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Crisis Management

Preparing for the Era of Uncertainty

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A New Crisis Playbook for an Uncertain World

We're entering a period of unprecedented instability. Is your business prepared? **by John E. Katsos and Jason Miklian**

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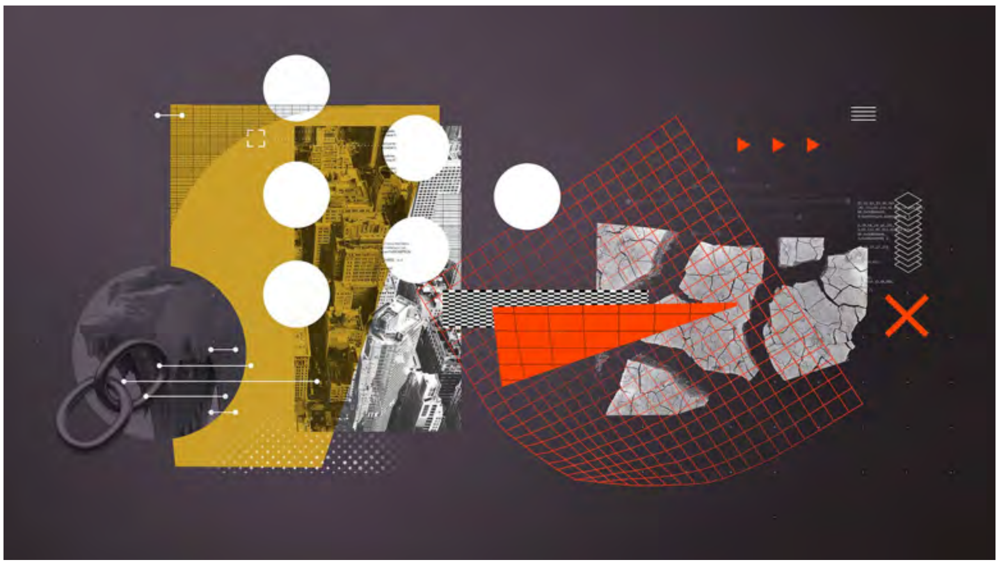

Marie Emmerman/Skizzomat

Today we stand at the precipice of not one but three converging and potentially catastrophic long-term trends: climate change, globalization, and growing inequality. On their own, each of these makes the occasional crisis worse: We might see a more destructive hurricane, a more widespread financial meltdown, or longer or more violent civil unrest. Together, though, these trends magnify challenges. The Covid-19 pandemic, for example, was not just a health crisis but an economic and political one as well.

Welcome to the era of uncertainty, when constant crisis threatens every business in every place on earth. We see it in supply shortages that are no longer merely short-term inconveniences but disruptions that drag on for years. It's evident in power outages that last for a week or more, and in social unrest and protests over injustices that have persisted for decades. Millions of managers are desperate to do the right thing in these situations, but they have no clue just what that is or how to figure it out. That's because the most common ways companies have responded to crises in the past are no longer applicable today.

For the past two decades, for example, many have argued that the key to weathering a storm is nimble, decisive action by a courageous leader. Advocates of this approach assume that a crisis is a singular event — typically a market-related or other financial upset — that happens, requires a response, and is then followed by a return to business as usual. Other executives and managers believe that when their companies are fighting to survive, prioritizing ethical action is a luxury. They do whatever it takes to protect themselves. A third approach is to use avoidance mechanisms, such as promising but never delivering solutions, in hopes that the crisis will simply pass.

As upheavals become more common and complex, those strategies will fail. Things will not simply go back to "normal" after pandemics, wildfires, and socioeconomic turmoil. Firms that act selfishly are not immune from struggling during a crisis; indeed, because they burn every bridge at the first sign of trouble instead of building critical relationships, they are likely to fare worse than their peers. And claiming to be ready to tackle a challenge without following through exposes companies to reputational damage; consider, for example, the public dissatisfaction with organizations that pay lip service to supporting the Black Lives Matter movement but then do precious little to make meaningful changes.

Some firms, however, have learned and perfected ways to manage the uncertainty that constant crisis brings. They do so in some of the most volatile places on earth: conflict zones. To understand what works in those conditions and why, we have conducted interviews with more than 300 business owners and managers in conflict-torn regions; held discussions with leading practitioners and scholars; and researched affected companies. In total, we studied hundreds of cases of businesses thriving, scraping by, or crumbling as they faced a broad range of violent and nonviolent political and social conflict from 1985 to today.

What we found was that successful companies intentionally made more contributions to their local communities than their peers did. In some places they helped stop wars. In less-fraught settings, they reminded people who disagreed with one another that they needn't be perpetual enemies. Whether the companies were small entrepreneurial ventures or large multinationals, they had a blueprint for engaging with society in a positive way.

Preparing for Crisis

Business leaders often recognize political, social, and environmental changes as they happen. But in interview after interview, owners and managers told us they regretted not taking those developments more seriously. Why did we keep hearing the same laments? For one simple reason: a mindset that left leaders reacting to crisis, rather than preparing for it.

It's tempting to worry that a proactive approach creates a signal-versus-noise problem: How do you know you're preparing for the right crisis? With so much information to consider, it can feel like searching for a needle in a haystack. But we've learned that successful crisis preparation is more like holding up a giant magnet to the haystack, revealing the needles and extracting them before they can do damage.

Once you realize which problems might impact your operating environment, you can get ready for them.

Our playbook outlines the three most important lessons we took away from our fieldwork and illustrates them with real-world examples. In all these cases, the red-flashing danger signals were always apparent to anyone reading the local news or talking to local people. The companies we studied — even the ones that failed to cope well with crisis — were all trying to do what they thought was the right thing. But the ones that both survived and thrived had more than good intentions or strong leadership. The secret to their success involved three strategies: paying as much attention to the community as to the business, looking beyond local authorities for solutions, and making principled political choices even when they may be unpopular. These practices can help any company trying to navigate the age of uncertainty. And we've found empirically that they constitute the most profitable approach.

Partner with the community. You can't do effective strategic risk planning without understanding your sociopolitical context. Our research showed that companies that had little engagement with local communities, viewing them merely as sources of consumers or raw materials, were unlikely to outrun upheaval. When crisis hits, such companies often cut local ties by closing factories or country offices, laying off workers, or withdrawing in other cost-saving ways. Shutting out the local community multiplies the risk that the project at hand, or even the company itself, will fail.

Small corporate social responsibility (CSR) initiatives, such as sponsoring a local sports team or funding scholarships, are wonderful, but they don't go far enough and aren't likely to last. Instead, companies must build deeper ties with the broader community, because those connections are integral to business survival during crises. This means developing relationships with local leaders within and beyond the corporate world and working across societal dividing lines instead of siloing within the "safest" segment of the community.

A cautionary tale comes from the Lake Toba region of Sumatra, Indonesia, where, around 2010, Starbucks started buying coffee beans from local farmers and sharing the profits from the resulting (and pricey) limited-edition product. Initially, community members we interviewed thought the project was promising. The U.S.-based coffee chain worked with the farmers on enhancing production, building their capacity, and improving the quality of their goods — the hallmarks of creating shared value. But by 2018 it all ended.

When Starbucks came in, it introduced CAFE Practices (industry standards for ethical sourcing) and paid a premium to its suppliers, some of whom got involved in politics with the money. But the "land mafia" — an extensive network of criminals and politicians with de facto control over the local farmland — reportedly countered the new threat to its power by destroying farms and threatening disappearances. As a result, we learned, some of Lake Toba's most productive farmers stopped growing coffee.

Farmers and distributors told us that they think those operations could have been saved had Starbucks studied more about local politics, learned how to defuse the mafia's influence, and worked with the growers. But that didn't happen. And buyers for the company said they instead turned their attention to more productive valleys, depriving the local farmers of a promising livelihood and depriving customers of Lake Toba's most exceptional beans.

Marie Emmerman/Skizzomat

Compare that story to another — this one involving the National Beverage Company (NBC) in the Palestinian Territories. In 1993, shortly after Israel and the Palestine Liberation Organization signed the Oslo Accords, CEO Zahi Khouri struck a deal with Coca-Cola to bottle and bring the iconic soda to Palestinians. It was a gamble. Through its 40 years of operating in Israel, Coca-Cola was loathed by most people in the Territories because it was seen as a collaborator with the occupation. Khouri's timing was also terrible. While he was trying to set up NBC, a right-wing Israeli group assassinated Israel's prime minister, triggering a violent Palestinian rebellion. The peace accords were in tatters, and each new attack jeopardized Khouri's investment. But he pushed on with opening his bottling facilities, even as people told him it was financial suicide.

Today, after two intifadas, multiple failed peace negotiations, and intractable economic troubles in Gaza and the West Bank, NBC boasts more than $100 million in annual revenue and employs hundreds of Palestinians, all while indirectly supporting the livelihoods of thousands more through supplier and contractor networks. NBC was one of the only startups from that period that survived.

How did Khouri do it? He wasn't harder-working or more ambitious than leaders and managers at other companies in Palestine at the time. But he was smarter about engaging key community leaders and building bridges. He leveraged his business experience with Western brands to persuade Israeli companies and officials to let him ship supplies through Israeli-controlled ports and border checkpoints. He then leaned on the trust he'd built with Palestinian leaders to get their help processing shipments and win their support for the operation, patiently explaining how it would provide jobs and a popular consumer product.

Khouri took major financial and reputational risks to engage with both communities. He could very well have been blacklisted by one or the other for "working with the enemy," which could have meant losing both the substantial sum he'd invested and the relationships he'd spent years cultivating. But he didn't shy away from those risks, and he was transparent about his plans. Everyone knew he was partnering with both sides (without favoring either one) to create something important.

Khouri's example illustrates the first rule in the new crisis playbook: Leaders must gain the trust of all the stakeholders in the communities where they operate.

Work beyond the government. The second, related rule is this: Companies must work not just with, but also beyond, government agencies and office holders. In our research, the most common mistake we've seen is businesses partnering only with local appointed or elected officials as if they are synonymous with community interests. When public institutions are inadequate or are thwarting progress, that approach is a recipe for disaster.

A good example comes from Odisha, India, where the South Korean steel manufacturer Posco tried in the early 2000s to launch an ambitious $12 billion project that would have provided thousands of jobs and $1 billion in development aid to local communities. The company's agreement with the state included a plan for the government to resettle 50,000 people living on the farmland where a new plant was to be built. But officials reneged on their promise, instead moving the farmers into barbed-wire tent cities and pocketing the resettlement money. Those who'd been displaced appealed to Posco, but because the company was unaware of the situation on the ground and wanted to do everything "by the book," it referred them back to the corrupt officials. In 2010, with groundbreaking set to begin, Posco highlighted the investment as a "success story" of working with the local community.

Meanwhile, the farmers grew desperate. They joined forces with Maoist insurgents waging war against the Indian government and attacked Posco's local offices, kidnapping visiting executives who came to christen the site. After 10 painful years and $1 billion lost, Posco abandoned and wrote off the project, claiming in 2015 that it failed as a result of unforeseeable circumstances and "because the Indian government has changed the law." Officials kept the farmers in the tent cities and sold the stolen land to domestic bidders.

Posco wanted to act ethically and comply with local laws, so it followed the government's lead. But it should have also engaged directly with the farmers and other members of the community to ensure better outcomes.

Dilmah Ceylon Tea used such a strategy to operate successfully during a civil war in Sri Lanka that split the country along ethnic, religious, regional, and political lines in the 1980s. While many companies closed as a result of supply disruptions, protests and labor strikes, Dilmah avoided those problems because CEO Merrill Fernando was prepared for the looming crisis. Fernando considered his firm's health to be part and parcel of his community's, and he was constantly asking for local reports from his employees. Many of Dilmah's tea plantations lay in remote areas, so Fernando had to trust his managers to do much of their work unsupervised. When he did interact with them, he was open about the problems he saw, and his team members were equally candid about issues they noticed.

Fernando wasn't a fortune-teller. He didn't know when or how the crisis would erupt or how long it would last, but, thanks to his employees, he did know that it was coming. As a result, he implemented forward-looking strategies. He built cash reserves and supplies to maintain a sufficient cushion for potential disruptions. He had frank discussions about how the unfolding situation would impact the company and learned that even areas he assumed wouldn't be affected probably would be. This led Dilmah to embrace an expanded communication role within the community and be perceived as an honest broker with a stake in everyone's survival.

Make principled political choices. Our third rule might be the most surprising: Companies must not be afraid to take principled political stands. Our research shows that firms tend to thrive when they make consistent choices and communicate them clearly, even if a segment of the population disagrees with them. Consider the case of the American yogurt company Chobani in the highly polarized United States.

When Hamdi Ulukaya, a Turkish immigrant, founded Chobani in 2005, he wanted to wear his politics on his sleeve by employing people who, like him, had fled their home countries for safer lands. His company funded school lunches for undernourished kids, because he'd gone hungry as a child. He built his factories in former industrial areas to help revitalize communities most in need. And he hired lobbyists to push for more-progressive policies nationwide. By 2016, employees owned 10% of the company; by 2019, 30% of its workforce was made up of former refugees.

After President Donald Trump was elected, however, online trolls attacked Chobani, claiming that Ulukaya wanted "to drown the United States in Muslims" and calling for a national boycott of the company. Ulukaya doubled down. He hired even *more* refugees and continued to advocate for his adopted homeland to become a more welcoming and open society. By the end of 2017 Chobani was America's top-selling Greek yogurt brand. Today the company is in talks to do an initial public offering that would value it at over $10 billion, more than $7 billion higher than a 2015 valuation.

Businesses that think they can stay above the fray of contentious political issues are woefully misguided. Customers often view inaction as cowardice and think less of such firms, but standing on the sidelines can also have grave consequences. When Meta (formerly Facebook) entered Myanmar, for instance, it saw a unique chance to bring everyone in the country onto its platform as Myanmar tried to transition from authoritarianism to an open, democratic society.

But starting in 2014, the platform began to be used — often by government and military officials — to promote conflict and ethnic cleansing against Rohingya Muslims. It took the company until 2018 to finally remove inflammatory pages and the accounts of key instigators.

Meanwhile, more than 25,000 people died and almost a million became refugees. Meta's global reputation was also badly tarnished. By trying to ignore politics in order to maximize market share, the company sparked widespread condemnation, burst the belief that it's a positive actor for democracy and openness, and came to be viewed in Myanmar as little more than a tool of the military.

Firms that take a stand early, clearly, and in line with their values (not just spouting what customers or shareholders might want to hear) are usually able to grow new markets while limiting losses from demographic groups that disagree with them. Coca-Cola has slammed Republican attempts to restrict voting in Georgia, but that hasn't alienated all Republicans; even Donald Trump still drinks Diet Coke. Chick-fil-A has come under fire for its CEO's donations to an organization that opposes extended civil rights protections for LGBTQ+ people, but when asked about the company during his presidential run, Pete Buttigieg, the only openly gay candidate, remarked: "I do not approve of their politics. I kind of approve of their chicken." In conflict and crisis contexts as far-ranging as the Philippines and Sierra Leone, as well as in Myanmar, companies willing to publicly make political choices still earned significant business from customers who disagreed with their positions, which allowed them to outperform their apolitical peers.

A Social License to Operate

The three lessons that we've just discussed are interlocking; all help explain why companies succeed or fail during times of crisis and uncertainty. Zahi Khouri made NBC successful despite the Israeli-Palestinian conflict by building bridges across community divides. But that was possible only because he extended his outreach beyond official government entities and he took consistent political stances. Merrill Fernando kept Dilmah going strong in Sri Lanka despite the civil war (and in 2004, the tsunami) because he did not rely solely on official channels for information. But the company's success also depended on the trust Fernando had built with leaders of all ethnic communities in the country.

The rules we've offered can help managers and businesses understand *what* they need to do to steer through crises. The *how* involves securing a social license to operate. By that we mean that in addition to legal licenses, a company needs the community's approval of its operations. Communities grant this when they feel confident that a firm is providing jobs and development opportunities and following certain local customs. In exchange, the firm gets to make a profit without major community objections.

Companies obtain a social license to operate by doing two things. First, as we saw in Chobani's case, they are clear about their purpose, goals, and beliefs. Of course, communities are diverse, and a firm that is up-front about what it stands for may put off some of the people it depends on: certain customers, shareholders, suppliers, and employees. But the real risk in uncertain settings, especially hyperpolarized ones such as the United States, isn't alienating people because of honestly held values — it's alienating them because of vague or blank-slate values. Those can be interpreted by anyone to mean anything, especially by those who don't like the company for other reasons.

The second part of obtaining the social license to operate is communicating directly with community members. As we saw with Starbucks, Posco, and Meta, working with official partners alone (federal governments, municipalities, police, and so on) as if they are synonymous with community interests can be a major mistake. Instead, managers and employees must openly communicate about their values with the community, not forgetting that their local employees are part of their audience too.

Transitioning to this new crisis-readiness playbook is difficult work, but empirical evidence shows that it can lead to much more substantial long-term profits than does the old way of doing business. The good news is that the "hard path" benefits society too. We found that companies employing the lessons we've outlined made a host of positive contributions to their local communities. They have helped stop wars, built peace, and created value not just for themselves but for all of us. As the world moves out of the Covid-19 crisis and deeper into an era of unprecedented, accelerating instability, the best way for companies to get ready is to deliver on their unique influence as citizens in their own right.

John E. Katsos is an associate professor of business law, business ethics, and social responsibility at the American University of Sharjah, in the United Arab Emirates, and a research affiliate at Queen's University Belfast. As a scholar, he has published dozens of academic and media articles, as well as reports for boards and international organizations. He has done fieldwork in Iraq, Lebanon, Cyprus, Syria, Sri Lanka, and Hong Kong and is considered one of the world's leading researchers on business in crisis zones. As an educator, Katsos teaches undergraduate, graduate, and executive students in the United States, Europe, the Middle East, and Africa how to manage more ethical and sustainable organizations for a better world.

Jason Miklian is a senior researcher at the Centre for Development and the Environment, at the University of Oslo. He has published extensively on the topic of business and peace, including award-winning articles based on fieldwork in Bangladesh, Colombia, India, and the Democratic Republic of Congo. Considered a top global expert in the field of business, peacebuilding, and crisis, he sits on numerous boards and high-level expert panels. Miklian has also written for or been cited in an expert capacity by the New York Times, the BBC, Foreign Policy, The Economist, and other news organizations, and he is a coauthor (with Scott Carney) of *The Vortex: A True Story of History's Deadliest Storm, an Unspeakable War, and Liberation* (HarperCollins, forthcoming).

What Covid-19 Taught Us About Doing Business During a Crisis

Takeaways from a seven-city global survey.
by The Working Through Violence Research Team

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Marie Emmerman/Skizzomat

Over the past two years, the Covid-19 crisis has forced a fundamental reordering of work and life around the world. But has the experience helped organizations prepare for future crises? To answer this question, we studied how relationships between businesses and society have changed during the pandemic in several global cities known for their dynamic growth but also deep fragility.

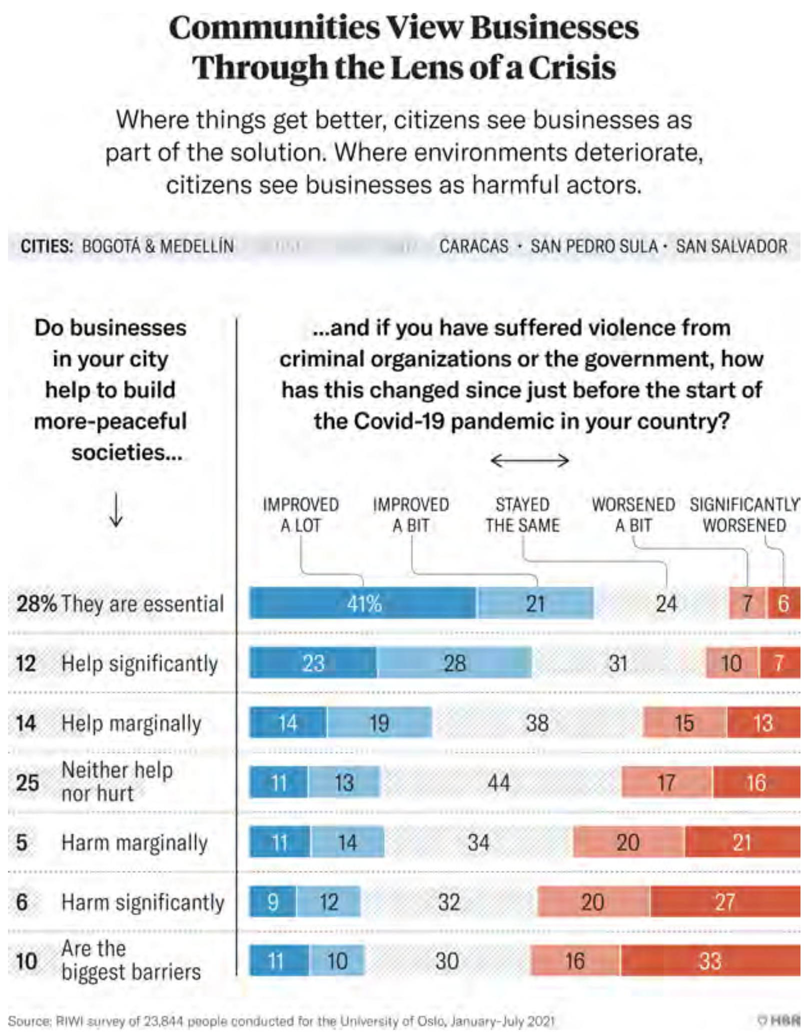
We surveyed 78,000 people via mobile phone in Bogotá and Medellín, Colombia; Beirut, Lebanon; Cape Town, South Africa; Caracas, Venezuela; San Pedro Sula, Honduras; and San Salvador, El Salvador. Of this number, 16,500 respondents were business owners and managers. Because we tailored questions to local contexts and did not ask all questions in all cases, the number of respondents for the questions varies. (More on our survey methodology by our partner RIWI is here.)

We gleaned insights from both business leaders and citizens about the broad challenges they faced, and this article presents our most important findings. They point to a way forward for any manager working in a risky sociopolitical environment.

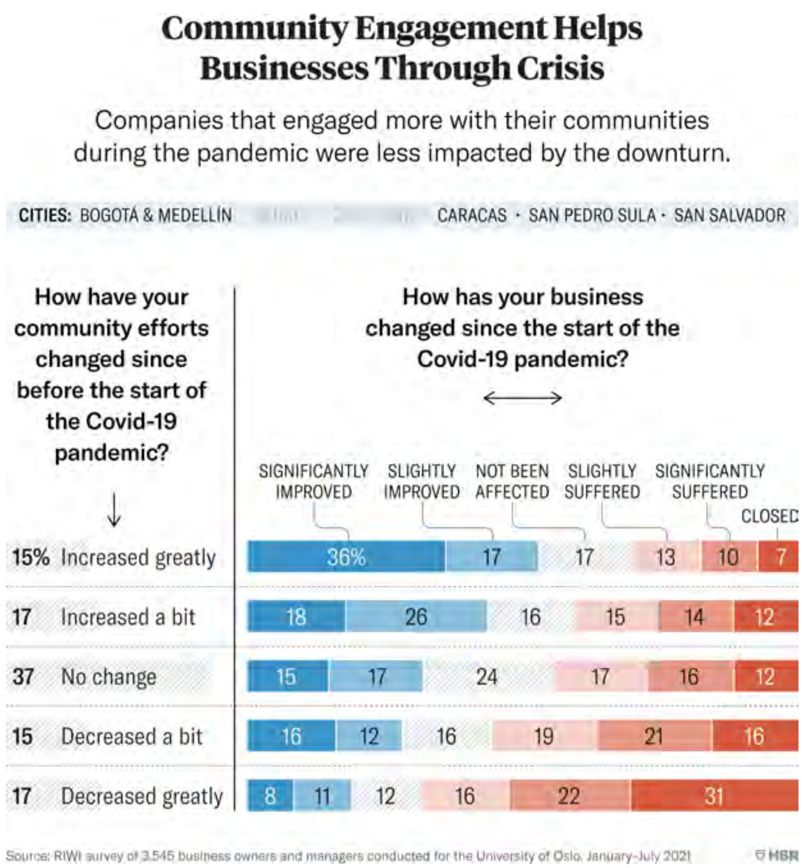
[1]

Businesses can be seen as problem-solvers and peacemakers during a crisis — or as harmful actors.

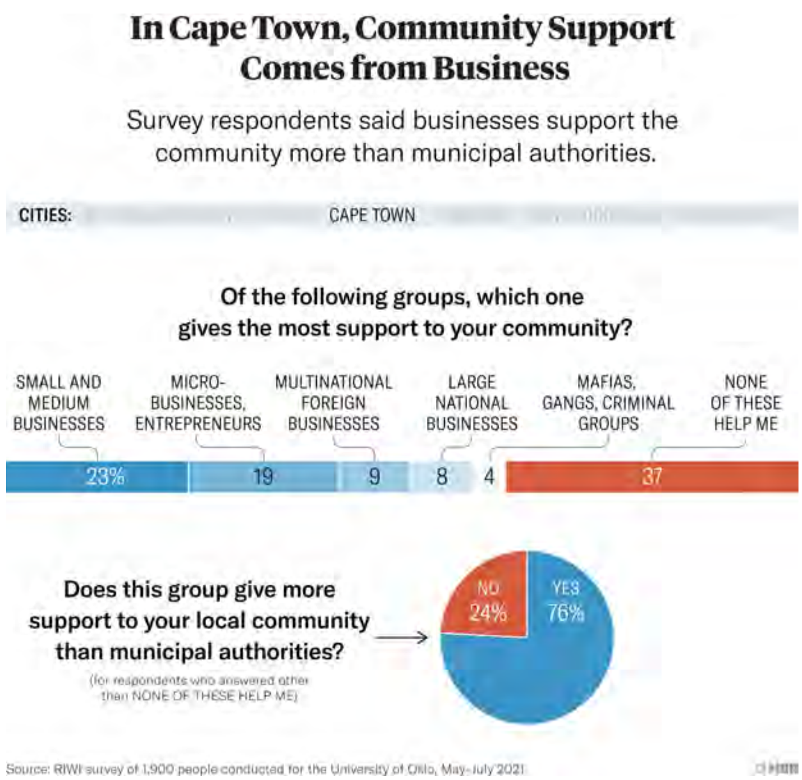
Covid-19 affected urban communities unevenly. Most cities had neighborhoods that struggled through the pandemic's downturn, juxtaposed with pockets of affluence. In areas that deteriorated (as perceived by respondents through metrics including public safety, extortion, and corruption), citizens overwhelmingly said businesses were part of the reason they were struggling. In areas that did well, though, residents credited businesses with their shared success. This is due in part to perceptions of how companies fared relative to their communities.



These findings highlight an important correlation: Companies that were more responsive to community well-being were also more successful in working through challenging environments. During Covid-19, these sorts of efforts included hiring disadvantaged workers, undertaking direct charity and philanthropic work, assisting the unemployed, helping to reduce local violence and conflict, and other concrete community-building measures. This kind of work pays off: Companies that did it were *nine times more likely* to survive than those that didn't.



It's encouraging that so many businesses helped their communities during the pandemic. Our survey in Cape Town, in which about 15% of respondents were business owners or managers, showed just how much people relied on businesses to support them.



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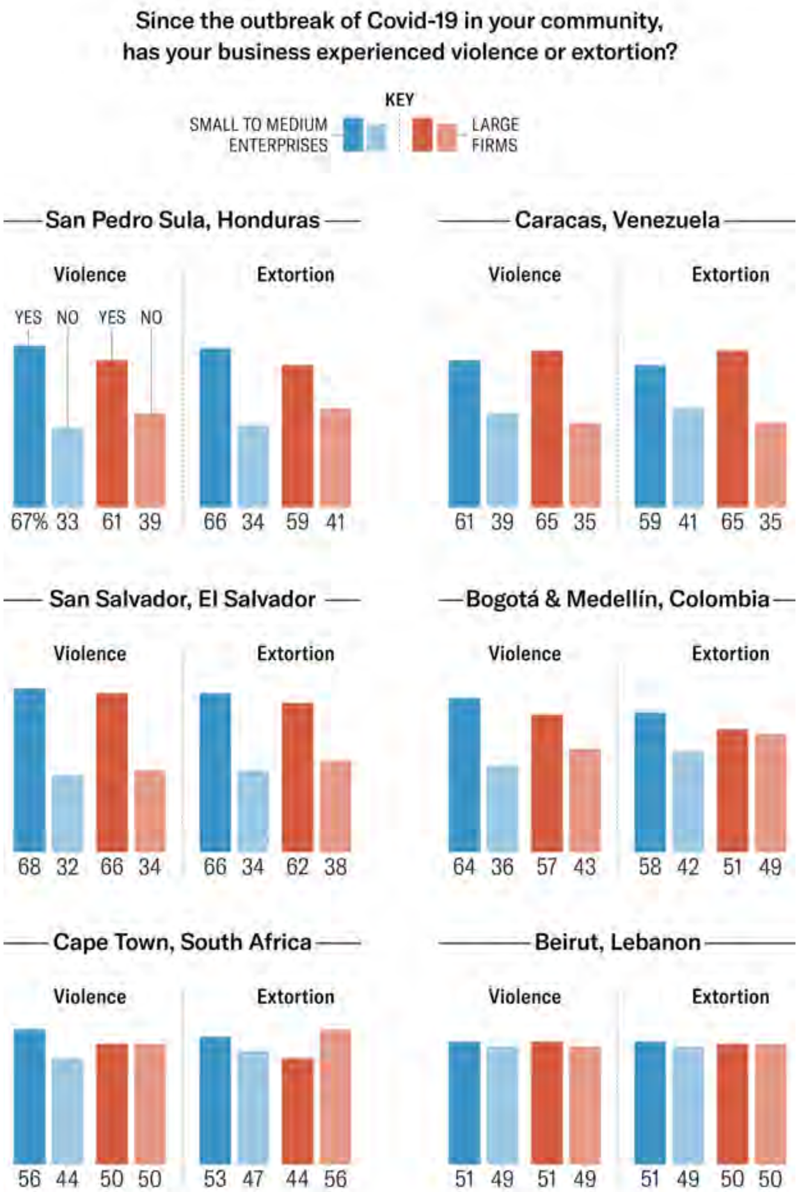
The pandemic has exacerbated the threat of extortion and violence against firms.

It is hard to overstate the precarity of many business environments today. More than 55% of our respondents said their companies had recently been threatened with violence or extortion, a finding that held across firm sizes, sectors, and other differences. While the initial Covid-19 wave in early 2020 led to a downtick in crime, especially in Latin America as communities entered lockdowns, the longevity and depth of the crisis have triggered a whiplash effect. Extortion figures in some cities are now at all-time highs, for example, with a rapid growth in actors exploiting the pandemic to enhance their digital extortion capabilities and targets.

How Firms Experience Extortion and Violence

Over half of all firms have recently experienced extortion and violence — and smaller firms are the most susceptible.



Source: RIWI survey of 27,194 business employees conducted for the University of Oslo, January–July 2021

Firms operating in such violent settings are part of the conflict dynamics whether they take an active role, directly engage with the state or criminal gangs, or subvert violence. Those that speak out publicly against these crimes create new risks for themselves. For instance, 32% of owners and managers in Caracas, San Pedro Sula, and San Salvador said that when they took such actions, it harmed their businesses. These findings highlight how the symbiotic relationships between communities, businesses, the state, and criminal groups can perpetuate insecurity within firms and communities.

[3]

Generational shifts seem to be upending norms of business-community engagement.

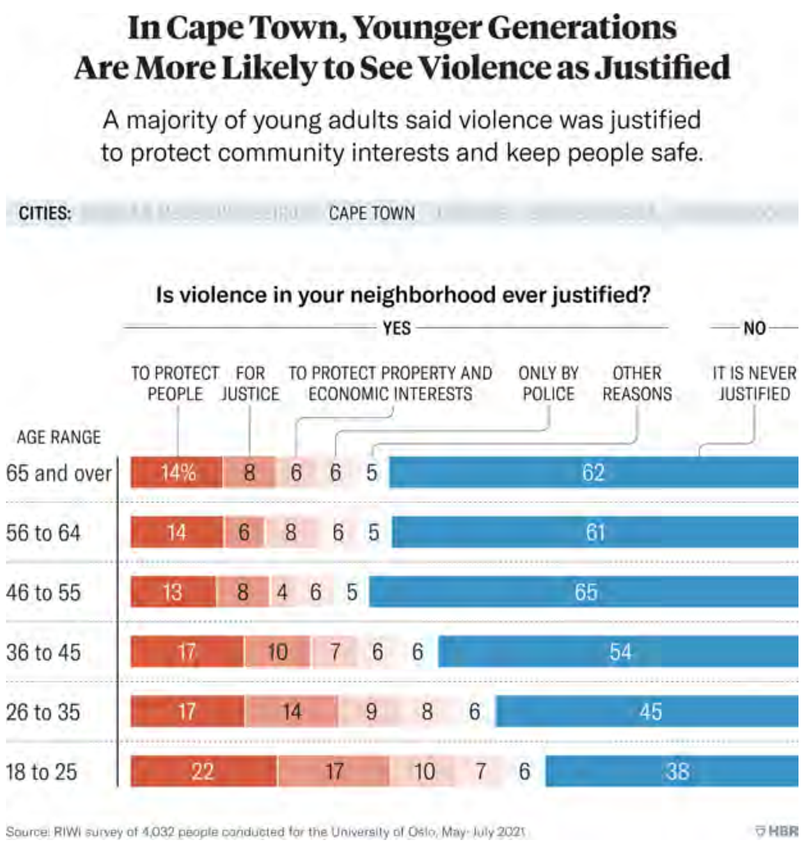
Our survey uncovered some positive — and some concerning — trends about younger generations of business owners and managers in crisis settings. On the positive side, this cohort sees corporations as more deeply social and political than their older "stick to business" counterparts do. Moreover, citizens aged 18 to 35 were twice as likely as their older peers to see foreign multinationals and large national firms as positive forces in the community. For example, in Latin America, those aged 18 to 24 were 70% more likely to engage in corporate social responsibility efforts than those aged 35 to 64. Perhaps as a result, their firms were also more than twice as likely to have experienced significant growth since March 2020 than those of their older peers.

Younger generations also saw political and/or municipal support as more important to business survival than their older counterparts did, even though it was often nonexistent. However, perhaps because of this lack of aid, this cohort is also more likely to reach out to criminal organizations. Younger managers and owners are three times more likely to receive support from mafias and other unlawful groups than their older peers are, perhaps because they are 32% more likely to be victims of crime and extortion and 25% less likely to get support from municipal authorities.

For example, in Cape Town, the Covid-19 crisis exacerbated problems of endemic crime and institutional weakness. We found that 62% of those aged 18 to 25 believe violence is at least sometimes justified, compared with 36% of those aged 46 to 55. The younger cohort is also the most likely to cope with social crisis by building relationships with violent actors and to see gangs as positive forces in their communities. Those attitudes might be driven by a lack of faith in the state: This age group is more likely than any other to say that government officials are the primary instigators of violence and extortion.

These perspectives influence citizen perceptions of business-community interactions more broadly. For example, 18-to-25-year-olds in Cape Town are the least likely to believe that small businesses in their communities make life better, and the least likely to turn to formal institutions for help.

In the short term, these beliefs may make resorting to violence more easily justifiable and socially acceptable; in the longer term, they may further alienate the age group from formal institutions and result in gangs being the primary mechanisms of local governance. The Cape Town data illustrates how a shock on top of an endemic crisis of violence — in this case, the arrival of Covid-19 — pushes the system even faster toward the breaking point.



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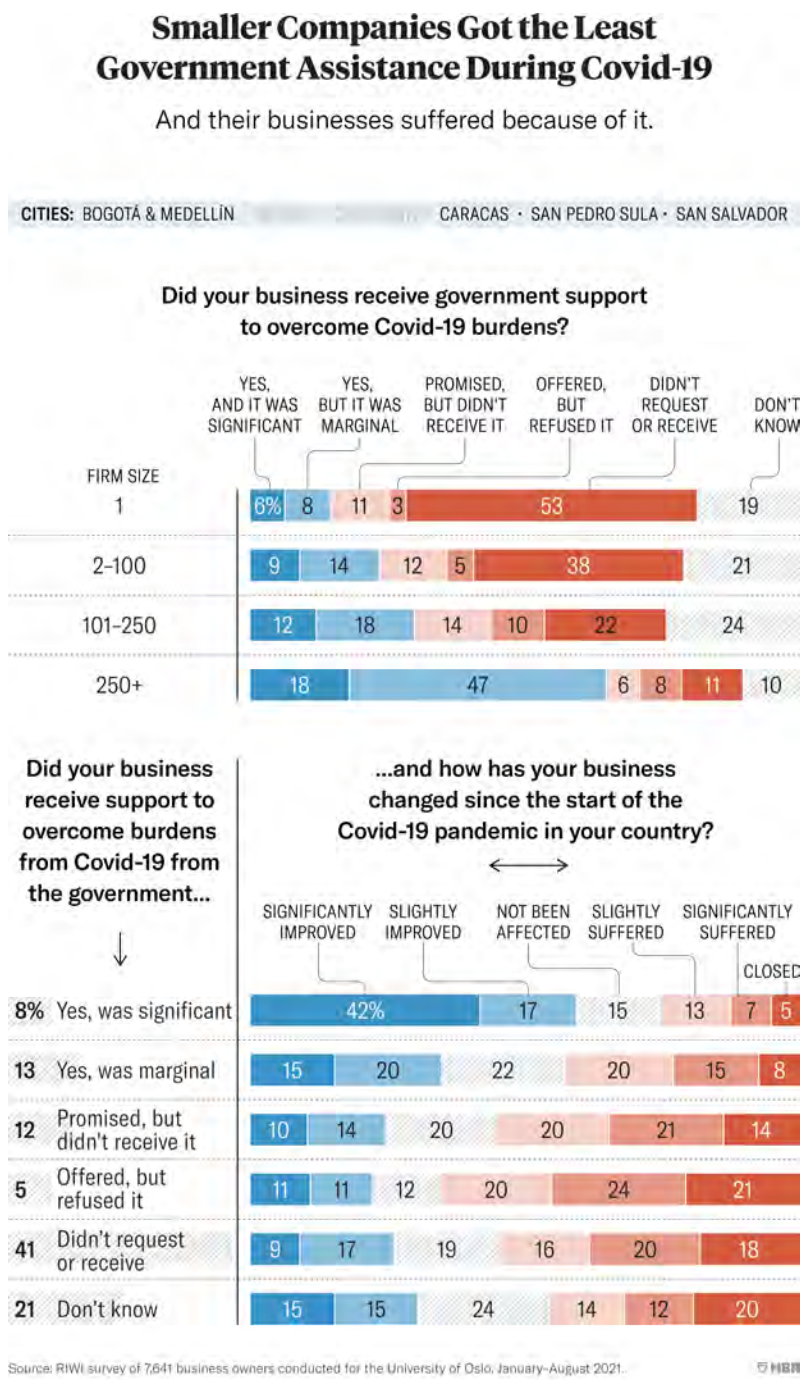
Smaller firms get the least assistance from governments in crisis, but they are seen as key to community success.

Businesses of all types have faced immense pressure from the Covid-19 pandemic. This pain included higher-than-normal closure rates, difficulty keeping up with payments to suppliers and employees, and new (and changing) regulatory requirements. Governments around the world passed initiatives to help firms meet these challenges, but aid was delivered unevenly and often not to the firms that needed it most. For example, in the cities we surveyed, only 9% of businesses received significant assistance, while a full 75% received none.

Strikingly, firm size mattered significantly when it came to government aid. The smallest companies were three times less likely to get it than larger firms and less likely to get help from business associations and municipal authorities.


Smaller Companies Got the Least Government Assistance During Covid-19
And their businesses suffered because of it.
CITIES: BOGOTÁ & MEDELLÍN
CARACAS · SAN PEDRO SULA · SAN SALVADOR
Did your business receive government support to overcome Covid-19 burdens?
YES, AND IT WAS SIGNIFICANT
YES, BUT IT WAS MARGINAL
PROMISED, BUT DIDN'T RECEIVE IT
OFFERED, BUT REFUSED IT
DIDN'T REQUEST OR RECEIVE
DON'T KNOW
FIRM SIZE
1
6% 8 11 3 53 19
2-100
9 14 12 5 38 21
101-250
12 18 14 10 22 24
250+
18 47 6 8 11 10
Did your business receive support to overcome burdens from Covid-19 from the government...
...and how has your business changed since the start of the Covid-19 pandemic in your country?
SIGNIFICANTLY IMPROVED
SLIGHTLY IMPROVED
NOT BEEN AFFECTED
SLIGHTLY SUFFERED
SIGNIFICANTLY SUFFERED
CLOSED
8% Yes, was significant
42% 17 15 13 7 5
13 Yes, was marginal
15 20 22 20 15 8
12 Promised, but didn't receive it
10 14 20 20 21 14
5 Offered, but refused it
11 11 12 20 24 21
41 Didn't request or receive
9 17 19 16 20 18
21 Don't know
15 15 24 14 12 20
Source: RIWI survey of 7,641 business owners conducted for the University of Oslo, January–August 2021.
HBR

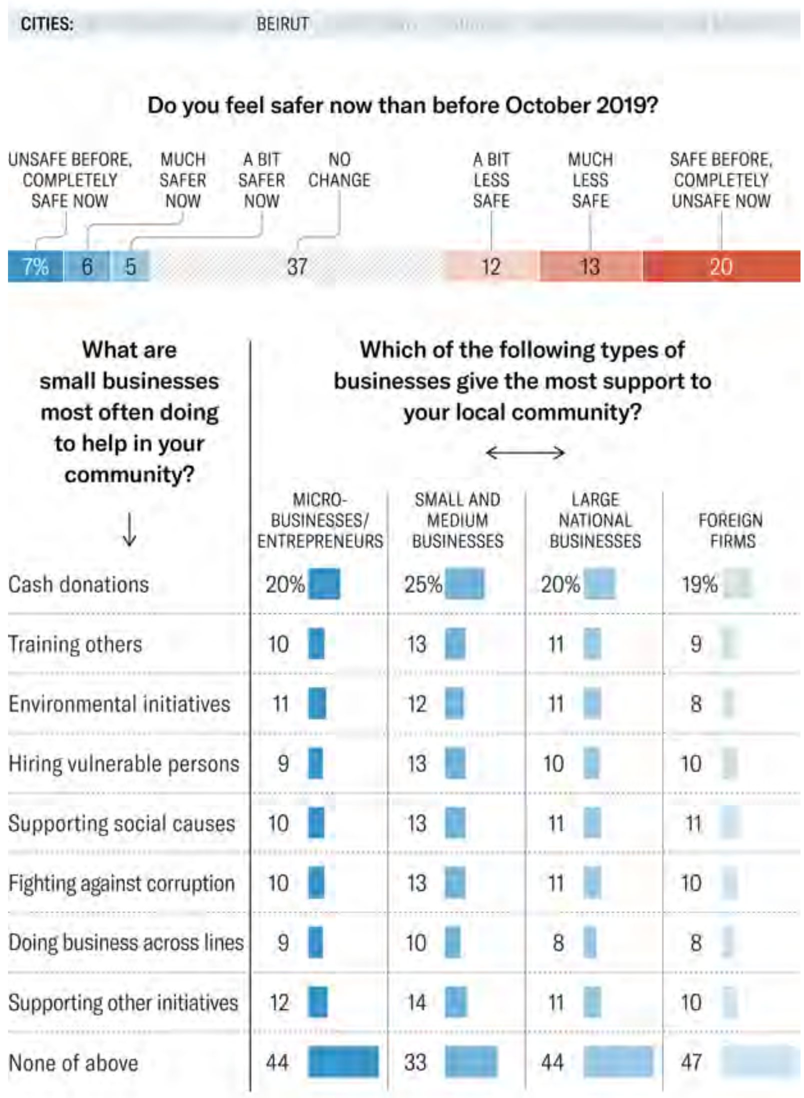
The amount of government aid received corresponded to how well companies were able to ride out the pandemic. For example, 70% of sole proprietorships were negatively affected by the pandemic (including loss of revenue, employment, supply chain issues, and similar) and 30% permanently closed from March 2020 to our survey period. Compare that with the nearly 60% of firms employing more than 100 people that saw stable or improving business: Only 12% of these organizations closed.

And yet small businesses are critical to community success, as evidence from Lebanon suggests. The country has recently suffered a series of consecutive, overlapping crises: a political revolution and protests in 2019, the Covid-19 pandemic, the August 2020 explosion at the Port of Beirut, and now the current financial crisis in the country, which some have called the worst in the world since the 1800s. As a result, nearly half of Beirut residents feel less safe than in 2019, while only 18% feel safer, according to our results.

And yet, despite their vulnerability and comparative lack of resources, two-thirds of respondents in Beirut said that small businesses were making concrete efforts to help their communities, while nearly half felt that large national and foreign firms were providing no support at all. This suggests that small businesses seen as strong community supporters have a comparative advantage going forward.

In Beirut, Small Businesses Are Perceived to Do More for Their Communities

This may better position them to survive a crisis.



Source: RIWI survey of 7,108 people conducted for the University of Oslo, April–May 2021

What These Results Mean for Managers

Sociopolitical challenges can be complex, systemic, and hard to quantify — and extortion and violence against businesses in particular are more pervasive than many assume. In such settings, companies may benefit from increasing their community embeddedness. Where firms do not have the luxury of a peaceful, well-governed society, this might mean dealing with illicit actors as a matter of necessity. However, such strategies can create an economy dominated by criminal organizations, further contributing to societal fragility and operational risk.

More positively, our findings provide support for managers who take a relational rather than a transactional approach to community engagement. In any situation of rapid social reordering triggered by crisis, firms that have already established and continue to build strong bonds with the local citizenry are more likely to succeed.

When managers invest in community embeddedness — hiring locally, engaging in two-way information sharing, or consulting with area leaders on business decisions — they may not see immediate operational or financial wins. But in the long term, they will build trust and mutual respect, which can lead their communities to reciprocate, supporting those companies and their ongoing success.

The research team on Working Through Violence is a multidisciplinary group of scholars and practitioners studying how businesses can support sustainable livelihoods and contribute to safer cities. Team members are Benedicte Bull, Jason Miklian, Sarah Cechvala, and Catalina Garcia of the University of Oslo; Brian Ganson of the University of Stellenbosch Business School; Kristian Hoelscher and Øystein H. Rolandsen of the Peace Research Institute Oslo; Angelika Rettberg of Universidad de los Andes; Jay Joseph of the American University of Beirut; John Katsos of the American University of Sharjah; Ben Miller of CDA Collaborative Learning Projects; and RIWI.

Building a Culture That Can Withstand a Crisis

How a company that works in conflict zones prepares for the unknown.

by John E. Katsos, Jason Miklian, and Patrick L. McClelland

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A market in Somalia. CTG employs hundreds of staff in Somalia as field monitors who travel across the country to food delivery sites to measure the impact of food programs. (Photo: Iain Statham)

In the new era of constant crises, a handful of CEOs have become experts at preparing for and navigating them.

Among these leaders is **Alice Laugher,** the head of Committed to Good (CTG), a private company founded in Afghanistan and based in Dubai that provides specialist staffing and logistics to the humanitarian community. When we met Laugher in 2014, for example, CTG had just built out the medical and emergency services that the World Health Organization used in West Africa to address the emerging Ebola outbreak. Since the company's founding in 2006, its clients have included most major humanitarian organizations; it now operates in 26 countries. In 2019 Laugher was awarded the prestigious Oslo Business for Peace Award.

Alice Laugher

We recently asked Laugher what she and her team have learned about uncertainty through working in crisis zones, and how this might help managers new to the type of crisis leadership our tumultuous time requires. The conversation occurred in September 2021, right after Kabul fell to the Taliban and the United States withdrew from Afghanistan. Our meeting was punctuated by calls and messages from the members of Laugher's team on the ground there and local staff members who continued their work of supporting humanitarian action. We later used email exchanges to ask follow-up questions. This conversation has been edited for clarity.

You've worked in Afghanistan for more than a decade. How are you handling the current uncertainty?

We navigate a new normal every day. The situation, the rules, the regulations, and the needs of the local population shift constantly. Can you imagine running a business in a place where banks are not operating? Or where corporate accounts are frozen? There is still active fighting and hostility in parts of Afghanistan where we have staff. How do you deliver salaries and make payroll to thousands of employees scattered across the country in such an environment? When the Taliban took over, we were forced to reevaluate our core objectives, achievements, and progress.

The United Nations has said it will "stay and deliver," and so will CTG. We're able to do it only because we already have battle-tested systems in place to make sure that payments get made to our employees on time. While nobody foresaw how quickly the Taliban would reach Kabul, we were perhaps able to react to the takeover better than other international businesses because we are so locally connected through our staff. We prepared for eventualities that seemed obvious to us, yet so many well-intentioned groups that simply weren't paying attention to the situation on the ground were taken by surprise. And we had all hands on deck to assist our partners with urgent evacuations because we knew they would most likely need our help.

These kinds of crises — and Afghanistan is only the most recent example — test how strong our relationships with our staff, clients, and partners really are. We ride the waves together. It's as simple as that. We share the same goal: to build humanitarian projects so that aid can get to the people who need it no matter the danger or challenge involved in getting it there.

You've been recognized for your work in conflict zones, particularly in how CTG has helped enhance peace in those locations. What are the most challenging uncertainties your business faces in conflict zones?

Each country is radically different, but preparation goes a long way everywhere we operate. You have to navigate local laws, some of which may be unpublished. In one country, the tax law is from 1921, so it certainly cannot be found easily and downloaded from the internet! And meeting tax obligations — something that is considered a back-office task — has much more serious consequences in conflict zones. I have witnessed these obligations being enforced by unlawful detentions and on occasion by supposed officials armed with AK-47s.

One of CTG's assignments is to train the Iraqi Police in explosive ordinance disposal and improvised explosive device (IED) disposal. Above, a trainee attempts to disarm an IED.

That's why it's so important to have local staff members as part of your core team. They can help navigate the nuances and sensitivities of their country, and they have a deep understanding of their environments, a level of insight that can't be matched by outsiders no matter how much research they do. CTG recognizes this, which is why we offer decent work opportunities that can otherwise be hard to come by in low-employment nations. We give people a sense of stability and financial security and create mutual respect with local community leaders, who, in turn, provide support when a crisis strikes. While conflict-affected regions do need international support for both humanitarian and development needs, you cannot arrive in a country as an outsider and solve all its problems. That's not the path to sustainable recovery.

How does CTG's corporate culture help you and your employees deal with the VUCA conditions you regularly face?

We have a culture that encourages people to go the extra mile because of the value of the work that we are enabling. We believe in what we are helping to deliver.

In Gaza, for example, our senior manager, who is Palestinian, once delivered food supplies to local and international staff while they were in their bunkers and moved people to safe locations while his own house was being destroyed by a rocket attack. He went beyond the call of duty amid his own crisis, which set the tone for his team. Many CTG employees have done similar things in similar circumstances. It's actions like these that make our culture what it is, not statements on a website or in a press release.

Our people share a fundamental desire to make a difference and help those in need. Everyone trusts that we will jointly make the right decision for security and safety based on local knowledge and information, while still getting the job done. CTG is not a "look to the CEO for the answer" culture. I don't pretend to have all the answers. Instead, we work together to find solutions to complex problems.

How do you shape this kind of culture?

We embed it in everything we do. Our company name is CTG: Committed to Good. And we make that commitment because we *must* — not for appearances but because it's better for our staff, clients, the communities we work in, and, frankly, our bottom line. If we didn't act in ways that affirmed these values, we wouldn't have been in business for very long. Our employees, clients, and communities would have abandoned us.

One key strategy is to expose our headquarters staff to the realities of the business. We don't want to have an "ivory tower" feeling. *All* of our team members go to the countries we work in, because everyone must see the jobs their colleagues do in order to understand how we all fit together.

Salwa Nassar, pictured above, is a female civil engineer with CTG in the Gaza Strip. She has worked in Jordan, Egypt, the Kingdom of Saudi Arabia, and the U.S. but is one of only a few female civil engineers in Palestine.

It doesn't matter if you are in a back-office finance role — understanding our on-the-ground work, who it benefits, and what our partner organizations want is critical. It is simple things like seeing that a cash machine withdrawal of $100 might require a B6 armored vehicle and a costly private security detail. We all try to get to the field as much as possible.

How do you adapt quickly given the speed with which things change?

We have several plans of action as part of our day-to-day business in each country. For example, our team in South Sudan was prepared for some serious civil unrest and escalation at the end of August, when the opposition parties called for mass protests against President Salva Kiir. Thankfully, the street protests didn't really happen. This is the ideal scenario for CTG, of course, as there was neither a disruption to our business operations nor a threat to our staff's safety.

Nonetheless, a lot of times our emergency plans *do* have to be used. So, we must remain versatile at both the local and leadership levels, and our culture and the trust we have in our team approach are essential. Without those, it would be impossible to prepare or to be particularly resilient. Every time there is a new issue, we look for opportunity. Had the Taliban not taken over in Afghanistan, for instance, the country still would have had deep problems, and CTG would be there to help enable solutions. That doesn't change just because a new group comes to power. We adapt to fit the environment while very much keeping our core principles and values a business priority.

For example, gender equality is a core value of CTG and is a major passion of mine. We prioritize the employment of women in conflict-affected countries and in humanitarian programming through our Female First program. Will the roles we used to support for women in Afghanistan still be safe? Will women want to continue to work in these roles? I honestly don't know yet, but they'll still be our priority in Afghanistan and elsewhere.

Our relationships — with the local community, clients, and the wider humanitarian aid sector — also help with adaptation. I have spent 18 years working in emergency and conflict settings and have built many relationships. Relationships are not just part of your broader network of contacts; they take time, effort, and care. Ultimately, like all businesses, you must know your sphere of influence to get done what is needed, but in fragile environments trust is very hard to come by — so if you've done the work of building good relationships, it's one less thing you must worry about. Trust helps us play a role in making these places safer.

How has Covid-19 impacted CTG?

In many ways, Covid-19 was just another crisis for us. Our ability to travel was obviously the biggest challenge it posed. The pandemic made it challenging to frequently and easily mobilize to the field from HQ, due to long quarantine restrictions, suspended airline routes, and other regulations. We also lost a critical colleague to the virus — one of our operations managers, who was on leave in the UK — and his passing hit us very hard.

But honestly, our staff is prepared for the worst every time we deploy, so Covid-19 was a much bigger deal for people in countries that don't regularly face difficulties doing basic things. In the countries we work in people die all the time; in that sense, Covid-19 was just another issue to navigate, along with other medical diseases — such as cholera, malaria, or Ebola — famine, drought, displacement, and terrorism. We have managed travel disruptions before in specific countries, and so we had already built out a digital system to replace regular on-site meetings to the point where most of our staff members are not office-based — they are out in the field. Pandemic restrictions just meant that we had to use those systems in more countries for an extended period, whereas in previous crises we would use them for shorter periods in specific places that we couldn't travel to.

What advice do you have for leaders and organizations that aren't used to dealing with crisis?

In a crisis, you have to work together as a team: An organization with a hero culture will not survive. You have to rely on your staff — from the most junior to the most senior — to step up. This is why it's so important to really know everyone before crisis hits. You want to know how far you can push people and who you can rely upon. It's wonderful when you see new talent in the organization stepping forward to assist their colleagues to get a needed job done.

John E. Katsos is an associate professor of business law, business ethics, and social responsibility at the American University of Sharjah, in the United Arab Emirates, and a research affiliate at Queen's University Belfast. As a scholar, he has published dozens of academic and media articles, as well as reports for boards and international organizations. He has done fieldwork in Iraq, Lebanon, Cyprus, Syria, Sri Lanka, and Hong Kong and is considered one of the world's leading researchers on business in crisis zones. As an educator, Katsos teaches undergraduate, graduate, and executive students in the United States, Europe, the Middle East, and Africa how to manage more ethical and sustainable organizations for a better world.

Jason Miklian is a senior researcher at the Centre for Development and the Environment, at the University of Oslo. He has published extensively on the topic of business and peace, including award-winning articles based on fieldwork in Bangladesh, Colombia, India, and the Democratic Republic of Congo. Considered a top global expert in the field of business, peacebuilding, and crisis, he sits on numerous boards and high-level expert panels. Miklian has also written for or been cited in an expert capacity by the New York Times, the BBC, Foreign Policy, The Economist, and other news organizations, and he is a coauthor (with Scott Carney) of *The Vortex: A True Story of History's Deadliest Storm, an Unspeakable War, and Liberation* (HarperCollins, forthcoming).

Patrick L. McClelland is associate professor of management at the American University of Sharjah, where has served as the head of the management department and director of graduate programs in the School of Business Administration. His published work is an assessment of the impact that top managers have on their organizations. As an educator, he teaches strategic management, international business, and corporate governance to undergraduate, graduate, and executive students in the United States, Europe, and the Middle East. He has also served public and private organizations in an advisory capacity in all three regions.

6 Types of Resilience Companies Need Today

Lessons in crisis management and agility from Unilever. **by Paul Polman and Andrew Winston**

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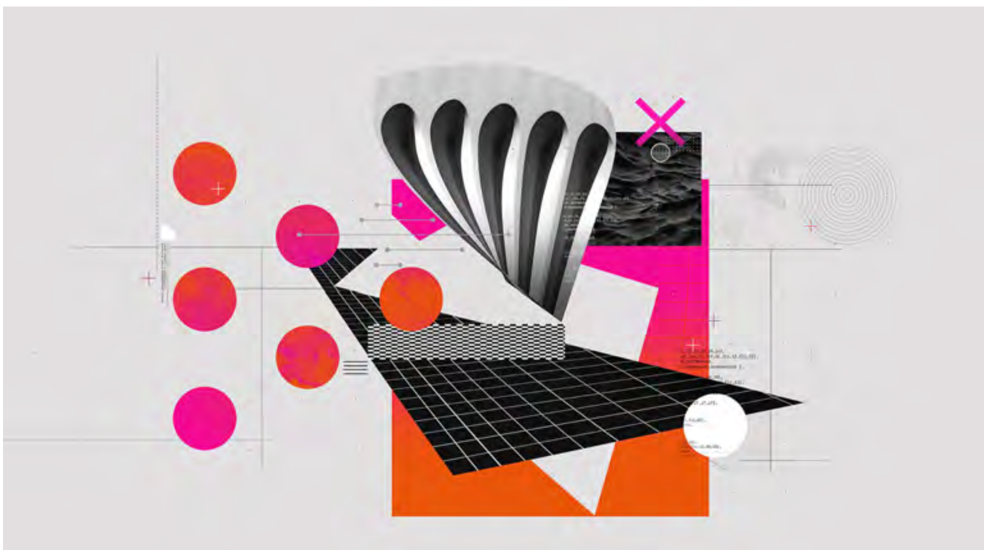

Marie Emmerman/Skizzomat

When severe storms hit in tropical climates, buildings may fall, but most palm trees survive. They bend but don't break. They have resilience. Can your organization say the same?

In today's volatile and uncertain world, companies will face many crises. Natural disasters destroy property and disrupt operations. A discovery of human rights abuses in a supply chain breaks consumer trust earned over years. A hostile takeover bid shakes a business to the core. New competitors and technologies upend the industry. A global pandemic changes everything.

One of us (Paul) ran the consumer products giant Unilever for a decade. With operations in 180 countries and brands that reach a couple billion people each day, Paul and his executives had front-row seats for every kind of crisis. They saw how our two big existential challenges, climate change and inequality, along with multipliers like rising transparency and pressure from stakeholders, create emergencies. These megatrends are accelerating, so the way companies respond can protect or destroy value quickly.

By tracing decisions Unilever made to create both traditional forms of resilience (financial flexibility, portfolio diversity, and organizational agility) and less-obvious forms (driven by purpose, trust, and stakeholders) that changed the company more deeply, we aim to show how leaders can best prepare for the world ahead.

The Building Blocks of Resilience

A company can't thrive amid uncertainty without financial, portfolio, and organizational resilience. These are table stakes today — and essential preparation for sudden shocks and long-term crises.

Financial flexibility. When Paul arrived at Unilever in 2009, the company was stagnant. Revenues were down, the stock had been flat for over a decade, and investment in the future of the company was limited. The business had very little financial resilience.

His team worked fast to begin the challenging work of getting the business moving again. This involved setting solid but achievable growth goals and ramping up investment in people, brands, R&D, and manufacturing to improve quality and stay competitive. Seven years later, revenue was up 33%, to $60 billion, and Unilever's stock was performing better than that of its peers and the European FTSE index.

That foundation is important, since today's biggest challenges are creating real financial pressure. At one point, the effects of climate change were costing Unilever more than $300 million per year. For example, droughts in Brazil reduced reservoir capacity, triggering water restrictions and preventing people from showering as frequently, which caused shampoo sales to shrink by 15%. Only companies with already healthy balance sheets can weather such storms.

Portfolio diversity. At its most basic, having a diverse mix of products smooths out the ups and downs in any one business. If a cold spring reduces ice cream sales, for example, it's good for soup to be in the portfolio. During Paul's tenure, Unilever boosted its acquisition rate, buying into new, future-fit categories and bringing many purpose-driven brands into the mix.

As the world moves toward a net-zero economy, entire products and value chains in transportation, energy, buildings, and much more will vanish or change dramatically. Companies with a single set of products in a category — for example, those that make only parts for internal combustion engines — will not survive the coming transition. They will need a more diverse product line to stay competitive.

Organizational agility. Paul's early work at Unilever also included structural changes to build organizational resilience, since the global colossus was too decentralized into country and product fiefdoms. A reorganization around major product categories and a big reduction in management layers created a leaner, more agile, and more outward-looking company. Leaders could get faster feedback from markets about what was working and what needed more investment, and were able to identify possible problems before they became crises.

All companies, but especially those with long supply chains, will face continued pressure to justify how they and their partners operate and to understand the social, political, and economic dynamics their businesses are involved in. Human rights abuses or corruption will not stay hidden for long. Local disruptions can quickly have outsize consequences if left unaddressed. An organization set up for better information flow, one that empowers on-the-ground employees to notice and talk about looming problems, will be better prepared for (or able to avoid) surprises.

New Strategies for Resilience

Financial, portfolio, and organizational strength are important, but the larger opportunity is in making a company more broadly crisis-resistant for the long term, because doing so serves multiple stakeholders — not just shareholders.

We argue that the strongest organizations today and in the future will thrive by giving more than they take from the world. We call this kind of company "net positive" because it seeks to improve the well-being of everyone it touches through its operations, value chain, products, services, and influence. (Our new book, *Net Positive,* lays out how to build a business with that goal.)

Organizations that have a clear purpose, build strong relationships that reinforce each other, and amass a reservoir of trust will have deeper sources of strength when they need them most.

Purpose. A company that knows its reason for being, and consistently backs it up, is both tougher and more flexible during a crisis. At

Unilever, a renewed focus on its history — going back to a commitment to health and hygiene in the 1870s — aligned the company around a clear mission: to make sustainable living commonplace. This was reinforced by the Unilever Sustainable Living Plan (USLP), one of the earliest corporate sustainability plans in the world, which was integrated into the organization's strategic plan. It wasn't a mere add-on; it *was* (and still is) the strategy.

When the USLP launched, having a committed CEO wasn't enough for it to succeed — Paul needed everyone on board. Unilever started with a new, robust leadership-development program, a yearlong journey for the top executives to discover their own purpose. There was a fair amount of pushback and turnover, but even so, it was critical that a company with a mission be full of the right people. Over time, Unilever rolled out purpose-finding programs to all employees; as of today, more than 60,000 have gone through them.

The company also began to embed purpose in its brands. Finding a reason for being at the product level is advanced work, but it's been successful and rewarding. From Lifebuoy soap's global handwashing programs to Dove's positive-body-image campaigns, dozens of Unilever brands have connected in a genuine way to a larger need. Doing so has been profitable, too: The purpose-driven brands have been growing much faster than the rest of the business for years.

When employees know they're not just selling soap but also helping to solve a major health issue and saving lives, they are more driven. The data is clear — people working at a company with a clear purpose are far more engaged, and Gallup studies show that organizations with engaged people are more productive and financially successful. Those employees will also help you fight through crises.

Trust. The USLP has helped Unilever build trust with major stakeholders because its aggressive goals (50-plus targets covering operations, supply chain, products, impact on communities globally, and more) are fully transparent and because the company talks openly about which ones it has struggled to meet.

And prompted by an infamous human and moral crisis that hit a different industry, Unilever began to open up much more.

In 2013, the Rana Plaza garment factory in Dhaka, Bangladesh, collapsed, killing more than 1,100 workers who were making cheap clothing for the West. It was a painful reminder of inequality and the dangerous conditions in which many are forced to work.

To ensure its own supply chain was safer, Unilever invited the international NGO Oxfam to audit its Vietnamese vendors on issues like living wages, working hours, and the right to collective bargaining — and to publish the results publicly. Oxfam found nothing egregious but identified some problems. For example, while Unilever was paying more than minimum wage in some places, the pay was still below what experts considered a living wage. The company is now working its way toward the goal of offering living wages throughout the value chain.

Transparency is a great tool to ensure consistency and engender trust. Rather than rebelling against tough questions and pressure, business leaders should embrace them and use them to build a stronger organization.

Stakeholders. When Paul arrived, Unilever was facing protests for its use of contingent labor at a Pakistani tea factory. Out of 800 workers, only 22 held full-time positions, leaving the vast majority without security or benefits. The IUF, the federation of agriculture and hospitality worker unions organizing the campaign, called it “Casual-T.”

Paul worked with IUF head Ron Oswald and the workers themselves on a solution. After discussing several options and holding a vote, they settled on a plan to create a few hundred full-time jobs: stable roles with benefits for employees who would get the training and experience they’d need to be productive over the long term.

Net-positive companies build better connections with stakeholders besides employees as well. They forge bonds with suppliers by helping to grow and improve their businesses, rather than simply demanding the lowest cost. (For example, Unilever’s “Partner to Win” program shifted this relationship from pure transaction to innovation partnership.) They also help consumers lead more sustainable lives, support business customers on their sustainability journey, and find and work with investors who want long-term value creation. And, in turn, communities with stronger ties to an organization support it through good times and bad.

Having a wide array of stakeholders, bound by purpose and all trusting and working in partnership with the company, provides a diverse bank of support. Remember those palm trees surviving big storms? Part of their secret is a large, spread-out root system — not just one anchor but many that can take a lot of pressure.

How the 6 Resilience Strategies Pay Off

When the biggest crises hit, all six forms of resilience help you move quickly and effectively. The global pandemic was one such event. It created a tremendous test for organizations, drawing on both their morals and their agility to deal with vast, sudden shifts in how the world works and what products people need. Some companies made poor choices, but many did the right thing. Medtronic, for example, shared proprietary designs for a portable ventilator to help the world ramp up production. These actions build trust: People remember who is there for them.

Unilever, under current CEO Alan Jope, provided €500 million to support suppliers and extend credit to customers. While the world shut down and employers everywhere furloughed people, Unilever guaranteed jobs for months, which was even extended to indirect suppliers like cleaning companies and security firms. It also shifted people and operations to help produce medical equipment and redirect supply chains that were overwhelmed. After a decade of being committed to a purpose-driven model, Unilever could make big changes quickly because it had the financial leeway, the support of employees, and the trust of suppliers and governments. The company was more agile than its peers due to investing in strong roots.

The benefits of Unilever's long-term, multistakeholder model were even clearer during Paul's greatest crisis as CEO. In 2017, Unilever faced a hostile takeover bid from Kraft Heinz and its coinvestors, private equity firm 3G and Warren Buffett. Kraft's business model at the time, which was widely reported as being based mainly on slashing costs and maximizing immediate profits, was fundamentally incompatible with Unilever's. But that disconnect wasn't enough to stop the bid.

What scuttled the deal was the unusual level of support from the company's stakeholders. Many long-term investors made their displeasure known; they felt an independent Unilever would build longer-term value. Even more surprising was the public backing of traditional antagonists: unions and NGOs like Greenpeace. By working in genuine partnership with these groups for years, Unilever had built a foundation of trust, which it drew on to fend off Kraft Heinz.

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No company can prepare for every outcome, but these six forms of resilience, put together, can provide a serious buffer. They also allow organizations to work in larger coalitions on the biggest issues, such as climate change and income inequality.

Net-positive businesses don't just endure or bounce back from crises; they also anticipate and prevent them.

Paul Polman works to accelerate action by business to achieve the UN Global Goals, which he helped develop. He was the CEO of Unilever from 2009 to 2019 and has been described by the Financial Times as "a stand out CEO of the past decade."

Andrew Winston is one of the world's leading thinkers on sustainable business strategy. He is an adviser and speaker on how to build companies that profit by serving the world. His books include *Green to Gold*, *The Big Pivot*, and *Net Positive*.

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The Power of Community Partnerships in Times of Crisis

When building peace and building business go hand in hand.

by Jason Miklian, John E. Katsos, Angelika Rettberg, and Jennifer Oetzel

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A man harvests coffee in Santuario municipality, Risaralda department, Colombia, on May 10, 2019. (Photo: Raul Arboleda/AFP via Getty Images)

Rodrigo Lopez plucked the deep-red coffee cherries with his calloused hand, dropping them a handful at a time into a burlap bag. Nestled nearly a mile above sea level, Lopez's farm in the Andes mountains of Colombia has the perfect climate and soil for coffee. Lavazza buys his exceptional harvests for its finest espresso-quality Italian roasts; his decent harvests become Folgers.

But the hard-to-access terrain is also the perfect climate for growing another addictive cash crop: coca, used to make cocaine. Lopez's small farm stands nearly equidistant between the cities of Cali and Medellín, home to two of Latin America's most notorious drug cartels. The thick vegetation and lack of infrastructure like paved roads has made the area an ideal hideout for insurgent groups and paramilitaries.

In 2005, Lopez's farm was ground zero for some of the western hemisphere's most brutal violence in 50 years. Lopez remembers those times when he walks past the house of his former neighbors, who vanished one night without a trace. The next day, leftist guerrillas from the Fuerzas Armadas Revolucionarias de Colombia (FARC) lived there. The next month, rightist paramilitaries forced FARC out and attacked Lopez's family, taking their life savings at gunpoint and eating every one of their chickens. Lopez didn't dare complain. He stopped farming, fearing he'd be killed for daring to fight for his land or forced to grow coca instead.

FARC retook the area a year later, but Lopez's hope that things would get better was short-lived. He heard gunshots in his field for hours before insurgents yelled, "Comrade! Come out immediately, we need you." Lopez emerged in his pajamas, sure he was a dead man walking. He was forced to chauffeur FARC soldiers around town in his old pickup truck at gunpoint while they took potshots at police officers. That night, Lopez ripped out the truck's alternator and threw it into a ravine — he and his truck would never be pawns of war again.

At one time or another, tens of thousands of coffee farmers across Colombia have faced a similar choice: keep farming coffee despite the risk of violence, switch to coca and become direct participants in drug production, or abandon their farms, like Lopez, and try to scrape by in cities overflowing with conflict migrants. Eventually, though, they found a fourth option, one that contains a lesson in how to run a business in the face of constant danger, uncertainty, and violence.

A Different Playbook for Crisis

Lopez, who we spoke with over several visits in late 2016 and early 2017, and whose name has been changed for protection, is part of the Federación Nacional de Cafeteros de Colombia (FNC). Founded in 1927, and popularly known as Juan Valdez, FNC is one of Colombia's largest and most important businesses. It is a public and private alliance of more than 500,000 coffee producers, and historically it has prioritized strong relationships with its farmers. But by 2008, amid the global financial crisis, coffee prices were crashing, FNC was losing money quarter after quarter, and long-simmering conflicts between the government and insurgents ignited into all-out war.

Luis Genaro Muñoz, the CEO of FNC, received a drumbeat of reports that grew worse by the day: destroyed supply lines, extorted farmers, and even executions of staff by guerrillas and paramilitaries. He cycled through the standard fixes of increased protection and supply chain management to no avail, and felt pressure to ride out the conflict by cutting costs and securing FNC's assets.

But standard fixes — including pulling out of the worst-hit areas — were the exact things that would endanger farmers like Lopez and FNC's local employees. They would also harm the company's long-standing business model, which depended on small-scale Colombian coffee producers; in fact, FNC's product was marketed around them. Muñoz realized that he needed a new model. With his company's future on the line, Muñoz launched a five-year plan and took three radical steps.

First, he made the company the public face of peacebuilding in the coffee regions. This meant putting FNC branding on peace initiatives that had no guarantee of success and using the company's political capital to bring key actors to the negotiation table. If it worked, the government, rebels, and local community could all rebuild society together with help from FNC. If it failed, he'd take the blame for a failed peace and a new spiral of violence.

Second, Muñoz transformed FNC's relationship with its farmers from one of buyer and occasional benefactor to one of partners in crisis. Working with the United Nations, the Spanish Agency for International Development Cooperation, and the NGO Humanismo y Democracia (now called La Fundación Concordia y Libertad), Muñoz integrated national and international development agencies into his company's operations in hundreds of villages, building long-term projects aimed at finding solutions that worked for all stakeholders, even FARC and the paramilitaries.

These weren't simplistic CSR-style initiatives like donating money or supplies; they were in-depth consultations that treated the business, the local community, and authorities as equal participants, with equal stakes in their mutual success. Muñoz hired more than 1,000 people across the country to distribute peacebuilding training modules at village roundtables, train their neighbors and fellow citizens in community engagement and dialogue, and facilitate farming and sustainability best practices.

A man carries a coffee bag at a farm in Santuario municipality, Risaralda department. (Photo: Raul Arboleda/AFP via Getty Images)

Third, and most audacious of all, Muñoz invited both the leftist guerrillas and the rightest paramilitaries to the village roundtables, knowing that without their buy-in, any cease-fire would be impossible. By uniting everyone, and finding new ways to go forward together, Muñoz aimed to build a profitable local peace in FNC's operational areas, one that would be stronger than what even the Colombian government's own initiatives could achieve.

The roundtables started tenuously; most local communities refused to sign on out of skepticism or fear, and insecurity grew as insurgents and paramilitaries warned the farmers against organizing. Muñoz persisted, publicly committing to double the project's length to a decade and making a multiyear financial commitment to ensure that peacebuilding activities would be completed.

Lopez and tens of thousands of brave coffee farmers responded to Munoz's call by doing something radical of their own: They banded together under the project, hoping that there would be strength in numbers. Some were murdered as a result, but that didn't stop the rest. They used their collective strength to tackle the conflict head-on, holding community dialogues and peacebuilding trainings under the threat of death.

Eventually, FARC commanders and paramilitary members joined the initiative, seeing more to gain from a transition to peace than from yet another cycle of war. Confident that FNC was a trusted broker that wouldn't vanish if violence spiked, farmers began to rebuild their communities. "We realized that they had our backs," Lopez said. As for the community, "the project helped to establish friendships across party lines. We became closer to each other and started building peace together. We started taking care of our public goods such as the roads and schools....Peace is not just something coming from the government but from neighbors, too."

After one year, the security situation improved so much that Lopez and thousands of his FNC brethren could safely return to their fields. The project concluded shortly after the government of Colombia signed a peace agreement with FARC in 2016. Today FNC has not only survived in one of the world's most dangerous crisis zones but has expanded its coffee sales into 32 countries. More importantly, its farmers earn higher prices and have greater yields all while living and working in a safer, more secure, and more sustainable business environment.

Learning from FNC's Success

The FNC case is a powerful example of a company's ability to create positive change in the communities where it operates. But what lessons are applicable in other crisis settings? We offer three places to start.

Move beyond traditional CSR and ESG activities. When communities are dealing with a socioeconomic or political crisis, anything that looks like lip service from a company won't improve community relations. Most mining and oil firms in Colombia, for example, combine traditional corporate social responsibility (CSR) or environmental, social, and governance (ESG) activities with securitization strategies to cope with violence. Despite the high financial cost, these initiatives have largely failed to improve the companies' standing with locals, as they are perceived to help the company's needs more than the community's, exacerbating mistrust of the firms. The companies that, like FNC, build lasting programs instead of one-offs are the ones that succeed.

But there isn't just one way to become crisis-proof through community engagement. For example, Éxito, a Colombian retail company, stands at the fore of reintegration efforts by helping former fighters return to civilian life. Company operations serve as a training ground, and Éxito has hired former members of both FARC and the paramilitaries. Éxito works to reintegrate fighters and communities as a strategic goal to face crisis head-on, and profits have followed. The strategy both reinforced the idea that Éxito works for the people, gaining it customer loyalty, and protected the company from attacks by criminal organizations, allowing it to expand into markets it could not enter before.

While its exact activities differed from FNC's approach, Éxito was equally successful in building trust among key actors across Colombian society. These examples show that marrying the community's deepest needs to a company's deepest expertise leads to the strongest partnerships.

Educate managers. Managers are rarely trained to proactively address the challenges that arise in crisis-affected communities, and as a result tend to adopt a business-as-usual mindset. But firms impact the places where they operate whether they realize it or not, and local perceptions matter. In worse-case scenarios, if locals believe a company is enabling violence rather than trying to stop it, they can revoke its social license to operate — that is, its acceptance by the community. And once lost, that license can take years or even decades to win back.

To get managers on board with being proactive, emphasize that community welfare is a competitive advantage and engagement is a key part of their responsibilities. Our research finds that companies that fully embed in a community typically gain legitimacy and reputational advantages over competitors, especially in places where people have been ignored or even victimized by their own government.

Further, research has shown that context-specific knowledge is critical when addressing complex risks. This means it's crucial for managers to understand what motivates local actors, the real versus perceived severity of potential crises, and on-the-ground rumblings about looming threats.

Invest in and nurture community trust. Trust-based relationships can create deep social ties that embed the firm into the fabric of the community. When that happens, it can give rise to a valuable, hard-to-copy source of competitive advantage for businesses. Building localized knowledge is done first and foremost by listening to local actors without preconceptions or assumptions about what they need. This includes understanding their skills and competencies as well as the political and social risks they face.

As FNC discovered, trust in relationships must be earned; it isn't given easily. For good reason, it took months of dedicated community effort to get farmers to buy in to FNC's engagement concept. In Colombia, as in many conflict and crisis settings, well-intentioned community projects by outsiders come and go, filled with grand promises in the beginning and usually failing to deliver in the end. Any firm wishing to build trust and support in such settings must prove — not just claim — that it will be a committed partner in the community's survival. FNC demonstrated this by expanding the project's timeline from five years to 10. Only once trust — and business — was concretely established within this period did FNC end its deep engagement efforts, transitioning to a lighter approach.

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From violent conflicts to social unrest, businesses are facing crises that they can no longer ignore or avoid. Managers that recognize the value of contributing to local prosperity and peace will enjoy tangible returns to the company's bottom line, even if the gains might seem difficult to immediately quantify. These decisions can also save livelihoods — and sometimes even lives.

Ten years after he threw his alternator into a ravine, Lopez tended to his trees with the care of an artisan. His hard work had paid off: The cherries he harvested would be in Italian espresso cups the next year. That's thanks in large part to the courage FNC's Muñoz showed by believing in a new community model, and the peace that farmers like Lopez built together throughout the region.

Ultimately, the fortunes of businesses are inextricably tied to the communities in which they operate. It's a lesson both Rodrigo Lopez and Luis Genaro Muñoz can attest to.

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Spotting a Modern Business Crisis — Before It Strikes

Eight perspectives on how societal challenges are evolving, and what that means for companies. **by Rakshitha Arni Ravishankar**

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Top row, from left: Tima Bansal; Sarah A. Soule (photo: Elena Zhukova); Sarah Kovoor-Misra. Middle row: Ruha Shadab (photo: Jamie Mullick); Chang Hoon Oh. Bottom row: Marianna Fotaki; Sinziana Dorobantu; Maziar Minovi (photo: Richard Jopson).

Companies are embedded in their social, economic, and political context — not separate from it. That means they are directly connected to the major crises that engulf society, from climate change to income inequality and beyond.

Further, research shows that younger generations are more likely than others to see large firms as sociopolitical actors that can have a positive impact on their communities.

But since not every crisis affects all companies equally, it can be challenging for organizations to identify which ones pose a threat to their businesses, their employees, their customers, and their communities. Today's crises are also more complex and fast-moving than those from decades past, Covid-19 being the most recent example.

To better understand what companies are facing and how they can successfully respond to the challenges ahead, Harvard Business Review posed four questions to scholars and practitioners.

Here's an edited collection of their responses.

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How have crises that affect businesses changed in the last 50 years?

Tima Bansal, professor of strategy at Ivey Business School and founder of the Network for Business Sustainability: The 1997 Asian financial crisis was a real awakening. A seemingly remote event — the collapse of the Thai baht — destabilized currencies and stock markets across Asia and quickly disrupted U.S. stock exchanges too, signaling a new and deep interdependence among financial markets worldwide.

In the decades since, crises have only become more global, more frequent, and more volatile, and this is likely to continue. Covid-19 is the most recent example: A public health crisis in a specific locality — Wuhan, China — became a global disaster. Why? Because products, financial assets, people, and information flow quickly and cheaply today. Transportation and communication networks have created a complex, interconnected world. What's more, we're now seeing the limits of industrial growth. Companies are extracting natural resources faster than the Earth can regenerate them, and ecosystems are being stretched to the breaking point. Given our finite resources, the business environment is increasingly dynamic, chaotic, and unpredictable and small events are amplified.

Maziar Minovi, CEO of Eurasia Group: For most of the past half century, the West enjoyed relative peace and prosperity. The free movement of ideas, information, money, goods, services, and people lifted billions out of poverty. As a result, large corporations in rich countries were populated with two generations of risk managers who didn't have to think much about politics.

That age of complacency is over. We're in a world where the soon-to-be-largest economy, China, is dominated by a small group of people who make decisions in secret and have the power to direct government policy toward their political survival rather than economic dynamism. Meanwhile, rising concerns about inequality have given rise to populist fury and unpredictable politics in many parts of the West. Our global financial interconnectedness magnifies these dynamics. It's why China's decision to tighten control of its technology or financial sector matters to businesses in Singapore, Austin, and London, and a vote from a single U.S. senator on a bill today can upend strategic plans in Frankfurt and Tokyo tomorrow.

Marianna Fotaki, professor of business ethics at Warwick Business School: Globalization has created unprecedented competition for labor and opportunities, leading to exponential growth for transnational businesses. At the local level, this ease of doing business across borders has allowed some companies to acquire disproportionate power to influence local politics and governance. When that happens, they assume a dominant role in making policy decisions that affect people in a society — which can then undermine democracy and public good in the region. Ironically, the lack of strong legislative institutions, which makes all this possible, can be a cause of instability in society, affecting businesses in turn.

At the global level, the absence of strong economic regulatory institutions to ensure equitable and fair business practices means that corporations have no limits on their size and influence. The result is industries turning into monopolies or oligopolies, and giant companies preventing newer ones from entering the market. When left unchecked, these anticompetitive behaviors can exacerbate inequalities between rich and less developed countries, creating global disparities.

Sinziana Dorobantu, associate professor at New York University's Stern School of Business: Modern technologies such as more-efficient supply chain operations, the internet, and social media have not only increased the pace of change in business but have also drawn more attention to its impact on society. Fifty years ago, oversight of companies was largely the domain of regulatory agencies and specialized consumer groups.

What the public knew was largely defined by what businesses were required to disclose. Today, however, public perception of businesses is affected by a diverse range of stakeholders — consumers, activists, local or national governments, nongovernmental organizations, international agencies, and religious, cultural, or scientific groups, among others. My own research shows that when businesses operate in a highly transparent society with new media technologies and a free press, even decentralized, uncoordinated events can easily escalate into a significant crisis for the firm.

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How can companies identify the crises they'll likely face going forward?

Chang Hoon Oh, William and Judy Docking Professor of Strategy at the University of Kansas School of Business: There are a few ways businesses can identify risks. One, externalize expertise through insurance and consulting companies that identify sociopolitical or climate risks. Two, hire the right talent for risk assessment. Three, rely on government agencies, media, industry-specific institutions, or business leaders' own experience of risk perception. A fail-safe approach is to use all three mechanisms in tandem, if possible.

That said, risk assessment is only the first step. Any uncertainty or risk can become a crisis if the company is not prepared for it. Take the 2011 Fukushima Daiichi nuclear disaster in Japan, an event my colleague Jennifer Oetzel and I have been studying. While it was triggered by natural events — an earthquake and a tsunami — many argue that the spillover of radioactive elements from the nuclear plant happened due to an error in foresight.

Sarah A. Soule, senior associate dean and Morgride Professor of Organizational Behavior at the Stanford Graduate School of Business: The rise of social media has made it easier to identify crises. Smart leaders are paying attention to what's trending to anticipate how these issues impact their businesses. For example, some businesses were carefully tracking the emergence of the Covid-19 virus in China in December 2019 through social media and other sources, even as governments seemingly failed to do so. Another example is the Black Lives Matter movement in the U.S., which, especially after the killing of George Floyd, has forced companies to reevaluate their responsibility to stakeholders and change their strategies both externally (such as marketing efforts) and internally (such as increased focus on diversity, inclusion, and equity).

[3]

To whom are businesses responsible when crises occur?

Bansal: Limiting the responsibility of companies to their shareholders or stakeholders is not enough. I believe that companies are responsible to all people in society — not just today but for generations to come. That's because, in most cases, crises simmer over years; their impact may only be noticeable in the future. And it can be hard to know who caused the crisis — there may be many perpetrators. For example, microplastics are being detected in the placentas of pregnant women after decades of plastics accumulating on land and in water. The effects of carbon emissions are only being discussed now, despite their roots dating back to the Industrial Revolution. Instead of just focusing on the exact cause of a crisis, it's important for businesses to recognize the broader ways in which they can support communities.

When Hurricane Katrina ravaged the Gulf Coast of the U.S. in 2005, Walmart was among the first organizations to provide disaster relief. Walmart employees brought food and water and offered shelter to thousands of people in New Orleans who were affected. Lee Scott, the CEO at the time, seems to have made the decision not because it mattered to stakeholders but because Walmart could help.

Fotaki: Businesses do not exist in a vacuum. Rather, they grow out of societies, even if they ultimately turn into transnational corporations. And business outcomes, both positive (such as increased employment) and negative (pollution) affect everyone, whether they participate in the business activity or not. The global climate crisis, for instance, is a consequence of doing business that affects everyone. Companies helped create it and so have a responsibility to help fix it.

Dorobantu: During crises, businesses need to focus on their purpose, which should be intrinsically linked to the customers they serve, the employees and suppliers that make that service possible, and the communities and public authorities that give consent to operate. "Why do we exist?" may seem like a very big question, but it allows businesses to direct financial and operational resources to serve their purpose and make a positive impact on society.

Take the example of global mining companies during the early months of the Covid-19 pandemic. The purpose of mining firms is to extract raw materials that are critical for the manufacturing of medical devices, electrical and electronic equipment, and automobile parts, among other things. To do this, mining companies need to not only focus on the operational and financial aspects of their business but also take care of the people and communities in which they operate — especially when they are cut off from other distribution channels during a crisis. Doing so is a win-win for everyone: Local governments can rely on mining companies to deliver essential supplies like food and medicines to the people in the area of operation, communities' essential needs are fulfilled, and mining companies can continue their business operations.

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How has the Covid-19 pandemic changed the way leaders will handle crises going forward?

Dr. Ruha Shadab, founder of LedBy Foundation: We've seen that we need to be wedded to the cause, not the problem. Any crisis is an opportunity to reevaluate your mission, rethink what drives your organization, and become flexible and agile to achieve that mission. When you do, it helps you adapt more quickly to change. I've seen this with my own social venture.

When the pandemic started, our hybrid professional-development training — 80% virtual, 20% in-person — had to go 100% virtual. We had to revisit the problem we were solving (training more women to be workforce-ready at a time when female unemployment in service-sector jobs was rising) and reiterate our mission (it was more important than ever for us to help women become more employable). That pushed us to strategize a new approach to virtual training, such as creating new course materials, shorter workshops, and more offline homework.

The other lesson is empathy. Everything is really about people — especially those who work with (and for) you. Recognize that your employees, team members, and colleagues are not just "resources" but humans with lives beyond their jobs. They are your first set of allies. Building this empathy requires trust and transparency, and that starts with being honest about the challenges, risks, and opportunities for the people supporting your business in times of crisis. When you do this, it's likely to create an enabling and rewarding environment for everyone.

Sarah Kovoor-Misra, professor at CU Denver Business School: The pandemic has taught us that an individualistic, self-interested approach is not effective in a crisis. For instance, essential workers and their organizations have had to collaborate and support each other through the crisis to save lives and meet needs, demonstrating that collective and altruistic efforts matter. Leaders need to develop cultures that support collaboration and positive behaviors in the workplace and reward these behaviors. In addition, they must pay greater attention to their employees' mental health and protect them from burnout — both during and after a crisis. The last year and a half has shown us that crises have psychological and social consequences, and that we're all more than the work we do. Paying attention to their employees' needs outside their job roles and tasks, such as by providing employee assistance programs, childcare benefits, caregiving support, inclusive leave policies, and flexible work schedules, is a positive step in that direction.

Minovi: The pandemic has demonstrated just how interconnected today's crises are. Policy makers, investors, and business decision-makers must spot the many connections among first- and second-order emergencies and think carefully about both their local and global implications. Leaders must become perceptive and game out many potential scenarios for unexpected shocks. They must stay active in the global forums that will set the rules and standards to govern business in the future. Finally, corporations need to move away from virtue-signaling and create strategies to address possible triggers for crises.

Oh: It remains to be seen whether leaders will remember the early lessons from the pandemic — something that doesn't always happen after a crisis. For example, since last year, there has been a shortage of semiconductor chips in the automobile industry due to restricted supply chains. The industry experienced the same kind of shortage following the Fukushima disaster. In the aftermath of that crisis, companies developed alternative and reliable supply chain partners. But in the absence of predictable threats, they later forgot the lessons they learned — leaving them unprepared in 2020.

This example highlights one of the key lessons for leaders: To improve business adaptability and resilience, prepare for crises before they strike. Doing that requires an ongoing strategy of proactive thinking and foresight — whether there is a crisis on the horizon or not.

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