

# HOW TO LEAD IN TIMES OF CRISIS

This tool explains how to lead in times of crisis. It is inevitable that you will at some point in your career face a situation that requires extraordinary courage under fire. More than at any other time, you will feel a lack of control.

During a crisis, the following things can happen:

1. Events are unfolding more quickly than you can imagine;
2. Lives and fortunes are at stake;
3. You feel a loss of control;
4. You are frightened.

In short, a crisis is the biggest test you will face as a leader.

## Leading in a Crisis

There are two rules to follow in a crisis. Rule number one is this: Protect other people first – customers, employees and citizens. Not your shareholders or yourself. Protect the public and your customers, and the shareholders will follow. Why? Because the long-term reputation and goodwill of your organization are more important than any short-term risk to shareholder value or your own job security.

Rule number two is a corollary to the first: Be prepared to reframe and expand your level of responsibility. In other words, accept responsibility even if you're not at fault. This may feel counterintuitive, especially when someone else is clearly culpable. But reframing and expanding your level of responsibility will help lead you out of the crisis.

Consider this well-known example. In 1989, the oil tanker Exxon Valdez went aground in Alaska's Prince William Sound. Eleven million tons of oil spilled onto pristine shoreline. In the immediate aftermath, Exxon's CEO Lawrence Rawl was slow to accept responsibility. Instead he issued a flurry of press releases stating that the company was investigating the accident. The opportunity to quickly contain the spill was squandered. Hundreds of miles of coastline were fouled.

Public furor built and the company's reputation plunged. Several weeks passed before Rawl grudgingly announced that the company would take responsibility for the clean up. Eventually, thousands of workers and volunteers were mobilized to mop up the oil, save the wildlife, and minimize the damage to the extent possible. But Exxon's public image was left in tatters because its immediate response was too slow. William Reilly, then head of the Environmental Protection Agency, said Rawl's response was "a casebook example of how not to communicate to the public when your company messes up." Rawl's reputation never recovered.

In contrast, when a container of Odwalla apple juice contaminated by the bacteria *e coli* resulted in the death of a child in 1996, CEO Greg Stepensall stepped in right away and assumed personal responsibility. He recalled every Odwalla product. He paid out huge sums to the families affected by the tainted products. He held regular press conferences to ensure the public knew what was going on and how the company was responding.

For more than a year, Odwalla retooled its production lines, adding flash pasteurization to ensure no future incidents could occur. Sales fell 90 percent but Odwalla survived with its reputation intact.

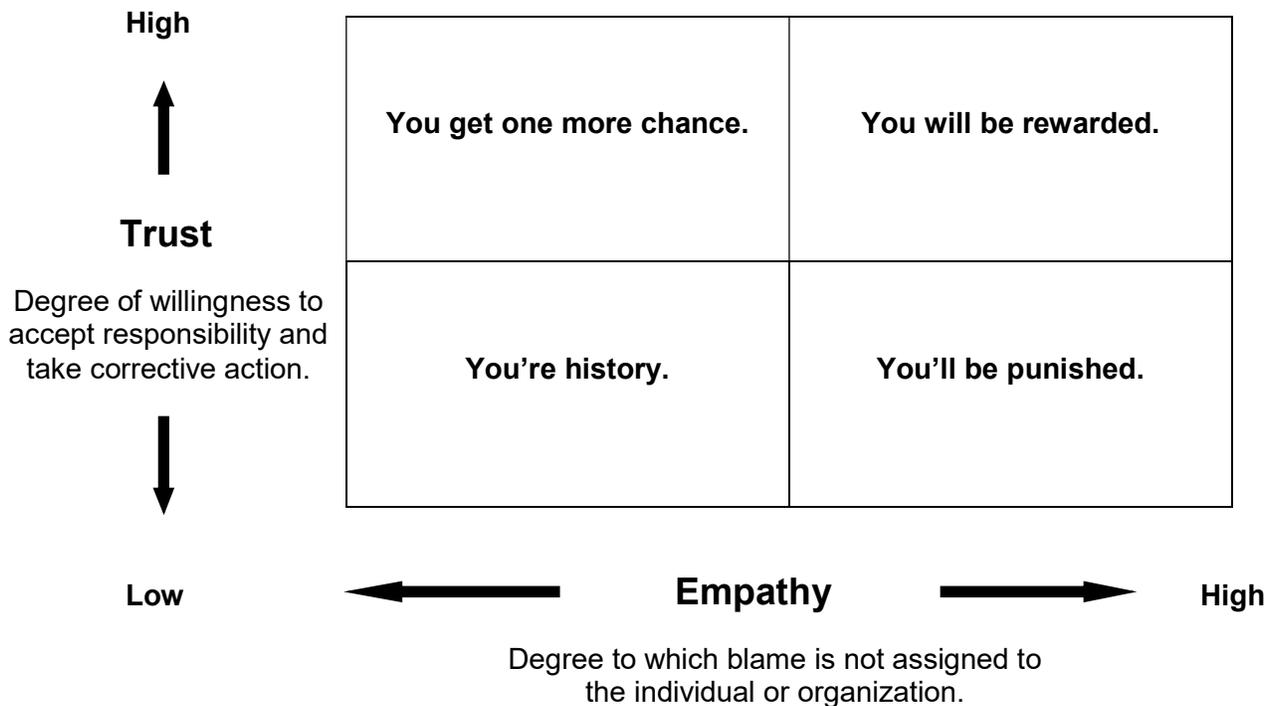
As the Exxon Valdez and Odwalla examples show, leaders have a clear choice in how they frame their response to a crisis. On the one hand, they can respond out of a “protect ourselves” mentality, as Exxon did in the Exxon Valdez disaster. Or leaders can think and act out of a larger ethical context, as Odwalla did.

The Tylenol scare in 1986 is another case in point. It was clear when cyanide-laced containers of Tylenol were found on supermarket shelves that a pathological killer was responsible. Johnson & Johnson’s executives could have focused on the criminal aspects and exhorted police to take responsibility for catching the perpetrator. (Indeed, he was caught within a matter of days.)

But Johnson & Johnson’s executives understood the need to immediately take responsibility for the safety of their consumers. This led the company to recall every Tylenol product, design strong anti-tampering packaging, and conduct a massive awareness-building campaign. It is estimated to have cost the company \$2 billion, but Johnson & Johnson emerged the stronger for it.

The bottom line is this: When a crisis hits, two dynamics take over: Trust and Empathy. These dynamics are illustrated in the figure below.

**The Trust/Empathy Matrix**



The empathy scale is governed largely by facts outside your control. In the case of the Exxon Valdez tanker spill, there was little question that the captain was drunk and that Exxon, as his employer, was at fault. Exxon's leaders had little control over the empathy scale. But they did have control over the trust scale, which they messed up. In the Tylenol case, Johnson & Johnson was clearly not at fault. Yet it chose to assume full responsibility. As a consequence, the company was rewarded.

In Japanese corporate cultures, managers are trained to accept personal responsibility for anything that goes wrong on their watch. To Western eyes, this seems odd. We're amazed when a Japanese CEO resigns because of the incorrect action of a freighter captain or an accounting irregularity. Yet as the Trust/Empathy Matrix shows, it's also smart business. When a crisis hits, assuming responsibility and taking corrective action is more important than safeguarding your job. The security of the organization depends on it.

### **Crisis Management Styles**

Over the years I've seen many leaders respond differently to crises. And I've noticed two different styles, each with its strengths and weaknesses.

#### **The Hero-Protector**

One style is the hero-protector. Certain people enjoy being perceived as hero-protectors. They want to act heroically and display the courage to stand up and fight on behalf of their followers. In a crisis this type of leader naturally assumes a more decisive and autocratic role. They bark orders, they instill a clear chain of command, and they assume full responsibility to interact with the media. In the best cases, the hero-protector emerges as a trusted and powerful symbol of the organization's integrity. In the worst cases, they magnify the crisis through theatrical protestations of innocence in the face of ever-mounting evidence to the contrary.

This style can be very effective if the leader does assume responsibility. Leaders are symbols of protection. People want to trust that their leaders will take care of them when the chips are down. We call this the "heroic transfer phenomenon." People feel a deep need to be protected, and they look to their leaders to fill that need. This is reciprocity on its most basic level: "I will follow you if you protect me."

#### **The Realist-Survivor**

The hero-protector is one style of crisis manager. The realist-survivor is another. The realist-survivor doesn't sugar coat what's going on. Rather than withhold information, he shares it. Andy Grove, the former CEO of Intel, is famous for telling his employees: "I'm always scared of what our competition will do. It's the only way I know how to be."

When General Jim Stockdale was imprisoned in Hanoi, he made note of his fellow prisoners of war – and who survived and who did not under the terrible pressure. He divided people into two groups: optimists and realists. Who made it? Not the optimists.

The optimists were always having their hopes crushed. Over time the psychological burden became too great. No, it was the realists who survived intact.

Realists don't pretend a crisis will go away quickly. They don't try to put the best possible face on it. Instead, they go to work. They gather data. They develop a strategic focus and a plan. They dispel panic through good, fair, and honest communication.

The biggest difference between the hero-protector and the realist-survivor is that the latter doesn't need to be the sole point person during the crisis. The realist-survivor makes sure everyone is aware of what's going on, delegates decisions, and enables people throughout the organization to communicate – both to employees and to the media. The realist-survivor trusts that if many people assume responsibility, then many people can be mobilized to act quickly.

### **How Men and Women Respond in a Time of Crisis**

Until recently, researchers had assumed men and women responded to a crisis with the same “fight or flight” response. But new research,<sup>1</sup> published in 2000, suggests that women use a third strategy, called “tend and befriend.” When stress mounts, the research shows that women are more prone than men to protect and nurture their families and turn to social networks for support. That response, the researchers said, probably evolved because successful “tenders and befrienders” were more likely to see their offspring survive and pass on their mothers' genes.

When a conflict occurs, men tend to either respond angrily (fight) or by ignoring it (flight). Women seem more capable of acknowledging the conflict – thus taking the energy out of it – and maintaining good relationships. They follow the maxim: “When you fight, fight in such a way that you don't make enemies. Opponents are okay. But once an enemy, always an enemy.”

Men and women seem to be modifying their coping strategies. Psychologist Carole Rayburn has found that younger men are doing more tending and befriending, while younger women are becoming more aggressive.<sup>2</sup> Gender blending is influencing how we manage crises, too.

### **Projecting Cool Under Fire**

In his book *Sacred Hoops*, Phil Jackson, the former coach of NBA's Chicago Bulls and now of the L.A. Lakers, recounts how he learned how to deal with winning and losing under the eyes of millions of fans. He says he was prepared to deal with the constant media pressure because he'd learned “to take his ego out.”

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<sup>1</sup> Taylor, S.E., Klein, L.C., Lewis, B.P., Gruenewald, T.L., Gurung, R.A.R., & Updegraff, J.A. [Female Responses to Stress: Tend and Befriend, Not Fight or Flight](#). *Psychology Review*, 107(3):41-429.

<sup>2</sup> Supplee, Curt. “Stressed Women Turn to Mother Nurture, Study Says” [The Washington Post](#) 19 May 2000:A02.

Jackson describes the long road he took to get to that point. After eight years as a player, he went to work in Canada, coaching semi-pro basketball teams. After a string of defeats, he took time off to reconsider what he wanted to do with his life. He visited an Indian village near his home in South Dakota. He took up meditation. He learned Zen Buddhism. He cites his studies of Buddhism as the turning point.

After this personal journey, Jackson got back to basketball. On a fluke, he wound up as an assistant coach in Chicago. When the head coach was fired, Jackson was suddenly thrust into the top coaching job. In that environment, he discovered that his “ego-less” approach was highly successful. His calm, cool leadership paid off in big games, when his players incurred far fewer technical fouls than his opponents. It also helped him manage the super-sized egos of professional basketball players. His record of playoff victories and championship rings, unmatched by any other coach in professional basketball, is proof of the importance of staying cool under fire.

As Jackson’s story illustrates, it is vital that in a time of crisis you maintain your cool. Charles Rice, the CEO of Barnett Bank, puts it this way: “Leadership is often about shaping a new way of life. To do that, you must advance change, take risks and accept responsibility for making change happen.”

Leaders on the battlefield are trained to be cool under fire. An adviser to special operations teams working in the Middle East says: “Our people are trained to commit troops to their deaths. They can’t waffle. They can’t ask for more data. They are trained to make each decision and move on.”

Most leaders don’t face life-or-death decisions. But metaphorically they do every day. How should I respond to this hostile e-mail? Should we close a plant? Should we terminate this manager? Should we cancel this program? Leaders experience these kinds of tough questions on a daily basis. They juggle one tough decision after another. How you respond to these kinds of tests – and whether you stay cool under fire – is a sign of whether you are genuinely capable of building a leadership culture.

### **The Leader as a Heat Shield**

When a crisis hits, leaders need to see themselves as heat shields. The metaphor is apt. When a space vehicle reenters the earth’s atmosphere, the heat shield deflects the ions in the atmosphere and diffuses their energy. Similarly, leaders must act as heat shields for their organizations.

Here are four practices that help you to be an effective heat shield and build trust. First, keep a sense of perspective. Don’t assume that people’s first reaction is the right one. Wait, gather data, and act when you have a pretty good idea what’s going on. If a reporter calls, it’s okay to say: “We’re not sure what happened, we’ll let you know as soon as we find out anything.” Use your sense of humor. The head of California’s Public Utilities Commission, when facing hostile questions from the press about her role in the state’s energy crisis, said: “Well, at least I didn’t cause the polar ice caps to melt this year.”

Second, avoid the appearance of a cover-up. Come clean right away, get it all on the table, and then move on. Be honest about what you do know and what you don't know. Understand the way in which the public honors honorable behavior – and nothing is more honorable than admitting a mistake in public. Say: “We accept complete responsibility for any part we had in this incident – and we will take corrective action immediately.” If lawyers advise you otherwise, ignore them.

Third, comfort employees by validating their concerns. When it was announced that Merrill Lynch would be investigated by the Securities Exchange Commission in 2001, one Merrill manager assembled his employees and said: “We're feeling a lot of pressure right now, but I know we're going to come through it, together. I vow to keep you informed every step of the way.” Because he validated their fears, they felt safe.

Finally, have a routine that allows you to vent pressure away from work. Phil Jackson did it through meditation. Bill Clinton jogged and played golf. Every successful leader has some means to vent the heat away from work.

### **Build Crisis-Proof Relationships**

Effective leaders build what we call “crisis-proof” relationships. This means developing relationships with people both inside and outside the organization who will serve as key resources if and when a crisis hits. Depending on your position, it might include your boss, two or three peers, some key associates and friends. This should be a group of ten to twenty people whom you know well enough to be able to tell them: “Things are going to be tough the next few months. I'm going to need your help to get through this.”

When Rachel, a Starbucks marketing manager, learned that she was going to be responsible for opening ten new stores a month for a year, she reached out to her marketing team for support. “If I need to call you in the middle of the night to do something, will you be okay with that?” Her colleagues said sure.

It turned out to be a smart strategy because Rachel found herself overwhelmed by work. But her marketing team kept giving her extra effort throughout the year. They also gave her sound advice about keeping her work and personal life in balance. “They basically kept me sane,” she said.

When Scott, a partner in a venture capital company, learned one of his partners wanted to split away from the firm, he had his support network already in place. This group of investors and associates provided counsel to Scott – and assured him of their allegiance. “More than anything, they kept me focused on what was important. They kept telling me to get it over with so we could all move on. Despite my instinct to fight for every last nickel, we worked out a quick settlement that was more profitable for me in the long run.”

Here's one more example. A newly-hired manager in a California state agency knew his job would be on the line if a crisis ever hit. He also knew his boss was a loose canon. So he quietly built strong relationships with governing board members, his finance team, and with key legislators.

Sure enough, a year after he was hired, the boss was charged with accepting campaign contributions from the very insurance companies his agency was supposed to regulate – and then looking the other way when they violated state law. There was a media feeding frenzy. Ultimately, the legislature conducted hearings. The commissioner was fired. Early on, when the first whiff of scandal was felt, long before the indictment, the manager rallied his support network and asked them what to do. “Be truthful,” they advised him. “Be independent. Don’t trust everything you hear.” He rode out the storm, regularly communicating with his network to let them know that the business of the agency was still being conducted while the scandal was unfolding. That manager is still in his job today.