

WHITE PAPER
**LEADING IN
CRISIS**

5 KEY STRATEGIES
LEADERS MUST NOT
IGNORE WHEN FACED
WITH CHALLENGING
TIMES

empathic
CONSULTING

MARCH 2020

THE REAL DANGER IS...

Amidst the share market panic and mass hoarding of toilet paper, we need to remember that whilst very serious, the Corona Virus is not our biggest concern. Actually, there is something that is spreading much faster and is more contagious than Covid-19. It is more deadly than HIV or Ebola and far more common than the humble Cold or Flu.

This widespread pandemic tears through families, destroys communities and turns everyday people into crazed demons.

THIS DEADLY KILLER IS FEAR.

We have seen in recent weeks that the feelings of fear don't need to correlate to the actual risk. Fear is real whether you agree or not with the cause. For some, it leaves them paralysed. Others stand back and scoff from a distance at the irrationality.

Either way, be very clear; your business is at risk of being a fatality of fear unless you manage well. A crisis like this is a challenging time, but it is not one for panic. Crisis is derived from the Greek word *krinein* meaning to separate, decide or judge. A crisis is a time for decisions to be made. It is a time for choice, strategy and leadership.

Rather than be stopped by fear, leaders need to respond to a crisis by making clear choices.



THIS CRISIS IS YOUR TIME TO MAKE DECISIONS!

Knowing that while fear will cause challenges, it will also present opportunities.

While panic will cause some to fail, it will also cause many to seek safety and certainty. While these conditions will make the short term difficult for many, the relationships flailed or forged in these times will last long in our memories.

Unlike other economic crises of recent times, this viral pandemic has not been caused by a specific industry or constructed by a number of unethical actors. This crisis is indiscriminate and

no business is immune. Resources are quickly becoming scarce across global markets. Large numbers of sick or quarantined employees are seeing factories closed and production halted causing waves of downstream impacts that will last throughout 2020 and beyond.

Suppliers are struggling to predict fluctuations in demand or predict the long term impacts. No one knows what will emerge or when a new normal might be established.

Service organisations are terrified of the virus spreading through their employees halting their ability to deliver. Many are sending employees home with new laptops, however, few are adequately prepared with the systems, processes or culture to maintain productivity while employees are working from home.

Customers are reducing their spending on non-essential products and preparing for a harsh economic winter. What will this mean for 2020 and beyond?

WHAT YOU CHOOSE
TO DO IN THE NEXT
MONTH COULD BE
THE MOST
IMPORTANT
DECISIONS YOU
MAKE IN THE NEXT
5 YEARS.



The Global Financial Crisis saw more than 638,000 businesses fail in Australia. The Australian Centre for Business Growth found that 25% of businesses fail due to lack of leadership and planning.

How you prepare and act now will determine your success. It is amid a crisis that leadership comes under the microscope. People experiencing fear turn to those in a position of power, authority and influence for guidance.

Your customers want to feel safe, your employees want security and your suppliers want commitment to weather the storm together.

THE ECHIDNA, THE EMU AND THE SHEPHERD

Through any crisis, we see three general responses that we have characterised as the Echidna, the Emu and the Shepherd.

Some of your competitors will respond with fear and scarcity. They will focus on protecting themselves by curling up like an Echidna. The Echidna will curl into a tight ball to protect itself.

They will fire staff, stop all spending and hope that by the time they uncurl, all the challenges will be over and the storm has passed. Sadly, your customers, employees and suppliers will be on the pointy end of your spikes. They will feel unsupported in their time of need.

Others will flippantly ignore the threats, like the Emu they bury their heads in the sand. The Emu goes on pretending that all is business as usual and anyone showing fear is overreacting.

They will ignore the dangers, even making fun of those panicking and dismissing their concerns. They will expect people to do business as usual, but customers and employees who are fearful will feel unsupported and ignored.

These Emus will have their feathers plucked as customers and employees look for safer alternatives.

The third group will recognise the challenges, but not hide in fear. Like a Shepherd, they will look to create refuge and safety for their flock.



As leaders in crisis, they will be concerned for their employees and find ways to ensure they keep engagement high and redundancies low.

They will support customers whose needs are amplified by emotion and stress. They will look for ways to support their struggling suppliers knowing that without them, any future success will remain uncertain.

They will rely on their strong set of values and guiding principles to be a lighthouse that helps them, and their people, to safer waters. These brave few will retain their best talent, build

stronger supplier relationships and attract the loyalty of their own customers and those of their competitors. It is easier to win new customers when they see you and your competitors respond in their times of need.

Being a Shepherd in these challenging times is not easy. We have compiled the 5 key strategies every leader needs to consider to navigate the current crisis. It will take all of our courage, conviction and patience to see it through. However, history has shown us that those who stand up to lead and build strategies based on these 5 key themes will not only survive the challenges, but emerge prepared to shape the post crisis future.

With a mix of empathy, strategy and pragmatism, leaders will build the trust and understanding to build powerful and committed relationships that will carry us through crisis and beyond. Here are 5 key strategies leaders must not ignore when faced with challenging times:

#1 KNOW WHAT REALLY MATTERS

In 2010, Auckland Savings Bank, ASB, one of New Zealand's largest financial services companies needed to find money to save. Their parent company, Commonwealth Bank of Australia, had demanded they find more than \$100 million in savings within 3 years to realign their bulging cost base with that of their competitors. Instead of the usual tactic for cost saving, just giving each area a 15% across the board target, we took a different approach.

As consulting lead, we set a number of guiding principles that shaped the program and gave confidence to those we were leading through this challenging time. The two that really stood out: Don't cut things customers value, and, Don't get rid of people until we get rid of the work they do.

What we needed to understand before we started to remove costs was what really



mattered in the business. In times of crisis, many organisations rush to remove any costs they can. But too often, they unintentionally destroy the very magic that makes their business tick.

This is even more important in a time of global crisis because the heightened emotional state of people makes them more sensitive to loss and more critical of potential pain.

When companies decide to fire their support staff or Team Assistants, an all too common reaction to cost cutting, they lose sight of the flow on events that follow.

Firstly, you removed the employee, but not the work they did. So, work that was completed by a Team Assistant for \$30 per hour often now gets pushed on to their Manager. You are now paying more like \$100 per hour to do the same work. Even worse, the Manager is often slower at doing the work, increasing the cost for the same task. Even worse still, they have less time now to do the actual work you pay them \$100 per hour to do.

They build less customer relationships and spend less time on critical projects because they have to spend time completing mandatory reporting their Team Assistant used to handle for them. Leaders reduce focus on what really matters to their customers and become far less efficient as an organisation..

Be careful where you cut. Before making any decisions on cutting costs in your business, first take some time to analyse what matters

to your customers, your employees, your suppliers and other stakeholders. Build a map of the elements of your business and the impacts they have on key stakeholders.

Look for areas where there is limited impact and investigate these first for reengineering, pausing or stopping to reduce costs. Strategy in crisis is about making decisions, you will need to find ways to save. Cut with care and precision.



#2 DON'T TREAT PEOPLE LIKE MUSHROOMS

The Coronavirus is sweeping the world almost exactly a century since one of the world's worst pandemics. In 1918, soldiers on both sides of World War 1 were struck down by a new strain of influenza across the battle fronts of Europe.

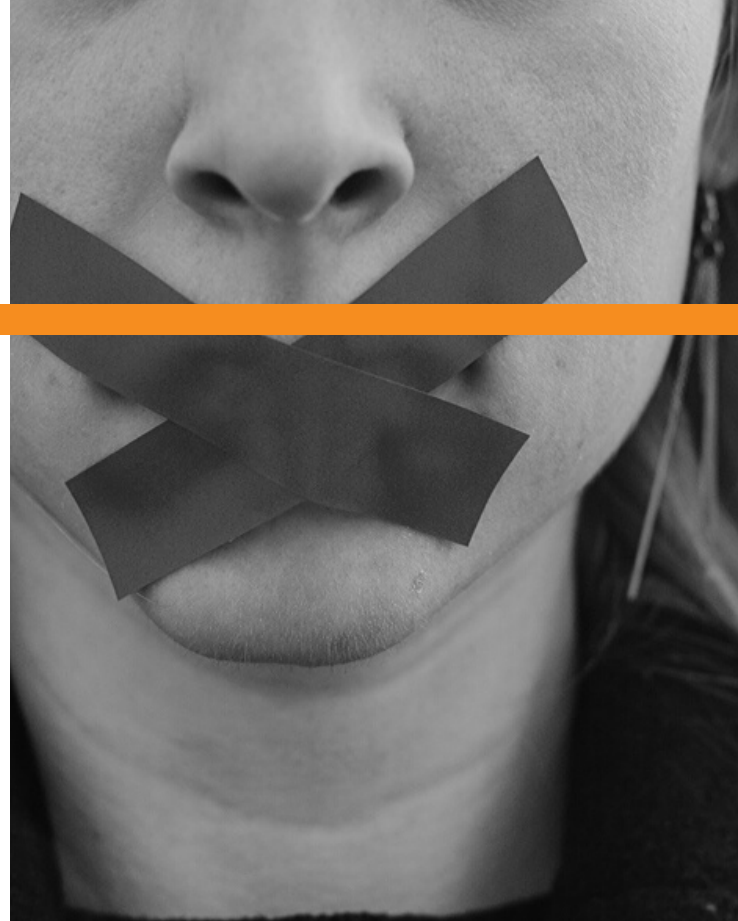
Many in the war became ill, but surprisingly, almost no news of this deadly virus was shared with the general public. The governments of Britain, France and Germany thought any news of this outbreak could give an advantage to their enemies and may tip the war against them.

The flu spread, almost silently across Europe. One government did share the news. The Spanish, who were a neutral country in the war, did report of the deadly strand of flu. It even swept through their royal family.

By the time the deadly virus had swept across the world, infecting 500 million and killing an estimated 50 million people, it seemed like the disease had begun in Spain itself, hence the Spanish Flu.

It may have been better named the Silent Flu, because it was this failure to inform people of the problems by the leaders of Europe, that almost certainly lead to the uncontrollable spread and devastating loss of life that followed.

Leaders in crisis need to be open, transparent and clear in your communication. Too often in times of crisis, the pressure and stress causes leaders to shut down.



DON'T LET THE SILENCE KILL YOUR BUSINESS.

The fear becomes a paralysing weight on your mind and, like a loving parent trying to protect their children, we tell them not to worry. Everything is going to be okay. We lie to them. They don't believe us. This leads to the worst outcome of all, we break their trust.

In times of crisis, trust becomes more vital than ever before. Good times often see us relying on tangible and material objects to gauge our levels of confidence. Our fancy cars, cool work spaces and healthy balance sheets are strong signals that things are going well. But, in times of crisis, we become more laser focused on the need for emotional and psychological safety. Who will help me? Who has my back? Who do I trust?

Increase your level of communication. Being open and transparent about the challenges you are facing builds trust in a crisis.

You don't want to paint a picture of doom and gloom, but being realistic with your people, customers and suppliers will open up channels for better decision making and more positive conversations. You want to foster more discussions focused on building understanding and problem solving.

When more people understand, we have more eyes and ears looking for solutions and can leverage the different perspectives needed to solve complex problems. In these times even the greatest leaders need as much help as they can get.

#3 MORE CURIOUS QUESTIONS AND LESS EMOTIONAL ANSWERS

Lauded as one of the wisest men in history, King Solomon even knew that in difficult times, you can't make all the decisions yourself. In the famous story of the old testament, it is said that two women were fighting over custody of two children, one was alive and the other had died. Both women claimed to be the mother of the living baby and no one, but the women themselves, could be certain who the true parent was. To solve this, the people brought the women and the living baby to King Solomon to decide who was the rightful mother.

The wise King decided the fair thing to do was to cut the living baby in half and give each lady half of the dead body. This horrified one of the women who declared that the baby should not be harmed and agreed to give custody to the other woman. From this, King Solomon deduced that the woman who selflessly gave up custody of the child to save its life must be the real mother and used his regal authority to give her custody. This ancient story is a testament to the great wisdom of King Solomon, but there is



another angle we need to explore.

In crisis, Leaders don't need to have the answers, they need to understand people and seek answers from them.

Emotions run hot during a crisis and people will say and do things that can seem irrational, stupid and even dangerous. We need not look far for examples of emotions causing normal people to strange decisions.

A fear of giving your child autism has ballooned the anti-vaccination myth. Scepticism and distrust has fuelled the flat earth movement. Indeed, the Australian toilet paper run of 2020 has been driven not by need or scarcity, but by the fear of missing out.

The power emotions can have on us all is neurologically difficult to control. Few of us can help but feel scared watching a horror movie despite the fact we are sitting in our lounge rooms eating popcorn and being in no tangible danger. The biggest threat is a popcorn choking hazard!

Fear based emotional responses are deadly and can spread faster than even the most contagious viruses known to man. Leaders in a crisis need to be able to regulate their own emotions and resist the urge to make knee-jerk decisions based on fear, anxiety and control.

Instead, leaders should look to remove their own emotions from their decision making processes as much as possible. Emotional self-regulation is a key element of emotional intelligence and provides leaders and their



people with the ability to navigate challenges more rationally. Leaders must be aware of their emotions and give themselves the time to respond thoughtfully rather than reacting.

This is where questions become powerful. When you feel the swelling of emotions, be it fear, anxiety or even joy, pause and ask a question. The prepared Leader relies on a set of go-to questions that provide them with the time to regulate emotions and gather more information in the process. Open questions such as: "That's interesting, tell me more about that?" or "What do you think are the implications?" are good examples leaving the leader with an opportunity to learn more and manage their initial reactions.

This additional information can be useful in decision making. More though, these precious seconds allow for critical regulation of emotions, allowing calm response in tough times.



#4 BUILD AND SUPPORT YOUR TRIBE

When your body is under intense stress, your brain responds by increasing your blood pressure, releasing adrenaline and cortisol and sending blood away from non-vital areas and focusing on parts of the body designed for threat response, namely the larger muscles and heart. Our bodily processes focus resources internally to find safety. This strategy works well for a Human body in an ancient environment, but it is not as useful today in a complex world.

As we see with Navy Seals or talented Surgeons, with training, experience and skill, people can respond better to intense situations when they can remain calm. When they can maintain a broader perspective of what is happening around them and work with others to navigate to safety. When their minds are not clouded by an adrenaline rush and they are working in expert teams, this is when they perform at their best.

In business, leaders need to build their skills in accessing this sense of calm clarity. Often our immediate response is to cut unnecessary costs, forget about those external to the company, we shut down relationships and try to save what we can of the balance sheet. This ancient way of responding will work well if you are a company independent of any external influences. In a modern globalised world, these are extremely rare. Leaders who have a broader understanding of the reliance their business has on others and the important role that each must take for long term success, will not react with an adrenaline fuelled panic but instead look to work together to create collaborative solutions.

In the early 1990's, Nike was facing harsh criticism for labour practices in their supply chain. Images of malnourished children sewing soccer balls and shoes in dirty sweatshops threatened to significantly damage this athletic wear empire. While Nike had previously denied any such practices, but with journalists and social activists circling, the leaders decided it was time to take a more strategic and collaborative

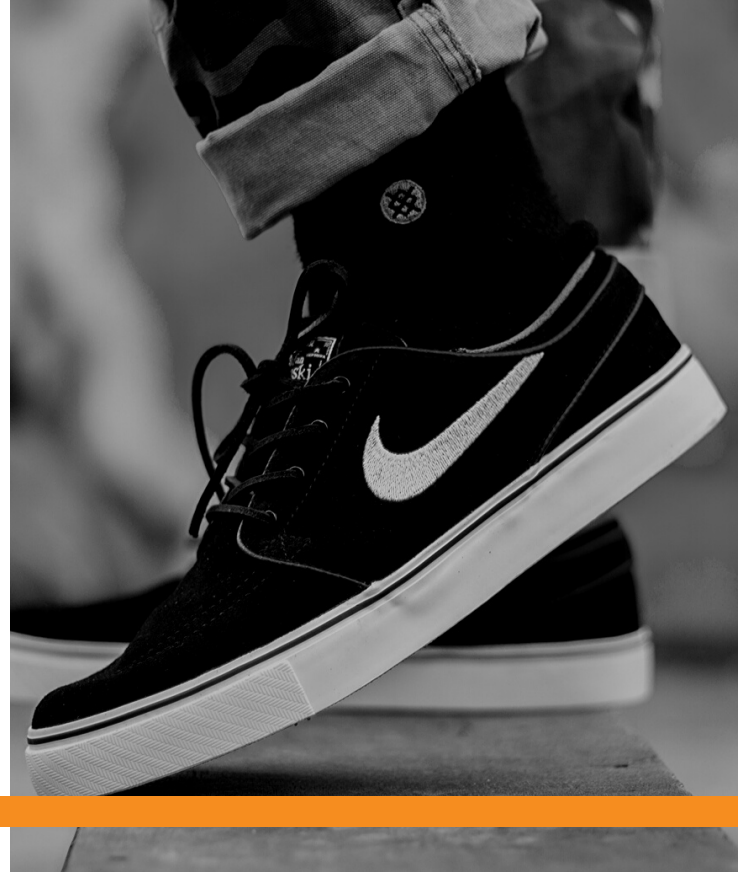
approach. Nike embraced crisis and looked to change the way they did business. They invited a group of external experts, many of which were previously seen as their critics, to review and shape their plans to build more ethical and sustainable supply chains.

They deployed field agents within the regions where their suppliers operated and partnered with these factories to improve wages, enhance the working conditions for employees and uphold the standards associated with Nike's vision and values.

They transformed the shady sweatshops into a world leading supply chain that they then publicly released to the world, proudly disclosing all their partners and inviting journalists and social activists to visit.

This became a huge marketing opportunity for Nike and once again positioned the brand as a leader within the mind of consumers. They reduced their negative social impact, improved reliability of their supply chain and enhanced their brand in the eyes of more socially conscious customers. Rather than maintain an inwardly defensive approach, Nike realised that the only long term way to be successful was to work with their stakeholders.

This increased collaboration with suppliers, manufacturers and previously adversarial social activists, positioned Nike as the market leader. They created a new norm for large apparel brands around the world. In crisis, leaders must look outside their walls for system-wide solutions. Instead of hurriedly sacking employees and cutting contracts with suppliers, realise that they are looking for



ways to survive too. Experienced employees often have deep insights into previously unneeded opportunities.

Suppliers are often more than open to collaborative solutions, after all, their business is in crisis too. Be the leader that looks to open discussions to explore the shared challenges of each stakeholder. Work through scenarios whereby impacts on your business and their businesses can be understood more fully. Use this as a map to then extrapolate impacts of different strategies.

What would happen if we all agreed to take strategy X? What about strategy Y? Quickly you will see that while opportunistic game-playing may help one player in the short term, the long term implications are often dire.

By working together through a strategic plan, you will develop trust,

good-will and find many are willing to share the pain if they can share the profit too. See the story of the Turtle & the Crane at the back of this paper for a novel approach.

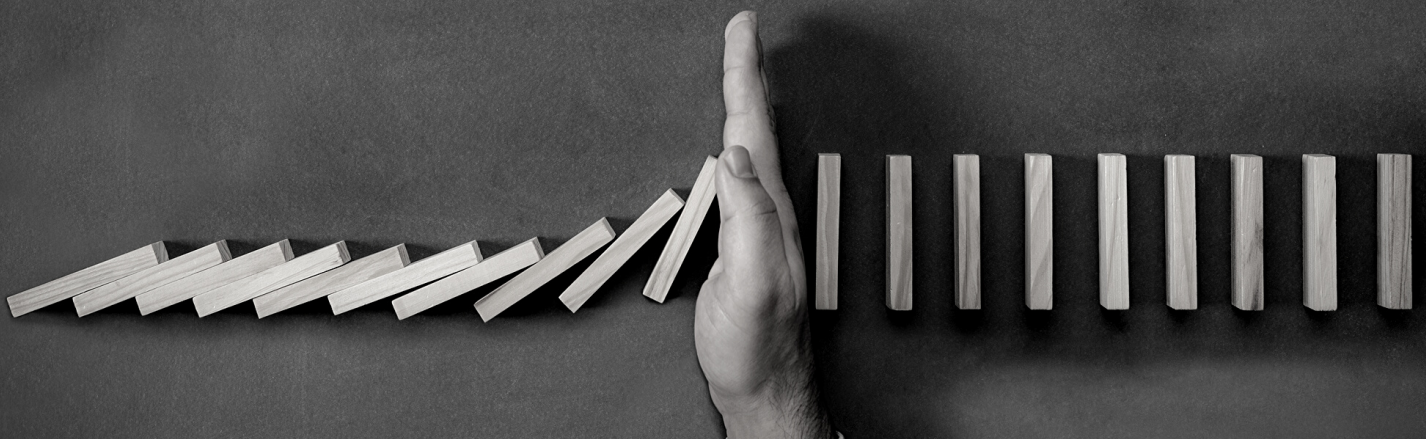
Customers are also facing new challenges and have different needs that must be met during a crisis. We often worry about what is the usual customer and the traditional way we did business decreasing, but leaders who have stronger customer relationships know that customers are looking for rapid solutions to new problems and prefer to use trusted resources to get them. Reach out to your customers and find out what is worrying them in this crisis.

What needs do they have and what problems are they looking to solve? Don't restrict the conversation to the traditional products and services you provide, instead ask broadly and with a passion for serving them. How can you leverage this relationship with your customers and then suppliers to find new ways of meeting the emerging challenges? If the emotions that are driving your customers' actions have changed, you need to understand these changes and look for strategies to serve them. They will appreciate your service, you will appreciate their business and everyone feels safer and more secure through times of crisis.

#5 LOYALTY IS EARNED THROUGH ACTIONS

In 2009, the global economy was rocking from a crisis of a different nature. The Global Financial Crisis, caused by a system wide failure of integrity, leadership and regulation, was squeezing on the trading volumes and confidence in the Australian market. Just months before, Lehman Brothers, a company with more than \$600 billion in assets filed for bankruptcy. In the US, an estimated 8.8 million jobs were lost. Governments were frantically trying to stop the bleeding and the world's bankers faced an uncertain future.

In Australia, banks were looking to cut costs to protect their businesses from the impacts of this global slow down. Australia's largest bank Commonwealth Bank of



Australia or CBA, were expected to announce redundancies and other cost cutting measures to protect their profits, however their CEO decided instead to show leadership. Ralph Norris was the Chief Executive Officer at the time. As an experienced banker and CEO,

Ralph had helped ASB double both its assets and profits in just 4 years. He took over as CEO of Air New Zealand when it was on the brink of collapse and steered the airline to safety, helping it now become one of the darlings of global air travel. So when faced by crisis as the CEO of CBA, Ralph knew that leadership was needed and action had to be taken.

In early April, Mr Norris announced his plan to guide his people through the uncertainty and provide investors the confidence they craved. He would be taking a pay cut of 10%. He announced that the board of directors would also take a 10% reduction.

Each of his senior executives would also be taking a pay cut. Mid-level managers who earned over \$100,000 per year would keep their current salaries steady for 12 months.

Most significantly, Ralph also announced that this would mean that not only would CBA not have to make large scale redundancies, but it would also allow for the bank to provide a 1.5% pay rise to all other employees. Instead of mass redundancies for lower paid workers, the usual go-to for big companies in crisis, Ralph decided that he and his leaders would show their own commitment and ownership to lead from the front.

"Typically, in such situations, organisations embark upon major redundancy programs



which, while addressing pressures in the short term, often leave organisations significantly under-resourced to respond to the inevitable recovery." said Mr Norris in a statement to staff.

Ralph set the bank up for a long term recovery. From a low of nearly \$24 in 2009, CBA shares soared to over \$90 a share by early 2015. Whilst, subsequent scandals and the Banking Royal Commission may have tarnished the Bank's reputation, it was the leadership shown in the wake of the GFC that helped it outperform rivals in the domestic markets and be consistently ranked among the world's strongest financial services organisations.

In times of crisis, you need to lead with actions that demonstrate your values and commitment to the organisation. Why else would people follow you? When a leader seems to throw their people under the bus at the first sign of danger, everyone loses confidence in your leadership.

A great example of this was the high rates of Fragging during the later years of the Vietnam War. American soldiers, disenfranchised by the futility of their actions and the insistence by their leaders to continue to risk their own lives, turned on their superiors. The US Armed Forces recorded nearly 900 incidents of Fragging, slang for the deliberate killing by a soldier of a superior officer. In a crisis, emotions flare and consequences of leadership actions are heightened.

During a crisis, ask yourself this simple question: What actions can I take to show my people the commitment and loyalty I have for them? We often want to enforce contracts and look for legal loopholes to use against others. Instead, act with nobility and authenticity. Show them that they can trust you. Leaders who show clarity on what is important, honesty through communication, calmness in their reactions and humility by asking for help are well positioned to win the minds of their people.

Winning the hearts of people will take values-based action that shows your true commitment. If you show people that you are willing to sacrifice them to save yourself, they will at best respond with disappointment and disengagement. At worst you might find yourself on the other end of their anger and scorn. Instead, show others that you are prepared to sacrifice for them, and they will do the same for you. Lead them into the fight and they will follow, throw them into the fire and expect to get burnt.



WHAT TO DO NEXT?

Based on these strategies, it is now time to make an action plan to help you lead your people through crisis. Take some time to consider what actions you need to take to implement the 5 key strategies.

#1 Know What Really Matters

What are the most critical elements of your business?

#2 Don't Treat People Like Mushrooms

How will you communicate with key stakeholders to inform and engage?

#3 More Curious Questions And Less Emotional Answers

How will you regulate your own emotions and respond instead of reacting?



WHAT TO DO NEXT?

#4 Build and support your tribe

How will you engage with customers, suppliers and other stakeholders to develop a plan?

#5 Loyalty Is Earned Through Actions

What will you do to demonstrate your leadership and commitment to the business?

Next: Getting Support

Successfully navigating through turbulent times can be incredibly stressful for even the most seasoned leader.

For a pragmatic, personalised and responsive approach that makes the difference, seek out strategic guidance. Empathic Consulting blends experience in business strategy with leading research on empathy and behavioural economics.

We support leaders through the implementation of powerful frameworks and strategies. This ensures your people are engaged, empowered and can immediately execute to drive results.

Please reach out now for more information or strategic support leading through crisis.



STORY: THE TURTLE AND THE CRANE

Once there was a Turtle and Crane who lived around three great lakes. Both spent their days feeding on the plentiful fish and seaweed in the lakes, largely ignoring each other.

One day there was a massive flood. The lakes continued to swell until the three lakes became one, massive deep sea.

For the Turtle, this was wonderful. She had new areas to explore, to fish to chase and new grasses on which to feed. The Turtle prospered. For the Crane though, the floods were a disaster. The water was so deep, he couldn't stand in the water and was unable to hunt fish. The situation was dire, if he couldn't catch fish he was going to die.

One day, the Turtle came to the surface and saw the Crane circling overhead, tired and hungry. The Turtle let her shell protrude from the water and let the Crane stand on her back. From here, he could now hunt, catch fish and survive.

Many years later, after months of scorching heat and not a cloud in the sky, there was a great drought. The three lakes dried until they were reduced to small water holes and muddy puddles. This was wonderful for the Crane. He could walk around the shallows and easily catch the fish trapped in these small ponds, but for the Turtle this was terrible.

She struggled to move in the thick mud, she was unable to find enough food and became tired and hungry. The Crane saw this, so each day he would pick her up and carry the Turtle from pond to pond to help her find food and survive.

Today, you will be surrounded by others who are in both better and worse positions to you. Some will be struggling while others flourish. The key is to look to help those in your pond, we will all need some help one day.



HEAR FROM OUR PAST CLIENTS

"Thought inspiring, provoking and interesting. Took you through the emotional journey of using empathy in your business"
Robbie Cooke, CEO, Tyro Payments

"Fantastic both in content and delivery. I was looking for someone to open up other ways of approaching leadership and looking at our business environment and they delivered!- Michaela Flanagan, Head of Branch Operations, Swiss Re

"I can honestly say it was one of the best sessions I have been a part of. The content was unique & very interactive. I highly recommend Empathic Consulting to build empathy & understanding to drive performance." - Daniel Markovski, Group Sales Manager, Nova

"They engaged people who I didn't think would ever respond, let alone take away actions. Post this session, I observed genuine behaviour changes. This was one of the best things I have done for the team." - Rochelle Eldridge, Executive Manager, CBA



For more information on how Empathic Consulting can support with other tailored programs and the key steps to implementation, contact today:

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