, Bitcoin threatened to keep the un-banked from banking and appealed to the currently-banked for a number of reasons, among which were the transparency of its ledger which simultaneously eliminates banking corruption, creates a “hack-proof” system, eliminates fees and account charges, and removes the need for a middle man i.e. the bank.¹⁶

Ultimately, while vehemently speaking out against it, JP Morgan employed a freeze strategy and chose not to engage Bitcoin as did other banks. This ultimately proved beneficial, since at the peak of the furor many governments, such as those of South Korea and the United States, announced plans to regulate and tax crypto-currency and initial coin offerings.¹⁷ This effectively popped the crypto-currency bubble. Bitcoin, which was trading at more than $20 thousand per coin, plummeted to around $3 thousand, where it has been stable for the last year. While crypto-currency and blockchain certainly aren’t going to disappear entirely, it seems that institutionalized banks have won this battle for the time being.

It is important to note here that while some banks chose to act and others did not, the Bitcoin craze did not last long enough to topple any banks. That being said, many banks did suffer negative consequences from attempting to fight what was ultimately an unnecessary battle. For example, Bank of America banned customers from using their credit lines to buy crypto currency, a move that caused public outcry and had a negative impact on the brand.

Freeze as an optimal decision is demonstrated in the case in decision 6, the decision to cross the flat strip or wait for rescue. While it is difficult to say which of the fight or flight

responses in this scenario is preferable since both involved large risk, since freeze resulted in positive outcomes we can consider it an optimal solution.

Freeze as a suboptimal response

In 2000, Reed Hastings flew to Texas to talk with movie giant Blockbuster Video about forming a strategic partnership with his fledgling company Netflix. After listening to Hastings, Blockbuster executives literally laughed him out of the boardroom. Why would Blockbuster be interested in giving up the internet side of its operation “for a few percentage points”\(^{18}\). Antiloco, along with most other analysts and investors at the time, viewed Netflix as a niche service that would never get any traction. Hastings returned to California and Blockbuster returned to business as usual deciding they didn’t need to do anything about Netflix.

The next five years were rough, but critical for Netflix. While they continued to hone innovative features, such as the watch queue and video recommendations, they didn’t gain any traction due to the fact that less than 1% of households in the US had a DVD player because DVD players cost almost $600 apiece. According to analyst Michael Patcher, Netflix was extremely vulnerable during this five-year period. After their initial appeal to Blockbuster, they flew under the radar. Had they been more audacious, Patcher posits they would have provoked Blockbuster, who would have then “wiped them off the map”. By the time Blockbuster decided to change its strategy and confront Netflix, it was too late.

In spite of hemorrhaging money for five years and accruing $51 million of debt, Netflix was ready to IPO. A sudden drop in the price of DVD players, and a brilliant marketing move of putting a coupon for a free rental in each new DVD player sold helped Netflix obtain critical

\(^{18}\) Interview with John Antloco, Ex-CEO Blockbuster, Bloomberg, Game Changers, Season 2 Episode 3
mass. Finally convinced that Netflix was a credible threat, Blockbuster decided to change its response strategy and fight rather than freeze, but by then it was too late. Netflix had already gained enough of a toe hold in the market. After a three-way price-war between Netflix, Walmart, and Blockbuster, Netflix emerged the champion of the mail-order DVD rental sector. Blockbuster declared bankruptcy in 2010.

Discussion

When viewed individually, we can gain practical knowledge about what to do, or not do in moments of crisis. When we view all of the cases together however, we begin to see overarching principles that give us additional insight. For example, we see the importance of candid analysis of the business and products by the company’s leadership. This is critical, since half of crisis perception, and one of the main triggers of fight, flight, and freeze responses, is based on our perception of our strengths and weaknesses. While examining business situations through the fight, flight, freeze framework should help eliminate bias by helping leaders assess their situation more completely, this framework should only be one of many used in an effort to candidly and objectively look at the threat.

Viewing each of the previous cases together also helps us gain perspectives on what made the response successful or unsuccessful. These determining factors can then be used to create check questions to assess a current threat from a more objective standpoint. The questions I found include:

Is your product/business model palpably better than the threat? Due to the fact that it is such a key part of the equation, this question comes right at the beginning of the analysis. It addresses the first part of our crisis detection equation --our perception of our
own ability. It is important that we perform an honest evaluation of our product and business model to answer this question, since an error here could vastly change the outcome of the analysis.

Is there consumer demand for your product/business? Is there a consumer demand for your threat’s product/business? Like the first question, these questions require a high level of candidness and self-awareness to answer correctly. These questions mark a key difference from the physiological response framework. In the natural world where it is you versus your threat. In the business world, it is you vs your threat, but the winner is determined by the customer. This key difference means you need to look at your standing and your threat’s standing from the customer’s viewpoint and in the most objective way possible.

Can you survive a war of attrition (fight)? Can you pivot (flight)? Both of these questions include a quantitative and qualitative aspect. Quantitatively, these questions deal with resources. The crux of these questions becomes, do you have the resources necessary implement the required strategy. Qualitatively, these questions ask about the inner mechanisms of your company such as culture and ability necessary to implement the required strategy. While your company may have more than enough money to pull off the response, if the company is too rigid, doesn’t have the right employees, or doesn’t have the discipline to stay the course through a long battle, the effort will ultimately fail in its response.

Is the company ready to fully transition? This question deals with some of the same issues as the last set of questions but is more specifically be aimed at management to see if they are fully committed to the required strategy. One of the critical failures of Sears as
it tried to transition was that it tried to maintain one foot in each of their strategies, rather than fully committing to one. It is important that regardless of what the correct strategy is, that company leadership wholeheartedly commit to it; even if it means killing a cash cow business model that has made the company mountains of money in the past.

**In their optimal scenario and at scale, is the competition a strategic threat?** This question deals with the second half of the crisis equation, your assessment of your threat. Again, objectivity is essential as you look at their business model and products, as well as their strengths and weaknesses. This question encourages you to not only consider the threat in its present state, but also what it will be when the company has obtained critical mass and is operating in the best possible scenario. This is important because when a threat first presents itself, it is likely that they will not appear threatening at the moment; just as the incoming clouds did not appear very dangerous to you in the Elephant Butte case, or just as a young Netflix did not appear very threatening to Blockbuster.

**Is a third party likely to interfere?** While this is an important question to ask in general, it is a key differentiator between a freeze response and other responses. The logic being, that if someone else is already fighting the battle, whether a government or another industry, doing nothing may be the best response, since your effort will not change the outcome and you will save valuable resources.

The following figure puts these questions in a decision tree to help you determine which of the response strategies you should pursue. By critically and objectively answering each question in your decision path, you should not only arrive at an optimal strategy for your business, but you will gain crucial perspectives and data about your company along the way that will aid you as you use other frameworks to examine the threat.
It is also important to note that in the following figure I break the flight response into two types, flight to a different business model or market, or flight to an exit. I chose to differentiate between the two because there are instances in which the business has the potential to survive and thrive in a new area. There are other instances however, when the business does not have a viable business model and does not have the resources necessary to endure a war of attrition or to pivot to a different location. In this instance, it may be in the company and shareholders’ best interest to gracefully exit, saving resources by not engaging in a fight, and not freezing and staying in operation until all resources are depleted.
Analysis Figure 1: Threat Response Decision Process.
Conclusion

Responding to threats in business settings requires that we adequately assess our own capabilities and the true nature of the threats. Doing this requires first that we are aware of our own biases, including our bias towards certain response mechanisms, and then eliminating them. This is most adequately done through the use of frameworks such as the fight, flight, freeze framework. Had Sears, Blockbuster, and Virgin Cola followed this framework, it is likely that Sears would have transitioned fully into online retail, Blockbuster would have smashed Netflix at the earliest possible moment, and Virgin Cola would have exited the cola industry (or have never entered from the beginning), rather than incurring massive losses for the company.

While the cases used in this paper provide more anecdotal evidence than empirical, and thus the conclusions should not be viewed as comprehensive, the wisdom that can be derived from the successes and failures of those around us can still help us avoid making the same mistakes. The use of this framework will allow you to have confidence that you are moving in the right direction as you respond to business threats.
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