

Crisis Leadership

It's all about good judgment.



by Noel Tichy and Warren Bennis

OBVIOUSLY LEADERS NEED TO MAKE good judgment calls in crisis situations, since crises are, by definition, dangerous moments. But errors at these times may not be any more fatal than errors in judgment regarding people and strategy. The big difference is that they are usually time-pressured; hence, dire consequences brought on by bad calls at these moments often come quickly.

We examined judgment calls in crises, not only because getting them right is so important, but also because they compress and highlight so many important elements of making judgment calls. They require leaders: to have clear values and know their ultimate goal; to foster open and effective communication among members of the senior team and in the ranks; to gather and analyze data; and to execute decisions effectively. These are elements for making good judgment calls under any circumstances, but the pressure of a crisis brings them clearly into focus.

In the military, especially during war, leaders deal with crises regularly as part of their role. The stakes are different in business, but the urgency, the unpredictability, and the serious nature of the situations are the same. There are important lessons for business leaders to be found in reflecting on how the military handles crises.

The first thing you need to do in a crisis is keep your wits about you. Assess what you are facing, and come up with the best strategy for achieving your ultimate goal in the circumstances. Of course, you need to know your strategic goal. In a crisis, leaders often forget the strategic goal—they may come up with a great solution that has little to do with accomplishing what they're supposed to be doing. If you don't stay focused on the mission, you easily drift into wasted activity.

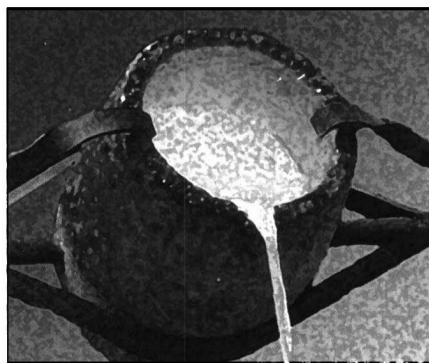
All leaders face crises at some point. Some crises are life-threatening to the

institution, if not to human life. Crises not handled well, where good judgment calls were not made, can even lead to the demise of an institution.

Three Phases

Good judgments made during times of crisis follow the same process as judgments made under ordinary circumstances. There is a *preparation* phase, a *call* phase, and an *execution* phase. The preparation phase needs to be done before the crisis occurs. Effective leaders prepare for crisis, even before knowing what crisis will occur.

It's more true in crisis situations than with judgments about people and strategy that the likelihood of making successful calls is vastly increased if they are made in the context of a *Teachable*



Point of View (TPOV) and on the platform of the storyline for the future.

Leaders tend to make bad crisis judgments either because they lack a clear TPOV and storyline, or they make bad people judgments. To handle crises effectively, leaders must have an aligned team. Otherwise, the crisis situation will splinter the team just when smart, coherent action is needed most. Bad people judgments or bad strategy judgments can precipitate a crisis, but once one happens, teamwork and focus make all the difference between survival and disaster.

Having been in leadership positions dealing with crises, and having talked with scores of leaders about crisis leadership, we can attest that the fundamental process of judgment is the same as with people and strategy: have a solid TPOV, and make sure the judgments you make are consistent with the TPOV, or at least, do not hinder execution of the storyline for

where you want to ultimately end up.

Blind spots. Most leaders have blind spots about people. Sometimes leaders have a sense of loyalty to those who did something helpful to them earlier in their career. Sometimes subordinates are talented at the "kiss up and kick down" game. They abuse their subordinates and undermine colleagues, but they present a picture of perfection to the boss. This is why 360-degree evaluations are necessary. Leaders also succumb to the halo effect—when they generalize their own talents and abilities to others around them. Blind spots cause some leaders to have defensive routines that block out accurate data on a person or set up psychological barriers that keep others from sharing honest feedback on the person. All of these forces add up to serious bad people judgments, which can create organizational crises.

Why are some leaders better able to deal with crises than others? Even when hit with unpredictable events, why do some leaders do a better job of responding? How do some leaders even manage to turn crises into leadership development opportunities?

The answer is because they anticipate crises. They aren't psychics. They can't see into the future and predict random events that are going to strike two days or two years hence. But they know that some crises will occur, and they prepare themselves and their organizations to respond effectively and efficiently when they do.

These leaders know that in order to survive crises, perhaps even come out ahead, they must have an aligned and trusted team; a teachable point of view and storyline for the future success; and a commitment to developing other leaders throughout the crisis.

David Novak, CEO of Yum! Brands, and Phil Schoonover, CEO of Circuit City, are two leaders who have navigated through several crisis situations. They both do three things: 1) they effectively, in real time, deal with their crises; 2) they mobilize, align, and engage the right social network of leaders by tapping their brains and emotional energy to handle the crises; and 3) they focus on developing the leaders engaged in the process, teaching and coaching in real time.

Leaders who succeed in crises develop their capabilities and build them into their culture. The conventional wisdom regarding crisis management and communication, basically, nets out to be good public relations advice. It includes such things as preparation of

crisis contingency plans, analysis of the crisis and public perceptions, identification of the relevant audiences, and repairing a tarnished image.

These are reasonable actions, but they do not address how to help the leader deal with the crisis judgment process in a way that furthers the organization's storyline, builds for the future, and also develops a broader social network of leaders better able to handle future crisis judgments.

The lesson for leaders is to have mechanisms in place that provide quick responses to crises and that develop the next generation of leaders.

Even great leaders have inconsistent judgment but, over their careers, find a way to be on the right side when judgment is critical. With good judgment, little else matters. Without it, nothing else matters. Judgment doesn't involve a simple decision, or "call," but a process that begins with acquiring the right information and continues through execution. Judgment is not good judgment until it's backed up by execution, and mistakes must be recognized and course corrections made.

In our research, we discovered that few leaders want to share stories or examples of their bad judgments. Because the easy decisions are made by managers, the judgment calls that rise to the top are always difficult.

The most common reason leaders cite for their bad judgment is that they misjudge others. When leaders talk about bad judgment calls, they often talk about the bad judgment of others. They did not recognize or act on the signs that others were up to something inept or unethical. They were overly loyal, overly supportive, or overly protective at the expense of the business. As a leader, you can't put the business at jeopardy by protecting a weak-performer who is a personal friend.

Leadership is a process of course correction. The challenge is that, while opportunity can be a judgment trap, it is also the lifeblood of business and what leaders are paid to recognize and act upon. In crises, leaders need information but are sometimes doomed by wrong information. It's analogous to the heart—if you don't get the right amount of oxygenated blood to the right place, you have a heart attack. LE

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ACTION: Improve your crisis judgment.

Leaders and Followers

Technology impacts relationships.



by Barbara Kellerman

TECHNOLOGY DIFFUSES power. Since information is more valuable a resource than things, no one can ever again completely control anyone or anything. Power and influence are trickling away from leaders toward followers.

Technology is changing the leader-follower dynamic. This is not to deny the pecking order, the hardwiring that dictates hierarchy, but those in the middle and bottom now have new and different tools that enable them to take on or to circumvent those at the top.

Consideration of relations between leaders and followers must take into account the impact of satellite dishes, cell phones, text messaging, and digital cameras, along with the internet and e-mail and the social networking sites, including YouTube, Facebook, and MySpace.

Consider two examples:

- **2008 presidential campaign.** Just a year ago, Senator Hillary Clinton was considered the Democratic Party's "inevitable" nominee for president, while Senator Barack Obama was largely unknown. But, ordinary people used technology to interfere with the conventional wisdom. Obama's stunningly successful race testifies to the power of the Web to turn establishment politics on its head. Obama is a man of the people and by the people. He is the product of our imagination, a candidate whose brand was created from the bottom up. His campaign has been fuelled by our money (about 90 percent of the \$32 million he raised in January 2008 came from contributions of less than \$100.) And his charisma is the reflection of our infatuation (more than 500,000 Obama followers created accounts at mybarackobama.com).

This is not to say that Obama profited from the new technology at every turn. In fact, when the hand that fed him bit him, he complained about clips being endlessly played that showed his longtime pastor, the Rev. Jeremiah Wright, making highly controversial statements. Still, Obama's 37-minute speech on race went platinum—almost

immediately it became one of the most widely-watched of all Web videos.

Hillary Clinton, in contrast, has been victimized by the very technology that neither she nor her countless advisors seemed ever fully to grasp. It was technology that fuelled the fire ignited by the lie Clinton told about landing in Bosnia under the threat of "sniper fire." As it happened, there was a press pool video of the First Lady arriving on the tarmac in Tuzla with daughter Chelsea in tow, all smiles, and to all appearances altogether safe and sound. So when Clinton claimed yet again that she was on the occasion in harm's way, the clip was aired on the CBS Evening News. However, the real damage was done once the video was harnessed to the Web, where the constant loops proved the power of viral politics. On YouTube, the clip became what Frank Rich tagged an "assault weapon," which clobbered Clinton with the truth over and over again.

- **Recent events in China and Tibet.**

China is putting its best foot forward for the 2008 summer Olympics. How inconvenient then the unrest in Tibet—and the technologies that enabled the world to witness. Aided by mobile phones, digital cameras, satellite dishes, and the Internet, protests against Chinese hegemony spread to more far-flung ethnic enclaves. Hence, little was left to the imagination or confined to the scene of the action.

China is trying to stop the spread of information. Last March, Chinese officials cut off YouTube after the Web site was flooded with graphic images from Tibet, including videos of monks being dragged in streets by Chinese soldiers. Still, whatever the Chinese do from now on, as the fiascos that accompanied the Olympic torch relay have already testified, the 2008 Olympics will be tarnished by activists, who have at their disposal the resources to speak truth to power."

The impact of technology over relations between those with power, authority, and influence, and those ostensibly without, is in evidence everywhere. Followers are armed with information, with the capacity to communicate with each other, and with the means to be heard. This makes leaders vulnerable in ways they never were before. LE

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ACTION: Exercise your power and influence.

