



## **Crisis—A Leadership Opportunity**

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April 2005

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CADRE/PC 2005-  
003

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## *Preface*

This paper addresses the significant challenges faced by leaders before, during, and after crisis. Our team was first intrigued by the topic of crisis leadership as a result of a thought provoking presentation by Professor Hannah Bowles during the National Security Fellow's Executive Program at Harvard's Kennedy School of Government. We collectively recognized that crisis is more prevalent and dramatic than ever before and we recognized the great value in understanding crisis theory and the leadership strategies to employ during these situations. Additionally, we discovered that in the aftermath of 9-11, business organizations had embraced crisis leadership and dedicated extensive resources and planning to its preparation. Our hope is that this paper will improve our reader's theoretic and practical understanding of crisis and be of value as they prepare, lead, and adapt their organizations to not only face crisis, but grow from its challenges.

We would like to offer special thanks to Professor Maria Danziger and Ms Jean Woodward of Harvard University for their guidance during the development of this paper. We would also like to thank Dr. Ronald Heifetz, whose unique insights to leadership and conflict underpin the theoretical conclusions of our research.

## *Abstract*

For years crisis management has been synonymous with reactive leadership. This stems from a belief that crisis is both unpredictable and unexpected; but this is simply not true. Crisis develops as an organization's values, beliefs, culture, or behavior becomes incongruent with its operating environment. A leader, who is "tuned-in" to the signals of impending crisis and understands how to harness the urgency brought on by the situation, can minimize the potential dangers and maximize the resulting opportunities.

This paper presents the "Crisis Lifecycle Model" as a generic representation of crisis. It illustrates that crisis can be broken into three unique phases. In the first or preparation phase, the organization is typically mired in the comfort zone. Here, leaders struggle when introducing any change or learning, as the organization prefers to avoid conflict and sustain equilibrium. However, as crisis hits, the organization is jolted into the emergency phase, often threatening its very existence. Once the immediate threat is eliminated, the organization enters the adaptive phase. In this phase, the leader has the attention and urgency to solve the underlying issue that caused the crisis in the first place. Unfortunately, many leaders don't take advantage of this opportunity and push the organization back toward the original status-quo, ensuring that the crisis will return.

The study of crisis leadership is becoming increasingly important as leaders in all walks of life face varying degrees of crisis, spawning numerous recent books and articles. From this extensive body of work, we found seven essential strategies that are crucial for

success. They are to: Lead from the Front, Focus on the Core Purpose, Build the Team, Conduct Continuous Planning, Mitigate the Threat, Tell the Story, and Profit from the Crisis. In order to illustrate these strategies, three of the most recognized and successful examples of crisis leadership are used to demonstrate how leaders saved their organizations and adapted them for long-term relevance.

## Chapter 1

### Crisis – A Leadership Opportunity

*We are continuously faced by great opportunities brilliantly disguised as insoluble problems<sup>1</sup>*

—Lee Iacocca

For the scope of this paper, the definition of a crisis is an unexpected, dramatic, and often unprecedented event that forces an organization into chaos and may destroy the organization without urgent and decisive action.<sup>2</sup>

The study of leadership during crisis is increasingly important because in today's arena, crises are less predictable, longer lasting, and infinitely more costly.<sup>3</sup> From the corporate boardroom to the modern battlefield, spanning city hall to small business, leaders around the globe grapple with the challenges of crisis. A highly mobile society geared for efficiency and individual freedom is more prone to attack from contagious diseases, anarchists, and terrorists. Globalization of mass media, transparency in organizational operations, and the dizzying pace of technological advancements reduces the time leaders have to employ decisive action. Consequently, they are forced to survive intense public scrutiny while weathering the disruptive forces of crisis. Leaders must be prepared for the inevitable, unexpected, and unprecedented.

This paper is for leaders at all levels of organizations big and small. It provides a framework for them to better understand the nature and lifecycle of crises as well as

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