Leading in a crisis -
7 lessons for navigating the storm...

Leading in crisis requires a combination of skills and behaviors—personal and professional—that can be mastered, says HBS professor Bill George.

A crisis, difficult as it is, also presents an opportunity to develop and grow. Q&A and excerpt from 7 Lessons for Leading in Crisis.

It is tough to think positively in a crisis.

Yet one overarching lesson in a new book by HBS professor Bill George, 7 Lessons for Leading in Crisis (Jossey-Bass), is exactly that: See crisis as a chance to develop and enhance your leadership skills.

"Optimistic, forward-thinking leaders are sitting on a rare opportunity, and they must be systematic in how they take advantage of it if they want to make positive changes," says George, a Professor of Management Practice at HBS and the former chairman and CEO of Medtronic, which develops medical technologies to treat chronic diseases.

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"Leaders must be willing to ask for help," he continues.

"They should rely on a mentor, an internal management team, and an external support group. No one can be an effective leader in a crisis by attempting to go it alone. Leaders must be the first to recognize this reality and plan accordingly."

The seven leadership 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.
7. Go on offense: focus on winning now.

Q: For emerging or future leaders, what lessons from your book would make them most effective in a crisis? Which lessons are most challenging or require the most practice and reinforcement?

A: Leaders are neither made nor born. Like great musicians and athletes, they are born with certain gifts that give them the potential to lead, but they have to develop their gifts in order to become effective leaders.

There is no better way to do so than leading others through a crisis. There they will develop much faster than they will in leading through good times, or studying how other leaders behaved in crises. As the military learned long ago, there is simply no substitute for being in the thick of a crisis and testing yourself.

Crises offer rare opportunities to make major changes in an organization because they lessen the resistance that exists in good times. Leaders should move aggressively to take actions necessary to strengthen their organizations as they emerge from the crisis.
Coming out of a crisis, the market never looks the same as it did going in. Leaders should see this as an opportunity to reshape the market to play to their strengths, while shedding their weaknesses. While others are licking their wounds, successful companies focus on winning now.

For many leaders, going on offense when they are in the depth of a crisis is most counter-intuitive, yet it is the winning strategy. Like the Chinese character for crisis that contains two symbols, danger and opportunity, crisis represents the best opportunity to transform your business and win in the marketplace.

- **Step 1: Rethink your industry strategy.** To figure out what your markets will look like after the crisis requires a keen understanding of the changing needs of your customers. One example from the current crisis is the extent to which consumers have shifted from expensive luxury goods to more practical items. That’s why high-end department stores like Neiman Marcus and Saks have fared poorly. This doesn’t necessarily mean consumers have lost their interest in upscale merchandise. Rather than returning to these same stores after the crisis, are consumers more likely to be attracted to chic low-cost items and trendy value-oriented merchandise? If this turns out to be the case, how can your company take advantage of shifts like these?

- **Step 2: Shed your weaknesses.** A crisis presents the opening to eliminate your organization’s weaknesses, especially if it is too bureaucratic or too slow-moving to be competitive. That’s what CEO Anne Mulcahy did in cutting 28,000 jobs to enable Xerox to be competitive once again. Now she is refocusing Xerox, long known as the plain paper copier company, on the paperless, all-digital office. How can you use your crisis to shed your organization’s weaknesses to prepare for future competition? You will never have a better opportunity.

- **Step 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 competitors’ weaknesses. That’s what IBM, Apple, and Medtronic did. What strategies can you deploy to expose your competitor’s weaknesses? How can you shift the market to value your strengths? In recent years, we have learned that using size to be all things to all people doesn’t work. To win in the emerging market, you need a highly focused strategy that builds off your unique strengths.

- **Step 4: Make vital investments during the downturn.** Intel and Exxon offer evidence that you cannot wait to make vital investments you need to win in the emerging market. When it appeared growth was slowing in the pharmaceutical industry, Novartis CEO Dan Vasella made counterintuitive moves by expanding Novartis’s generic drug, vaccines, and consumer health businesses in spending heavily on acquisitions to offer alternatives to patented drugs. Meanwhile, he focused Novartis’s pharmaceutical businesses more on targeted specialty drugs. What investments must you make at the depths of the downturn to emerge as the leader? Can you think the unthinkable and invest in a new strategic thrust when you’re on your knees?

- **Step 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 post-crisis strategy. It may seem risky to pull key people out of crisis management to plan for the future, but this is required to win. How will you reshape your organization’s strategy to emerge from the crisis as the winner?
• **Step 6: Create your company’s image as the industry leader.** With public criticism of Wall Street mounting and the industry defending itself, emerging financial service leaders are envisioning changes needed in capital markets.

In a major policy address in April 2009, Goldman’s Lloyd Blankfein outlined industry-wide changes required to restore sound risk taking, provide appropriate regulation, focus accounting on marking-to-market, and establish long-term compensation practices that reward sustainable gains. How can you recreate your company’s image to be the emerging leader that understands customer needs in the new environment?

• **Step 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. Emergent strategies are only as good as their execution.

Sound execution requires not only attention to detailed planning, but adaptability to changing market conditions to alter tactics to meet customer needs.

- How effective is your organization in executing its plans?
- Do you assign your best people to this task and measure them in minute detail?
- Are your plans flexible enough to adapt to changing market conditions, while still maintaining discipline?

If the answer to all three questions is affirmative, then you are well positioned to come out of this crisis as the winner in your market.

According to George:

“Following these 7 steps with clarity and rigor will enable your organization to emerge from the crises you face as a leader in your field.

By going on the offense, you can gain competitive advantage and build your market position to sustain your future growth and success.”