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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_

—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.

The study of leadership during crisis is increasingly important because in today’s arena, crises are less predictable, longer lasting, and infinitely more costly. 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
establishes key strategies for leaders to use as they navigate through crisis. This research provides a starting point for readers to continue to study and refine their own leadership skills in preparation for the crises their organizations will certainly face.

The cornerstone of understanding how crisis effects organizations is to view the crisis as a continuum, without beginning or end, using a unique Crisis Lifecycle Model. Chapter two provides a detailed discussion of the challenges leaders face when confronted by crisis as well as a description of the three phases (preparation, emergency, and adaptive) and distinct zones (comfort, learning, and danger) of the crisis model.

In the following chapters, the focus shifts to seven leadership strategies that were extrapolated from the existing body of research. This research suggests there are specific actions leaders must take in order to successfully navigate a crisis. By analyzing many “action lists” for leaders in coordination with the Crisis Lifecycle Model, a refined set of “Leader's Strategies” is developed that can be implemented to not only stabilize an organization, but help it seize opportunities that a crisis provides. The leadership strategies include: 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.

For each strategy, examples from well known crises are used to illustrate the impact and importance of the leader’s actions in applying the strategy during the crisis. The selected examples are James Burke leading Johnson & Johnson through the Tylenol poisonings, Mayor Rudy Giuliani leading New York City following the September 11, 2001 attack, and Aaron Feuerstein rebuilding Malden Mills after a devastating fire.
Notes


2 A compilation of definitions from various “works referenced.” Of significance, it is the combination of the unexpected, dramatic, and unprecedented make it a crisis. Similarly, the concept of being pushed into chaos is later explained as related to the crisis lifecycle diagram.

Chapter 2

The Crisis Lifecycle

“Many times legislative bodies will not react unless the crisis is apparent and crisis is upon them, and so for a period of time, we're going to have to explain to members of Congress that crisis is here. It's a lot less painful to act now than if we wait.”

—George W. Bush

Crisis is a universal reality. Simply put, it is an indelible part of the human condition. Its forces are like tectonic plates. One plate represents an organization’s values, beliefs, culture, and behaviors; while the other reflects its changing environment.

In the beginning, as the plates imperceptibly diverge, small tremors or vibrations begin to signal the organization of an emerging problem. But when the plates eventually reach an intolerable stress level, they readjust, sending out a cataclysmic eruption, called crisis.

Thomas Kuhn described how crisis begins in his famous book about scientific revolution. He stated crisis begins when “existing [organizations] have ceased to adequately meet the problems posed by an environment that they [in part] have created … the sense of malfunction that can lead to crisis.”

Our failure to heed the initial signals or tremors and recognize that our relationship with the environment has changed is what causes crisis. Yet just as conflict is necessary for growth and development, crisis provides us the urgency, attention, and opportunity to adapt our organization when there was no previous mandate. In the opening quote, George W. Bush explained his
frustration in pushing Social Security reform. He understands that many organizations refuse to acknowledge a problem until it is a full-fledged crisis. In his 2004 end-of-year press conference, he implied that legislative bodies will not react to a problem until it turns into a recognized crisis.⁴

> People wrongly believe that crisis is a random, cataclysmic event that can strike without warning. However, crisis occurs when an organization’s values, beliefs, culture, or behaviors become misaligned with its operating environment. Until they are realigned, crisis will continue … indefinitely

Our research indicates that crisis can be defined by a generic crisis lifecycle model, Figure 1.⁵ This model is representative of a single event. However, it needs to be understood that crisis organizations face a continual barrage of overlapping conflicts or minor-crises. Similarly, most crises can’t be defined by one event and the underlying challenge may resurface multiple times, overlapping its beginning and ending phases.⁶ But, for purposes of clarification, our discussion will focus on that single, cataclysmic crisis event, one that threatens the organization’s very existence.

The crisis life-cycle is defined over both time and disequilibrium. The vertical disequilibrium axis illustrates the amount of stress or chaos felt by the members of the organization. This axis can be divided into the comfort, learning, and danger zones.⁷ The comfort zone is considered the status-quo, and is where most organizations or bureaucracies prefer to remain – in a state of equilibrium or even stagnation. Most organizations will try to dissipate conflict or stress in order to maintain the status quo.⁸ Ronald Heifetz of the John F. Kennedy Center for Public Leadership notes, “there is nothing ideal or good about a state of equilibrium … achieving adaptive change probably requires sustained periods of disequilibrium.”⁹ Unfortunately, organizations that remain
locked in the comfort zone keep their values, culture, or operating paradigm static in relation to the ever-changing environment.

Crisis Life-Cycle Model

Above the comfort zone is the critical area between equilibrium and organizational danger – the learning zone. The line between the comfort and learning zone is described as the minimum amount of stress needed for an organization to change. Moving into this zone causes organizational stress and conflict. People are often afraid of change and its accompanying pain. But it is the conflict associated with change that allows an organization to grow. The size of the learning zone is directly related an institution’s ability to handle stress. Responsive and flexible organizations, like Navy SEAL teams, have larger learning zones and are better able to handle organizational chaos and conflict.
Large bureaucratic organizations are less capable of handling change and therefore have small learning zones.

Crossing the line above the learning zone leads to the danger zone. The line between the learning and danger zone is represented by the amount of stress that may cause an organization to collapse. Crisis typically causes the organization’s stress level to leap into the danger zone. A difficult and illusive key to leadership is creating enough disequilibrium to keep the organization in the learning zone but out of danger.

Leaders can change the stress within the organization using either technical or adaptive techniques. Technical responses provide quick solutions – like putting water on a fire. They harness a legitimized set of procedures toward well-understood problems. When applying technical responses to problems, organizational stress typically goes down. An adaptive solution, however, is used when a problem is not well understood or there is no adequate response, clear expertise, or established procedures – like instituting complex fire prevention measures. Adaptive solutions address the underlying issues which are causing the conflict. Heifetz explains, “adaptive solutions tend to demand a more participative mode of operating and shift responsibility to the primary stakeholders [and] problem solving takes place in their hearts and minds.” So, just as technical solutions reduce stress, adaptive challenges force people to face “dysfunctional habits, values, and attitudes,” increasing organizational stress. A leader might use technical solutions to mitigate stress when the organization is in chaos, or use adaptive techniques to move it out of the status quo. Therefore, the essence of crisis leadership is the recognition that technical solutions may be necessary to reduce immediate danger, but
are inadequate for long-term organizational growth; which requires innovative and adaptive approaches.¹⁴

The horizontal axis of the crisis life-cycle model is divided into three phases: preparation, emergency, and adaptive. Prior to any crisis, an organization is in the preparation phase. During this time, leaders should be cognizant of tremors or signals of misplaced values and behaviors. Complacent organizations are ripe for crisis.

Unexpectedly, almost every crisis is preceded by signals and tremors. Leaders who are listening or are in tune with them may avert or mitigate crises.

The transition point from the preparation phase into the emergency phase begins with an eruption followed by institutional awareness of the crisis (point A on Figure 1). Stress and disequilibrium become intolerable and the organization’s very survival may be at stake. The transition point from the emergency to adaptive phase (point B on Figure 1) is often hard to recognize and occurs when the immediate danger is contained. Unfortunately, leaders and followers often don’t want to face these hard challenges, especially after overcoming the immediate crisis. They ignore the urgency, attention, and opportunity gained. Staying in the learning zone after crisis is the most difficult, least understood and largest delineator of leaders who successfully navigate crisis. Donald Rumsfeld explains the essence of crisis in his description of Department of Defense transformation after the tragedy of September 11th.

“Every day, the DoD is faced with urgent near-term requirements that create pressure to push the future off the table. But September 11 taught us that the future holds many unknown dangers, and that we fail to prepare for them at our peril. The challenge is to make certain that, as time passes and the shock of what befell us that day wears off, we do not simply go back to doing things the way they were done before.”¹⁵
Another illustration of the crisis lifecycle is a typical human response to heart disease. Imagine a young man (representing an organization) who is told by a doctor (the leader) that he has a family history of heart disease and should alter his present lifestyle. Since he was a child, he was aware that smoking, excessive alcohol, fatty foods, lack of exercise and being overweight could lead to an early heart attack; but chooses to ignore this information. As he aged, he could feel warning signs or signals of clogged arteries. He was tired, lethargic, and even had tremors in the form of light chest pain. He might treat these problems with technical solutions like fad weight loss programs, blood pressure medication, or even surgery. The technical solutions deal with the immediate problem, but fail to address the long term adaptive lifestyle change required. Unfortunately, by not addressing the lifestyle changes, the man eventually has a heart attack. Now, as the man’s life is threatened, the doctor must use technical responses in the form of life-saving actions to stabilize him and mitigate the immediate crisis. Once stabilized, the doctor finally has the man’s attention. Knowing this small “window of opportunity” is fleeting, the doctor prescribes a major adaptive lifestyle change.16 For the man, this is tough. Not only did he just survive a heart attack, but he has to give up all his secure routines or habits that defined his comfort zone. Changing his lifestyle will mean enduring further loss and pain. However, if he successfully adapts, he may avoid a recurrent crisis.

"During the preparation phase, adaptation or change is difficult if not impossible, because organizations prefer equilibrium and the status quo."
The Preparation Phase

Understanding why leaders are ineffective at adapting their organizations during the preparation phase is crucial to understanding crisis. The ability to move an organization from where it feels comfortable, without the urgency of crisis, is extremely difficult. Change means threatening stable relationships, balances of power, standard operating procedures, or current distribution of resources.17 “People have a natural aversion to conflict in their families, communities, and organization. But deep conflicts, at their root, consist of differences in fervently held beliefs, yet differences in perspective are the engine of human progress.”18 Even when leaders are aware of their organization’s need for change, they struggle with the paradoxical requirement to provide direction without causing pain.19 Also, leaders must continuously balance the intense pressure to remove stress from their organizations while fighting the urge to return to the status quo. Therefore, in order to facilitate adaptation or change prior to crisis, leaders must establish credibility and create an atmosphere that allows people to face change in relative safety. It requires them to Lead from the Front.

Another way of preparing for crisis is to recognize, prioritize, and mobilize awareness for needed change. They must understand and Focus on the Core Purpose of the organization. This strategy is necessary to understand how an organization’s values are related to a changing environment. Unfortunately, positive illusions, self-serving biases, and the tendency to discount the future often prevent leaders from listening to their environment. Sometimes leaders cannot overcome the state of denial or the awareness of indicating tremors.20 For example, on November 16, 2003, a 7.5 magnitude earthquake struck near one of the Alaskan Aleutian Islands. Within 25 minutes, the
National Oceanographic and Atmospheric Administration (NOAA) issued a tsunami warning for the US Pacific coastal areas and Hawaii. Within the next hour, using an array of seafloor pressure sensors, NOAA was able to cancel the tsunami warning, predicting a wave growth of only 2 cm. These early warning predictors saved US taxpayers over $68 million from the cost of an unnecessary coastal evacuation. Unfortunately, many organizations don’t deploy these sensors and end up ignoring tremors. For example in 1998, Smith Dharnasirajo, Chief Meteorologist in Thailand, made predictions that a major tsunami would eventually hit the coast of Thailand. With concerns of panic and the loss of potential tourism, the Thai government fired Smith and ignored his demand to build a $20 million detection system. The failure to listen to this dissenter and deploy signal detection devices cost Thailand tens of thousands of lives and billions of dollars from the Tsunami disaster of December 21, 2004.

Organizations need structured dialog, systemic decision analysis, and they must Conduct Continuous Planning to ensure actions are prioritized toward long-term organization health. For reasons discussed above, leaders often choose to ignore problems and avoid making hard choices; this is why it is important to Build the Team. Leaders who build effective teams are able to rapidly respond to crisis in a unified manner. Leaders who overcome these obstacles and mobilize resources toward learning, may avoid crisis altogether.

Emergency Phase

The emergency phase begins as the crisis erupts. September 11, 2001 reminds us that if we fail to examine our fundamental assumptions of the world, connect the dots to see the big picture, or think out of the box, we risk experiencing devastating tragedy and
crisis. The most important factor during this phase is to Mitigate the Threat and reduce disequilibrium to a safe level.\textsuperscript{24} A leader can use the institution’s high expectations for security as capital for autocratic and technical solutions that reduce immediate stress; however, without addressing the underlying misalignments, crisis is sure to return. Timely intervention is key to mitigating the immediate threat and limit long term danger.”\textsuperscript{25} This is a perfect time for leaders to use quick-technical fixes to reduce stress to a tolerable level. However, the need for action must be weighed against the accompanying uncertainty that surrounds the event.

\begin{quote}
During the emergency phase, leaders have a small window of opportunity to drop the organization’s disequilibrium in order to stabilize the threat.
\end{quote}

First impressions are usually accompanied with limited factual information that often misses the underlying causes. Therefore, it is advantageous to Focus on the Core Purpose when formulating initial responses.\textsuperscript{26} Leaders must not be overcome by the urgency of the crisis, but step back and draw from the guiding principles from the guiding principles of the organization. They must carefully weigh quick decisions against the realization that stress tends to reduce cognitive abilities.\textsuperscript{27} Using standard operating procedures, even when they don’t perfectly apply, may help lower tension since routine is calming and reassuring to members.\textsuperscript{28} As clarifying information develops, action and communication become even more essential,\textsuperscript{29} it is essential to Tell the Story. Leaders must rapidly explain the facts of the situation and actions being taken. Similarly, the leader must go to “ground zero” to provide needed empathy. People begin to relax when they see a calm, poised leader relating to their loss.\textsuperscript{30} All of these responses are crucial to seizing the initiative during the emergency phase.
The Adaptive Phase

Once the organization is stabilized, the adaptive phase begins. Although the immediate danger is under control; the leader must take advantage of the fleeting organizational mandate to address the underlying cause of the crisis, to avoid repeating the event. During this phase, the leader has an opportunity to change and grow, develop new procedures, alter the culture of the organization, and essentially profit from the Crisis. Technical solutions may still be required, but during the adaptive phase, a leader must focus on reorienting the organization to face tough choices. This adaptation phase requires a crucial balance between maintaining the urgency to change while reassuring safety and security.

In conclusion, crisis provides us the ultimate signal that we have ignored, avoided, or failed to recognize the most pressing issues of our changing environment. As situations worsen, signals and tremors foreshadow impending disaster, giving us an opportunity to prepare for or adapt to it. Unfortunately, most institutions resist change and prefer the safety and security of the status quo. When disaster strikes, the leader must refocus organizational resources and attention on survival. They must use this small window of opportunity to seize the initiative. However, just when survival seems assured, leaders face a crucial choice. They can either harness the urgency and attention provided by the crisis to align their organizations with the environment or risk a return of crisis.

Learning Point

Is your organization’s values, beliefs, culture and behavior aligned with its actual operating environment? Is your organization listening for signals and tremors of impending crisis? Is your organization stuck in the status-quo? Are you prepared to take...
advantage of the “small window of opportunity” once hit by crisis? Once stabilized, are you willing to make the painful or adaptive choices necessary to ensure that crisis will not return?

Notes

4 Bush.
6 Pinsdorf 16-17.
7 Adapted from Shalom Saar lecture in November 2004, Know Yourself, Center for Public Leadership, John F. Kennedy School of Government, Harvard University.
10 Heifetz 238.
11 Heifetz 71-72; the concept that stress is reduced by technical solutions is implied, but not completely stated within the text. There is no empirical evidence that technical solutions always decrease stress, but we couldn’t find a single example of when this isn’t true.
12 Heifetz 121.
13 Heifetz 30.
17 Heifetz 30.
18 Heifetz and Linsky 101.
19 Heifetz 238.
Notes


23 Bazerman 6.

24 Stern 6.

25 Stern 10.

26 Mitroff 25.

27 Goethals 291.

28 Heifetz 38.


30 Heifetz 140.
Chapter 3

Strategies for Leading through Crisis

"If your actions inspire others to dream more, learn more, do more and become more, you are a leader."

—John Quincy Adams

Our research leads us to conclude there are seven essential strategies that leaders must apply to successfully lead organizations through crisis. Our Leader’s Strategies were developed by reviewing the existing body of research and identifying successful strategies from historical crisis situations. Not every strategy is equally applicable to each crisis; the strength of the strategy varies with the crisis. Similarly, a strategy is not confined to use during a specific phase in the crisis lifecycle model. A strategy may fall squarely in one phase of a crisis, or it may span several or all phases of a crisis.

Each strategy can be viewed as an arrow in the quiver of crisis leadership, the strategies show that it is not important to hit a bull’s eye with each arrow; however it is important that each strategy hits the target in some fashion.

Leader's Strategies
1. Lead from the Front
2. Focus on the Core Purpose
3. Build the Team
4. Conduct Continuous Planning
5. Mitigate the Threat
6. Tell the Story
7. Profit from the Crisis
In the following chapters, we explore each strategy in depth and draw examples from three specific cases to illustrate their application. Figure 2 identifies the general time frames during the life of each crisis where the strategies were employed with success. The strategies were used to varying degrees in each case. Before we develop the strategies further, a quick review of the cases is necessary.

**Johnson & Johnson CEO James Burke and the Tylenol Poisonings**

The poisoning of Tylenol capsules with cyanide in October 1982 and again in February 1986 provides an excellent case study for large scale crisis leadership in the public sector. This case summarizes the events surrounding the deaths followed by an analysis of James Burke’s employment of Lead from the Front, Focus on the Core Purpose, Tell the Story, and Profit from the Crisis strategies.

**Case Summary**

In the early 1980s, the competition among pain relief products was intense, but the clear leader in the market sector was Johnson & Johnson’s flagship product – Tylenol. Claiming approximately 35% of the product category, Tylenol brought in $500 million in
annual sales and accounted for 8% of Johnson & Johnson’s total sales.\(^2\) Chief Executive Officer, James Burke, had asked a simple question during this time: What if something happened to Tylenol?\(^3\)

For Johnson & Johnson, the environment changed dramatically on 29 September 1982 when 3 people in the Chicago area died after taking cyanide laced Extra-Strength Tylenol capsules. The next day, amidst decisive action to recall 93,000 bottles in 31 states of the specific batch identified in the first deaths, two more people died. Johnson & Johnson moved quickly to suspend all television advertising.\(^4\) A crisis emerged.

On 1 October, after recalling an additional 172,000 bottles in 7 more states of the second identified batch, a decision was made to recall all Extra-Strength Tylenol capsules from the entire greater Chicago area. With all manufacturing and distribution operations ordered to close, subsequently, word came in that two more people were dead. The crisis had reached a stage of national import.\(^5\)

Over the next 6 weeks, James Burke led an epic crisis response that not only saved the highly valued Tylenol brand, but also strengthened the nearly century old esteemed reputation of Johnson & Johnson. His leadership strategies ushered in the modern era of crisis response, but would these tools be enough to save Tylenol once more when crisis stuck again on 7 February 1986?

**Mayor Rudy Giuliani and the 9-11 Terrorist Attack**

The September 11, 2001, terrorist attack on New York City provides an excellent case study for crisis leadership in the public sector. This case summarizes the events
surrounding the terrorist attack and highlights Giuliani’s use of Conduct Continuous Planning, Mitigate the Threat, Tell the Story, and Profit from the Crisis strategies.

**Case Summary**

At 8:48 a.m., American Airlines Flight 11 slammed into Tower 1 of the World Trade Center in New York City. Two minutes later Mayor Giuliani was told that a plane had hit the Trade Center. He immediately headed for the scene holding true to his long-standing principle to see things with his own eyes. While enroute to the site, Giuliani saw a big flash of fire. It was 9:03 a.m. United Airlines Flight 175 had struck Tower 2. The thoughts of an accident were no longer in his mind. This was a major terrorist attack on the city that he loved. Minutes later Giuliani arrived at the World Trade Center. He described the scene upon his arrival as "the most horrific scene I've ever seen in my life." 

Shortly after arriving at the World Trade Center, he found out that the city's emergency command and control center was evacuated because of its proximity to the World Trade Center. He quickly developed two priorities. First, he knew that a new command center had to be set up. Second, he had to find a way to communicate with the people in the city.

Within 40 minutes of his arrival at the World Trade Center, a new command center was established at a short distance away from the site. However, the usefulness of this command center was short lived. At 10:05 a.m., the phones went dead and there was a thunderous roar followed by an enormous cloud of acrid smoke and trash that filled the command center area. Tower 2 had collapsed.
Giuliani suddenly found himself without external communication and temporarily trapped in the building. After unsuccessfully exploring several exits, Giuliani and his staff found a way to get outside the damaged building. He emerged to an outside world of destruction. At 10:28 a.m., another cloud of smoke and concrete dust filled the sky - Tower I had collapsed.\textsuperscript{13}

Continuing to focus on his priorities, Giuliani established Engine 24 firehouse as the new command center. Aides were implementing the elements of the emergency action plans that they had rehearsed so often. Additionally, Giuliani was on the air speaking to the people of New York City preparing them for the loss, but reassuring them that everything possible was being done to save as many lives as possible.\textsuperscript{14}

Over the remainder of the day and weeks ahead Giuliani used all of his skills to lead the city of New York through this tragedy and to help it adapt to the post 9-11 world. However, the key to these tasks was the groundwork that Giuliani had laid in his previous seven and a half years as mayor.

**Aaron Feuerstein and the Malden Mills Fire**

The tragic fire that destroyed much of Malden Mills in December 1995 provides an excellent case study for crisis management in the private sector. This case summarizes the events surrounding the fire and focuses on Mr. Aaron Feuerstein’s leadership, particularly illustrating the strategies of Focus on the Core Purpose, Build the Team, Conduct Continuous Planning, Mitigate the Threat, and Profit from the Crisis.

**Case Summary**

On 11 December 1995 a massive fire destroyed much of a major textile manufacturing company in Lawrence, Massachusetts.\textsuperscript{15} “In what has been called the
worst fire in Massachusetts this century, three key buildings out of 10 of the Malden Mills complex were completely destroyed….\(^{16}\) Additionally, the fire “…seriously burned more than 20 workers, and cast doubt on the future of the whole company….\(^{17}\)

At the time of the 1995 fire, Malden Mills had been in existence for 89 years.\(^{18}\) The company “…was founded and operated by the Feuerstein family…”\(^{19}\), beginning with the Mill’s first leader, Mr. Henry Feuerstein.\(^{20}\) By the mid-1950s “…Henry’s son Samuel was president, and he worked hard to instill in his sons the ethic of hard work and the rich tradition of his Orthodox Jewish religion.”\(^{21}\) Samuel’s son, “Aaron Feuerstein joined the family business in 1947…”\(^{22}\) and “…took the helm of Malden Mills in the early 1970s.”\(^{23}\) He believed “…that within the realm of community, CEOs must be charitable, ‘must worry about those without jobs, who are sick or unfortunate.’ Citing the Biblical prophet Jeremiah, he said that if praise is to be given, let it not be given for wealth or profit but for understanding the divine objective – to do kindness and charity in the community.”\(^{24}\)

Malden Mills was more than a local business in a community – it was part of the infrastructure that supported and cared for the community. The company paid its “…factory employees an average of 20 percent more than the industry average…[and was considered] an anchor of the Lawrence area’s battered economy.”\(^{25}\) The tragic Malden Mills fire, which occurred just before the holiday season, could have devastated the community.\(^{26}\) “More than 1,400 people were out of work, 75% of the total Malden Mills work force. More than 750,000-square feet of Victorian-era mill was destroyed.”\(^{27}\)

The Boston Globe reported that a Malden Mills employee recalled how Mr. Feuerstein expressed commitment to his work force following the tragic fire. “’He said,
I’m not throwing 3,000 people out of work two weeks before Christmas’…”28 Aaron Feuerstein then “…paid wages to all 1,400 displaced workers in Lawrence for 90 days after the fire and extended their health benefits, at a cost of $25 million. By the end of 1996, all but 400 were back and a new factory was opened the following year.”29

These three cases provide a superb representation of how leaders can prepare, react, and adapt during a crisis to make their organizations stronger and more relevant to their environment. The next seven chapters will use these three cases to illustrate our recommended seven strategies to successfully navigate crisis.

Notes

3 Pinsdorf 226.
5 Smith, American Business (B) 2.
8 Giuliani 5.
10 Giuliani 6.
11 Giuliani 10.
12 Giuliani 11.
13 Bowles 13-14.
14 Bowles 15.
Notes

20 Perkins 199.
21 Perkins 199.
22 Kerber C1.
27 “Malden Mills, Daylight From Ashes”, Kalwall Recent Projects: 1.
28 Kerber C1.
29 Kerber C1.
Chapter 4

Lead From the Front

“One man with courage makes a majority”

—Andrew Jackson

Introduction

“During periods of crisis, people look for a strong leader. They don’t look to committees or to teams; [they look for a] confident, visibly engaged leader to pull them through.” Sadly, leaders "hit by crisis often withdraw behind the protective shell of peers and lawyers" or blame subordinates and the media. Analysis of crisis situations reveals this common, costly mistake. It is the role of the leader to be many things at many times. At a minimum, a crisis leader must be visible, poised, courageous, committed, and attentive. If an individual’s job during a crisis is to lead, then he must take on the roll and do it well. He must understand that it is important for people to see him face the challenges head on, “‘walking the walk’ as well as ‘talking the talk’.” He must create
opportunities for visibility and use the power of his role as a leader to provide assurance, direction, and inspiration.

Visibility & Image

Paul Arfenti’s study of the 9-11 tragedy clearly validates the power of the visible leader. He "found that the most effective leaders during the crisis displayed high levels of visibility." These leaders understood that people needed concrete evidence that their leaders were concerned about their distress and were working to make things better.

However, the visible leader must present the right image. “A crisis can quickly expose a leader’s hidden strengths as well as his core weaknesses.” Referring to his experiences while serving as the Director of FEMA, James Witt wrote that the leaders who handle crisis best were those who thought of others before they thought of themselves. Fortunately, “crisis frequently brings out courage, honor, selflessness, loyalty” and many other positive behaviors in many leaders. “[During a crisis, a leader’s] first mechanism to contain distress must be to contain himself. If [a leader] remains poised and indicates through his calm demeanor that the situation is serious but that there is no cause for a panic, he reduces the possibility of one.”

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During the Tylenol crisis, there was no second guessing who was in charge and making the decisions at Johnson & Johnson. Burke made it perfectly clear that he was the authority and received praise from analysts, marketing experts, and consumers as a result. “I give him high marks for the way he has handled the situation thus far,” said Stephen Greyser, a marketing professor at the Harvard Business School. Burke and Johnson & Johnson’s principal managers get high marks for “clearly managing the crisis” said Yale marketing professor Stephen Permut. In the days and weeks that followed, thousands of articles praising Johnson & Johnson’s conduct during the crisis appeared in newspapers around the country. The New York Times commended Burke’s leadership, stating “he has left little doubt about who is calling the shots at the company.”
Demonstrate Courage

Courage, it’s said is not the absence of fear, but the ability to act in its presence. Whether a leader is the director of a small department or a corporate CEO, if his resources are being threatened, it is imperative that he demonstrate courage and accept "responsibility for dealing with the situation." John F. Kennedy reminded us that courage is the willingness to “speak truth to power.” Demonstrating courage is one action that is indispensable if a leader expects to mobilize people to prevent, mitigate, or learn from crisis. Many of the great leaders in history made their reputations through their courageous efforts before, during, and after crisis; often in the face of significant uncertainty and resistance. A demonstration of courage is central to crisis leadership because it signals a leader’s "willingness to act against one's own and other’s short-term interests to avoid heavy long-term costs." Additionally, it put members on notice of the need for action.

Ask people to single out a courageous CEO action during crisis, and many will cite James Burke's decision to pull Tylenol capsules off the shelves in response to the cyanide-poisoning crisis of 1982, taking a $100 million hit to earnings along the way. CEOs are expected to act boldly, yet boldness is worthless if you're wrong. It's an obvious point, but one routinely ignored by those caught up in the fanfare of big action. Even during the dark days during the first crisis, Burke made it a point to be overly positive to give people confidence to perform the difficult job they faced. Balancing Burke’s courage during the crisis was his poise and humility, even downplaying his defining role. President Ronald Reagan told a White House meeting of business executives: "Jim Burke of Johnson & Johnson, you have our deepest admiration. In recent days [you] have lived up to the very highest ideals of corporate responsibility and grace under pressure."
Show Commitment

A leader must also show that he is committed to see the task through to successful completion. A leader that demonstrates the ability to accept the harsh reality brought on by the crisis, yet continues to persevere, demonstrates a personal investment in the team and the mission. Perseverance sends a clear message about the leader’s commitment and creates an opportunity for the team to rally to achieve a common goal. Similarly, if a leader signals a lack of personal investment in the team and mission, "he presents an invitation to the people who are uncommitted" to dismiss his perspectives and push his agenda aside.26

Norman Augustine noted these points of commitment from Johnson & Johnson: “From a business perspective, the result of the Tylenol crisis was that J&J demonstrated both its concern for its customers and its commitment to the corporation’s ethical standards. Although this was a tragic episode, the company clearly was regarded even more highly after the episode than before.”27 Continuing, he cites Burke as adding these two points: first, “If you run a public company, you cannot ignore the public.” Second, “Institutional trust is a lot more important than most people realize. The operative word is trust…and whether people will take one’s word when one badly needs them to do so will depend on how much confidence has been built in the organization over the years before the crisis occurs.”28

Maintain Perspective

Leaders must ensure they don’t lose sight of their ultimate goal. Regardless of where a leader is in the lifecycle of a crisis, it is imperative that he maintain perspective. "Occasionally, leaders get so caught up in the action and energy that they lose their perspective, their wisdom.”29 Franko Bernabe, the CEO credited with the successful transformation of Eni, Italy’s large energy-focused industrial group, was very much aware of this trap. He understood that executives leading their companies through crisis
often don’t have time to think. They don’t have the time to “tune-in” to their organization and environment; they only have time to react. Consequently, he walked to work everyday. He said it gave him "an extra half hour to think." Bernabe believed that the ability to step away and think clearly is "one of the most critical skills a crisis leader must have." Heifetz describes this stepping away or need to get perspective as “getting off the dance floor and going to the balcony.” The intended "image captures the mental activity of stepping back in the midst of action and asking, 'What’s really going on here?'” The leader’s "challenge is to see the subtleties that normally go right by him when he is in the middle of the action. The only way he can gain a clearer view of reality with some perspective is by distancing himself from the fray.”

Giuliani knew that to maintain perspective of the crisis New York City was facing he had to see it with his own eyes. On 9-11, he went to the site six times. Each time he felt a different emotion ranging from anger to disbelief to sorrow. However, those visits gave him a sense of the extent of the damage and of the magnitude of the recovery ahead. He would use his first hand knowledge as he shaped his message to the city’s populace.

Beyond seeing the scene with his own eyes, Giuliani took time to step back from the events of the day to gain some perspective on the crisis. After an emotionally and physically exhausting day, Giuliani arrived back in his apartment around 2:30 a.m. on September 12, 2001. After cleaning up, he picked up the biography of Winston Churchill that he had been reading in the days prior to 9-11. Giuliani read a few chapters of how London had endured relentless bombing during World War II. He focused on how despite this bombing, the people of London continued to lead their lives. Giuliani knew the people of New York City could do the same. He knew the city would adapt and fight back.

Learning Point

Follow a breaking news story and see if you can spot the components of Lead from the Front. Was there a defined visible leader? How did the leader display commitment and courage? Did the leader maintain perspective throughout the situation?
Notes

3 Pinsdorf 10.
4 Pinsdorf 10.
5 Harvard Business School, Essentials 87.
7 Harvard Business School, Essentials 87.
8 Harvard Business School, Essentials 87.
10 Witt 145.
11 Klann 8.
12 Heifetz 140.
16 Prokesch 19 February 1986 and Smith, American Business (B) 12.
17 Jim Collins, “The 10 Greatest CEOs Of All Time; What these extraordinary leaders can teach today’s troubled executives.” Fortune, 21 July 2003: 54
18 Witt 72.
19 Bazerman 215.
20 Bazerman 215.
21 Bazerman 12.
22 Bazerman 12.
24 Smith, American Business (B) 4.
26 Heifetz and Linsky 99.
28 Augustine 28.
29 Heifetz and Linsky 165.
31 Harvard Business School, Review 182.
32 Heifetz and Linsky 51.
Notes

33 Heifetz and Linsky 51.
34 Heifetz and Linsky 53.
35 Giuliani 22.
36 Giuliani 26.
Chapter 5

Focus on the Core Purpose

“He who has a ‘why’ to live for can bear almost any ‘how’.”

—Friedrich Nietzsche

Introduction

The above quote explains the essence of this strategy. When people understand and pursue their purpose, a purpose that puts meaning into their life, they can weather any storm. Victor Frankel discovered this in a Nazi concentration camp. As a trained psychologist he observed that when a person had a greater meaning for living, they lived. Those that had lost purpose, died. The same can be said for organizations.

An organization that has a relevant, acknowledged purpose can survive even the worst crisis. On the contrary, an organization which has no clear purpose, or a “valueless” purpose such as simply raising capital – as in the Enron scandal, will
eventually fail. Successful leaders know they must understand their organization’s core purpose and then ensure that their people appreciate and support it. Both the leader and the people of an organization must believe in something higher than themselves. In planning for crisis, identifying the organization’s core purpose is essential for it will provide a foundation for every action and decision.

The son of an insurance manager at New York Life, James Burke still talks about his father's insistence on integrity. When he joined Johnson & Johnson, he said, he found it had "great values" that he judged were akin to "my own personal convictions." This was to become one of the greatest strengths of James Burke and Johnson & Johnson - their firmly set focus on core purpose. Codified in the highly admired corporate credo, the first two items clearly stated that their customer's safety and the quality of their products was the company's highest priority.

Organizations that have thought through what they stand for well in advance of a crisis are those that manage crises best. When all seems to be crashing down around them, they have principles to fall back on. Johnson & Johnson has said of its highly regarded response to the Tylenol deaths that its actions had been preordained by its widely heralded corporate credo; that is, no other response could have even been contemplated. It may seem obvious these days, but the thing that Johnson & Johnson adhered to was that ethics, more so than “just” the bottom line, needed to be at the core of their decision making.

Instill Value and Align with Reality

An organization’s purpose must align its values with its reality. If a company’s leaders or personnel are acting contrary to the business’ core purpose, values, or environmental reality; crisis, in some form, is sure to develop. The leader must define what the future should look like, align structures and processes, and inspire people to "make it happen despite the obstacles." In this case, “leadership is influencing the organization to face its problems.” According to Heifetz, "tackling tough problems - problems that often require an evolution of values - is the end of leadership; getting the
work done is its essence.” The leader must confront and close the gaps between his organization’s values, its behaviors and its realities. This may require the organization to endure a period of significant, adaptive change. In this situation, "it becomes critically important that the leader communicates, in every way possible, the reason to sacrifice." He must justify "why they need to sustain losses and reconstruct their loyalties." People need to be reassured that the final results are worth it.

Associates of Mr. Burke say that his expressed concerns about public safety are sincerely held. "He sets high standards for his company, for his people and for himself," said Robert S. Hatfield, the former chairman of the Continental Group and a Johnson & Johnson's director. Some said Burke was obsessed with preserving the high level of public trust in Johnson & Johnson, but through his value-based actions he had built up a tremendous reservoir of credibility with the public. "It's almost as if he's becoming sort of a folk hero," said Harold Burson, chairman of a large public-relations firm and a Johnson & Johnson adviser. By sticking to what he deeply believed in and calling on America to consider the larger values at risk, Burke not only kept the public on his side, but created an unforeseen opportunity: two major competitors pledged not to take advantage of the tragedy. Burke explained in a news conference:

“I would just hope, as you look at this problem now, and are trying to deal with it...that you would ask yourself what do you want to do as it relates to your friends and family, because they’re the ones that are at stake. Johnson & Johnson is relatively unimportant in this. Society is very important.”

Provide Vision and Embody Values

When the purpose and values are the foundation of the organization’s vision, a leader can leverage this vision as a rallying point to provide stability to employees during a crisis. But to make this vision truly credible, the leader must embody and be seen living the organization's purpose and values. Successful crisis leaders know that a purpose, value, and vision system that have been effectively communicated so employees understand them, feel ownership of them, and endorse them, become a powerful
influencing tool during all phases of a crisis. The vision, grounded in values, will clarify what is, and is not important to the organization. Additionally it can serve as a compass for action, providing direction and stability to people who become unhinged by the crisis.\textsuperscript{16} A leader must also remain mindful of his organization's purpose and vision when overseeing the crisis planning. The vision will ensure that crisis actions are in line with the mission, goals, and objectives of the organization.\textsuperscript{17} During the crisis, a successful leader can provide “stability and security” as well as “reduce anxiety” by consistently returning to the “organization's values and vision.”\textsuperscript{18}

\begin{quote}
In the days following the Malden Mills fire Mr. Feuerstein set the vision for the company as he “…vowed to rebuild.”\textsuperscript{19} Additionally, “…employees were rapidly given assurances that pay checks and benefits would continue. [He] …gave these assurances while the fires still burned, suggesting…[his proclamation was] more instinctive and character driven than based on a careful calculation of costs and benefits.”\textsuperscript{20} Mr. Feuerstein “…acted out of personal values and character, exhibiting well established traits.”\textsuperscript{21} His actions were consistent with his belief “…that within the realm of community, CEOs must be charitable, ‘must worry about those without jobs, who are sick or unfortunate.”\textsuperscript{22}
\end{quote}

\begin{itemize}
\item \textbf{Consistently assess and update purpose}
\end{itemize}
A leader must periodically reassess the organization’s purpose and values to ensure they remain relevant to the current and future environment. He should look at how well the purpose prepared the organization to identify or avoid a crisis and if it enabled or hindered the response. Based on the outcome of the analysis, the leader may want to realign or redefine the organization’s purpose to make it more relevant to the environment, current and future operations, and especially crisis.\textsuperscript{23}
In 1976 James Burke was preparing to assume the CEO position and made a decision that would lay the foundation for success when crisis hit six years later. He called 20 key executives into a room and thumped his finger on a copy of the J&J credo. Penned 36 years earlier by Robert W. Johnson Jr., it laid out the "We hold these truths to be self-evident" of the Johnson & Johnson Co., among them a higher duty to "mothers and all others who use our products." Burke worried that executives had come to view the credo as an artifact--interesting, but hardly relevant to the day-to-day challenges of American capitalism.²⁴

Burke’s challenge to either commit to the Credo or get rid of it stunned the executive committee. Following a lively debate that ended with a recommitment, Burke had successfully restored the credo as a living document.²⁵ Johnson & Johnson continues to hold credo challenge sessions a couple of times a year. Few if any changes are made, but in the progress of testing the credo, incredible buy in occurs, and the values stand ready to guide decision making when crisis calls. ²⁶

Learning Point

When is the last time you reviewed your organization’s core purpose? Is it an actual document that every member of the organization understands? Think about the core purpose in the smallest terms, how would you define it for yourself or your family? Does it accurately link with the organization’s current environment?

Notes

² Frankl 121.
⁵ Witt 25.
⁶ R. P Weiss, "Since September 11, Business Leaders have been reassessing how well prepared they are to lead." *American Society of Training and Development*, 2002.
⁷ Heifetz 14.
⁸ Heifetz 26.
⁹ Heifetz and Linsky 94.
¹⁰ Heifetz and Linsky 94.
¹¹ Heifetz and Linsky 94.
¹² Prokesch 19 February 1986.
Notes

15 Smith, American Business (B) 9.
16 Klann 14.
17 Klann 31.
18 Klann 30.
19 Auerbach 1.
21 Seeger and Ulmer, “Virtuous Responses to Organizational Crisis,” Journal of Business Ethics 373.
22 Esposito 1.
23 Klann 63.
24 Collins 54.
25 Collins 54.
26 Witt 24.
"You can’t move people to action unless you first move them with emotion. The heart comes before the head. “

—John Maxwell

Introduction

"In Fortune's "All Star" list of the worlds most admired companies, teamwork consistently appears as an important element in an organization’s culture." That should come as no surprise as it is widely understood that no leader is smart enough to single handedly deal with all the challenges an organization or community encounters when in crisis. Even well known crisis leaders like Lee Iacocca, Jack Welch, and Rudy Giuliani credit their success to being surrounded by a great team. If a leader wants to survive a crisis, he must build teams inside, across, and outside his organization.
When a crisis hits, a leader will be more successful, and his organization will become stronger, if he "relies not only on the talents of his people, but on a wider network of teams." But the leader should not wait for a crisis to develop strong relationships. "In organizations, as in marriage," personal relationships that are continuously nurtured "are the key to commitment," and commitment is precisely what the leader will need during a crisis. Often it's the small things, like personal interaction and communication "that leave an indelible mark on the people and networks around you."

Nurture Relationships

Personal relationships are the core building blocks of all teams. One distinguishing quality of leaders who have led their organizations through crisis is the emphasis they place on personal relationships. Successful crisis leaders have learned, from hard experience, that the nature and quality of the every day connections with others were more important than any other factor when working through the crisis. A leader must continuously nurture his personal relationships in order to strengthen the "sense of connectedness", the shared identity, and the bond with every member of his team. During crisis, nearly every member of the team will face danger of one form or another and will feel the impulse to flee. It is the bond, the sense of shared identity that keeps a team member engaged and committed.

In the case of Malden Mills, the leadership “…had established particularly strong pre-crisis relationships with stakeholders including employees, the community, and customers…this commitment became a guiding feature of…post-crisis discourse.” Aaron Feuerstein was genuinely committed to his team and believed that “…employees were valued partners…”. This was demonstrated by his acts of kindness, like “…the heart-bypass operations Feuerstein had arranged for several workers…", and by his...
effort to be available and accessible to people.\textsuperscript{13} Former Lawrence Mayor Lawrence P. LeFebre recalls that the first time he met Feuerstein, in 1979, he was wearing an elegant suit and a pair of Converse sneakers, then still being manufactured in Lawrence. LeFebre thought at first this was some sort of symbolism. ‘I found out it wasn’t. It was about his wanting to get up and walk around the plant at any time to know what his people needed.’\textsuperscript{14}

\section*{Internal Teambuilding}

Internal to the organization, a leader must continually work to strengthen his teams. Whenever an opportunity to promote team unity presents itself, the leader should capitalize on it.\textsuperscript{15} Central to team-building is helping people embrace the organization’s core purpose.\textsuperscript{16} Therefore, the first step is for the leader to give the work back to his people; give them control of their destiny. A unified team will emerge as each individual understands what must be done and feels a sense of responsibility for the success of the group's actions.\textsuperscript{17} A leader should also promote trust and understanding and foster an open and forgiving environment. He must make it clear, from top to bottom, that he does not tolerate finger pointing; that he is not interested in assigning blame; that he requires people to be honest when they make a mistake; he seeks their opinions; and he wants them to do the right thing. When people feel their opinions are respected and they are making a difference, they become engaged and committed to the team.\textsuperscript{18} Finally, a leader should provide feedback to his people. Feedback is vital to an organization in crisis so individuals know where they stand. If the leader gives feedback well, "the interaction itself can form an emotional connection that during an actual crisis will reap great benefits in employee loyalty, support, patience, and cooperation."\textsuperscript{19}
many departments within New York City's government. Giuliani felt that this teamwork was essential. Without it, he felt that the City would not be able to respond to major emergencies.\textsuperscript{20}

Getting the City Government to "buy into" this new Office was difficult. However, Giuliani used two teambuilding techniques. First, he sought the opinion of two key departments (police and fire departments). Specifically, he had the Police Commissioner and Fire Commissioner conduct a nationwide search for a director of the new office. Second, he reinforced the team concept by encouraging integrated disaster response training.\textsuperscript{21}

This teambuilding reaped benefits prior to 9-11 including integrated successful responses to a West Nile virus scare, Y2K readiness, and blackouts during the Summer of 1999. These successes resulted in Giuliani getting a referendum passed in early 2001 to make the Office a permanent city agency.\textsuperscript{22}

\section*{External Teambuilding}

In a crisis, it is natural for a leader to look internally first. It is good that a leader's first concern is his people and his organization, but he must not forget about stakeholders that are external to the organization. "They will also want to know what is going on and what to expect."\textsuperscript{23} The external partnerships a leader establishes and effectively nurtures become an extension of his organization. Just because they aren't on his payroll doesn't mean that he shouldn't make them a full blown member of his team. If the leader has established that strong sense of connectedness, a shared identity, external partners will also be willing to sacrifice on behalf of the team.\textsuperscript{24}

As mentioned earlier, Mr. Feuerstein “…had established particularly strong pre-crisis relationships with stakeholders…”\textsuperscript{25} One group of stakeholders was the local unions. “Although the workforce was unionized, it had never had a strike….”\textsuperscript{26} The “…head of the textile workers union in New England, said of Feuerstein: ‘He believes in the process of collective bargaining and he believes that if you pay people a fair amount of money, and give them good benefits to take care of their families, they will produce for you.’”\textsuperscript{27} The leadership of Malden Mills laid the groundwork for effective crisis response by building a team.
Learning Point

Building the team is a full time job that binds the organization together and weaves the organization into the fabric of the community and external environment. Review the past week in your own organization and try to identify specific examples of building the team, both internal and external, each day. What recurring events contribute to building the team? What events or policies undermine building the team?

Notes

2 Perkins 70.
3 Heifetz and Linsky 100.
4 Witt 115.
5 Witt 120.
6 Witt 121.
7 Witt 121.
8 Heifetz and Linsky 83.
9 Perkins 74.
12 Ryan 4.
13 Auerbach 1.
14 Auerbach 1.
15 Perkins 71.
17 Perkins 79.
18 Harvard Business School, Review 110.
19 Klann 34.
20 Giuliani 315.
21 Giuliani 315-316.
22 Giuliani 316.
23 Harvard Business School, Essentials 74.
24 Witt 24.
Auerbach 1.

27 Auerbach 1.
Chapter 7

**Conduct Continuous Planning**

“*Let our advance worrying become advance thinking and planning*”¹

—Winston Churchill

**Introduction**

No organization is immune from crisis. In his book *Crisis Management*, Steven Fink writes that every leader "should view and plan for the inevitability of a crisis in much the same way one views death and taxes: not out of weakness or fear, but out of the strength that comes from knowing that you are prepared."² Simply practicing crisis avoidance is not sufficient to guarantee that an organization won't be directly hit by or pulled into a crisis. To deal with this ever present potential of crisis, leaders must direct their organizations to conduct contingency planning.³ Contingency planning involves organizing and making as many decisions as possible "before a crisis actually occurs - in a calm objective environment."⁴ Planning

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¹ Quote attributed to Winston Churchill.
should be focused on developing broad competencies and identifying resources and infrastructure that can be tailored in any way to meet the crisis.\textsuperscript{5}

\section*{Identify Risks and Potential Crises}

Contingency planning starts by analyzing the environment and identifying risks through mismatches in operating values and the environment. It is impossible to identify every potential crisis, but if a leader understands his major categories of risk, it is more likely that he can successfully identify the types of crisis he may face.\textsuperscript{6} Next, the leader should systematically look into the sources of his risks and "make a list of everything that could attract trouble" for his organization.\textsuperscript{7} In this step, it is wise to seek "broad-based input" from many people across all sectors of the organization so the leader gets multiple perspectives.\textsuperscript{8} Historically, the best organizations consider at least one crisis in each of the following categories "(economic, informational, physical, human resources, reputation, psychopathic acts, and natural disasters)."\textsuperscript{9} Some potential crises deserve more of the leader's attention, therefore the leader must prioritize potential crisis with respect to their impact and probability of occurrence.\textsuperscript{10} This probability-adjusted assessment gives the leader a clearer indication where he should focus.\textsuperscript{11}

Giuliani believed that preparation is the most important key to success.\textsuperscript{12} To him, preparation meant more than just preparing for disasters. It also included anticipating potential problems.\textsuperscript{13} Therefore, upon inauguration in January 1994, Giuliani initiated a culture of preparedness within the city government. His tactics for creating this culture were establishing and monitoring sensors of potential problems, developing a crisis action team, and testing the soundness of the established programs.
Establish and Monitor Sensors

"All crises send out a trail of early warning signals."\(^{14}\) If a leader ensures that well-designed, fully functional signal detectors are in place before a crisis occurs, it is likely that his organization will see an impending crisis in time to offset it, if not prevent it entirely.\(^{15}\) Similarly, "without the proper Signal Detection Mechanisms, an organization …makes a crisis more likely…and seriously reduces the chances of bringing it under control."\(^{16}\) Unfortunately, "most organizations do not have signal detectors."\(^{17}\) "Different types of crisis send out different types of signals. For this reason, every organization should ask: 'What would count as an early warning signal of a particular type of Crisis?'."\(^{18}\) With the answer to that question, an organization can set-up and activate a customized detection network. Next, the leader must ensure that every detector is monitored by someone who knows what to do once an alarm sounds.\(^{19}\) "Signals sound all the time, but because no one recognizes, records, or attends to them… they are 'not heard.'"\(^{20}\) "Once a signal is heard, it must be transmitted to the right people" so the right action can be taken.\(^{21}\) The leader must ensure that the transmission doesn't get blocked on the way up and that signals detected from seemingly unconnected detectors don't remain in isolation. There must be a consolidation point so the signals get connected to show a clearer picture when appropriate.\(^{22}\) Lastly, the leader must ensure that action appropriate to the signal is taken.

Each of the three cases highlighted in this paper provide illustrations of tremors or signals leading up to the crisis event. The leaders in each case were sensitive to the signals and applied some “technical” solutions to mitigate the initial threat. Unfortunately, despite the leader’s efforts, the adaptive challenges remained unresolved, allowing the crisis to reemerge.
Johnson & Johnson - After the poisoning in 1982, Johnson & Johnson quickly solved the immediate crisis by introducing tamper resistant packaging – a technical fix at best. However, due to both internal pressure (capsules represented a large portion of profits) and external pressure (consumers preferred capsules to gel-caps) Johnson & Johnson was unable to make the adaptive changes required to prevent another crisis.

Malden Mills – Prior to the 1995 fire, Malden Mills experienced “…a smaller fire in the same building in 1993.”23 This fire was a tremor of what was to occur two years later, but “…since that time, Feuerstein had been relentless in his emphasis on safety. He often would show up unannounced to check that all safety procedures were being followed. There were fire drills and safety meetings several times a week, and official inspections showed that Malden Mills was in compliance with all new safety requirements.”24 Mr. Feuerstein worked diligently to prepare his organization for crisis by moving it out of the comfort zone and periodically away from the status-quo by testing the commitment to safety. This paper does not suggest the crisis could have been avoided if other courses of action were taken. It does, however, illustrate how a leader’s sensitivity to tremors helped an organization prepare to face a crisis. Because of the proactive steps taken, it is realistic to assume the consequences of the 1995 fire were minimized.

New York City - In 1993 a Middle East terrorist group attacked the World Trade Center. The car bomb that blow-up in the basement garage of one of the towers killed six people and injured one thousand.25 After this attack and before 9-11, further tremors of impending disaster occurred. In 1998, the Federal Aviation Administration was told by experts that terrorists could commandeer planes and crash them into such places as the World Trade Center.26 In 1999, "Al Qaeda terrorists armed with knives hijacked an Indian airliner to Kandahar, Afghanistan. To maintain control during the hijacking, the terrorist cut the throat of a young passenger and let him bleed to death."27 Because of these tremors, Giuliani’s relentlessly prepared the city government for crisis. These preparations included the institution of the Office of Emergency Management. Additionally, the city continually tested its responses to mock plane crashes, chemical agent attacks, and biomedical attacks.28 However, these preparations proved inadequate in preventing 9-11. The issue of preventing crisis required the focus and attention of state and federal agencies. Before 9-11, despite the tremors of impending disaster, these agencies felt the threat was remote. Therefore, sufficient resources were not allocated toward prevention.29 The result was thousands of American dead and serious damage to the American economy.
Develop Crisis Action Plan

Armed with a prioritized "potential crisis list," a leader is prepared to develop the detailed document that provides a general methodology to handle crises – the crisis action plan. The plan identifies the members of the crisis management team, selected in advance, and trained for their duties. Additionally, it designates a crisis action center. This crisis center should be pre-stocked with as many supplies and as much equipment as resource constraints allow. It must also have ready and redundant communications. The emergency phase of a crisis is not the time to be plugging in phones and setting up computers. A good crisis action plan works because it provides people, actions, and facilities that can be rapidly activated to provide structure and routine during the initial chaos associated with any crisis.

Giuliani was relentless about preparing for surprises. So much so that he changed the structure of the city government to make it better able to react to surprises. One of the most notable changes he made was the formation of an office of emergency management in the Spring of 1996. This office was an overarching agency to plan and coordinate emergency responses. These changes met resistance from within and outside the government. Nevertheless, Giuliani persisted until he had a flexible team that met his core purpose: preparedness. The Office of Emergency Management (OEM) established numerous contingency plans including plans to react to what Giuliani called "hybrid" emergencies (biological attacks, chemical attacks, and terrorist bombings).

Test the Plan

A leader must never assume the crisis action plan his organization worked out on paper will actually work. He must test it under demanding and realistic simulated conditions. Testing the crisis action plan not only increases employee confidence, it also provides an excellent opportunity to discover weaknesses and make improvements. Improving the plan as well as updating it to reflect changes in the organization in
conjunction with regularly scheduled tests, will ensure the organization always has a fully functional plan that can be efficiently put into action.  

Giuliani forced his Office of Emergency Management to plan for, rehearse, and then improve contingency disaster plans. During his tenure, he had his staff think beyond their comfort zone about disasters. They regularly conducted rehearsals ranging from tabletop exercises on a variety of contingencies to simulated attacks in various areas throughout the city. These rehearsals included responses to a terrorist attack on a political gathering, a sarin gas attack in Manhattan, and an airplane crash in Queens.

☐ Learning Point

When was the last time your leadership team gathered and talked worst case “what if” situations? How many of those situations have plans, ready for implementation? How often are plans tested and reviewed for accuracy and feasibility? Review the last crisis your organization faced and discuss how better planning would have affected the outcome.

Notes

3 Harvard Business School, Essentials 36.
4 Harvard Business School, Essentials 2.
5 Stern 206.
6 Harvard Business School, Essentials 2.
8 Harvard Business School, Essentials 12.
9 Mitroff 60.
12 Giuliani 52.
13 Giuliani 64.
14 Mitroff 82.
15 Mitroff 82.
16 Mitroff 82.
17 Mitroff 85.
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18 Mitroff 85.
19 Mitroff 86.
20 Mitroff 86.
21 Mitroff 86.
22 Mitroff 82.
23 Perkins 201.
24 Perkins 201.
25 Bazerman 22.
26 Bazerman 29.
27 Bazerman 29.
28 Giuliani 62-63.
29 Bazerman 29.
32 Patterson.
33 Giuliani 314-316.
34 Giuliani 319.
35 Giuliani 316.
36 Harvard Business School, Essentials 42.
37 Harvard Business School, Essentials 42.
38 Giuliani 62-63.
Chapter 8

Mitigate the Threat

“Once convinced that a particular course of action is the correct one, a leader must be undaunted when the going gets tough.”

—President Ronald Reagan

Introduction

"Procrastination is the archenemy of crisis management." Frequently, crises emerge or go from bad to worse, simply because someone failed to act. When a crisis presents itself, leaders must take action. "Tough decisions must be made and made fast." Successful crisis mitigation requires immediate triage – the bleeding must be stopped.

Take Action

"When crisis strikes, [a leader must initially] think like an EMT. [He must quickly] identify the problem and determine what actions his organization can take to stabilize the situation." These actions may only be technical solutions, but they will buy the "crisis action team time to implement the
appropriate" actions from the crisis action plan. With the crisis action team in execution mode, the leader should continue to search for new and decisive ways to facilitate damage control and move the crisis out of the danger zone. At this point, information is critical to the leader but it's also one of his biggest challenges. His problem may be that there is "too little information available, or it may be that there's far too much, with no way to sift out what is important." Consequently, the requirement for the leader to bring clarity to "a murky situation might well describe the early phase of most crises." Despite this information challenge, the leader must continue to shape the response through actions, even when the response may be based on inaccurate or incomplete information. Decisive, identifiable action is critical at this point because it reduces individuals' perceived level of disequilibrium. Additionally, it gives the “appearance that responsibility for the problem [has been shifted to the individuals] taking action.” People will feel that the danger is retreating when they see the leader is paying attention.

On December 11, 1995, Aaron Feuerstein witnessed the tragic fire at his company. “Three huge buildings were burning to the ground, even though Malden Mills had the latest fire-sensing devices and sprinkler system.” In an article printed in *Parade Magazine*, one of the Mill’s employees recalled the motivation Mr. Feuerstein inspired: “…he convinced us he wasn’t quitting. If he had the guts to rebuild, we decided we would try to save whatever we could.” Because of this motivation, the workforce took action: As a result, “…the critical building where the Polartec fleece is finished, was saved, Mr. Feuerstein said, by ‘a miracle. But as you know, every miracle is connected with people. Thirty-six of my people were in that building, fighting the fire all night long, and they succeeded,’ even when local and state fire officials said it was hopeless.” Saving this building gave Malden Mills the foot-hold it needed to rebuild.

Be on Scene

Individual's need to know the leader is involved. This critical point cannot be overstated. "People want to see their leaders in a crisis." The leader should be
physically on the scene as soon as possible. "[His] physical presence sends a loud and clear signal that [he] thinks this situation is extremely important."19 Similarly, a leader's absence sends the message that he has other priorities.20 Physically being at the scene also gives the leader the opportunity to embrace his central leadership role, capture the initiative, seize power and take control.21 "During periods of crisis, people look for a strong", confident and visibly engaged leader to pull them through.22 Sadly, "analysis of crisis after crisis repeatedly reveals that leaders hit by crisis often withdraw behind the protective shell of peers and lawyers or they play the blame game with subordinates and the media."23

Giuliani appeared at the scene of the 9-11 attacks within minutes after the towers were struck. He immediately he took charge of rescue operations. After the twin towers fell, he remained on the scene. Giuliani seemed to be everywhere over the next few weeks. He was at press conferences, at a string of funeral services, at the crisis command center, on the phone doing daily interviews, and on the street talking with people. His visibility and leadership lifted the spirits of all New Yorkers.24

Consult the Team / Seek Experts

During crisis mitigation, a leader will find himself deluged with time sensitive decisions. Information quality may be marginal at best and there is little time to consider alternate courses of actions or think about unintended consequences. The organization’s crisis action team exists to address this challenge and take pressure off the leader. Never the less, a leader's capacity to make good decisions will undoubtedly be strained, making it imperative that he seek expert advice and council.25 "Small group decision making can provide a backstop to help curb a leader’s impulses, encourage reflection and critical dialogue, and point out problematic assumptions and unrecognized implications of a potential course of action."26 Likewise, engaging subject matter experts
from outside the organization as well as individuals, companies, or industries that have an interest related to the crisis can bring fresh, critical thought and ideas to the table.\textsuperscript{27} In a crisis situation listening to those who know will pay off.\textsuperscript{28} But leaders should also consider Stern's warning to "beware of conventional wisdom -- it may be wrong."\textsuperscript{29}

\section*{Learning Point}

Many organizations have crisis action checklists that delineate the first critical steps of action, but how many include having the senior leader on scene? Some large organizations have specific public affairs personnel identified to be on scene, but at some point the scope of the crisis demands the senior leader’s presence. What is that decision point in your organization?

\section*{Notes}

\begin{itemize}
\item Witt 1.
\item Witt 1.
\item Harvard Business School, \textit{Essentials} 67.
\item Harvard Business School, \textit{Essentials} 67.
\item Crutcher 2.
\item Crutcher 2.
\item Heifetz 140.
\item Campbell 3.
\item Campbell 3.
\item Ryan 5.
\item Campbell 3.
\item Perkins 202; This point is not specifically stated but is implied in the cited text.
\item Harvard Business School, \textit{Essentials} 69.
\item Harvard Business School, \textit{Essentials} 69.
\item Harvard Business School, \textit{Essentials} 69.
\item Crutcher 3.
\item Harvard Business School, \textit{Essentials} 86.
\item Pinsdorf 10.
\end{itemize}
Notes

24 Bowles 10-22.
26 Stern 203.
27 Crutcher 3.
28 Pinsdorf 13.
29 Stern 204.
Chapter 9

Tell the Story

“When in doubt, tell the truth.”

—Mark Twain

Introduction

Effective communication is critical to leaders through all phases of the crisis. A leader should capitalize on all forms of communication to tell the story and ensure the widest reception. If a leader communicates effectively, he can at least help to frame, if not control the story. Failing to communicate will result in a misinformed public that may go so far as to damage or destroy the organization.

In the end, how well or how poorly a crisis goes for an organization will have much to do with its communication. If an organization's
communications seem open and truthful and the leader is seen as genuine, compassionate, and confident in the future, the leader has "already gone a long way towards successfully managing the crisis."\(^4\)

**Be the Spokesperson**

Selecting the correct spokesperson is also central to the effectiveness of an organization's communications. It is imperative that the spokesperson have inner discipline and poise. Crisis will escalate the stress for both the spokesperson and the audience. Despite this stressful environment, a spokesperson must not show distress; he must have the emotional capacity to endure the "uncertainty, frustration, and pain" that is ever present in a crisis.\(^5\) "Taking the heat with grace communicates respect for the pains" created by the crisis.\(^6\) Whenever possible, the spokesperson should be "the identifiable leader, usually the CEO."\(^7\) "When the crisis involves highly technical issues [that the CEO cannot effectively address], a team approach [should be used]."\(^8\) General Tommy Franks used this technique very effectively during the Iraq War. General Franks would provide the strategic overview and key points but would hand-off detailed questions to subject matter experts.\(^9\)

While Burke was known to be an intensely private man who was reluctant to talk about his personal life and abhorred being in the spotlight, he firmly believed that as chief executive he had no choice but to act as the corporate spokesman.\(^10\) Called the most difficult problem the corporation ever had to face, Burke assumed the role of corporate spokesman because "Johnson & Johnson can't be faceless; it has to be personalized."\(^11\)

**Be Timely, Be Honest**

Rapid, honest and transparent communication is the "lifeblood" of successful crisis management.\(^12\) The crisis leader must provide all available information as timely as
possible. His message must always be forthright, accurate to the best of his ability and reinforced with understandable facts.\textsuperscript{13} If there is ever any doubt, his guiding principle should be to "error on the side of over disclosure."\textsuperscript{14} The leader must also get his side of the story into the public's mind early and often.\textsuperscript{15} When he doesn't, his organization is often convicted by the "court of public opinion" because a statement given by the leader is too late to overcome the media's negative story and the perceptions that have been fostered.\textsuperscript{16} Warren Buffett's advice is to "first state clearly that you do not know all the facts. Then promptly state the facts that you do know. One's objective should be to get it right, get it quick, get it out, and get it over."\textsuperscript{17} An organization's crisis management team may be great and its crisis management plan may be complete, but if a leader cannot communicate his message during crisis, the organization will fail.\textsuperscript{18}

The first 24 hours in a crisis often decide the eventual success of crisis leadership.\textsuperscript{19} One of the first and most important actions taken by Burke was an immediate response to the press, including live news conferences carried via satellite around the nation, and more than a dozen television appearances and interviews on national talk shows and local broadcasts.\textsuperscript{20} Within weeks of the first poisoning he had recorded an interview for the Donahue show which aired in 227 stations nationwide. Burke’s ability to honestly and compassionately tell Johnson & Johnson’s story maintained the confidence and trust of the news media and public.\textsuperscript{21}

The Wall Street Journal labeled Tylenol’s strong comeback a marketing miracle, but Burke believed the company was simply making use of the public’s belief that Johnson & Johnson could be trusted. “All of the previous managements who built this corporation handed us on a silver platter the most powerful tool you could possibly have – institutional trust” said Burke.\textsuperscript{22} Coupled with this trust, Burke remained honest with the public by letting them know he had no solution yet for improving the tamper-resistant packaging. Under Burke’s insightful leadership and telling the Johnson & Johnson story, he illustrated that if you do poorly by the American public, they won't respect you, and if you do well by them and look out for their interests, they'll give you a second chance.\textsuperscript{23}
Shape the Message

A leader must also determine the principal message he wants to convey in the story. For starters, it should reduce fear and contain empathy for the victims of the crisis. Many victims will sustain incredible loss; financial, emotional, and spiritual. When a leader genuinely conveys a feeling of empathy to the victims, it bolsters the confidence, will, and character they need to recover.\textsuperscript{24} The story should also tie into the organizations core purpose and values. A message developed from the organization's purpose and values will be calming and reassuring because of its consistency. Organizations that know what they stand for and know where they are going before a crisis hits, inevitably manage it better.\textsuperscript{25}

Giuliani proved to be a master at shaping the message. Just two hours and six minutes after the first impact, he was on the air giving residents guidance and showing concern. "I'd like to tell everyone to remain calm and to . . . evacuate lower Manhattan. My heart goes out to (the people who lost loved ones)." During this interview, he also gave the public a realistic view of the tragedy. However, he also reassured the public that everything possible was being done to secure the city and to rescue as many as possible.\textsuperscript{26}

At 2:35 p.m., he conducted a press conference. Giuliani demonstrated calm under pressure. He reassured the public that everything was being done to save lives and secure the city. Additionally, he reiterated that his "heart goes out to all the innocent victims of the horrible and vicious act."\textsuperscript{27}

At 6:00 p.m., Giuliani held another press conference. His statements included reassurance to the public. However, this time he began to talk about the future. Giuliani told the public "the thing we have to focus on now is getting the city through this and surviving and being stronger for it." Additionally, he urged the public not to exasperate the situation by taking vengeance on the Arab community.\textsuperscript{28}

Lastly, he showed the city how to deal with all the grief by attending a wedding four days after 9-11. Giuliani believes that September 16, 2001 was an important day for the morale of New York City. Prior to
September 11, 2001, Giuliani had committed to walking Diane Gorumba
down the aisle for her wedding.\textsuperscript{29} He kept this commitment and it became
the perfect opportunity to demonstrate to the people of New York City that
life must go on. This wedding became a source of motivation for
resuming to normal activity and for letting the terrorists know that they
would not win.\textsuperscript{30}

\section*{Learning Point}

The worst time to start a relationship with the media is during a crisis. Maintaining
channels of communications with the media as part of normal operations is essential to
having your story presented when crisis calls. What routine actions are established for
nurturing media relations in your organization? When is the last time leaders received
training for appearing in front of news cameras? Are you ready to respond when called
to represent your organization?

\section*{Notes}

\textsuperscript{2} “Wisdomquotes.com,” Quotation Search Engine and Directory,
<http://www.wisdomquotes.com/cat_truth.html>
\textsuperscript{3} Harvard Business School, \textit{Essentials} 94.
\textsuperscript{4} Witt 148.
\textsuperscript{5} Heifetz 110.
\textsuperscript{6} Heifetz and Linsky 146.
\textsuperscript{7} Harvard Business School, \textit{Essentials} 99.
\textsuperscript{8} Harvard Business School, \textit{Essentials} 99.
\textsuperscript{9} Harvard Business School, \textit{Essentials} 99.
\textsuperscript{10} Prokesch 23 February 1986.
\textsuperscript{12} Witt 44.
\textsuperscript{13} Harvard Business School, \textit{Essentials} 95.
\textsuperscript{14} Harvard Business School, \textit{Essentials} 21.
\textsuperscript{15} Harvard Business School, \textit{Essentials} 95.
\textsuperscript{16} Mitroff 25.
\textsuperscript{17} Harvard Business School, \textit{Essentials} 22.
\textsuperscript{18} Harvard Business School, \textit{Essentials} 96.
\textsuperscript{19} Witt 147.
\textsuperscript{20} Prokesch 23 February 1986.
\textsuperscript{21} Smith, \textit{American Business (B)} 1.
\textsuperscript{22} Smith, \textit{American Business (B)} 7.
Notes

23 Prokesch 23 February 1986.
24 Witt 193.
29 Diane's brother, a rookie firefighter, died of a heart attack while fighting a three-alarm fire on August 28, 2001. Earlier in the year, her father had passed away. Therefore, Diane did not have anyone to escort her down the aisle at her wedding scheduled for September 16, 2001. Based on the belief that life must go on and that with difficult times one should take full advantage of the joyous times, Diane took chance and asked Mayor Giuliani to perform this task. To her surprise, he accepted. (Giuliani, Rudolph with Kurson, Ken, Leadership [New York: Hyperion, 2002] 363.)
30 Giuliani 363.
Chapter 10

Profit from the Crisis

The pessimist sees difficulty in every opportunity. The optimist sees opportunity in every difficulty.

—Winston Churchill

Introduction

Time is not a leader's friend. The longer a crisis drags on, the more likely it is that the organization will be associated with trouble and conflict in the public's mind. Similarly, while the organization is embroiled in crisis, it is likely that it is not working at peak efficiency. Employees will become increasingly concerned with the health of the company and defections will increase. Relationships the leader has developed with suppliers, customers, investors, and stakeholders, which strengthened in the early stages of the crisis, will become increasingly strained. The leader must press on to the next move; he must resolve the crisis, quickly.
At some point the crisis will end and the leader should declare the crisis is over. The leader's declaration serves to stand-down the crisis action team, turn off the crisis mindset, and focus on adapting the organization while searching for opportunities. To give closure, a leader should meet with his organization. He should explain what happened and why it happened. He should describe how things have been resolved and where they stand today. Finally, he should reiterate the company's core purpose and values and ask everyone to do his best in moving forward.³

Keep Moving

Once a leader has mitigated the threat, that is, moved the crisis out of the danger zone, he can begin efforts to profit from it. He must still keep an eye on the threat, but his primary goal should be to move forward as quickly as possible with actions to end the crisis completely. Failure to guard against the threat and move forward gives the crisis an opportunity to mutate and break through the holding actions.⁴

“Ten days [after the devastating Malden Mills fire]..., its production line was back in operation.... Using new equipment they set up a temporary manufacturing plant in a warehouse and quickly began working again.”⁵ Mr. Feuerstein’s team rose to the challenge. In April 1997 (16 months after the fire) the Massachusetts Institute of Technology News Office reported that during a speaking engagement at MIT Mr. Feuerstein said, “‘Within four months we had 85 percent of the people back.’”⁶ He went on to say, “The fourth plant, which prior to the fire had never produced more than 130,000 yards a week, is producing more than 200,000 yards of Polartec….”⁷ The commitment of the leader was shared by the workforce of Malden Mills and renewal was possible because the entire team shared the vision to keep moving forward.⁸
Learn from the Crisis

A lessons learned session, or after action review should follow any significant event, especially a crisis. Participants should identify what went right, what went wrong, and what should be learned from the event. The leader should add the notes from the after action review, as well as all relevant crisis documents, to the historical record so valuable experiences aren’t lost.⁹

The former CEO at Johnson & Johnson, Phil Hoffman, had once told Burke “that for every bad occurrence, there is something good that comes out of it. What you have to do is analyze and emphasize.” In the turmoil following the second poisonings, Burke recalled going home and thinking, for once Phil is wrong. I couldn’t think of one good thing that could come out of this. And then a light went on.¹⁰

Prior to and concurrent with Tylenol poisonings, Burke had come under persistent attack from Wall Street for attempting to move a company that made its mark in pharmaceutical and consumer products into sophisticated medical equipment. After 7 years of huge losses by Technicare, a division that produced CAT scanners and other diagnostic imaging equipment, Burke felt the time was right to sell the failing division.¹¹ In the end, Burke brokered a win-win deal with General Electric, whose CEO Jack Welch had predicted the division’s failure two years prior. That experience brought Johnson & Johnson to a deeper understanding of their core purpose and direction, refocusing their efforts on businesses they not only understood, but also took advantage of their significant resources and expertise.¹²

Finally, the experience with the Tylenol crisis exposed a strategic weakness in the structure of large, diverse organizations like Johnson & Johnson. In successful crisis response, many variables depend on rapid and seamless decision making throughout the organization, yet multi-layered, classic hierarchy organizations are not typically responsive in time critical events. Changing how problems were reported was mandated after the Tylenol poisonings.¹³

Adapt the Organization

"The leader may feel a lot of internal and external pressure to see the crisis as a technical problem, with straight forward, technical solutions that can quickly restore the
balance."¹⁴ But he must not squander the urgency, attention, or opportunity the crisis has given him to address the difficult adaptive task of reinvention and simply return to status quo.

The Feuersteins took “…great care in overseeing the design and construction of an impressive new 500,000-square-foot plant.”¹⁵ In building the new facility, Aaron Feuerstein was adapting to a new reality while learning from his past. “Malden Mills was able to reconstruct manufacturing procedures that were more rational and efficient using state of the art technologies.”¹⁶ “The Feuersteins seized the opportunity to turn the tragic fire into the opportunity for a better workplace for their employees.”

Learning Point

Resisting the tremendous pressure to return an organization back to status quo is key to being able to Profit from the Crisis. Without seeking opportunities and pursuing the underlying cause of the crisis, a leader may leave an organization open for future conflict. Review the last major conflict or crisis in your organization and look for changes or adaptation that emerged. Is there a pattern of crisis in your organization? Are the underlying issues being resolved or is the organizational inertia too great to change?

Notes

² Harvard Business School, Essentials 80.
³ Harvard Business School, Essentials 112.
⁴ Harvard Business School, Essentials 78.
⁵ Ryan 5.
⁶ Campbell 3.
⁷ Campbell 3.
⁸ Ryan 5; This point is not specifically stated but is implied in the cited text.
⁹ Harvard Business School, Essentials 114.
¹⁰ Smith, American Business (B) 13.
¹¹ Smith, American Business (B) 13 and Prokesch 19 Feb 86.
¹² Smith, American Business (B) 14.
¹³ Pinsdorf 215.
¹⁴ Heifetz and Linsky 61.
Notes

15 Malden Mills, Daylight From Ashes”, Kalwall Recent Projects: 2.
Chapter 11

Conclusion

“But, as to the exercise of the mind, a prince should read histories and consider in them the actions of excellent men, should see how they conducted themselves in wars, should examine the causes of their victories and losses, so as to be able to avoid the latter and imitate the former.”

-- Machiavelli

For years crisis management has been synonymous with reactive leadership. While this type of leadership is often an unavoidable reality, this paper introduced a model that may be used to understand the general life cycle of a crisis, but what is the utility of such a model?

Applied to specific situations, this model can serve as a lens through which leaders may view their organizations. This lens, introduced as the Crisis Lifecycle Model, can frame the crisis and help leaders understand the situation they are facing. Further, the model provides the leader perspective and context during a crisis. This perspective helps the leader gain a “birds-eye” view of the situation. The crisis life cycle model addresses the theory of crisis analysis, but the strength of the tool is put into practical terms when the crisis leadership strategies are applied to the model. The strategies represent the prescriptive portion of this paper. Knowing were an organization is in a crisis is not helpful unless a leader also knows how to manage this new reality.
To help navigate a crisis, this paper also addressed appropriate actions or strategies that leaders may chose to pursue in each of the three phases of a crisis. These strategies are not necessarily exclusive to a particular phase and in fact may span several phases of crisis. The crisis leadership strategies were developed by gleaning the most consistently effective actions leaders have used to successfully navigate through crisis.

Finally, in developing and reviewing each of these strategies, we applied them to specific historical corporate and civil sector crisis situations. This application helped to validate the theory and the prescribed actions. The leader in each case successfully implemented some or all of the seven strategies addressed in this paper.

We believe that every crisis situation is unique and therefore it is impossible to develop a checklist that can be universally applied. However, the theory and strategies addressed in this paper may serve leaders well, if used to think about were their organization may be in the life cycle of a crisis and the appropriate strategies to be employed to meet their unique challenges.

The intent of this paper is to provoke thought within leaders at every level concerning the management of crisis situations and leadership in this environment. The skills required to lead through disaster must be continually honed to prepare for, respond to, and learn from crisis.

Notes

Appendix A

Key Thoughts for Crisis Leadership

UNDERSTANDING CRISIS

- Conflict, and its subset crisis, is an indelible part of the human condition, and necessary for change and growth. It applies to all systems universally, whether personal, social, organizational, or national.

- Because we live in a more complex, interconnected, and interdependent world, crisis is more prevalent than ever before. For this reason, it is critical that we understand why crisis represents both danger and opportunity.

- People wrongly believe that crisis is a random, cataclysmic event that can strike without warning. Although “acts of God” sometimes happen, more than likely crisis occurs when an organization’s values, beliefs, culture, or behaviors become misaligned with its operating environment. Until they are realigned, crisis will continue … perhaps indefinitely

- Unexpectedly, almost every crisis is preceded by signals and tremors. Leaders who are listening or are “in-tune” with them may mitigate or avert crises.

- During the preparation phase, adaptation or change is difficult if not impossible because organizations prefer equilibrium and the status quo. Leaders struggle to get their organizations to accept change because of the loss and pain that accompanies it.

- During the emergency phase, leaders have a “small window of opportunity” to decrease the organization’s level of disequilibrium in order to mitigate the threat. This is accomplished by decisive leadership, understanding the organization’s core purpose, empathetic communication, and other “technical remedies.”

- The adaptive phase begins when the threat has been stabilized. At this point, leaders must focus the urgency and attention on the underlying causes of the crisis. If the organization returns to its original equilibrium (status quo), the leader will be unable to solve underlying issues and crisis is likely to return.
LEAD FROM THE FRONT

- During periods of crisis, people defer to a strong leader who is visible, poised, courageous, committed, and attentive.

- Organizations under crisis want leaders who provide assurance, direction, and inspiration.

- Leaders must be careful not to get so caught up in the action that they lose their perspective and wisdom; this may be referred to as “leaving the dance floor to get on the balcony.”

FOCUS ON THE CORE PURPOSE

- People who understand their core purpose can weather any storm.

- Successful leaders understand their organization’s core purpose. Organization’s that succeed during crisis rely on their values, based upon their core purpose, as the foundation for every action and decision.

- Leaders must ensure their organization’s values, beliefs, and actions remain aligned with its core purpose and environmental reality. Once misaligned, a leader’s primary job is to realign them. This adaptation may be extremely difficult, often causing organizational disequilibrium, loss, and pain.

- Leaders must communicate their vision, grounded in the organization’s core purpose, to help reduce anxiety and ensure long-term organizational stability and security.

BUILD THE TEAM

- No leader is smart enough to single handedly solve all the challenges an organization encounters when in crisis. He must build teams inside, across, and outside his organization.

- Personal relationships are the building blocks of all teams. A leader must continuously nurture his personal relationships to develop a shared identity or bond with every team member. It is this bond that keeps a team member engaged and committed when faced with danger or the impulse to flee.

- A leader should also promote trust and understanding and foster an open and forgiving environment. He must provide feedback to his people.

- Leaders must not forget the “external” stakeholders to the organization. If they feel a sense of connectedness and shared identity, they will be willing to support and sacrifice on behalf of the team.
CONDUCT CONTINUOUS PLANNING

- To deal with the ever present crisis potential, leaders must conduct contingency planning, making as many decisions before the crisis as possible.

- Continuous planning begins by identifying the major categories of risk and prioritizing them with their probability of occurrence.

- Every crisis sends out a trail of early warning signals. A leader must ensure that the organization is “tuned-in” to these signals.

- Leaders must ensure their organizations have a detailed crisis action plan which identifies the members, facilities, and actions to be conducted during a crisis. The leader must then test the plan under realistic and demanding conditions.

MITIGATE THE THREAT

- When a crisis presents itself, leaders must take decisive action to facilitate damage control and move the crisis out of danger. People will feel that the danger is retreating when they see the leader is paying attention.

- People want to see their leaders during a crisis. The leader must be physically on the scene as soon as possible. It gives him the opportunity to embrace his central leadership role, capture the initiative, seize power and take control.

- During a crisis, a leader should consult with experts and focus on fresh, critical thought; but be constantly vigilant that conventional wisdom may be what allowed the crisis to unfold.

TELL THE STORY

- If a leader can communicate effectively, he can help frame, if not control, the story. Failing to communicate quickly may result in negative and unanticipated long-term consequences.

- Rapid, honest, and transparent communication often limits long-term media scrutiny.

- The correct spokesperson is critical to communication effectiveness. The spokesperson must display poise and discipline. Whenever possible, it should be a identifiable leader, usually the CEO.

- The leader’s message must reduce fear and contain empathy for the victims. The message should remain grounded in the organization’s core purpose and values.
PROFIT FROM THE CRISIS

- As soon as the danger is averted, the leader must declare the crisis over. The longer a crisis drags on, the more likely people will associate trouble and conflict with the organization.

- Leaders should ensure that lessons from the crisis are documented and resolutions are implemented.

- Finally, leaders should avoid the temptation to return the organization to the status-quo. He must take advantage of the urgency and attention to address the underlying issues that caused the crisis in the first place.
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