LEADERSHIP AND TEAM EFFECTIVENESS

LECTURE – 29

Leadership in Crisis Situation

PROF. SANTOSH RANGNEKAR

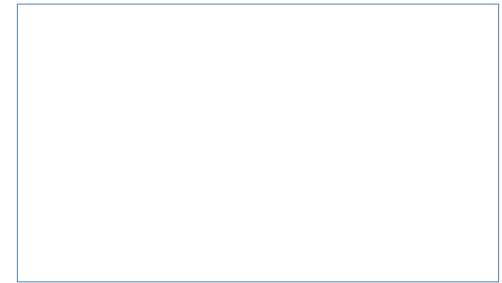**DEPARTMENT OF MANAGEMENT STUDIES**

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- The Three-Stage Crisis Management Plan
  - Pre Crisis Planning
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Image Source:

Crisis

A Crisis is a low-probability but high-impact event that threatens the viability of an organization and is characterized by ambiguity of cause, effect, and means of resolution, as well as by a belief that decisions must be made swiftly.

(Charmeli & Schaubroeck, 2008)

Crises are omnipresent in today's environment.

(Bergeron & Cooren, 2012)

Crises are indeed damaging to an organization if not properly managed.

(Gerbe, 2013)

Crises come in many forms. Regardless of the nature of the crises or the type of organization, what they all have in common is the stress and pressure they place on organizational resources and systems
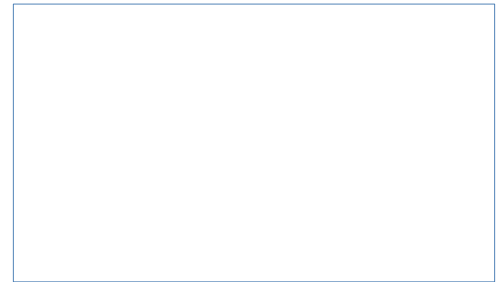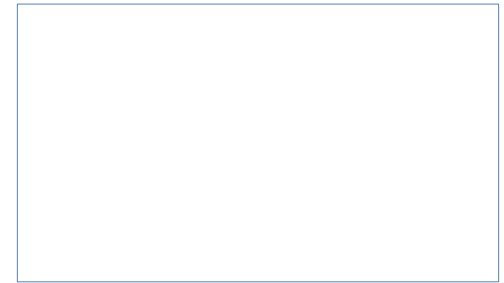
Crisis Leadership

- **Crisis leadership** is about being prepared with a plan to follow when a crisis occurs. It is about the role of corporate leaders in crisis prevention and preparedness. Effective crisis leadership is about having the foresight and proper pre-crisis planning for managing a crisis.

- There is a great need for leaders from all walks of life to show that they possess the skills and competence to lead during times of crisis

(Jaques, 2012)

- Proactive organizations have found it prudent to designate a specific individual or unit with the task of scanning and monitoring the internal and external environments for potential threats or warning signs of a crisis.

(Binns, Harreld & O'reilly, 2014)

Crisis Leadership (Cont.)

Five essential competencies of crisis leaders, which are the ability to:

1. **Craft a vision.** Formulate an overarching vision of crisis management for the organization.
2. **Set objectives.** Establish strategic goals and program objectives for crisis management.
3. **Formulate, Execute, and Evaluate crisis plan.** Coordinate the creation of a crisis management plan.
4. **Communicate.** Establish a communication plan for notification and mobilization when needed.
5. **Manage people.** Develop a pre-crisis simulation and drill plan for the crisis team and the entire organization.
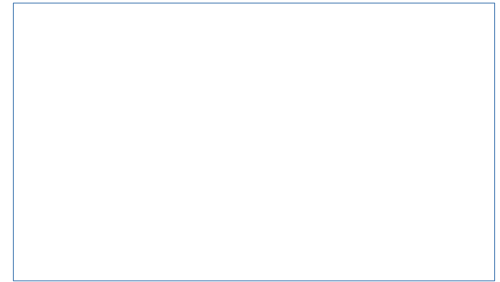
Formulating a Crisis Plan

- Leaders who are able to overcome these psychological roadblocks and perceive risks realistically can approach crisis management planning in a logical and systematic way.

- The literature suggests that organizations with early crisis identification systems and crisis management plans already in place before the occurrence of a crisis are significantly better prepared to manage and survive a crisis event.

- In addition, these better prepared organizations have the opportunity to reposition themselves and turn a crisis event into a strategic opportunity.

(Appelbaum et. al., 2012)
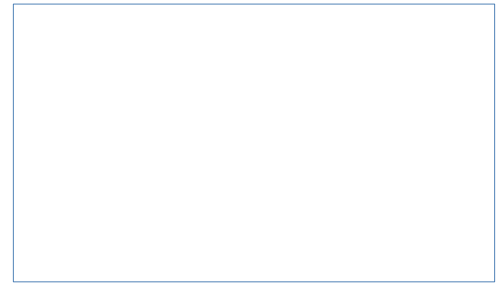
Formulating a Crisis Plan (Cont.)

- Organization's readiness to respond to a crisis is a function of the following:
  - ❖ The skills, abilities, and experience of a designated crisis leader
  - ❖ A trained and well-prepared crisis team
  - ❖ Organizational preparedness through regular drills and training
  - ❖ Adequate organizational resources
  - ❖ Top management support and commitment

- Crises by nature are not part of the regular work experience; therefore, effectively managing crisis situations requires leaders to be well prepared for the unknown

Benefits of a Crisis Plan

Though suffering some loss is almost unavoidable, having a crisis plan in the event of an actual crisis has several benefits and having a crisis plan in place can:

- ❖ Reduce the duration of a crisis
- ❖ Enhance or retain a corporation's reputation
- ❖ Allow for quick and effective responses
- ❖ Improve communications
- ❖ Enhance coordination and cooperation
- ❖ Ensure ready and available resources
- ❖ Ensure fewer costly mistakes
- ❖ Ensure less panic
- ❖ Ensure quicker resolution of the crisis
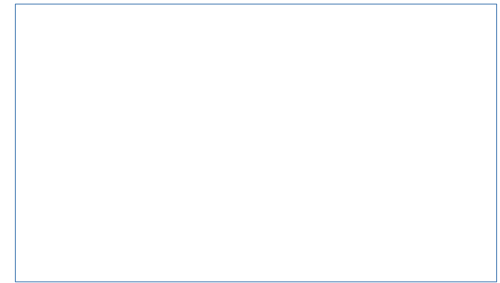- ❖ limit or protect financial loss

The Three Stage Crisis Management Plan

Pre Crisis Planning

- Form Crisis Response Team
- Develop Crisis Plan

Leading during a Crisis

- The Role of senior Leaders
- Effective Crisis Communication
- Crisis Resolution

Adapting after a Crisis

- Evaluation of a Crisis Response
- Lesson Learned
- Preventing a Future Crisis

Image Source: https://www.timeretrievers.com.au/news/business-crisis-management-2/

Pre-Crisis Planning

- Every organization (large, small, for-profit, or nonprofit) should have a pre-crisis plan. Although no one can develop a pre-crisis plan that would accurately anticipate and address every possibility in the future, such a plan is still the best way to mitigate the negative consequences of any crisis.

- The message in pre-crisis planning is to **hope for the best and plan for the worst.**

- Pre-crisis planning addresses three key questions:

  1. Do we have a crisis response team and who is on it?
  2. What is our crisis plan of action?
  3. Do we have all the necessary resources in place?

Pre-Crisis Planning (Cont.)

1) Do we have a crisis response team and who is on it?

- Having a standing crisis response team increases an organization's ability to respond to a crisis in a timely and effective manner.

- A crisis response team should involve a good mix of representatives from all parts of the organization. Diversity in the makeup of the crisis response team increases diverse input that contributes to better decisions.

- In the event of a crisis, a leader wants a team that has trained and worked together. During pre-crisis planning, questions on information flow and chains of command are addressed.
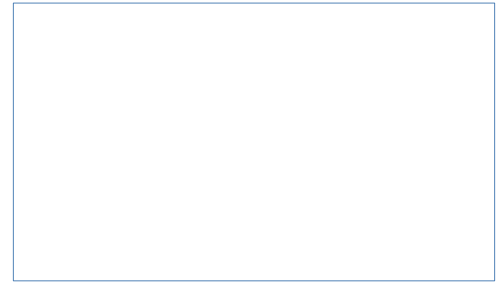
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Pre-Crisis Planning (Cont.)

2) What is our crisis plan of action?

- It involves imagining the worst possible scenarios that could happen to the organization and the impact on employees, customers, and other stakeholders.

- To be well prepared, the crisis plan must incorporate as many potential emergency situations as possible. The crisis leader and the team should then assess the risk of these potential events, and evaluate their possible ramifications.

- For each crisis scenario, the crisis team tries to imagine the responses of different stakeholder groups which enhances preparation and reduces the level of confusion, anxiety, and frustration that often ensues.

Image Source: https://www.qs.com/5-top-tips-to-help-international-offices-develop-a-crisis-management-plan/

Pre-Crisis Planning (Cont.)

3) Do we have all the necessary resources in place?

- Both financial and non-financial resources are needed to manage crisis and having the right quantity and quality of resources is critical for success.

- It is often the case that during a crisis, resources (people, technology, and equipment) that are brought to bear may never have been deployed to see how well they function together. This underscores the importance of training and drills that simulate actual crisis situations or scenarios.

- In the event of a crisis, the pre-crisis plan is put into action. The crisis leader and his team have to step forward and manage the crisis effectively.
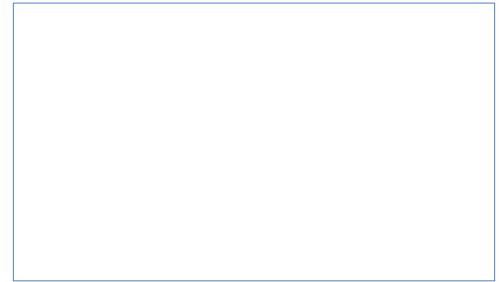
Image Source: https://www.techimage.com/blog/4-key-steps-to-successful-crisis-management/

Leading during a Crisis

When a crisis erupts, a rapid response is vital. The crisis leader must step forward and lead. The effective leader focuses on three key areas :

- **Goals** define the "What"—that is, the specific outcomes and objectives of the crisis intervention.

- **People** define the "Who"—getting the right people in the right positions with the right teams.

- **Resources** define the "how"—determining how resources will be allocated to the right people and how they will employ such resources.
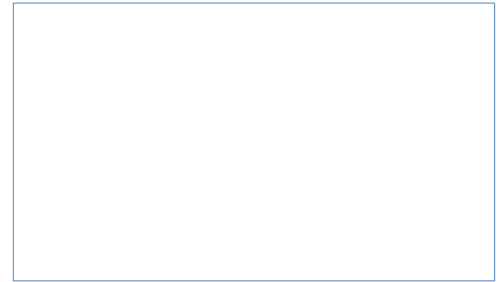
Leading during a Crisis (Cont.)

There are three key principles of crisis leadership:

(1)   Stay engaged and lead from the front

(2)   Focus on the big picture and communicate the vision

(3)   Work with the crisis management team.

Another way of saying this is for the crisis leader to be mindful of the "three As"-

- **Acknowledge or Admit** the crisis.

- **Action** you are taking to contain or repair the damage.

- Tell the public what you are going to do to **Avoid** a repeat in the future.

Image Source: https://mediamantra.net/crisis-management
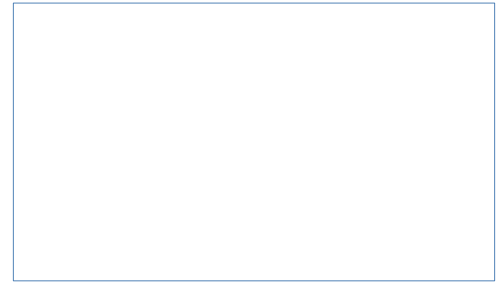
Adapting after a Crisis

An effective post-crisis evaluation can turn a negative event into a growth and learning experience. Most forward-looking organizations do a postmortem. That is, in the aftermath of a crisis, top management authorizes a review and The review should include performance indicators such as the following:

❖ Effectiveness in communicating with key stakeholder groups

❖ Effectiveness in addressing the root cause(s) of the crisis

❖ Crisis team effectiveness

❖ Leadership effectiveness

❖ Effectiveness in dealing with victims and family members

The Five-Step Crisis Risk Assessment Model
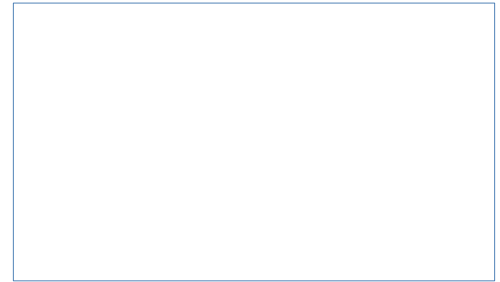
Image Source: (Lussier and Christopher, 2016)
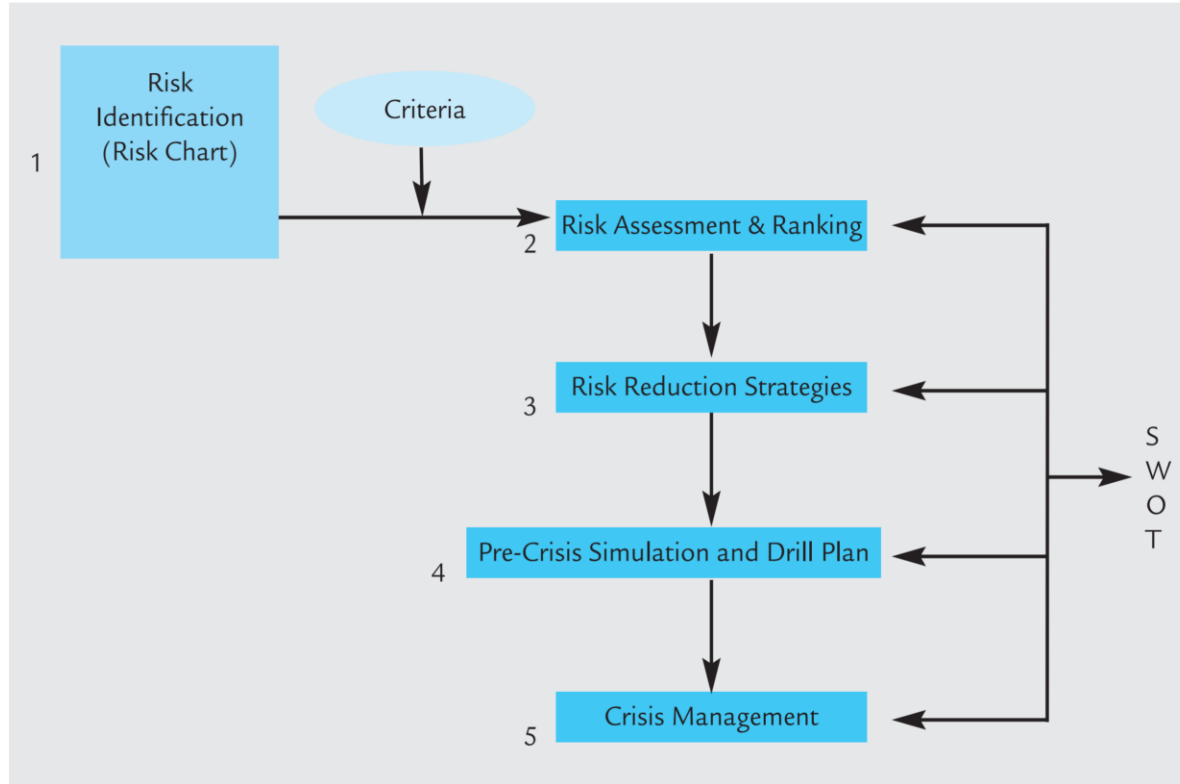
This model is a scenario analysis and planning tool that highlights different contingencies and put together crisis management action plan
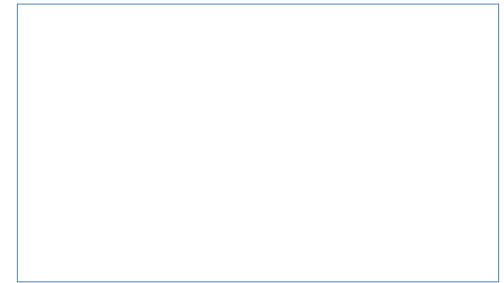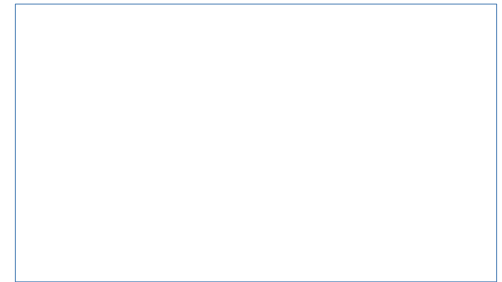
Research Paper

Leveraging culture and leadership in crisis management

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Purpose

The purpose of this paper is to explore the relationship of organizational culture, leadership and crisis management through exploration of these three constructs with respect to crisis management.
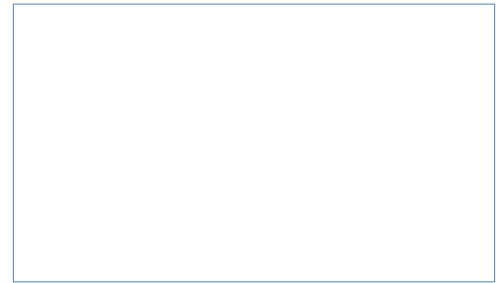
Research Paper

Design/methodology/approach

In this paper, a conceptual framework has been proposed that is based on the literature findings of organizational culture, leadership and crisis management. Two types of cultural elements are used; internal versus external focus and low versus high flexibility. Organizational crisis management process is explained through the five-stage life cycle, including signal detection, prevention, damage containment, recovery and learning.

Four types of leadership are included; directive, transactional, cognitive and transformational that are critical during crisis management. Five research propositions have been proposed for each stage of crisis management.
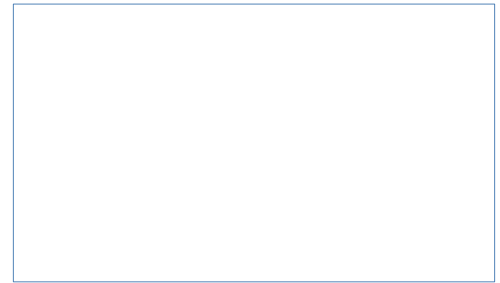
Research Paper

Findings

5 propositions have been proposed based on the stages of crisis management.

P1a. During an internal crisis, an internal focused with low flexibility organizational culture, along with a mix of cognitive and directive leadership styles and sensemaking, and perspective taking as competencies, can support organizations to detect signals and prevent crisis in the pre-crisis phase.

P1b. During an external crisis, an external focused with high flexibility organizational culture, along with a mix of transactional and directive leadership styles and issue selling, organizational agility and creativity as competencies, can support organizations to detect signals and prevent crisis in the pre-crisis phase.
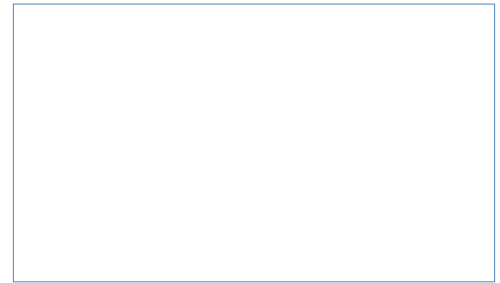
Research Paper

Findings (Cont.)

P2a. During an internal crisis, an organizational culture which is internally focused, with a high flexibility, along with a mix of transactional and transformational leadership styles and decision-making, communication and risk-taking as competencies, can contain damage and support the organization towards recovery during a crisis

P2b. During an external crisis, an organizational culture which is both internally and externally focused, with a reasonable degree of flexibility, mix of transactional and transformational leadership styles and decision-making, communication as competencies can contain damage and support the organization towards recovery during a crisis
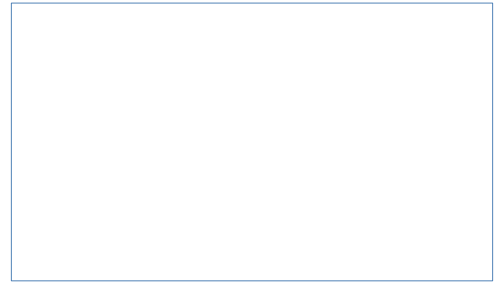
Research Paper

Findings (Cont.)

P3. For either type of crisis (internal or external), an organizational culture which is both internally and externally focused along with high flexibility, transformational leadership and organizational resiliency, learning and reflection as competencies can support recovery and organizational learning in the post-crisis phase.

Research Limitations/implications

The conceptual framework needs to be tested for validity. More research is needed on how changing demographics and technology affect these constructs. Organizations need to develop focus on leadership competencies and crisis-prone culture to tackle any crisis event.

Research Paper

Practical implications

Organizations need to develop leadership competencies and crisis-prone culture. Organizations needs to be reflective on their practices

Originality/value

The proposed conceptual framework is an expanded version of the crisis response leadership matrix (CRLM) model of Bowers et al. (2017). In this paper, an unique concept is presented by aligning leadership, culture and crisis management with respect to each stage of crisis management and types of crisis.
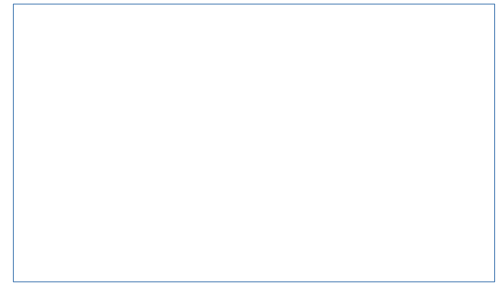
Case Study : Antonio Perez—Eastman Kodak

- Antonio Perez, took over as chairman and CEO of Eastman Kodak in 2005. Perez is an American, born in Spain went on to graduate from college and start a career at Hewlett-Packard (HP), where he worked for 25 years before leaving to join Eastman Kodak in 2003.

- He was instrumental in transforming HP's inkjet printer business division from a money-losing to a moneymaking operation. HP increased its market share to over 60 percent around the world. Despite his accomplishments, Perez was passed over as a choice to the company's CEO position in 2003, so he resigned.

- Kodak, the once-innovative digital giant with 17,000 patents worth between $2 and $3 billion, was on a fast slide downward.

Source: (Lussier and Christopher, 2016)

Case Study (Cont.)

- Its stock price, once worth around $25, had plunged to just cents to the dollar. The company that gave birth to the first digital camera in 1975 was now being left behind in the digital revolution.

- Kodak had turned to a slow-moving bureaucratic company. It was losing ground to competitors like Sony, Nikon, Canon, and Olympus in the digital imaging business. These companies were much faster at innovating and responding to market demands.

- On January 19, 2012, Perez announced that Eastman Kodak was filing for Chapter 11 bankruptcy protection
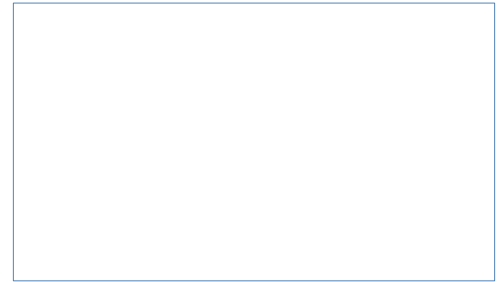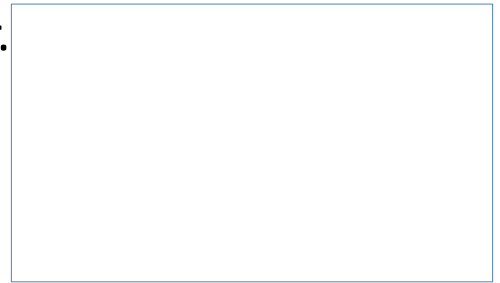
Source: (Lussier and Christopher, 2016)   Image Source: https://en.wikipedia.org/wiki/Kodak

Case Study (Cont.)

- Along with this filing, Perez embarked on an aggressive restructuring strategy to cut cost while diversifying into new business sectors to increase revenues.

- Despite these actions, many investors believe Perez was not acting fast enough in his transformation plans. He was criticized for acting too slow in winding down operations and making the layoffs that the company needed to survive before it was in an unavoidable bankruptcy.

- However, the board of directors thought differently. Perez, it said, will remain CEO for one year post-bankruptcy emergence, or until the postemergence board of directors elects his successor, whichever is sooner.

- Kodak emerged from bankruptcy and its restructuring on September 3, 2013.

Source: (Lussier and Christopher, 2016)

Case Study (Cont.)

- Kodak has transformed into a business-to-business company focused on imaging. It describes itself as a company centered on disruptive technologies and breakthrough solutions for the product goods packaging, graphic communications, and functional printing industries.

- As a result of Perez's reorganization strategy, Kodak today is leaner, financially stronger, and ready to grow. The stock price that once traded for just cents to the dollar is now back over $27 a share.

- It seems Perez is proving his critics wrong. For those who thought Perez was risking his own survival by taking a stake at Kodak's survival, time may prove them wrong.

Source: (Lussier and Christopher, 2016)

Case Study (Cont.)

Questions

Q1) Describe the nature of the crisis that Kodak has been going through since Perez took over as CEO in 2005?

Q2) In your opinion, could this crisis have been avoided?

Q3) How effective has CEO Perez been in managing the crisis so far?

Q4) In your opinion, has Mr. Perez been an effective communicator in the way he has handled the crisis?

Q5) What are some of the changes Mr. Perez has instituted to avoid a repeat of a similar crisis in the future?
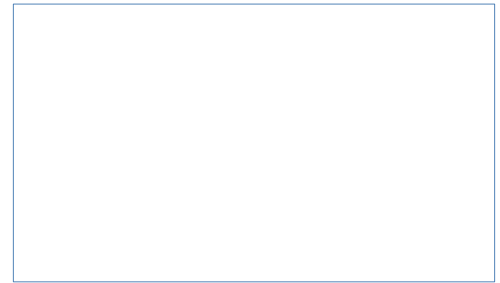
Book Recommendation

7 Lessons for Leading in Crisis

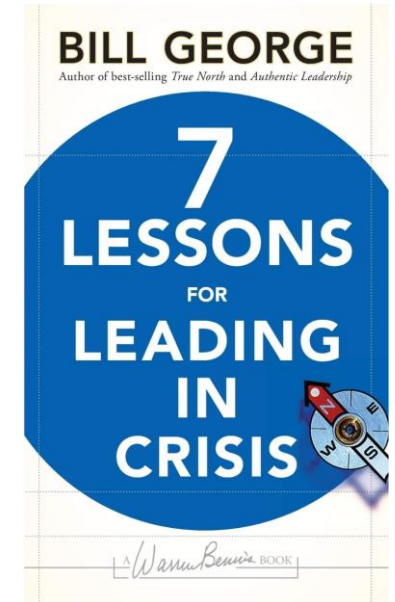|	
Authors:	Bill George
Publisher:	Jossey-Bass;
	(August, 2009)
Language:	English
Paperback:	160 Pages
ISBN-10:	0470531878

Book Recommendation

- Seven Lesson for Leading in Crisis is a survival kit for anyone in a leadership position.

- A concise handbook for applying proven leadership lessons in tough times

- Written by Bill George one of America's most trusted business leaders and author of True North and Authentic Leadership

- Offers realistic actions leaders can take to put their companies on the right long-term path

- Seven Lesson for Leading in Crisis gives leaders a solid strategy for staying the course.
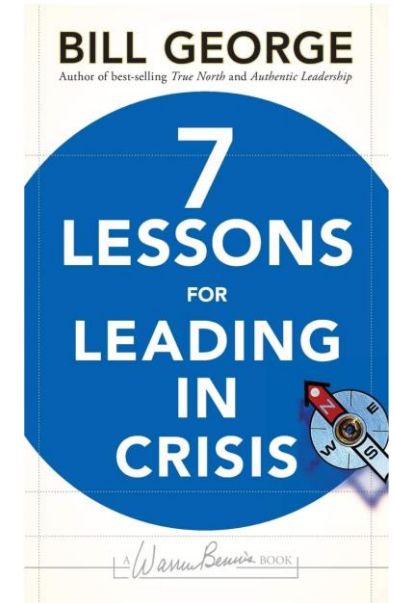
Image Source: https://www.amazon.com/Lessons-Leading-Crisis-Bill-George/dp/0470531878

Book Recommendation

- The Seven Lessons Include:

  1. Face Reality, Starting with Yourself

  2. Don't Be Atlas; Get the World Off Your Shoulders

  3. Dig Deep for the Root Cause

  4. Get Ready for the Long Haul

  5. Never Waste a Good Crisis

  6. You're in the Spotlight: Follow the North
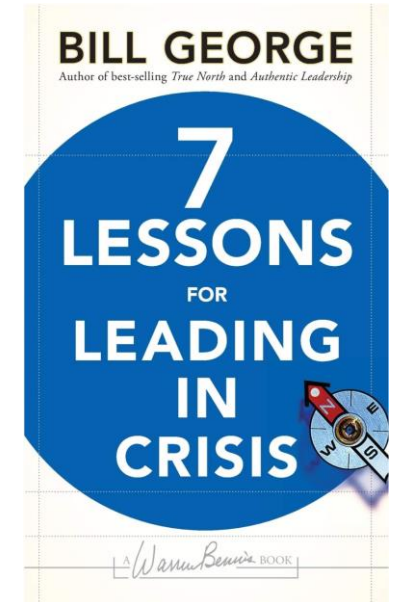
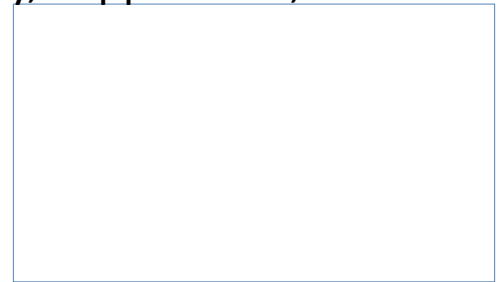 7. Go on Offense, Focus on Winning Now

Image Source: https://www.amazon.com/Lessons-Leading-Crisis-Bill-George/dp/0470531878

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Thank You