

ISB CTO

Week 20: Leading through Crisis

Video 1: Leading Through Crisis: Introduction

Hello, everybody and welcome back. Today we'll talk about crisis management. There is this part of the video is the asynchronous part. There will be a live synchronous part where we will also talk about crisis management and the 10 rules of crisis management. But to introduce the topic more from a technology point of view, CTO point of view is why we have this asynchronous video. If we are in business, if we're in life, things will go wrong. Murphy's Law happens. And from a technology point of view, you have system outages, you have systems failures. Sometimes business continuity becomes an issue, whether it's sometimes it's externally driven, you have an earthquake or a tsunami or a fire and things happen. So, how do you create cyber resilience? It's an important topic that I know several of you grapple with. So, and I know that many of you have set up a BCPA business continuity planning exercise. What would be very useful to do in this kind of a context is maybe you're already doing it. Two things, one, do the BCP but broaden the scope of the BCP to include non-technical failures. And what is very important is do regular simulations at least once a year, take the entire C-Suite offline and do simulate a full crisis. Well, that's part of your business continuity planning. What we used to do when I was working, we had a fully set up BCP war room which had telephone lines, computers, TV's, everything was set up and it was fully equipped and fully functional. So, within five minutes we could assemble a crisis team and go in there. Our entire crisis team was on a separate mobile, telephone connectivity group, so we could immediately message each other and come in and get equipped. So, do something like that. Would be very important also to broaden your role to kind of lead crisis not only in the technical side but be part of company wide crisis management. The other kind of thing that comes and is an issue more and more with CTOs is how do you deal with data privacy? How do you deal with third party restrictions? We see this in India for example, everybody asks for your income tax PAN card, everybody asks for your Aadhar card. And when you provide all this information, these people, banks often share this information with third party without restrictions. And when they share this information from the third party, basically there's a loss of data, there's a data breach and loss of information, which leads to people misusing that information to actually commit fraud. So, how do you set up these safeguards inside the company? How do you educate everybody in the company to be responsible for data privacy and to take it very, very seriously not to share data with third party?

These are topics that you need to cover because these crisis, we don't see them very much yet, but they will build up to be huge crisis going forward. We have seen even with Google, there are data breaches where passwords get leaked. So, this happens. The other interesting thing as a crisis that's going to come up, it's something I don't think any of us have given much thought to, is artificial intelligence, use of AI, what's a responsible use of AI? And when AI is used and you have to use AI and robot or robotics. Amazon today has 750,000 robots in use in their warehouses worldwide. 750,000. Think of the number of jobs that have disappeared, human jobs that have

disappeared because of these robots who are able to do the same thing more efficiently and with fewer errors. So, when you use AI, as we get into this new world where AI becomes part of everything we do, there will be job losses, there will be changes in the scope of work. So, how? And as a CTO, you will have to deal with this on a crisis footing. It's not quite a part of the BCP, but it's beyond that. It's. So, how do you retrain people?

How do you help prepare the organization to adopt AI knowing that there will be job losses coming as a result? And how do we prepare everybody, the company and individuals concerned for this brave new world that is emerging? So, lots of issues here. And I believe the CTOs role is going to be a very critical one in this going forward. We will of course now discuss in the crisis management session many new. Well, I'll share with you 10 rules of crisis management, but we will discuss several crisis, both from Nestle, which is what I LED for several years, but also from non Nestle examples. So, hopefully we come up with a good appreciation of crisis management as a whole, both technical and non-technical related. Thank you and see you soon.

Video 2: Case Study: Johnson & Johnson Tylenol

Hello everybody and welcome back to this course on leadership. Now, we have been through a very interesting journey over the previous three modules. So, in module 4, we will talk about crisis. How to manage crisis, how to survive crisis. If you are in business, for sure you will have crisis. That is the nature of the beast. If you live as an individual, for sure, you will have crisis and problems in your life. That is just the nature of life itself. So, how do you respond when there is a crisis?

And this is the topic which we will explore in this module through all the sessions. We will use some stories and case material from industries to see what is happening there, why? How did people respond? Why did they respond? And then we will use some case studies from my own history in Nestle. Why is dealing with a crisis so important to start with? We all know in India, for example, the biggest brand of milk is Amul, right? Now, we trust it, we know it, it has been around for decades. Similarly, in Japan, the biggest brand of milk was Snow brand. People trusted it for generations, it was really very well known. There was one incident they had where they were giving free milk in a school. Everybody does that, right? Amul probably also does that. And when they gave free milk in the school, all the children fell ill and had to be hospitalised. Maybe the milk was not properly kept, maybe it was in some way the quality had deteriorated, maybe it was ageing stock. I am not sure what the details were. But what happened was the company in its response to the crisis, failed to take into account the seriousness with which the Japanese consumer takes quality. And within 24 hours, their response was slow. So, basically the company went bust, it disappeared. It ceased to exist. The Japan's number one dairy company, everybody stopped buying their products from one day to the next. So, the first, in fact, the starting point of a crisis is, recognise that there is a crisis and act on it. Don't be like an ostrich where you stick your head in the sand, that is normally not a good strategy.

And in studying crisis management, one of the best practice cases that is held up and is talked about repeatedly in industry is the Johnson & Johnson Tylenol case. You have the Harvard Business Review case right up. It is short, just three pages. It is in your LMS. You can also go and do some googling of the Tylenol recall crisis that Johnson & Johnson faced. So, first thing I would like you to do is to refresh your memory, read the case again and ask yourself, what are the facts of the case? What do you know for sure and what are the opinions coming out and what are the choices that you face? Remember the execution loop.

So, if you study the case and you find that first thing seven people died in Chicago because of this Tylenol poisoning, right? Second thing, apparently these capsules of Tylenol were affected, not the tablets, and that these capsules had apparently been injected with cyanide. They were also able to trace this to a warehouse where this tampering probably happened. And the news was public, and the FDA was involved and the whole nation was watching what they were going to do. Retailers had started taking the stock off their shelves because, of course, nobody wants to be responsible for deaths of people, and also in the US, the litigation costs are very high. So, these were the facts of the case. The questions before them were, should we recall Tylenol nationwide? Should it be the capsules only or capsules and tablets? Should it be a worldwide recall? Should it be only in Chicago, which is where we have identified the cyanide poisoning, because it is one particular warehouse that was impacted? And how do they regain consumer trust going forward? Can they create tamper proof packaging? These were all the questions that they had.

The company took the decision to recall Tylenol capsules only nationwide. You can argue about why they took the decision, did they overreact, or could they have restricted only to Chicago? In my opinion, it is normally good to overreact in a case like this because you do not want to take the slightest chance that this guy who poisoned them in Chicago did not go to San Francisco and do something over there. So, it is good that they responded strongly. And they came back, there is no such thing as a tamper proof packaging. They came back with a tamper evident packaging where if somebody had tampered with the packaging of the lid, you could make out that it had been tampered with. They relaunched and eventually were able to regain consumer trust and retailer trust, and eventually regained their position as the number one product in the US market in this territory, in this segment. And this is held up as a best practice example of how to respond to a crisis like this. And people talk but the company responded fast, they responded decisively, they nipped the problem in the bud, took the problem off, the threat response, and then reformulated, repackaged tamper evident packaging opportunity response and came back and said, "Now we are stronger than before and safer than we were earlier." So, it is a textbook case of how to handle a crisis well and come out strongly. I invite you to reflect upon the lessons learned, and we will build more on this case in the next session. See you soon.

Video 3: Case Study: Johnson & Johnson Baby Powder

Hello everybody and welcome back to this discussion on crisis management. In the last session, we reviewed the J&J handling of the Tylenol recall crisis, and we all agreed that this was the best practice that we should all benchmark, we should all learn from. Now in your LMS, there are a few links, two articles about the same company, Johnson & Johnson and what happened with the baby powder controversy.

So, I hope you have had the chance to look at these articles and review the case a little bit. What appears to have happened is talcum powder uses calcium carbonate, which is a mineral that is mined. And when this is mined, apparently depending on the mine where they are collected from, there is naturally present a certain amount of asbestos. And this fact was known to J&J going back as far as the '60s and the '70s. And arguably at that time, it was not a serious issue because in the '70s, in the '60s and even in the early '70s, asbestos was seen as some kind of a wonder material that was fire retardant that was safe and so on. It is only in the mid '70s onwards that people started to discover that asbestos fibre can go and lodge in the lungs and create cancer and create all kinds of issue. As a result, asbestos was banned and was taken out from insulation, was taken out from false ceilings, roofs, etc. In India in those days, a lot of roofs and factories, etc., garages used to be made of asbestos.

So, at that point of time, J&J had a choice. Baby powder was part of their DNA, it was at the core of the business, right? It was at the very core of the business, and somehow they made a choice not to do anything about it. Questions are, could they have reformulated? Could they have taken some action? Well, the data appears to suggest that within the company, the questions were raised repeatedly by various different people, but the company actually decided not to take action. Quite possibly, they did not take this threat seriously, quite possibly because the threat had been around for 20-30 years. They said, yeah, you know, this is just the nature of the beast, it is always there. Possibly they said, it is not easy to prove the causality of why this talcum powder created a problem, etc., we are only speculating at this stage.

But what happened was this case went to court repeatedly, and eventually a lot of J&J documents were subpoenaed and made available to the court with the result that it appears now that somewhere in the J&J system, they knew the product had asbestos. They didn't do anything about it, not even inform the consumer with the result that there are over 30,000 people. There are class action suits filed against J&J. So, J&J if they lose these class action suits, the whole company goes bankrupt. So, what they have done is they have taken their entire baby powder division and spun it off into a separate company and trying to create an insulation between that company and the parent pharmaceutical company. So, if any action happens, it is basically this baby powder division that gets affected. Now, is that a legal argument, will it fly? We will find out, time will tell. But this has happened. It has happened worldwide.

So, the questions that arise are why did the same company behave so differently with Tylenol and so differently with J&J? Tylenol, they responded strongly, decisively, fast to the crisis and they contained it. In this case, they just let it fester and simmer and carry on over time and somehow there was never a trigger point to actually make a

strong response to the crisis. And hidden in here is a very important truism, which is, do not take any crisis lightly. Always overprepare, overreact internally, even if the way you react externally maybe very measured and cautious and careful. Internally, you need to scenario-play a game plan for the worst-case scenarios and plan and prepare for that. And this goes to the story we talked about Snow brand earlier. Here is a brand Johnson's baby powder. I grew up with it, my children grew up with it, you grew up with it. It is 100-year-old brand, and the brand is now finished. None of us wants to use Johnson's baby powder anymore because of this controversy. So, it just serves to underline the importance of crisis management early, timely, recognise it, respond strongly, respond decisively, at least within the company and then do a scenario planning and game planning of how to respond externally.

I hope this case and the two different responses by the same company have given you food for thought. And I invite you to think, how does this apply to your company? I hope you find this case as insightful as I did. And I will see you back for session number 3, where I will start to share with you my 10 rules for crisis management and some insights into how to come out of crisis stronger. Thank you and see you soon.

Video 4: Purpose, Strategy and Values

Hello everybody, and welcome back to this module on crisis management. A few years ago in 1998, there was a bridge in Honduras, which the Choluteca Bridge, which kept getting washed away. So, they got the best engineers from Europe, and they designed the bridge that could never be washed away. The bridge was inaugurated much funfair, politicians, ribbons, etc. And it was inaugurated in 1998. That very year, there was a big typhoon hurricane, Hurricane Mitch, which came in and then the river changed course. So, the bridge was from nowhere to nowhere. This is a classic example of a crisis that is coming from completely left field, something you can't possibly have foreseen. COVID-19 was another great example, a tragic example, a sad example. Many people sadly lost their lives. An example of how crisis can come out of nowhere and in this case, dominate the world stage for the next two years. So, how should one respond to crisis?

We already talked about the first rule when we talked about the Johnson & Johnson and the Snow Brand crisis. In those cases, the crisis arguably happened within their value chain in Choluteca Bridge, and in COVID-19 it happened from outside the value chain. And the first rule is, really respond to the crisis. Recognise there is a crisis and respond to it. That is the first rule.

Now, in this context, and particularly with COVID-19, the important thing to realise is that the same crisis does not affect everybody equally. In the case of COVID-19, some industries suffered a lot, particularly industries that were reliant on out-of-home consumption, travel, restaurants, hotels, airlines and they all downsized in the process. They had to do, some of them downsized 70-80%, some of them even shut down. And the whole question before them was, how do I survive? How do I survive this crisis and come out ahead of us? And there were some people who took very interesting and

dramatic measures. So, there was this restaurant, high-end restaurant in Sydney that overnight when there was a lockdown, they converted themselves into a high-end grocery store that was selling wine and cheese and even ready-made meals, prepackaged cocktails that they were delivering to people's houses, and overnight they pivoted.

Similarly in the US, the Mexican Tex-Mex Restaurant, Chipotle, was actually already set up to do take home delivery, and when the COVID-19 crisis happened, they actually came out ahead. They didn't lose business, they gained business as people sitting at home were looking for changes and new kinds of cuisines that they wanted to get into their repertoire. So, at the same time, there were a number of industries for whom the crisis was different. So, people who made masks, medical supplies, anything that was consumed in home, including entertainment, mobile, TV bandwidth or Internet based activity, or indeed personal care products, hand sanitisers. All of these saw a boom in sales, and the companies had a very different kind of crisis. Their question was, how do I supply demand when demand is going through the roof? How can I make sure I am supplying demand in full?

So, the same crisis can affect industries in completely different ways. What is important is to make sure that no matter what the crisis is, that we are prepared before it happens, and we come out of the crisis stronger than when we went into the crisis. Stronger than our competitors, stronger than the industry if possible. So, the attitude with which we have to approach a crisis is this, crisis happened, and crisis will happen. And in many of these cases it is going to affect everybody, and if there is a recession of this COVID-19, another pandemic, there is a war, it affects everybody in the industry. How can I make sure that my business comes out ahead when we emerge from the crisis? For sure we will emerge and when we emerge, we have to be stronger than when we went in. That is the mindset and the attitude with which we have to start to approach crisis management. And I will see you again in the next session where we will rehash a very important learning from the very first module, which is actually very applicable to crisis management. See you soon.

Video 5: Managing Crisis

Hello everybody, and welcome back to this discussion on crisis management and leadership in crisis. So, whenever a crisis happens, crisis like COVID-19 or the Cholulteca Bridge or a product recall crisis, there are many questions on our minds. One of the first questions is, what control do I have? There is somebody else out there who decides when the virus is bad, when the virus is not dangerous, who when there is a lockdown, when there is a lot not, how do I decide? So, what action can I take? And what are the possibilities? And the answer actually is very simple. Instead of getting frozen in the headlights, the answer is focus on what you can control and take action on the basis of facts. So, in the case of COVID-19, a lot of the startups that I am advising already in the first two weeks after the crisis. We had decided to cut fixed costs, we gave up office space, tried to reduce the fixed costs to a minimum, tried as far as possible, and that was a survival response, and tried to make sure that we did not, in

fact, lay off people that we had these people, we could find a way to use the crisis to come out stronger than when we went into the crisis. And we said a successful response to a disruption, response to it as if it is a threat and as if it is an opportunity, you need both responses.

We discussed the case of Kodak and Fujifilm to reinforce this learning. So, in the case of crisis, it is exactly the same. First, you need a threat-based response very rapidly to try to minimise the problem as quickly as you can. Take it off the headlines, take it off the front-page top, make sure nobody else can be harmed. Take that action fast to nip the problem in the bud. And then you pivot and say, now that this thing has happened, what can I learn from it? And how can I make sure that in fact, I use the crisis to come out even stronger than when I went in? My brand should be stronger, my company should be stronger. I should be stronger, that is the journey we are engaged in. You always need the response as if it is a threat and you need to combine it with the response as if it is an opportunity.

So, how does this apply in your companies? How does this apply in your business? How does this apply in your experience as a leader to the way you have handled crisis in the past? Have you focused more on the threat-based response, more on the opportunity-based response? Have you been able to balance the two and do both? Do think about it. And do think how you could prepare for future crisis? Starting the next video, I will share with you the 10 rules of crisis management. See you soon.

Video 6: Response to Crisis: Rules One to Five

Hello everybody, and welcome back. I hope you have found this entire module on leadership in a crisis thought provoking. These are skills that you're not taught normally in school or in B school, for that matter, but they are vital to the survival of your company, your business and even yourself as a manager and as a leader. So, the first five rules of crisis management and some we have already discussed. First rule is, accept that there is a crisis. Don't panic but accept there is a crisis, and you have to respond. Acknowledging the problem is the first step. Too often, people don't even acknowledge the problem, or they ignore it and that is when the Johnson & Johnson baby powder controversy happens.

So first, acknowledge the crisis. Second step don't think you can handle the crisis all by yourself. You need to get a team in place and get in place a team which has all the relevant skill sets that you need to cope with the crisis. You need to have a communications expert, you need to have a legal expert, a corporate affairs expert, a product quality expert, depending on the crisis that is there, you need the relevant skill sets in the room to help you cope with the crisis. Once you have the skill set, then appoint a chairperson because at the end of the day you need to have one person who makes a decision.

Leadership is not a democracy where you can take a majority decision. No, you have a discussion, you listen to all the points of view, but eventually there is one person who makes the decision. This is very important because sometimes you need to take a tough

call which may not be popular but that is what the chairperson is there for. And keep minutes of all discussions, particularly of the decisions that you made, record why you made those decisions because this could become a matter of legal record tomorrow. As indeed, it is in the case of Johnson & Johnson.

That brings me to rule number 3, appoint a devil's advocate within the team. And the role of the devil's advocate is to challenge group think. When everybody is saying yes, that is when somebody needs to say, "No, pullback. Let us think about this a minute." Is that the only course of action? Remember Apollo 13 classic case also in crisis management.

Then rule number 4 then, only after the first three rules is, start to separate what is fact from what is opinion, both are important. And if you don't have some facts, put in place a process to get those facts, to get more information. In the meantime, you will take decisions on the basis of the facts that you have. The opinions will influence your decisions, but the basis for the decision are the facts. That is what the minutes will show. And finally rule number 5, very important, remind yourself of the core values, the purpose why your organisation exists. What are your core values that you will not compromise in handling this crisis? In the next video, we will talk about the next five rules of crisis management.

But let me share with you a few stories, how these five rules were applied in my career. And the first rule was a crisis I was witness to and a participant in, although I was not leading the crisis. It was during 1998 in Indonesia, there was the Asian Financial Crisis. In the space of six months, the Indonesian rupiah crashed. It used to be ₹2,000 to the dollar, it crashed all the way down to ₹17,000 to the dollar. So, the currency lost 80% of its valuation in six months. What this meant was incredible inflation, because all of a sudden you found oil prices went up and these are commodities that are globally traded, whether it is oil, whether it is iron and steel, tin, coffee, milk. All these commodities are sugar even, they're traded in dollar terms. And when you have huge inflation, you import all that inflation back into the country. So, prices went up 400-500%. So, how does one cope?

Some companies chose to just shut shop and leave the country. Kellogg's was one. I was with Nestle at the time. Some companies sellout need their quality to try and hold prices. Other companies went bankrupt. In Nestle, we took one decision. We said number 1, we keep all our employees, we don't downsize, we don't sack anybody. Number 2, we keep our commitment to the farmers from whom we are buying raw materials and we keep our commitment to the consumers, we will not cut quality. This meant we were taking price increases every two weeks, so our prices were going up like that, and this meant our actual volumes dropped as a result. We accepted that pain. It also meant we were giving salary increases to our employees every two weeks. Our business before the crisis was \$250 million. The year of the crisis, our business crashed from 250 million down to 150 million. But we had stayed there, we had earned the trust of our employees, of our business partners, of our farmers, of our suppliers and our consumers who saw we did not compromise on quality. Starting the next year, which is in the year 2000 onwards, the business rebounded and kept growing until 10 years

later, the Nestle business in Indonesia had crossed a billion dollars. Now this basically just being there and doing the right thing and, in this case, the threat-based response, make sure we stay a viable, cut your discretionary costs but do not cut the muscle and the bone. Quality, key people don't cut that.

So, keep doing the right thing in line with your values and principles. Remember, all rule number 5, don't compromise that and that gave us a success while a lot of competitors actually did compromise. What learnings can you draw for yourself from this example? Fast forward 10 years and I was in the centre in Switzerland as the global CEO responsible for Nestle nutrition. And we had in France these glass jars for babies, apple puree, chicken soup, things like that, and one day in the factory, we discovered a few broken pieces of glass. So, very quickly the factory got its crisis team, they investigated, and they figured out that this could only have come from the previous two batches. So, they rushed to isolate these two batches, but the product had already gone into the trade. So, they alerted the authorities, they alerted the police, and they went, I was informed and together with our approval, they went public with the recall of these products in the market. Within 48 hours, the products were recalled, nobody was hurt, thank God, and the immediate crisis was averted. But this was 2010, this was already the age of social media. And before we knew it, there were tweets, there were social media query and based on this saying, listen, people from Italy, people from Spain writing to us, listen, nestle is recalling baby food, does it affect us, do we have to return?

So, we constituted a crisis committee at the centre which I was leading, and we had prepared a response and we responded to people saying, no, no, no, this was in France. It has been handled, it has been closed, you are not affected. Basically, saying that. Then, 8:30 PM in the evening on a Friday, I got a phone call from the head of our social media listening unit, Pete, and he calls me and says "Nanda, we have a problem." This is my zeroth rule on crisis, which is all really big crisis happened after 6:30 PM on Friday before a long weekend. So, he calls me and says this Hollywood star called Alyssa Milano who had 17 million followers on Twitter, which is a huge number even in today's day and age. And she had just tweeted, "Nestle is recalling baby food. In the US, Gerber belongs to Nestle, so please rush to return your jars." This was the tweet. This was on social media and social media goes around the world like lightning. So, we don't have enough time to reconstitute our crisis committee. I decided on the spot to use our pre-prepared press statement that we had prepared for Italy, Portugal, etc., and we tweeted that back at her saying, this problem is only in France. It was last week, it is closed, it is not affecting the US in any way. And she was so gracious that she retracted her tweet and retweeted our tweet forward with the facts. So, that crisis was averted.

The key lesson here: in an age of social media, you need to respond with speed. And in this particular case, I took a big risk. I did not reconstitute the crisis committee, we already had one going and we had taken some decisions in similar situations in other countries. So, I took the same response, and we tweeted back at her. Could it have backfired? Yeah, I guess it could have. But I think the risk was too great with social media that we delay the response. So, we took the risk, and she was gracious enough to acknowledge the facts and that immediate crisis was taken care of. Respond

decisively, respond with speed. I hope you found this discussion interesting. In the next session, I will share with you some more stories and the next five rules of crisis management. Thank you.

Video 7: Response to Crisis: Rules Six to Ten

Hello everybody, and welcome back. I hope you found the previous sessions interesting and educational on how to respond to a crisis. So, the next five rules of dealing with a crisis, rule number six, respond to the crisis as a threat and as an opportunity. It is both. With a view to coming out of the crisis, first, minimising damage, second, coming out of the crisis stronger than before. Rule number seven, communicate. Communicate, communicate, communicate, you can never over communicate. And you need to communicate to all stakeholders, including employees, suppliers, governments, customers, consumers, everybody. They need communication that is relevant to them, to their needs, that is empathetic, that understands what they are saying and acknowledges that the problem happened. You don't necessarily have to go and take legal liability or responsibility, but you can say, the problem happened, and we empathised with you, and we are going to investigate what happened, and update this communication frequently as you get more information. And you can say on the basis of information we have available today, this is our analysis. As we know more, we will come and update the information, and if you don't actually communicate, then people will start to make their own conclusions, and that is when the rumour mill will start to work overtime.

So, that brings me to the next rule, rule number 8, take action. Do what you have to do. On the basis of the decisions, the fact that you know you took decisions in line with your policies and values, do what you have to do. And once you have done that, continue as you learn more, as you get more facts continuously revise this in the loop as you go forward. So, that is very important in this journey. Rule number 9, after the crisis is over, study the lessons learned. Find the problems that happened. Why did the crisis happen? In your responses, what worked well, what didn't work well? And fix the problems, don't fix the people. Get the lessons learned. And that brings me to rule number 10. Most importantly, prepare before there is a crisis, because if you start preparing after the crisis happens, it is too late. You don't have time to prepare for the crisis.

So, the previous five rules in the previous video and these five rules are our 10 rules of crisis management. In 2010, it was Christmas that I was in India on a vacation. I was in Chennai visiting my mother. It was a Saturday, and I got a phone call from Chile, the country manager Sherman, a wonderful lady, fantastic country manager. And she says, nandu, we have a problem. Remember, in Chile it is Friday evening. So, it turns out we were selling these glass jars of apple puree and carrot puree and stuff like that in Chile. And all the products were locally sourced, local apples. They were all tested, they were within the legal norms as per Chilean law. And there was a local politician who had tested this against US FDA and found that everything was fine, products complied with Chilean law and complied with US laws also. Then he compared it with European law,

EFSA, European Food Safety Authority. And there he found that there was one pesticide called iprodione, which was not allowed under EFSA, which was allowed in the US for use for apples, which was allowed in Chile for use for apples, which could be detected in parts per billion in the finished product. So, he raised a big issue and controversy. How do you think we should respond?

You see, the thing with international standards is every country tries to create slightly different standards because occasionally these can also act as non-tariff barriers. So, for iodine country A may be stricter, for iprodione country B may be stricter, for zinc country C may be stricter, everybody has their own norms based on their own understanding of their science involved, the risks involved, and of the trade position involved. So, in this case, we were fully compliant as per local law, and you can argue that. But the argument is not rational anymore because very quickly the consumers and the politicians will turn around and say, so are you telling me European babies are more important?

How come you have different standards in Europe? And it is not good enough to say listen, in Europe we follow European law, in Chile we follow Chilean law. They are not willing to accept that. So, we took a decision. And although the product was fully compliant as per local Chilean law, we withdrew these batches of apple puree and we destroyed those. And we went out and communicated to people saying, this is what we are doing. It is perfectly okay, but we are destroying them.

And we reformulated one year later, and we came back with a fresh production of apple puree. This time it complied with the strictest of Chilean law, US law, and European law on every parameter. Iprodione on Europe is stricter, follow Europe. Zinc something else is stricter, follow them. So, parameter for parameter, we raised the game, and that is when Project Saturday was born. And we said, this has happened today in Chile, tomorrow it can happen in India, it can happen somewhere else. So, we launched this Project Saturday to do the same for all infant nutrition products and raised the game parameter for parameter across the world. And eventually this project was rolled out to cover all Leslie's product categories, and I believe it is still running till today. In Chile, we came back with communication that was endorsed by the Paediatrician Association in Chile, which stressed the quality of what we were doing. Starting, we had put real farmers, we put real employees to tell people why our product was safe and good.

So, you saw what we did. First, we acted quickly, we took the product away so we could deal with the problem and not with the emotions. Then we reformulated, we relaunched, and 18 months later, our market shares were higher than they were before the crisis because of the intense focus on the quality and on communicating the quality. We actually hit upon a very nice solution to the problem. So, the interesting thing is, how in fact, we used the problem to reinvent ourselves to come out even stronger than the crisis. And that is the lesson I would like you to take from this particular story and this particular example. I hope you found that useful. I invite you to think in your own experience. How is your company, how have companies you know responded to crisis and come out stronger than when they went into the crisis? Ask yourself, how can you prepare for the crisis before it happens? Have you put the training programmes in

place? Have you built the communication protocols? Have you done simulations to make sure that you scenario a player to a crisis so that you know what to expect? You can never prepare enough for a crisis.

Video 8: Dealing with Individual Crisis

Hello everybody, and welcome back to this module on Leadership In A Crisis, and I hope you have found this entire module instructive, thought-provoking, and educational. I hope you started to plan what you do for your business, what you do for your company, and how do you build the capability in your organisations. Today's session, I would like to segue away, still on crisis management, to what you can do for yourself.

Because while our businesses face crisis, while our companies face crisis, we as individuals also face crisis. You may have crisis in your personal life. You may have crisis in your career, you may yourself have a crisis because there is a COVID-19 on the horizon. How do you respond to this? Well, turns out the rules are very similar to corporates. It is pretty much the same 10 rules. When we have a crisis as individuals, typically, we blame luck, or we blame the guy up there. I don't know if you do it. Why me? It is quite a common kind of response and the thing with luck, it is difficult to measure, so we all think the other person is luckier than we are. Oh, she is so lucky. Why is he so lucky? We all have that reaction, and it is difficult to measure luck on an individual basis. But Jim Collins actually did some work on measuring luck for companies, and he went around. And he writes about this in one of his book, *Great by Choice*, I believe. And he says, for a company, it is easy to measure luck. If I am a company and if my factory burns down, it is my bad luck, and I have to report it so public knows that I had bad luck.

Similarly, my competitor's factory burns down, he has to report it, and it is his bad luck, my good luck because I can gain market share. So, by looking at company's annual reports and press releases, what Jim Collins figured out was over a 20-year time period, all companies have the same number of good luck events and the same number of bad luck events. So, what makes the difference between great companies and also ran companies? It is not the number of luck events they have; it is what they did when the luck event happened. When the good luck event happened, where they prepared to gain market share, when the bad luck event happened, where they prepared to recover market share. And I am borrowing from that to the individual domain and saying, look, unless you have really bad karma, chances are all of us have the same number of good luck events and bad luck events in our lives.

COVID-19 happened as an environmental event to everybody. Some were more affected; some were less affected. But everybody has good luck events and bad luck events in their life. And what makes the difference then is what you do when the event happens. It is okay in my experience, my advice to you, it is okay to take time to grieve. It is okay to take time to go off, be with friends, curse your boss, throw darts at his photograph, do whatever you have to do to get the stress out of the way, but then ask yourself the question. Okay, so that happened. How do I make this the best thing that

happened to me? How can I pivot? And it is not easy, and particularly in cases of personal loss, I don't know how you can make that transition, it is very hard, I realise that, but what makes the difference is prepared for this before. Build a network of relationships before you have a crisis. Relationships you can trust on, relationships on whose shoulder you can cry, relationships who can give you moral support, hold your hand, give you a leg-up.

Build financial resources that you may have to fall back on. Start building the resources by building new skill sets, new skill sets like you are doing here right now that will be useful in the new era that is coming forward. Are you preparing yourself with the new skill sets apart from leadership, artificial intelligence, blockchain? Are you preparing yourself with thinking of that sort? So, prepare for a crisis before it happens. And when it happens, take the time to grieve, but then try to pivot out of that to take all of these actions that you have already rehearsed and prepared for in a sequential way. In my life, in my career, 40 years, I have had ups and downs along the way, and what is interesting from a hindsight perspective, looking back is that the roots of my biggest successes were almost inevitably in my biggest problems.

We talked about the turnaround in the Nestlé Philippines story and the change of culture. So, in the startling insight, therefore is, if I hadn't had the problem, I would not have developed the skill set that gave me that success. And that realisation is mind-blowing because it says you need those problems to actually help you grow as an individual. I am not a spiritual guru, and I am not here to say this is the answer to all your problems. No, far from it. I don't make bold to say that. What I am saying is for the majority of our business problems, career problems, the attitude and the mindset with which we approach it, the preparedness with which we approach it is often the solution and the answer to coming out of the crisis positively and with actual personal growth and eventually career growth. So, do think about how you respond to luck, do think about how you personally respond to crisis, do think about have you built the capabilities and the support network to help you cope with crisis? There is a very interesting article written by the head of the OB faculty at London Business School, Herminia Ibarra, and we'll provide you a link in the LMS, and the article talks about reinventing your career. And this was written in the middle of COVID-19, I mean, many people were getting laid off for no fault of theirs. And she talks about how to use this liminal period to reinvent yourself, start working on projects, work your dominant contacts and start developing many ideas of who you could be, because the paths to your next career may be circuitous, it may never be a straight line. You may have to do many things to find what your sweet spot is, what your icky guy is going forward. So, with that, I wish you happy thinking on all the lessons we have learned from this module of leadership in crisis. And I will see you next week where we will explore more the issues of business purpose, business ethics, and leading in society. See you soon. Thank you.