

NANO TOOLS FOR LEADERS®

FOUR STEPS TO STEER AN ORGANIZATION IN A TIME OF CRISIS

Nano Tools for Leaders® are fast, effective leadership tools that you can learn and start using in less than 15 minutes — with the potential to significantly impact your success as a leader and the engagement and productivity of the people you lead.

Contributor: Mauro F. Guillén, Dr. Felix Zandman Endowed Professor of International Management at the Wharton School, author of the forthcoming *2030*, to be published by St. Martin's in August 2020. His online courses and webinars have attracted over 100,000 participants.

THE GOAL

Steer your organization in the right direction to cope with COVID-19 and other epochal events, and ride the wave of economic recovery.

NANO TOOL

While COVID-19 is a unique pandemic with unprecedented consequences for business and the economy, companies and other organizations don't need to — and shouldn't — simply react defensively to each development as it unfolds. They can make a difference by taking the right steps at the right time to cope with it and position themselves to ride the wave of economic recovery.

For organizations, the challenges include formulating a strategy to cope with the immediate effects of the crisis, ensuring business continuity and supply chain reliability, maintaining financial balance, and keeping employees healthy and productive. Daunting as they are, those short-run concerns pale in comparison to the need to take early steps to prepare the organization for the economic recovery, not knowing with accuracy when it might take place.

Traditional leadership protocols or approaches fall short in crisis situations. Managers who excel at growth and profitability during "normal" times may be ill-equipped to cope with a major crisis, or simply unprepared to take command and lead. But they can rise to the challenge by recognizing the distinctive characteristics of the situation and following some easy steps.

ACTION STEPS

- 1. Create a "War Room."** Winston Churchill won the Battle of Britain at a time when the country was the only power fighting Germany in World War II, a full year before the Soviet Union and the United States joined in. President Kennedy assembled an executive committee (ExComm) during the Cuban missile crisis. In both cases, the leader moved swiftly to bring together a group of people representing the different "constituents." Precise rules about information gathering and analysis, communication, and decision making were established and followed with zeal. This approach creates high levels of engagement and accountability, as well as a singular message and plan that can be communicated clearly both within the organization and to the public. During a severe public health, economic, and financial crisis, the CEO must become the "Explainer in Chief," delivering that message and steering the entire organization in the right direction.



- 2. Ensure business continuity and supply chain reliability.** Sudden events such as an earthquake, tsunami, hurricane, or pandemic can bring business operations to a grinding halt. Job number one is to rebuild the broken links inside and outside the organization. Inside, leaders must act quickly to proactively reposition human and physical assets. Outside, relationships with suppliers need to be reestablished and secured. Diversifying sources of supply and/or working with your existing suppliers to help them expand their capacity or get more from their suppliers must take priority to preempt further disruptions. New technologies like 3D printing might provide some temporary relief to companies when a specific supplier is no longer capable of delivering goods.
- 3. Engage employees and customers.** During a health crisis, the utmost priority is to ensure that employees and customers are safe. New work practices need to be in place, including a new division of labor between on-site and remote employees. Leaders need to pay attention to stress, burnout, motivation, and productivity. When it comes to customers, one must continue to engage them, even if demand has dried up or it is not possible to deliver goods or services to them. Without ongoing customer engagement, buyers will lose interest in the firm and it will be harder to resume normal operations once the crisis is over. Do not cut your marketing budget down to zero. It's important to invest in customer relationships even when there is little or no revenue.
- 4. Prepare for the recovery.** Every manager must be on the watch for any signs of recovery. But most importantly, everyone in the organization needs to be prepared for it. Sports teams sometimes play defense, but they are always ready to go on the offensive in order to win. Preparing for the recovery can also be used to motivate employees and to show them that there is light at the end of the tunnel. It is key to understand and anticipate how quickly (or slowly) demand for products and services will recover. For example, there might be pent-up demand for some of them, meaning that the firm has to summon enough resources to meet the anticipated peak after the crisis. Failure to be prepared and ready to act risks losing customers to other companies.

HOW BUSINESSES CAN USE IT

- Organizations rarely plan for black-swan events that happen once in a generation. In such situations, it's impossible to plan ahead of time for every contingency. But, as military leaders often say, "Plans are worthless, but planning is everything." Rapidly changing circumstances are no excuse for not planning. And employees, suppliers, and customers expect planning to take place.
- No sequence of steps will be effective unless the top leadership is fully committed to being open, transparent, calm, and resolute. During a crisis, employees, suppliers, and customers will look up to the leaders searching for cues, signals, and comfort. They will yearn for a steady hand with a human face who can provide guidance and actionable advice.
- Not all companies or organizations are equal. Some of them will be completely taken off-guard by the crisis. Perhaps the shock will catch them at a bad moment because they are in the midst of a major reorganization or they have recently made a big acquisition. The four steps need to be adapted to the specifics of the situation: it's one crisis and one shock, but each organization may face unique challenges.
- Don't judge the effectiveness and success of the response to the crisis by short-run performance indicators. Senior leaders have to convey the message that "we're in for the long haul, and to ensure your wellbeing and success." Patience is of the essence, and must begin at the top.

RESOURCES

- *Learning from Catastrophes: Strategies for Reaction and Response*, Howard Kunreuther and Michael Useem (Pearson Prentice Hall, 2009). Presents a comprehensive strategic framework for assessing, responding to, and managing extreme risk.
- *At War with the Weather: Managing Large-Scale Risks in a New Era of Catastrophes*, Howard Kunreuther and Erwann Michel-Kerjan (MIT Press, 2009). Offers innovative, long-term solutions for reducing losses and defines a coherent strategy to assure sustainable recovery from future large-scale disasters.
- Mauro Guillén directs Wharton Executive Education's [*Global CEO Program: A Transformational Journey*](#) and teaches in the [*Advanced Management Program*](#) and [*Executive Development Program*](#), among many others.

ABOUT NANO TOOLS:

Nano Tools for Leaders® was conceived and developed by Deb Giffen, MCC, director of Custom Programs at Wharton Executive Education. *Nano Tools for Leaders®* is a collaboration between joint sponsors Wharton Executive Education and Wharton's Center for Leadership and Change Management. This collaboration is led by Professors Michael Useem and John Paul MacDuffie.