



## **7 Lessons for Leading in Crisis**

Bill George

### **About the Author**

Bill George is professor of management practice at the Harvard Business School and former chairman and CEO of Medtronic, the world's leading medical technology company. He is author of the best-selling books *True North*, *Finding Your True North*, and *Authentic Leadership*. George has been recognized as "Executive of the Year" by the Academy of Management and "Director of the Year" by the National Association of Corporate Directors.

## **The Summary**

There is nothing quite like a crisis to test your leadership. It will make or break you as a leader. Crises have brought down many leaders and their organizations with them, while other leaders have risen to the challenges to prove their mettle.

What makes leading your organization through difficult situations so hard? Like being in a war, crises test you to your limits because the outcome is rarely predictable. You not only have to use all your wisdom to guide your organization, you must dig deep inside yourself to find the courage to keep going forward.

The economic calamity of 2008-2009 was not caused by subprime mortgages, credit default swaps, or even excessive greed. These are only symptoms of the real problem. The root cause of the problem was failed leadership from leaders who didn't follow their True North. In *True North*, I defined True North as the internal compass or your beliefs, values, and principles that guide you through life. Like being in a crucible, a crisis tests whether you will hold fast to your beliefs.

Leaders aligned with their True North are prepared to guide their organizations through severe situations because they know who they are. They have the self-awareness, self-confidence, and resilience to take responsibility for their failings and lead others through the rapidly unfolding—and often unpredictable—sequence of events. They rise to the occasion, find leadership abilities they never knew they had, and come through with shining colors.

### **Lesson #1: Face Reality, Starting With Yourself**

In *Leadership Is an Art*, Max DePree writes, "The leader's first job is to define reality. The last is to say thank you." Before you can lead your organization through a crisis, you have to acknowledge that you are in one. Next, you have to get everyone else to acknowledge it as well. Only then can you define the problems accurately and develop plans to deal with them.

Why is this so difficult? Leaders often go into denial about the urgency and severity of the challenges they are facing. Or they tend to blame external events, people, or organizations for their problems. Without accepting that the problem is theirs to fix, they cannot understand what they are dealing with.

Often, the hardest part is to acknowledge your own role in the origins of the crisis. Even when leaders acknowledge their responsibility, they may face significant resistance from their organizations in solving the crisis, because people have great difficulty in admitting their mistakes. This is why crises require so much skill on the leader's part.

Denying reality has destroyed more careers and organizations than incompetence. Instead of asking yourself why it is so difficult for other leaders to face reality, ask yourself, "Why is it so hard for me?"

The first reason is that people always prefer good news or a quick fix. Rarely are they willing to acknowledge that their organizations are facing a crisis. Many people find reality is just too horrible to face or they are too ashamed, so denial becomes a convenient defense mechanism. Second, people are often afraid of getting in trouble with a boss who won't accept bad news. Many leaders, when approached by a bearer of bad news, wind up shooting the messenger, because reality is just too painful to face.

In 2007 Amgen, the world's largest biotechnology company, faced growing safety concerns over Aranesp, its highly successful anemia drug with \$4 billion in annual sales.

To deal with the growing crisis, CEO Kevin Sharer tasked his key executives with developing a plan to address the problems. But he found they wouldn't move until he acknowledged his own role in the crisis. "For a deeply reflective hour, I asked myself what I owned of this problem. I came up with a long list."

When he met with the executives to go over his list, they were stunned that their CEO would admit his errors. This freed them up to address their roles in the crisis and take necessary actions to get out of it.

Far too few leaders are willing to accept responsibility for their mistakes. Instead, many ignore problems and hope they go away. But like tumors growing inside the body, problems left unaddressed only get worse.

## **Lesson #2: Don't Be Atlas; Get the World Off Your Shoulders**

Do you ever feel like Atlas—that you're carrying the weight of the world on your shoulders? That the whole organization is depending on you and you're not sure you can pull it off. And if you don't, everything you have built for years will collapse overnight?

Faced with a pending crisis, some leaders take on the whole burden. They retire to their offices to ruminate about their problems and try to work out solutions in their heads. People in the organization start speculating about what is happening with their boss, who seems so withdrawn. Then the rumors start, and they are always worse than reality.

One of the reasons leaders turn inward is that they fear failure and loss of self-esteem. I believe that all of us operate with two narratives about ourselves. Our positive narrative is that we are capable and doing worthwhile work. Our negative narrative causes us to fear that acknowledging our shortcomings could ultimately destroy us and our self-esteem. A crisis tends to accentuate the negative narrative, and we retreat inward.

To avoid the pitfalls of carrying the world on your shoulders, you need the full support of your teammates. Anne Mulcahy took the helm of Xerox in 2000 with the firm facing bankruptcy. Having spent her career in sales and marketing, Mulcahy knew she needed help.

She met individually with the company's one hundred top executives and asked if they would stay with the company despite the challenges ahead. The first two said no, but almost all of the rest agreed to face the challenge with her. The team became incredibly loyal to her in restoring Xerox, and she no longer felt alone.

You also need support from people outside the company. Your external support team cares about you personally and is far less inclined to judge your actions in the company. They can also provide insights and advice you don't get from insiders.

Note: by the time you are facing a crisis, it is too late to form your support team. The time to do so is when things are going smoothly. These people can then know you well, and you feel confident you can count on them when the going gets rough.

One of the hardest things for leaders is being vulnerable with other people. It is also one of the most powerful. Exerting power over others through direct commands while appearing invulnerable is not at all motivating. When you open yourself up to others and share your fears and shortcomings, you connect with them at a deeper level. Exposing your vulnerabilities is an open invitation for others to share openly with you. In the process, you gain a higher level of support and commitment from people as well as their respect.

You cannot get through a crisis alone, so don't try. The good news is that you are not alone. People inside your personal organization and in your personal circle are more than willing to help you if you ask them and are willing to open up.

### **Lesson #3: Dig Deep For The Root Cause**

In the early stages of a crisis, it is easy to mistake the first symptoms that appear for the real problems. It is human nature to attempt to fix the symptoms before the root cause is determined. Like the weeds in your backyard, crises have roots that go deep. If you cut down the weeds without removing the root, they will surely grow back.

As a leader, your natural instinct is to jump in and fix things. Therein lies the danger. If you move too fast to devise solutions, you may underestimate the depth of the problem or misjudge its root cause; the problem may be more serious than anyone appreciates. If you surround yourself only with positive people, your team may reinforce your natural instincts to solve the problem before it is fully understood.

As a leader during a crisis, you should insist that people give you the whole story. Then, always protect them from negative consequences when they do. This means maintaining close contact with people throughout your organization, not just your direct reports. The military motto of "trust, but verify" applies here. Leaders who stay in their offices holding meetings and reading reports instead of gathering firsthand information never have the benefit of using all their senses—touch, smell, sound, sight, and hearing—that trigger their emotions and their intuition to recognize far more than their intellect alone.

It isn't easy to determine whether you've gotten to the root cause. Unless you do, the odds are high that the organization will find itself in yet another crisis in just a matter of years. It's your job as a leader to prevent that, or the next time around the situation will be a lot worse. The only way to make sure is to gather all your experts to analyze the problem and give them time to reach definitive conclusions. It is also helpful to engage outside experts to offer their perspectives.

An organization cannot deal with a crisis until it determines its root cause, but people are often mentally blocked from recognizing it because the implications are so frightening. The leader must bring people together to confront their worst fears and address the risks. In Medtronic's 1998 crisis I learned that my teammates were willing to commit to the aggressive course I thought right only when I was willing to take those risks on my shoulders. The hesitancy and fears of failure that many felt were then channeled into turning this risky decision into a major success.

#### **Lesson #4: Get Ready For The Long Haul**

It is tempting to think of crises as events to weather until things return to normal. As hard as it is to predict when a crisis will hit, it is even more difficult to forecast when it will end. Even when an organization is in a full-fledged crisis mode, many people assume that they just need to make tactical changes to get through the crisis, like cutting back production schedules until demand comes back. It is just a matter of time, they argue, until the business returns to where it was in its heyday.

When facing a crisis, it is prudent for you to assume that the crisis will last a long time. It is human nature to think things can't get any worse; trust me, things can get a lot worse. And when things return to "normal" (if there is any such thing as normal) everything will be different.

Note: in a crisis, cash is king. Not earnings or revenue growth; survivability is the issue and that takes precedence over everything. Ask yourself if you have sufficient cash reserves to get through the worst crisis imaginable? If not, you should take immediate action to shore up your reserves.

Many leaders will learn from the global economic crisis not to underestimate the length and severity of crises they face, even if they have nothing to do with the economy. When facing the early stages of a crisis, it is essential not to declare victory too soon. Prudent leaders recognize that survivability is their most important goal, so that they can come back strong as the crisis subsides.

#### **Lesson #5: Never Waste A Good Crisis**

In *The Prince*, Machiavelli advised his followers, "Never waste a good crisis." Although it is hard to recognize at the time, a crisis provides a unique opportunity to create transformative change in your organization. When business is booming, staffing and spending levels inevitably expand too rapidly, and wasteful habits creep in. People become highly resistant to reductions or changes in infrastructure and employment, arguing that cutbacks will hurt the company's growth and market position. However, in all my years in business, I cannot think of a time when we cut too deeply or too soon. The greater danger lies in not recognizing the crisis early enough to take aggressive action.

For three decades General Motors management ignored the crises it faced, treating them as short-term events to get through rather than opportunities to transform the company. Frequently, its executives turned to the U.S. government to help the company out of its predicaments, such as imposing import quotas on foreign-made vehicles, delaying federally mandated increases in fuel efficiency, or lobbying the government to take over its health care benefits.

GM management convinced the U.S. government in 1981 to reduce imports of Japanese-made vehicles to prevent their manufacturers from increasing their market share. Instead of seizing on this golden opportunity to recapture share and invest in more competitive cars, GM used the reprieve to raise prices and restore flagging profit margins. When the import quotas were removed, GM was even less competitive with foreign-made vehicles.

Leaders who don't take advantage of crises to make long-term changes not only waste their opportunities but sow the seeds for a repeat experience. Like GM, your organization will face these risks if you don't make the required changes.

### **Lesson #6: You're in the Spotlight: Follow True North**

In today's world you don't have to be a politician or a celebrity to be a public figure. As a leader in business or a nonprofit, you are constantly in the public eye, whether you like it or not. Your statements are widely quoted. People inside and outside your organization speculate about what you are thinking.

And in a crisis, everything is amplified one hundredfold; the spotlight on leaders is turned up to maximum intensity. People are so nervous and hungry for information that they hang on every word from their leaders, trying to glean clues from their body language, facial expressions, and even the color of their ties and dresses.

The key to handling public issues is to be open, straightforward, and transparent. In a crisis, both employees and external observers are extremely sensitive to any attempts to dissemble or hide the truth. These will quickly be exposed, especially if subsequent events reveal your statements to be inaccurate or misleading.



Externally you should offer access to the media, customers, shareholders, and other constituencies who have a stake in the company's future. I have found members of the media to be quite respectful when they believe you are telling them the whole story and not trying to cover up problems or ugly details. When they feel leaders are not shooting straight with them, they become aggressive and publish even the most far-fetched rumors and allegations.

Being transparent creates an open and human image of the organization. Its leaders seem like normal people who are tasked to take on difficult challenges. When you are open, you are in a better position to ask people for their support. If things get worse, as they often do, people are more sympathetic to your point of view if you have kept them fully informed. During this time, you should be highly accessible within your organization, wandering around the offices and labs, visiting factories, and participating in events around the company.

In today's world, internal and external communications have morphed into one, making it impossible to draw a bright line between them. Whatever is said inside the company is quickly transmitted to outsiders, and whatever is written or said outside is also read or heard inside. Therefore, communicating the same messages internally and externally is essential.

In the book *Transparency*, the authors write about the importance of creating a "culture of candor." Where such a culture does not exist, information doesn't flow freely through the organization, and its leaders often don't know what is going on. The only way to create such a culture is for leaders themselves to be candid. Then, they can insist that people within their organizations be equally candid in bringing problems to them.

Leaders in the public eye are expected to have the answers to most things. But what should you say when you don't know, which is usually the case at the outset of a crisis? People are counting on you as the leader to reassure them that everything is all right; that's hard to do when you don't have the whole story, and the situation could actually be worse than anyone imagines. How do you instill public confidence when you have private doubts?

The natural instinct of most leaders is to hunker down until they know where they stand. Unfortunately, these leaders often look insensitive and uncaring, or they look like they are stonewalling. Rumors can start to spread and things can suddenly careen out of control. Leaders must get out in front of the story immediately or abdicate their opportunities. You are better off seizing the initiative and telling people what you know and what you don't, while assuring them that others are working to get the facts as quickly as possible.

There are times in the life of every leader when he or she really doesn't know. In those times leaders often fear appearing ignorant, uncertain, or worse yet, out of control. With the rapid pace of change and instant media events, doubt is a legitimate feeling. In fact, acknowledging that you don't know is far healthier than pretending you are certain. It validates the uncertainty that others are feeling, and permits leaders to seek to understand without committing themselves to anything prematurely.

## **Lesson #7: Go On Offense, Focus on Winning Now**

Thus far we have been examining ways to get through a crisis successfully. This is only half the challenge. Now that we have learned to play defense, it's time to go on offense and focus on winning, not just getting through the crisis.

Look at the crisis as a gift. It provides you a golden opportunity that may not come again to reshape your business and your industry and emerge as the winner. But you've got to be bold and focused to seize it. Many leaders assume if they can just get through a crisis, everything will return to normal. So, they stand fast and wait for the storm to pass. In the meantime, their competitors are reshaping the market to their advantage.

Emerging from a crisis, markets never look the same as they did at its start. People on Wall Street who are waiting for the glory days of 2006-2007 to return with high fees and even higher leverage may have a long wait. High profits will return, but the means of making money will be entirely different than it was.

PepsiCo CEO Indra Nooyi is a good example of this. Promoted to CEO in August 2006, she recognized that PepsiCo was facing difficult social issues. She anticipated rising concerns about obesity, diabetes, and the availability of clean water, coupled with the move to healthy foods. Rather than resisting those trends, she turned them into the vision that she is using to reinvent PepsiCo: "Performance with Purpose."

Nooyi knew that PepsiCo had to broaden its business beyond sugar-based drinks and high-calorie snack foods, which accounted for the vast majority of its profits. According to *U.S. News*, she is taking the company "from snack food to health food, from caffeine colas to fruit juices, and from shareholder value to sustainable enterprise." Nooyi has her people working on new products that appeal to health-conscious consumers (her goal is that PepsiCo generate half its revenue from healthy foods), is campaigning against obesity, and is investing in bringing safe water to developing countries.

Nooyi has positioned PepsiCo to ride the trends rather than swimming against them, and to be a positive force in addressing major social concerns. She has unified her global organization around these strategies and their implicit values.

Visionary companies gear their businesses for the long-term by preparing for sharp economic swings so that they can invest during the downturns. They recognize that competitors are likely to pull back investments when the economy turns down and markets decline. Well aware of the lead time for capital investments, they know they must invest heavily in downturns or they won't be ready for the upswing. It takes substantial cash balances to withstand downturns while funding the expanded investments.

Here are seven steps to keep your organization focused on winning in the depth of the crisis:



1. *Rethink your industry strategy.* Think through what your markets will look like after the crisis, and how your company can take advantage of the shifts.
2. *Shed your weaknesses.* A crisis presents the opening to eliminate your organization's weaknesses, especially if it is too bureaucratic or slow-moving to be competitive.
3. *Reshape the industry to play to your strengths.* The bold strategy coming out of a crisis is to move your entire industry to make your strengths the basis for competition while exposing your competitor's weaknesses.
4. *Make vital investments during the downturn.* It takes courage to defy conventional thinking and launch a bold new strategy when business is bad.
5. *Keep key people focused on winning.* During a crisis there's a risk that your entire organization gets so focused on keeping the ship afloat that no one is planning ahead. Therefore, you should assign a small team of highly talented people to devise the postcrisis strategy.
6. *Create your company's image as the industry leader.*
7. *Develop rigorous execution plans.* This final step is often overlooked by visionary leaders who devise new strategies but fail to underpin them with detailed plans for marketplace execution. Strategies are only as good as their execution.

The best leaders emerge from a crisis as winners because they are both aggressive and courageous in turning the challenges to their advantage.

### **Conclusion: Crisis May Be Your Defining Moment**

The crisis you are facing, or inevitably will face, may be the defining moment of your professional life. When that moment arrives, will you be prepared to heed your calling to step up and lead?

Your defining moment comes when your life story collides with a crisis in the midst of your path. It is in this crisis that you learn who you really are. When you are under enormous pressure and the consequences are greatest for you, will you be prepared to follow your True North? That is what will define the authenticity of your leadership.

This moment defines you to others as well. People remember how leaders respond in a crisis because intuitively they know this is the authentic test of the person. In a crisis, people look to leader's hearts and their humanity, not just the brilliance of their minds. In *A Sense of Urgency*, John Kotter writes, "People who see opportunity in a crisis...recognize that the biggest single problem of all is in the heart where fear and anger can kill hope. They recognize that the heart needs hope, they tend to act with passion, with conviction, with optimism, and with a steely resolve...they focus on others' hearts much more than on their minds."

The time is ripe for you to step up and lead people through the current crisis. Be bold in your leadership because boldness has genius, power, and magic in it. If you stay on course of your True North, you can make a lasting difference in the world.

This is the ultimate fulfillment of leading people through a crisis.



## From the Pastor's Perspective

Leading through a crisis is something no one ever wants to do. Unfortunately, it's pretty common, and churches are far from immune. The Catholic church in Boston found this out the hard way a few years ago. We have seen all kinds of crises hit churches in the last few years. It could be the pastor or a key leader falling into immorality; it could be a financial issue. Many churches have had to face a financial crisis due to the economy the last few years. Columbine-type events have hit several churches. And of course, the political issues that can cause churches to split are all too common.

Not being in a crisis at the moment, I found myself reading with an eye to the future. What can I do now, to position myself for the possibility of a crisis in the future? I found three take-aways where I can take immediate action.

The first was related to the idea of "not doing it alone." George made the point that you shouldn't wait for a crisis to build your support team. Start now, with people within and without your church or organization. Then, they are in place if they are needed. I think a lot of us neglect developing a support team. For pastors, I think it is especially important to make sure there are people outside the church in your network. If there is any kind of

problem within the church, having people from the outside to consult with is especially important.

The second thing that struck me was his comment that “cash is king.” Obviously not a theological statement, but it doesn’t just apply to businesses. Having an appropriate cash cushion—at least 2-3 months of operating expenses—can minimize the impact of some problems, and at the least can give you some time to think through the issues and make wise decisions. Yes, this may be seen by some as a lack of faith; I think it is just being wise.

Finally, I am reminded again of the importance of developing a culture of candor within the church. It is so easy to try to whitewash or minimize problems! Any pastor can decide *now* to develop this type of culture, by insisting on getting the facts, and not avoiding bad news. I sometimes use the phrase “facts are our friends” to help people understand. Even if they are unpleasant, it is better to know them than not. Having developed this culture makes it easier to be consistent when a crisis hits. Without a culture of candor, it will be difficult, almost out of character, to be honest and open and not try to whitewash or minimize problems.