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C R I S I S

L E A D E R S H I P

**Using Military Lessons,
Organizational Experiences, and
the Power of Influence to Lessen
the Impact of Chaos on the
People You Lead**

CENTER FOR CREATIVE LEADERSHIP

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PREFACE

The idea to write this book was not inspired by the terrorist acts of September 11, 2001. I did not write it to confirm or critique the leaders involved in the 9/11 crisis. However, that event certainly underscored my desire to put these ideas about crisis leadership into a book that would be applicable across a large range of traumatic situations. My personal interest in the subject of crisis leadership, coupled with the almost daily news reports of both natural and man-made crises, encouraged me to share my experiences, research, and understanding of what it takes to lead during such times.

There are many books written about crisis management, but few focus on crisis leadership. Managing a crisis and providing leadership in a crisis are not the same thing, although each addresses different aspects of a difficult situation. I would differentiate the two by saying that crisis management relates mainly to operational issues, while crisis leadership principally deals with how leaders handle the human responses to a crisis, including their own. We all have natural behavioral responses to crisis situations based on our needs and emotions. We may not be conscious of this, but our behaviors send messages to others about our underlying needs and emotions. It is within this set of behaviors that we find the core of crisis leadership.

I write about leading in difficult situations from the vantage point of more than 25 years of crisis leadership training and experience during a career as an active duty officer in the United States Army. This includes decorated service as an infantry company advisor in the Vietnam War and as a battalion commander of 600 paratroopers during the Gulf War. My contention, which I believe is shared by many others, is that the United States military (and particularly its army) ranks among the best organizations in the world for crisis leadership planning, training, research, and

experience. Many of the notions I share in this book come from the army's vast database in the areas of crisis leadership and crisis planning, which documents best practices and failed experiences of soldiers in combat, a grueling crisis by anyone's definition.

But this book is not just a litany of the army way of leadership, useful only to those few people who must lead in the most harrowing situations. Leaders in the private sector can readily adopt many of the army's crisis leadership lessons. But what is the argument for civilian leaders' adopting such tactics? The answer lies in the army's dramatic and well-documented post-Vietnam change in leadership philosophy, which brought about one of the most successful organizational transformations in recent history. Gone is the popular Hollywood and news media image of the yelling, abusive, and irrational military leader. The combination of the military's high-tech equipment, its growing participation in international missions, and its extremely diverse volunteer force has created a very different mid- and upper-level army leader.

The average army officer's experience and training with crisis situations is extensive. The necessity of training for and the experience of leading in high-stress situations has resulted in the officer having a high degree of flexibility, a calm and coolness under fire (literally), a degree of comfort in making quick decisions, and an appreciation for teamwork. These are leaders who have had several global assignments, can speak more than one language, are educated beyond their civilian counterparts, and, even as junior leaders, have had responsibilities that equal those of mid-level and some upper-level corporate leaders. This is not profit-and-loss responsibility, but life-and-death responsibility. For these reasons alone, there is much that the civilian leader can learn from the army's leadership renaissance.

I wish to extend special recognition to a number of individuals whose support, encouragement, and cooperation made this

work possible. At the top of the list is my wife, Kathy, who is my best friend as well as my most trusted confidante, critic, and counselor. I also want to recognize my mentor, Dr. Hubert Dethier, who shared with me the challenge, excitement, and rewards of sound scholarship. Thanks also go to my friend Dr. Claude Ragan, who assisted in my understanding of the relationships between needs, emotions, feelings, and behaviors.

I would also like to express my sincere appreciation to those colleagues who reviewed this work and offered comments, suggestions, ideas, and criticisms. A special thanks must go to Peter Scisco whose accomplished editing skills made this book a reality.

INTRODUCTION

Nothing tests a leader like a crisis. There is an element of the leader's deepest character that is revealed during highly charged, dramatic events. A crisis can quickly expose a leader's hidden strengths and core weaknesses. It can show the world if the leader has what it takes to function effectively when the heat is on. Will the leader address the crisis head-on, take those actions needed to fix it, and, if appropriate, take responsibility for the crisis? Will the leader freeze, or worse, claim to be a victim and pass off the responsibility to others? What can and should a leader do to find out what went wrong and to ensure it doesn't happen again?

This book is a brief but sincere attempt to address those kinds of questions. It's not the definitive work on crisis leadership, nor is it a technical manual of crisis procedures. It approaches its subject by describing how a leader can handle the human side of a crisis and examining what leaders can do to effectively deal with the emotions, behaviors, and attitudes of the people involved in or facing a crisis. It defines a crisis and argues for a style of leadership that is particularly effective during a time of crisis. This book also includes information about human nature that is essential for leaders to understand if they are to be effective in a crisis situation.

At its center, this book deals with three key themes of crisis leadership and their impact on helping people and organizations through perilous times. These themes—communication, clarity of vision and values, and caring relationships—are certainly important to leaders in normal operations, but their importance is magnified during a crisis. By paying attention to these themes, leaders can hope to increase their understanding of practices that handle the human dimension of a crisis. The result is a leader more prepared to contain the crisis, regain control of the situation, ensure the minimum amount of damage is done to the organization, and

effectively prevent, defuse, and reduce the duration of these extremely difficult leadership situations.

Practicing leaders all along the organizational chain can find many of the ideas presented here useful, not just for their daily managerial tasks but also for their personal leadership development. As a means to understanding these leadership issues, readers can use this book to assess their strengths and weaknesses, learn new competencies, and prepare for events that are as unpredictable as they are unavoidable.

The anxiety, insecurity, and confusion that a crisis generates are huge challenges for civilian leaders. They must be prepared to provide leadership not only to those in their organization, but also to those in the greater orbit of their influence: clients and customers, the surrounding community, stockholders, suppliers, vendors, local government, concerned organizations, activist groups, and the media. And, of course, leaders must also lead themselves. They must deal with their own emotions and needs a crisis triggers. For some leaders, this may be the biggest challenge of all.

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WHAT IS CRISIS?

Crises have no borders or boundaries. They can happen anytime, anywhere, and to any organization—profit, not-for-profit, public, or private. The interconnectedness of the global economy and its political realities can magnify the ripple effect of any single crisis, making it a common feature of corporate life. A crisis affecting one organization can, among other things, cause layoffs and closings among that organization's suppliers, customers, and partners; bring about a loss of investor confidence that can cause a dip in the stock market; and even bring about environmental damage and psychological angst. The financial implosion that bankrupted the U.S.-based energy-trading company Enron in the fall and winter of 2001, for example, also sparked a financial crisis at Arthur Andersen, a consulting and auditing services firm. The publicity surrounding the subsequent investigation into both companies led investors to question financial records at scores of other publicly traded companies, which in turn suffered their own crises—some more damaging than the Enron debacle.

Because of their unpredictable nature and their accompanying ripple effect, crisis situations are unlikely to leave any organization untouched forever. Leaders should not pretend otherwise. They can realistically count on facing some kind of organizational crisis at some point during their careers. Such a crisis will negatively affect people in an organization, which is often the most pernicious and difficult challenge leaders face in dealing with a crisis. But they can act to reduce the probability of a crisis reoccurring, reduce the duration of a crisis, and soften the negative impact by addressing the human element of a crisis before, during, and after it occurs.

The Panic Button

A crisis is generally characterized by a high degree of instability and carries the potential for extremely negative results that can endanger the continuity of the organization. It's a key moment or critical period that brings both surprise and dramatic change. In this way a crisis can be described as a turning point in the affairs of an individual or an organization. It's significant because the consequences of the situation will be decisive in determining the future of that individual or organization. The word itself originates from the Greek *krisis*, which means "to sift or separate." A crisis has the potential to divide an organization's past from its future, to replace security with insecurity, and to separate effective leaders from ineffective ones. A crisis also has the potential to swap routine for creativity and to shift an organization from "business as usual" into significant change.

Many crises are generated by an emergency—a sudden condition or state of affairs that calls for immediate action. The crisis itself includes the emergency that served as its catalyst. The situation may be further aggravated by relentless media scrutiny, a restless and information-hungry workforce, and advanced technologies that are never 100 percent reliable. Think about the kinds of emergencies reported daily in the newspaper or on TV and how such emergencies lead to crisis situations.

- product failure/recall
- hostile takeover
- financial catastrophe
- hazardous material spill
- toxic chemical release/leak
- lawsuit
- crash or derailment
- natural disaster

- employee sabotage/violence
- strike/boycott
- executive scandal/defection
- act of war
- industrial accident
- succession at the top

Although no two crises are ever the same, they share some common traits. For example, a crisis isn't usually expected or planned for. It generally comes as a bombshell that frightens and stuns those on whom it falls. There may have been signs and indications of impending difficulties, but in the flow of daily operations they were ignored, placed on the back burner, or wished away. The element of shock and even terror can be sharp and devastating if the crisis has an element of physical danger, if the crisis causes a death or serious injury, or if the crisis results in the destruction of property (for example, one's office or place of work). For these reasons a crisis can exert a high impact on human needs, emotions, and behaviors.

In defining a crisis it's helpful to think about the seriousness of the threat. The amount of impact a crisis will have on an organization's leadership, workers, and stakeholders often depends on its severity. Along these lines, a useful breakdown of a crisis might place it at one of three levels of severity.

Level 1 crisis. In this situation the organization will be publicly embarrassed and mission success is threatened. Common examples of this level of crisis include sexual harassment charges brought against a key leader of the organization; an insensitive or racially charged statement by a company leader; or an overt action taken by the organization that damages the environment, places profit over public welfare, or is viewed as unethical, politically incorrect, or socially irresponsible. A specific case in point is the

racial discrimination lawsuit filed against Texaco, an American oil company. African Americans had been complaining for years about discrimination in hiring and promotions. In 1996 a taped conversation among four senior white Texaco executives came to light and revealed vile and offensive attitudes toward African Americans employed at the company. A class-action lawsuit demanded \$520 million in damages; Texaco settled out of court for \$176 million and drew the ire and a boycott from African Americans across the country.

Level 2 crisis. At this level a situation exists in which there is personal injury, some property loss, possible loss of life, potential for serious damage to the company's reputation, or a combination of these and similar items. An example of a level 2 crisis can be found at Johnson & Johnson. In the fall of 1982 seven people died in the Chicago area from taking cyanide-laced Tylenol (one of the company's premiere products). Public relations experts consider the company's handling of the crisis as one of the best examples of crisis leadership and corporate communications in the history of American business. Johnson & Johnson placed customer safety over corporate profits by immediately recalling \$10 million worth of Tylenol from store shelves and warehouses, stopping both production and advertising of the product, cooperating with the media to inform the public of the problem, and offering a \$100,000 reward for information leading to the killer's capture. In 1983 the company reintroduced Tylenol with tamper resistant packaging. Because of the socially responsible manner in which the organization handled the crisis, confidence was regained and Tylenol's market share was virtually restored to where it was prior to the crisis.

Level 3 crisis. This level defines a situation in which there is loss of life, significant property damage, a perceived threat to the survival of the company, or a combination of these and similar

items. An example of a level 3 crisis is the accounting scandal at the Enron Corporation. The Houston-based organization inflated its profits and disguised its financial difficulties, and its leaders funneled millions into their own pockets. The company's bankruptcy, in December 2001, produced billions of dollars of shareholder losses, thousands of job losses, and a near wipeout of employee 401(k) assets. Key Enron leaders were investigated for fraud and other financial abuses (one committed suicide), and Enron's attempt at reorganizing has been inhibited by dozens of lawsuits filed by investors, pension funds, and lenders. The value of Enron's stock was erased, and it has since been removed from the New York Stock Exchange. The firm of Arthur Andersen, whose job it was to ensure investors could rely on Enron's financial statements, was convicted of obstruction of justice for the shredding of Enron's financial documents during a Securities and Exchange Commission investi-



Crisis Is Emotional Chaos

The military's single peacetime focus is preparing for combat, the ultimate crisis situation because it involves life and death. A major element of the military's training teaches soldiers how to deal with the range of emotions they will experience before, during, and after combat. These emotions generally include horror, apprehension, grief, rage, revenge, loneliness, sadness, repulsion, vigilance, anguish, and guilt. Military leaders know these emotions will be experienced and must be controlled or the soldiers will not be able to function on the battlefield.

Combat leaders must learn to deal with their own emotions as well as with the emotions of the soldiers under their charge. This is the same challenge civilian leaders face during a crisis, and they can expect the same kinds of emotional chaos to flow over the people in their organization and themselves.

gation. As a result of their part in the Enron scandal, many key Arthur Andersen employees have either left or been laid off. Like Enron, the company also faces the possibility of staggering liability claims. The firm no longer performs auditing work.

Crisis also has the tendency to bring a high degree of chaos and confusion into an organization. Typically, there is a lack of information precisely when virtually everyone in the organization has a huge emotional need for it. Those involved have a need to know and understand what happened, why it happened, and how it will impact their futures. Ambiguity is especially potent.

High-stress situations, such as a crisis, can move usually rational people away from sense and reason. In addition to those already listed (see “Crisis Is Emotional Chaos” on page 7), common emotions arising in crisis situations include fear, anger, anxiety, sorrow, surprise, shock, disgust, love, and the desire for revenge. These emotions can trigger positive or negative behaviors (the emotions themselves are not positive or negative, but the behaviors they trigger can be). People in a crisis can act with compassion, self-sacrifice, and courage, or they can display selfishness, cowardice, and greed. The potential for conflict and illogical behavior can be great. Previously dysfunctional behavior has the potential to become even more dysfunctional during a crisis. For those emotionally impacted by the crisis, even the simplest tasks can become difficult to perform. It is in this chaotic, ambiguous, and highly charged emotional environment—one rife with the human element—that leaders must lead, and lead well.

Opportunity or Chaos?

Effective crisis leadership boils down to responding to the human needs, emotions, and behaviors caused by the crisis. Effective leaders respond to those emotional needs as those needs are perceived by those experiencing the crisis, not just to their personal



Learning from the Crisis Experience

For more than 15 years, the Center for Creative Leadership (CCL) has researched the key events that have shaped the careers and lives of executives. That research indicates that hardships, such as those experienced during a crisis, can result in significant learning. In fact, 34 percent of the hundreds of managers CCL has interviewed indicated that their greatest learning occurred from hardships, which included leading in a crisis situation. Because people can learn from hardships, a crisis can develop personal and organizational leadership capacity by providing opportunities such as the following:

- hardships cause individuals and organizations to examine what is important, to further define or redefine their core values;
- crises renew individuals and organizations by getting rid of the old and bringing in the new;
- crises bring out courage, honor, selflessness, loyalty, and many other positive behaviors;
- individuals leading or otherwise involved in the crisis learn lessons about their own strength of character and how much adversity they can take;
- handling a crisis promotes confidence and personal growth;
- what survives the crisis emerges better and stronger than before—it's tempered by the hardship;
- a crisis can create bonding and a keen sense of camaraderie and community among employees through the power of a shared experience.

perception of what those emotional needs are, might be, or should be. The crisis will affect employee morale, attitudes, productivity, ability to focus, stress levels, relationships, and more. People are more apt to follow a leader who is reassuring and who can meet their primary needs—those needs they least want to give up.

Effective crisis leadership can rescue an organization from chaos and deliver opportunities where before there were only disadvantages. Organizations that successfully handle crisis situations can come out of them stronger and with greater employee, customer, and community loyalty than existed prior to the crisis. Leaders must look deep into the crisis for such opportunities that not only benefit the organization but also raise the potential for individual achievement among the organization's employees. In their search, they should look to human elements—the emotions, the behaviors, and the reactions that affect and are affected by the crisis and can influence its outcome.