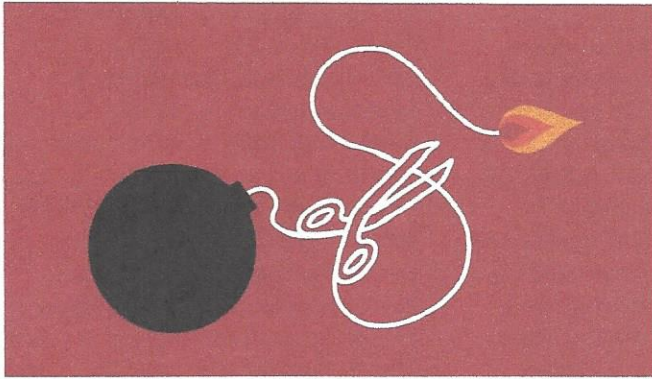




Quick Takes



1. Leading, Not Managing, in Crisis

→ by DANIEL MCGINN

IMAGINE YOU WERE the person at BP headquarters in 2010 who got the first call: A drilling platform in the Gulf of Mexico had exploded and sunk, killing 11 workers—and allowing oil to leak into the ocean at a rate of 43 barrels a minute. What would you do? Which colleagues would you convene, and which of the myriad problems would you address first? Would you put out a press statement or a tweet or send a spokesperson to the scene? Would your focus be on managing the situation—or actually leading the company through it?

Particularly in the age of Twitter, it's more important than ever for organizations to

swiftly and adeptly respond to a crisis—whether it's a full-blown disaster or merely a disgruntled customer's tweet that's starting to spread. In surveys, executives now rank “reputation risks” among their top worries, largely because bad news travels so much faster than it used to. A *Forbes* headline, written after video of a passenger being dragged off a plane went viral last spring, succinctly sums up the danger: “How United Became the World's Most Hated Airline in One Day.”

For many companies in such predicaments, the first call often goes to a crisis management consultant, or “fixer.” But according to James

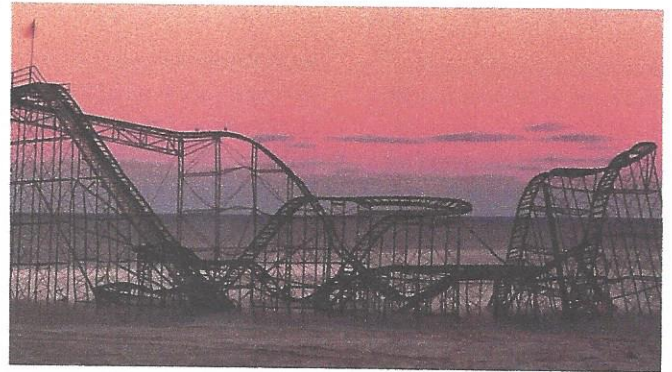
Haggerty, who specializes in this work, if you're caught so flat-footed that you need outside help immediately, you're already behind. In *Chief Crisis Officer*, he suggests that companies take three preemptive steps: designate an insider who will manage any situation that might arise (not the CEO, but someone trusted enough to make a big decision—such as the CEO's chief of staff, an experienced PR hand, or an assistant general counsel); appoint a rapid response team to help that person; and give that team some scenario training.

Haggerty classifies crises according to their speed (an “exploding” crisis versus an “unfolding,” slower-moving one, such as a big lawsuit) and examines nuts-and-bolts issues, such as limiting media access. His focus is tactical: He argues that companies should create a laminated, one-page crisis playbook, similar to what an NFL coach carries on the sidelines. Calling BP's response to *Deepwater Horizon* “one of the worst PR responses the world has ever seen,” Haggerty says that blame lies not just with then-CEO Tony Hayward but with the entire leadership team's lack of preparedness to communicate should an oil spill—an obvious risk for

the company—occur: “The fault, as I see it, lies not in the weak, fumbling messages that BP put out in the initial phases...but rather the lack of an adequate, executable plan that led directly to those fumbled responses.”

Tim Johnson, a London-based crisis consultant and the author of *Crisis Leadership*, argues for a slightly different approach. Drawing on academic research, he focuses less on the need for flowcharts and checklists and more on developing a “crisis-ready culture” and leaders who are steady enough to make deliberate, wise decisions even as the world speeds up—which is essentially what happens during a crisis.

Johnson describes two kinds of bias that arise from a fight-or-flight response and lead to bad choices: “intervention bias,” or the urge to overreach and take on tasks for which an organization is ill equipped; and “abdication bias,” which causes one to eschew responsibility or blame others. (Lawyers are particularly fond of the latter.) Actually leading in a crisis, he argues, requires avoiding these impulses and instead figuring out what's really happening, thinking hard about stakeholders' needs, and creating a purposeful mission



2. In New Jersey, Good Crisis Management Has Mitigated Sandy's Impact

→ by LAUREN STILLER RIKLEEN

PRIOR TO HURRICANE Sandy's landfall, New Jersey governor Chris Christie had brutally attacked President Obama's leadership credentials in his keynote address at the Republican convention. And President Obama was focused on his reelection campaign, increasingly attacking Republican positions. But a crisis makes strange bedfellows, and these political enemies together toured the damage, comforted victims, and publicly thanked each other for their leadership and help.

In the aftermath, pundits sneered at the so-called bromance between the governor and the president. But overcoming differences is a form of grown-up behavior that has been missing in a number of very public and vitally important crises that affect government and business.

All leaders are challenged by crisis. Here are four additional things Obama and Christie did to mitigate Sandy's impact—steps too many leaders fail to take when caught up in a crisis:

Communicate immediately and clearly. During the storm, the president was calling governors and other officials in affected states to stress the administration's support and to hear about their needs. He communicated to the American public and ensured the availability of information about first responders, the number of FEMA officials deployed to the field, where and how to file claims, and other facts that, in the past, often took much longer to learn. Compare this with the aftermath of Hurricane Katrina when, for nearly five days, thousands remained

to guide the response. "Resist the urge to do anything immediately," he writes. Ignore the adrenaline, work with a high-performing team, get the facts, ask questions, and listen; then make a plan.

Counterintuitively, Johnson points to President George W. Bush's reaction on 9/11—when he continued sitting with Florida schoolchildren even after being alerted that New York City was under attack—as exemplary. "By not outwardly reacting, [Bush] bought himself *space* to think and *time* to react," he writes.

Nancy Koehn, a historian at Harvard Business School, examines a different kind of crisis: one that drags on, putting a leader in a vise of unending decisions. In *Forged in Crisis*, she draws profiles of five leaders who experienced such stress: Ernest Shackleton, Abraham Lincoln, Frederick Douglass, Dietrich Bonhoeffer (an anti-Nazi German clergyman), and the 1960s environmentalist Rachel Carson. Koehn sees in these historical figures some of the characteristics Johnson prescribes: a cool deliberateness and a willingness to be patient even under pressure. Lincoln, for instance, "discovered the power of mastering his emotions in a specific

situation carefully enough to take no immediate action or, in some instances, to do nothing at all," she writes. "In our own white-hot moment, when so much of our time and attention is focused on instantaneous reaction, it seems almost inconceivable that *nothing* might be the best something we can offer." Yet history suggests that in some crises, it is.

As should be clear, these are three very different books. It's hard to imagine a CEO asking, "What would Lincoln do?" when his company's stock is tanking because of a viral video. Still, the recommendations offered aren't mutually exclusive. It's probably smart for a CEO to delegate tactical crisis management to a deputy, preappoint a team, and have some version of a playbook (laminated or not) at the ready. But that same leader should also aim to stay calm and above the fray, to keep an eye on the long game, and to understand that in many situations, "Let's wait and see" is the wisest response.

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Daniel McGinn is an executive editor at Harvard Business Review.

stranded as federal, state, and local authorities fought over jurisdiction, response measures, and resources, or consider the poor response by Japanese leaders in the aftermath of the tsunami and resulting nuclear disaster.

Directly assess the impact. By touring some of the hardest-hit areas, the president and the governor personally witnessed the physical scale of the calamity and the human toll. Written reports to leaders are not an adequate substitute for first-hand observations. Imagine how Penn State would have handled their sexual abuse crisis differently had senior officials sought out—and empathized with—the victims.

Establish and communicate clear expectations for your workforce. The president directed federal employees to return all calls within 15 minutes. He also ordered them to figure out how to say “yes” instead of “no” to requests for aid, even though “no” is often the default response since “yes” often requires going out on a limb. Giving clear directives is critical in any large bureaucracy—be it government, business, or academia. Decades after the *Challenger* explosion, it is still haunting to consider whether clearer communications could have prevented that tragedy.

Set priorities among conflicting demands. Consider the demands on both the president and the governor a

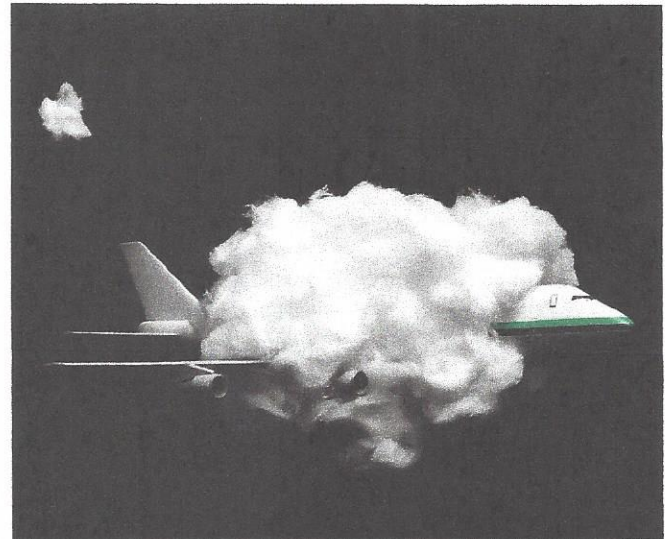
week before the presidential election. Each hour of the closing days of a campaign is critical, and the clamor for the candidates—and their surrogates—to race through swing states is intense. Undoubtedly both were urged to seize the moment to gain partisan advantage. They both chose to focus in a clear-eyed way on disaster relief, thereby demonstrating bipartisanship to a nation desperate for their leaders to act like adults. Contrast their actions with those of then-BP CEO Tony Hayward, who seemed more focused on shifting the blame than on capping the well.

Governor Christie’s response to those who criticized his outspoken appreciation of the president’s support was both characteristic and telling: “If you think right now I give a damn about presidential politics, then you don’t know me.” What the country needs now is for this response to serve not as an isolated incident of bipartisanship but as a blueprint for moving the country out of gridlock.

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Lauren Stiller Rikleen, president of the Rikleen Institute for Strategic Leadership, is the author of The Shield of Silence: How Power Perpetuates a Culture of Harassment and Bullying in the Workplace (American Bar Association, 2019) and You Raised Us, Now Work with Us: Millennials, Career Success, and Building Strong Workplace Teams (ABA, 2014). She was named by Public Media’s Next Avenue as one of the 50 most influential people in aging.



3. What Aircraft Crews Know About Managing High-Pressure Situations

→ by JAN U. HAGEN, ZHIKE LEI, and AVNER SHAHAL

ON NOVEMBER 4, 2010, four minutes after takeoff from Singapore Changi Airport, the number-two jet engine of Qantas Airways Flight QF32 exploded. On board the Airbus A380 were 440 passengers, 24 crew members, two copilots, and three captains. Debris from the exploded engine hit the left wing, destroying a number

of electrical and hydraulic lines. Then, several essential aircraft control systems failed. Over the next harrowing two hours, the pilots flew in a holding pattern. They needed to burn enough fuel so that the plane’s final weight would allow for a safe landing.

All passengers and flight crew survived.

JAN STROMME/GETTY IMAGES



The Australian Transport Safety Bureau's (ATSB) 2013 report on Flight QF32 shows just how difficult the situation in the cockpit actually was and how professionally the crew responded to the emergency. In the critical 20 seconds after the engine exploded, the crew received 36 aircraft monitor system alerts. Over the next 20 minutes, another 41 were recorded. It was the unanimous opinion of the ATSB that the effective cooperation of the crew in the cockpit was crucial to the plane's safe landing.

The Qantas crew's successful response to the incident was no stroke of luck, however. Crew Resource Management, first developed in 1980, is now used in civil and military aviation training worldwide. To ensure a safe flight operation, this kind of training requires two conditions, and open communication is important to both:

- The hierarchy on the flight deck must be flattened.
- Crews must be actively integrated into the flight's workflows and decision-making processes.

This team-based approach to flight is not meant to undermine the captain's role but rather to acknowledge that controlling a modern-day aircraft is beyond the skills of a single person. In an emergency, especially, everyone

on the flight deck must have the right to speak up.

We argue that traditional business models that adopt this approach to decision-making in high-stakes situations will be more likely to succeed in their sectors. The incident described above, and how it was resolved, exemplifies why: Crises, which will inevitably arise in any field of work, demand more from us than everyday challenges. No single person can manage one alone. Collaboration and cooperation were crucial to the survival of Flight QF32, and we believe that the same ingredients can be used to help businesses overcome the most difficult obstacles and thrive.

To support this theory, we have spent the past six years studying flight crew communication. Twice a year, aircraft crews around the world are required to complete trainings in full-flight simulators. The goal of these trainings is to place people in emergency situations and give them feedback on how to best handle them. They are concluded by a thorough check-flight within the simulator—the sole purpose being to test the crew. Pilots must pass this test to keep their license for another six months.

In the first part of our study, we observed and recorded

11 flight crews of a major European airline participating in these sessions. In the second part of our study, we conducted interviews with 61 flight crew members (pilots as well as nonpilots) in the air force. Our goal was to reveal the importance of team-driven decision-making during emergencies, show that teams (not leaders) make the difference between success and failure, and identify the aviation training practices that can be best adapted for and used in the business world.

In our first study, we collaborated with organizational scholars Mary Waller and Seth Kaplan to identify the benefits of Crew Resource Management rules and practices on team performance in critical situations. Over a period of 18 months, we examined how pilots and copilots interacted in the cockpit during simulator trainings and, in turn, how that interaction affected the performance of the crew as a whole. One of the simulation scenarios involved airspeed sensor failure; the other involved an unexpected loss in cabin pressure. For both, the simulator crews first had to deal with the immediate emergency and then safely complete the flight with a damaged aircraft.

Resolving the immediate emergency was arguably the

easier half of the challenge. Crew members did not really have to “think on their feet” because the process was a standard one. They recited a series of memory items—actions all crews are required to take in emergency situations—and then selected the proper checklist from the *Quick Reference Handbook* to guide them through the next steps. During this phase we observed no variations between the crews as all followed the correct procedures.

However, when it came to safely landing the aircraft, our observations varied significantly. The captain's style of communication had a major impact on crew performance in two ways. First, crews performed consistently better under intense time pressure when the copilot was included in the decision-making process than when the captain analyzed the problem alone and simply gave orders. Second, captains who asked open-ended questions—“How do you assess the situation?”; “What options do you see?”; “What do you suggest?”—came up with better solutions than captains who asked simple yes-or-no questions. By contrast, the latter method resulted in the copilot affirming the captain's decision and proved worthless to problem evaluation and solving.

■ Leaders must encourage their employees to speak up by asking open-ended questions before posing solutions.

The takeaway we gathered here is that involving colleagues as equal decision partners by asking them questions—a form of leadership that organizational development scholar Ed Schein terms “humble inquiry”—taps into other people’s expertise and aids constructive, factual information exchange. These questions are not simply for the sake of participation but rather to gather information, opinions, and proposals for action. Teams who continuously exchanged information, analyzed the facts, evaluated options, made and implemented decisions, and then reviewed what they had implemented were the most successful in safely completing their flight simulations.

On the basis of the results of the first study, we wanted to explore to what extent captains or commanders were aware of the benefits of using inquiry. To figure this out, we conducted another study examining the efficacy of Crew Resource Management training within the German and Israeli air forces. Unlike civil aviation, military pilots operate in unstable and volatile situations, and are more likely to face exceptional circumstances, particularly in war zones. We interviewed commanders, copilots, weapons system officers, and

technical loadmasters to learn how they work together. Almost all respondents, both in Israel and in Germany, emphasized that cross-hierarchy cooperation was important.

More than 80% of respondents underlined the need for speaking up—that is, the need for subordinate crew members to express their opinions and ideas openly. “If you speak first, your copilot will not contradict you,” stated one of the Israeli commanders. “I always ask my copilot for his opinion first. I do not want him to accept my view uncritically, especially if I am wrong.”

A number of pilots we interviewed also observed that, in all critical situations, even the most experienced pilot may overlook something, act too hastily, or lose focus. Collaboration, thus, is vital to safety. “I invite [my copilot’s] opinion,” stated one of the Israeli commanders. “I say, ‘Monitor me; notice if I miss anything.’ If something is unsafe, I expect him to intervene and I will listen. I tell the copilot that the worst that can happen is me telling him that we are not going to take his suggestion at this time.”

This invitation is important because, notably, many of the copilots we spoke with in both the German and Israeli forces stated that they will not speak up without an invite in situ-

ations that do not precipitate a crisis—even though they have been taught explicitly to speak up as a part of their training. “If [the commander] asks me my opinion because he’s interested in it, then I answer him,” said one Israeli copilot. “But if he doesn’t ask me, I won’t throw it in. In my opinion, the commander is in control of the situation.”

However, it is not uncommon for seemingly noncritical decisions to lead to more-serious outcomes. This is why open questions between crew members are needed to draw a wider range of solutions to problems—whether or not those problems are considered emergencies. Doing so helps crews go beyond what is merely feasible to produce more-ideal outcomes—that is, not just a smooth landing but a smooth landing at the right airport with the right personnel at the right time.

In summary, our second study confirmed what we had found in the first: Open questions are vital to effective communication in high-stakes situations. But we also learned something new: Open questions are vital in *all decision-making processes* as a means to come up with the best solutions and as preventive measures against potentially dangerous or imperfect outcomes.

Through both studies, we were able to gather insights that ultimately support our idea that aviation’s Crew Resource Management concept can be easily applied to businesses. Leaders simply have to use their teams as active resources.

People in positions of power need to make sure that the hierarchy of decision makers on their teams does not become so steep that workers in junior positions are afraid to speak up. (We realize that it’s unrealistic to expect all teams to take on an outright flat structure.) In addition, we believe that to successfully apply these principles, leaders must make a concerted effort to encourage their employees to be assertive and speak up by asking open-ended questions before posing solutions, even (and specifically) in high-stakes or urgent situations. When people are under pressure, it’s not uncommon for them to shut down and grow quiet rather than be proactive. This is why inquiry is such a valuable tool for gathering information.

There can be exceptions, though. Inquiry is not always a silver bullet—as can be seen by the two recent Boeing 737 MAX 8 accidents. The recently published final accident report of the Lion Air crash of 2018 identified a



large number of contributing factors. Apart from the widely covered technical problems of the MCAS system, the report documents pilot skill deficiencies on the part of the copilot. Therefore, the captain was lacking a crucial resource in a critical situation.

The Boeing MAX 8 case may hold a lesson for management as well. It was recently reported that Boeing's test pilots had internally discussed concerns about the MCAS system back in 2016. We do not yet know if Boeing's management was aware of these concerns, but we theorize that inquiry could have been a preventive measure in this case. Had management asked the pilots for feedback earlier on, the information regarding the system would have been pushed upward and allowed management to initiate a review of the system before the accident.

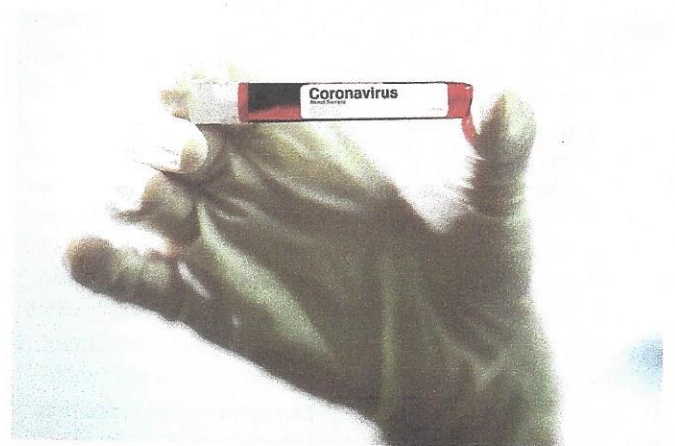
As we saw in our studies, it's important for those in positions of power to recognize that they do not lose authority when they ask questions or admit that they do not know everything. Leaders who ask questions create teams capable of handling the complexities of any business task, whether critical or noncritical. Researcher Amy Fraher, a retired US Navy commander and former commercial

and military pilot, calls this type of leader the "creative problem solver." We would go a step further and describe this person as a "collegiate and creative problem solver," someone who knows the issues and seeks out the team's opinion. We believe businesses that create a framework that emphasizes leading with questions, and trains and retains leaders with this skill, will be capable of achieving operational excellence.

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4. How Chinese Companies Have Responded to Coronavirus

→ by MARTIN REEVES, LARS FÆSTE, CINTHIA CHEN, PHILIPP CARLSSON-SZLEZAK, and KEVIN WHITAKER

AS THE COVID-19 crisis spreads to new epicenters in Europe and the U.S., companies are scrambling to mobilize responses. There are no easy answers, due to the unpredictability of disease dynamics, a lack of relevant prior experience, and the absence of plug-and-play instructions from government or international authorities.

Clearly each local situation is different, but we believe there are opportunities for

companies to learn from others in regions that are weeks ahead in responding to the epidemic. China appears to be in the early stages of an economic rebound, according to our analysis of high-frequency data on proxies for the movement of people and goods, production, and confidence. While this recovery could be vulnerable if a new wave of local infections were to emerge, many Chinese companies have already moved beyond



LEADING IN A CRISIS
QUICK TAKES

crisis response to recovery and postrecovery planning.

On the basis of our experience supporting Chinese enterprises with their recovery plans, we have extracted 12 early lessons for leaders elsewhere. To be sure, China has its own distinct political and administrative systems, as well as social customs, but many of the lessons here seem broadly applicable.

1. Look ahead and constantly reframe your efforts.

By definition, crises have a highly dynamic trajectory, which requires a constant reframing of mental models and plans. Initial ignorance gives way to discovery and sense-making, then crisis planning and response, recovery strategy, postrecovery strategy, and finally, reflection and learning. This process must be fast—and therefore CEO-led—to avoid getting stuck in complex internal coordination processes and being slow to react to changing circumstances.

In China, some of the fastest-recovering companies proactively looked ahead and anticipated such shifts. For example, in the early stages of the outbreak, Master Kong, a leading instant noodle and beverage producer, reviewed dynamics on a daily basis and

reprioritized efforts regularly. It anticipated hoarding and stock-outs, and tilted its focus away from off-line, large retail channels to O2O (online to off-line), e-commerce, and smaller stores. By continuously tracking retail outlets' reopening plans, it was also able to adapt its supply chain in a highly flexible manner. As a result, its supply chain had recovered by more than 50% just a few weeks after the outbreak and was able to supply 60% of the stores that were reopened during this period—three times as many as some competitors.

2. Use an adaptive, bottom-up approach to complement top-down efforts.

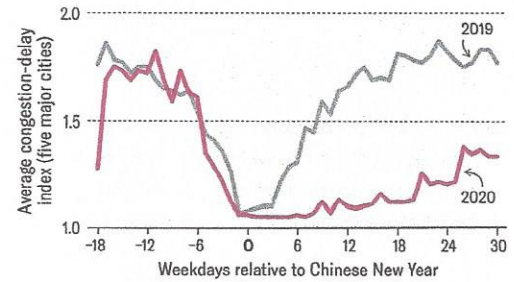
Rapid, coordinated responses require top-down leadership. But adapting to unpredictable change, with distinct dynamics in different communities, also requires decentralized initiative taking. Some Chinese companies effectively balanced the two approaches, setting a top-down framework within which employees innovated.

For example, Huazhu, which operates 6,000 hotels in 400 cities across China, set up a crisis task force that met daily to review procedures and issued top-down guidance for the whole chain.

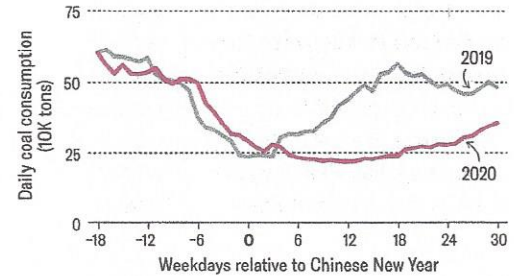
Impact of Covid-19 in China: Emerging Signs of Recovery

China appears to be in the early stages of an economic rebound, according to data for three benchmarks.

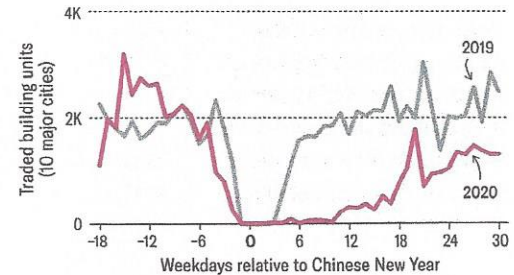
People and goods are starting to move again.



Consumption of coal is increasing, indicating that production is resuming.



Property transactions are resuming, signaling that confidence isn't broken.



Note: Data re-based for weekdays excluding weekends relative to start of Chinese New Year (February 5, 2019, and January 25, 2020). Cities in the congestion-delay index are Beijing, Shanghai, Guangzhou, Shenzhen, and Wuhan. Daily coal consumption is the sum of averages from Jerdin Electric, Guangdong Yudean Group, Datang International Power Generation, and Huaneng Power International. Cities analyzed for building units traded are Beijing, Shanghai, Guangzhou, Shenzhen, Hangzhou, Nanjing, Qingdao, Suzhou, Nanchang, and Xiamen.

Source: Wind, cqcoal.com, and BCG Center for Macroeconomics

In addition, it leveraged its internal information platform, an app called Huatong, to make sure employees and franchisees were armed with timely information. This allowed franchisees to adapt central guidance to their own local situations in terms of disease conditions and local public health measures.

3. Proactively create clarity and security for employees.

In a crisis, it's hard to find clarity when the situation and the available information are constantly changing, driven by the exponential logic of contagion. Official advice may be absent, contradictory, out-of-date, or not

granular enough for practical purposes. Furthermore, confusion is compounded by a plethora of media reports with differing perspectives and advice. Employees will need to adopt new ways of working, but they won't be able to do so unless they have clear, consistent information and overall direction.

Some Chinese companies created very proactive guidance and support for employees. For example, China's largest kitchenware manufacturer, Supor, instituted specific operational guidelines and procedures for its employees, such as instructions for limiting exposure while dining in canteens and emergency plans for abnormal situations. In addition, the company instituted health checks for employees and their families from the early stages of the outbreak and procured preventive equipment. It was well prepared for a timely resumption of work, reopening some production lines in the second week of February.

4. Reallocate labor flexibly to different activities.

In hard-hit businesses, such as restaurants, employees were unable to carry on their regular activities. Rather than furloughs or layoffs, some creative Chinese enterprises

actively reallocated employees to new and valuable activities, like recovery planning, or even loaned them to other companies.

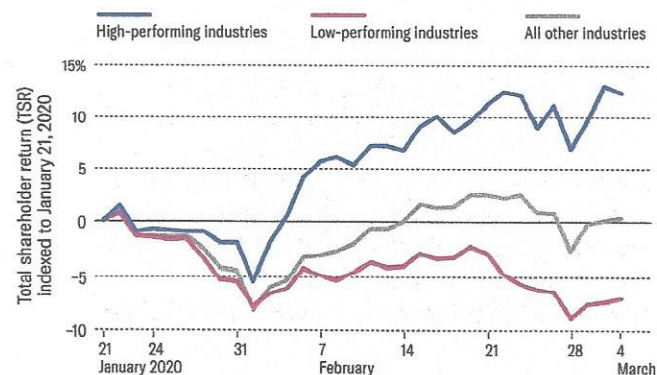
For example, in response to a severe decline in revenue, more than 40 restaurants, hotels, and cinema chains optimized their staffing to free up a large share of their workforces. They then shared those employees with Hema, a "new retail" supermarket chain owned by Alibaba, which was in urgent need of labor for delivery services due to the sudden increase in online purchases. O2O players, including Ele, Meituan, and JD's 7Fresh, followed this lead by also borrowing labor from restaurants.

5. Shift your sales channel mix.

Person-to-person and brick-and-mortar retail were severely restricted in affected regions. Agile Chinese enterprises rapidly redeployed sales efforts to new channels in both B2C and B2B enterprises.

For example, cosmetics company Lin Qingxuan was forced to close 40% of its stores during the crisis, including all its locations in Wuhan. However, the company redeployed its 100+ beauty advisers from those stores to become online influencers who leveraged digital tools, such as WeChat, to engage customers virtually and drive online sales. As a result, its sales in Wuhan achieved 200% growth compared with the prior year's sales.

Covid-19 Recovery Dynamics Differ Across Sectors in China



Note: Based on the 500 largest companies by market cap in Greater China as of January 1, 2020; industry groups based on GICS classifications; industry groups with indexed TSR >5% as of March 4, 2020, are classified as high performers; TSR <-5% classified as low performers. Source: S&P Capital IQ, BCG Henderson Institute Analysis

6. Use social media to coordinate employees and partners.

With remote working and a new set of complex coordination challenges, many Chinese companies took to social media platforms, such as WeChat, to coordinate employees and partners.

For example, Cosmo Lady, the largest underwear and lingerie company in China, initiated a program aimed at increasing its sales through WeChat, enlisting employees to promote to their social circles. The company created a sales ranking among all employees (including both the chairman and CEO), helping motivate the rest of the staff to participate in the initiative.

7. Prepare for a faster recovery than you expect.

Only six weeks after the initial outbreak, China appears to be in the early stages of recovery. Congestion delays currently

stand at 73% of 2019 levels, up from 62% at the worst part of the epidemic, indicating that the movement of people and goods is resuming. Similarly, coal consumption appears to be recovering from a trough of 43% to currently 75% of 2019 levels, indicating that some production is resuming. And confidence appears to be coming back as seen in real estate transactions, which had fallen to 1% of 2019 levels but have since bounced back to 47%.

While the depth and duration of the economic impact in other countries is impossible to forecast, China's experience points to a scenario that companies should prepare for. Considering the time it takes to formulate, disseminate, and apply new policies in large companies, recovery planning needs to start while you're still reacting to the crisis.

For example, a premium Chinese travel agency, facing

■ Recovery planning needs to start while you're still reacting to the crisis.

a collapse in its short-term business, refocused around longer-term preparations. Instead of reducing head count, it encouraged employees to use their time to upgrade internal systems, improve skills, and design new products and services to be better prepared for the eventual recovery.

8. Expect different recovery speeds for different sectors.

Unsurprisingly, sectors and product groups recover at different speeds, thus requiring distinct approaches. Stock prices fell across all sectors in the first two weeks that China's epidemic accelerated, but leading sectors, such as software and services, and health care equipment and services, recovered within a few days and have since increased by an average of 12%. The bulk of sectors recovered more slowly but reached prior levels within a few weeks. And the hardest-hit sectors—such as transportation, retail, and energy, representing 28% of market capitalization for China's largest stocks—are still down by at least 5% and showing only minimal signs of recovery.

This means companies need to calibrate their approach by business—and large companies need to

calibrate their approach by division. For example, a large global food and beverage conglomerate used the crisis to accelerate the long-term shifts in its product mix in China (the company's second largest market worldwide), including increasing its focus on health-relevant products, imported products, and on-line sales channels.

9. Look for opportunity amid adversity.

While the crisis in China impacted all sectors to some extent, at a more granular level, demand increased in many specific areas. These included B2C e-commerce (especially door-to-door models), B2B e-commerce, remote meeting services, social media, hygiene products, health insurance, and other product groups. Some Chinese players mobilized rapidly to address these needs.

For example, Kuaishou, a social video platform valued at \$28 billion, promoted online education offerings to compensate for school and university closures. The company and other video platforms partnered with the Ministry of Education to open a national online cloud classroom to serve students. And a major restaurant chain leveraged downtime to plan a new offering of semifin-

ished dishes, capturing the increased need and occasion for home cooking during the crisis.

10. Adapt your recovery strategy by location.

Regional public health policies, disease dynamics, and administrative guidance will create recovery dynamics that vary by location—most likely not following the geographical structure of companies. This requires a flexible approach.

For example, a leading Chinese dairy company (a \$10 billion business with a wide production base and deep national distribution in China) developed a segmented approach based on regional and city recovery dynamics, as well as on its own supply chain infrastructure and sales force density. The planned supply from factories in severely impacted areas was allocated to factories in other regions in a phased approach. Marketing activities, messaging, and budget allocation were also adjusted continually to reflect regional differences in expected recovery speed, consumer sentiment, and needs.

11. Rapidly innovate around new needs.

Beyond rebalancing your product portfolio, new

customer needs also create opportunities for innovation. When threatened by crisis, many companies will be focused on defensive moves, but some Chinese companies boldly innovated around emerging opportunities.

The insurance industry is notoriously conservative, but in response to the crisis, Ant Financial added free coronavirus-related coverage to its products. The action served a customer need while promoting awareness of the company's online offerings and improving customer loyalty. It expects a 30% increase in health insurance income in February, as compared with the previous month.

12. Spot new consumption habits being formed.

Some shifts will most likely persist beyond the crisis, and many sectors will reemerge to new market realities in China and elsewhere. Indeed, the SARS (severe acute respiratory syndrome) crisis is often credited with accelerating the adoption of e-commerce in China. It is too early to say for sure which new habits will stick in the long run, but some strong possibilities include a leap from off-line to online education, a transformation in health care delivery, and an increase in B2B digital channels.

Some Chinese companies are already planning around these shifts in the postcrisis world. For example, the Chinese business of a global confectionary manufacturer accelerated its existing digital

transformation efforts. The company canceled off-line campaigns for Valentine's Day and other promotional activities, reinvesting resources instead into digital marketing, WeChat programs, and partnerships with O2O platforms to take advantage of new consumer behaviors during the outbreak and beyond.

UNDOUBTEDLY MORE new lessons will emerge from China, Korea, Italy, and eventually the U.S. Companies that adopt a high-frequency approach to learning, codifying, and applying lessons from other regions will be better able to protect their employees and business. Indeed, in a fast-changing, volatile world, such an adaptive approach should be applied more broadly beyond crisis management.

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5. How to Reassure Your Team When the News Is Scary

→ by ALLISON SHAPIRA

WE'VE ALL EXPERIENCED turbulence on an airplane. Maybe you were rudely awakened by a sudden jolt, or you stood up to use the restroom and had to hold on to the back of someone's seat. Within a few seconds, the pilot's voice usually comes over the intercom offering reassurance through the uncertainty of turbulence.

With Covid-19 concerns around the globe, it's not just the airline industry that is experiencing a sudden lurch on its normal journey. Many business leaders are asking how they can communicate uncertainty both internally

to their teams and externally to their clients—whether it's about participating in an upcoming conference or delivering on a signed proposal. Communicating in the face of uncertainty is a constant leadership challenge.

In addition to working with the airline industry on this topic, my team and I have worked with *Fortune* 500 companies around the world who need to manage high-stakes communications to multiple audiences simultaneously. Here are five steps we have found to be incredibly effective:

1. Pause and breathe.

Before you start communicating to others, take a minute to pause and breathe. When you are the most senior person in a room, your team takes its cues from you in terms of how to act and how to feel. Taking a moment to center yourself will ensure that you present a calm, rational force to your colleagues and clients. This applies both over the phone or through email. When you feel anxiety, you transmit that to others. A study of empathetic stress found that observing others experiencing stress could cause observers to feel more stressed themselves.

2. Put yourself in your audience's shoes.

In public speaking, knowing your audience in advance is critical. In times of uncertainty, it's paramount, regardless of the medium. Do a thorough strategic analysis of whom you are communicating to. What are their concerns, questions, or interests? What do they need an immediate answer to? You might use language such as, "I know many of you may be thinking..." The quicker you can address what's on their minds, the quicker you will be able to calm them down. If you are not addressing their



most pressing interests, they might not even be listening to you.

3. Do your research.

In times of stress, misinformation can be especially destructive. Seek out credible sources of information, and read the information fully before distilling it into clear, concise language. Share those links with others so that they too have a credible resource. As a faculty member at Harvard, I appreciate that the university created a separate web page with credible sources for more information and sends frequent emails with updates.

4. Speak clearly and confidently.

You can speak with confidence even without 100% certainty. You can confidently express doubt or uncertainty while still sounding as if you are in control of the situation. You might say, "Reports are still coming in, but what we understand so far is this..."

Communicate frequently with your audience, even without news to report, so that they know you are actively following the issue. Fellow communication expert Nancy Duarte wrote an insightful article on this topic several years ago and said, "People will be more willing to forgive your in-progress

ideas if they feel like they're part of the process."

5. Have specific next steps.

In uncertain times, it's helpful to provide your team with tangible action items. Discussing your own next steps or recommending next steps to your audience gives them a sense of control, so they feel as if they are contributing to stabilization. Use language such as "Here are the steps we are taking" or "Here's what you can do" to demonstrate action.

Communicating through uncertainty is an essential leadership skill, regardless of whether or not you have a formal leadership role. In fact, the ability to communicate through uncertainty demonstrates your leadership readiness. Use these steps to first find your own sense of focus, and then transmit that reassurance to others.

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6. Preparing Your Company for a Crisis

→ by MARSHALL GOLDSMITH

THIS WEEK'S QUESTION for Ask the Coach:

"Many organizations are in such a state of crisis today that it can be overwhelming. Do you think there's a purpose or a lesson in what we're experiencing?"

My friend Ian I. Mitroff, noted author and profes-

sor who works on both organizational purpose and spirituality, has an intriguing perspective that may provide an answer the rest of us had not considered:

"There are two challenges facing all organizations today. They are crisis management and spiri-

KAZUNORI NAGASHIMA/GETTY IMAGES

■ Every crisis raises deep questions about the goodness of the organization and the people in it.

tuality. While seemingly unrelated, they are opposite sides of the same complex coin."

Briefly, the challenge of crisis management is to overcome apathy, smugness, and denial. The challenge of spirituality is to overcome the false perception that it is off-limits and doesn't apply to most organizations.

For about 25 years, my colleagues and I have studied the crisis management behavior of all kinds of organizations. I wish I could say that during this time they have made significant progress, but I can't. Many have made substantial improvements in their business continuity plans, procedures, and preparations. However, business continuity is not the same as crisis management.

Business continuity is great for backing up workplaces, plants, computers, machinery, and operations, but it does not prepare for workplace violence, disgruntled employees, and ethical breaches by middle and top management. Business continuity doesn't take into account that no single crisis that we have ever studied is an isolated crisis.

Every crisis is simultaneously an ethical, PR, legal, communications, and/or op-

erations crisis. Unless people plan and think systemically and "connect the dots," they are not prepared for any major crisis.

Given the severity and frequency of major crises, what keeps us from preparing better? Denial. Far too many organizations believe it can't and won't happen to them. It will.

Research shows that better-prepared organizations experience significantly fewer crises and are much more profitable. The moral: Crisis management is not only the right thing to do, it is good for business.

How does spirituality fare? Sadly, not much better.

First of all, spirituality in the workplace is not about religion or forcing everyone to adopt the same belief system. It is about recognizing that when people come to work, they do not leave their spiritual sides at home. While the whole person walks in the door every day, people are often forced to fragment themselves into a thousand disconnected pieces.

People are searching for meaning and purpose in their lives, and they want to find it where they spend most of their time, such as at work. They want to work for a good, ethical organization that treats them with respect.

Research shows that organizations that address the spiritual needs of their employees and all stakeholders are more profitable and productive. But just as important, they are happier places in which to work.

How are these two challenges related?

Every crisis is a spiritual crisis and raises deep questions about the goodness of the organization and the people in it. A crisis challenges our deeply held assumptions about the organization's purpose and our places within it. For instance, is the crisis our fault in any way? Did we bring it upon ourselves? Would it have happened if we had tried harder and had better programs?

There is little doubt that these are challenging times. There is no doubt that we face unparalleled crises. Nonetheless, I believe that if we can use these times to develop organizations that serve the "greater needs" of all those connected with them, then we will not only survive but become better. If we do not, we will continue to stagger from crisis to crisis. ☺

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Marshall Goldsmith is recognized as one of the world's

leading executive educators and coaches. His 40 books include What Got You Here Won't Get You There: How Successful People Become Even More Successful (Hachette Books, 2007) and Triggers: Creating Behavior That Lasts—Becoming the Person You Want to Be (Crown, 2015).