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UK/US SHINGO SUMMIT

2009

HECH MANCHESTER 8-9TH JUNE

# Crisis Leadership

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# Defining Crisis

- **Sudden crises**

- Natural disasters
- Terrorist attack
- Plant explosion
- Workplace violence
- Product tampering
- Sabotage
- Hostile takeover
- Executive kidnapping
- Environmental spill
- Technology disruption

- **Smouldering crises**

- Product defects
- Rumours/scandals
- Workplace safety
- Bribery
- Sexual harassment
- Consumer activism
- Mismanagement
- Whistle blowing
- Lawsuits
- Labour disputes



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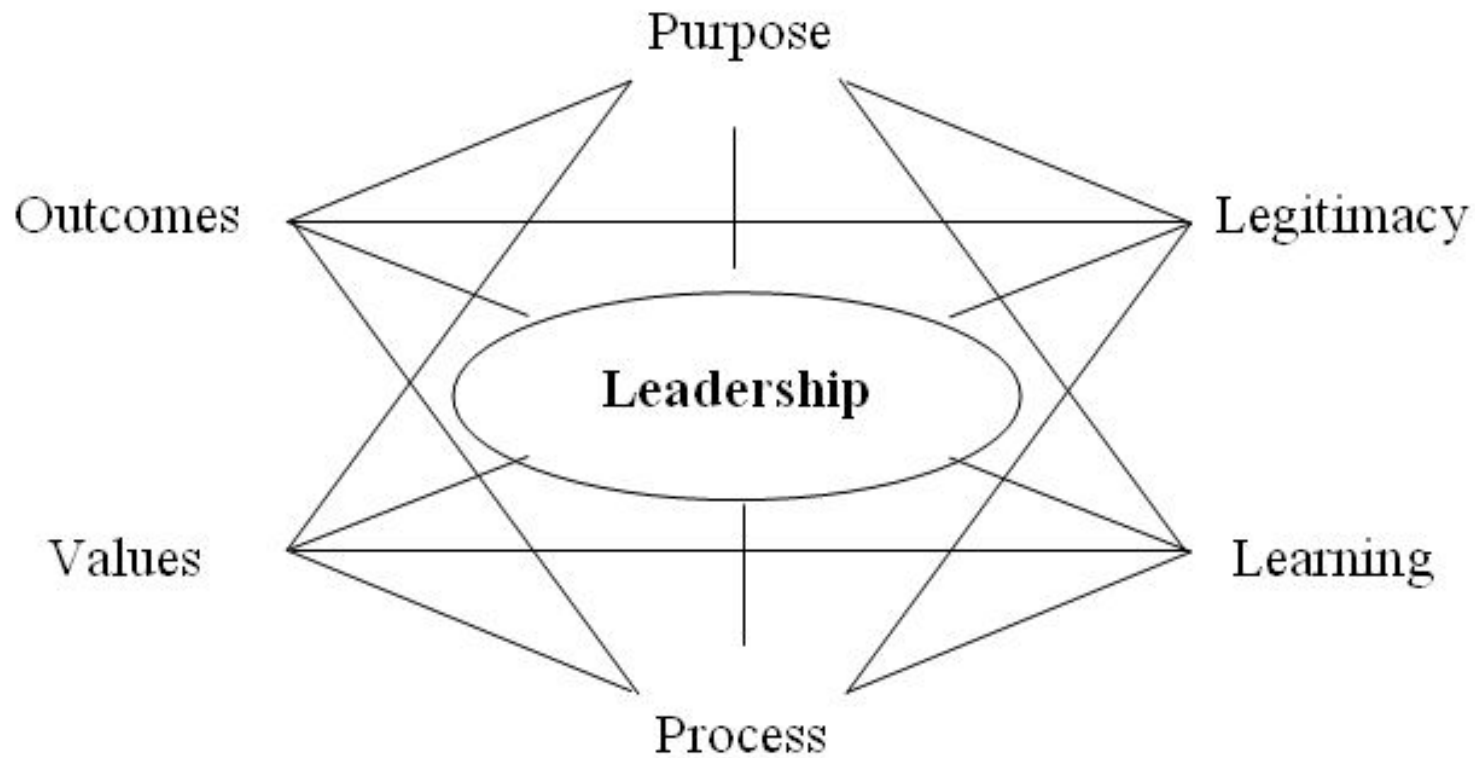
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# Definitions of Leadership

- **There are as many definitions as there are persons who attempted to define it...**
  - **Some focus on what can be observed**
    - Leader / follower relationship
    - Task structure and certainty
    - Leaders formal position and power



# *Some definitions are weighted to what leaders do...*



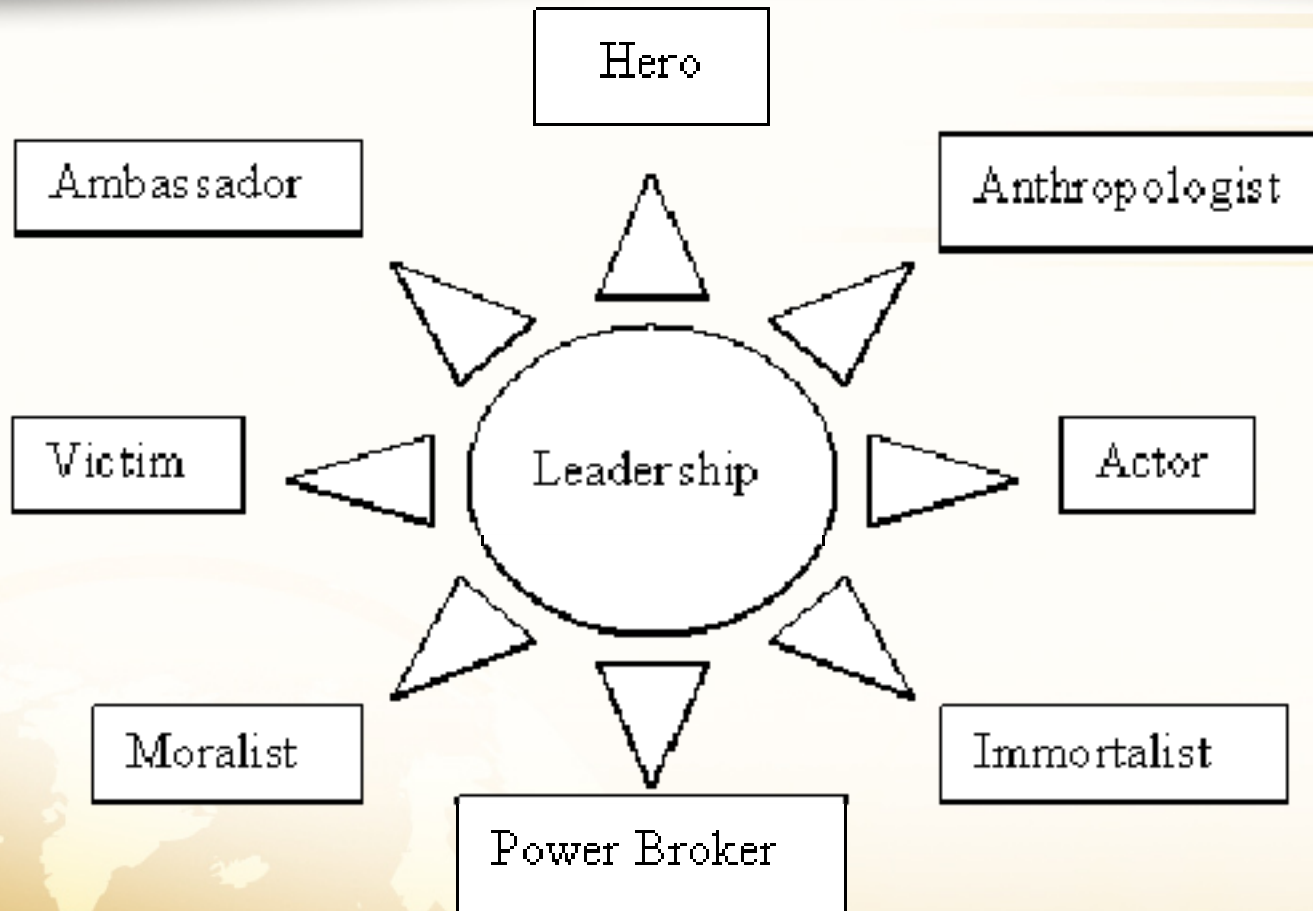
(Narayanswamy, 1999)

# Definitions of Leadership

- “The process by which an agent **induces** a subordinate to **behave** in a desired manner”  
(Bennis, 1959)
- “**Directing** and **coordinating** the work of group members”  
(Fiedler, 1967)
- “An **interpersonal relation** in which others comply because they want to, not because they have to”  
(Merton, 1969)
- “**Transforming** followers, **creating** visions of the goals that may be attained, and **articulating** for the followers the ways to attain those goals”  
(Bass, 1998; Tichy & Devanna, 1986)



# Dimensions of Leadership...



(Brown & Lord, 1999)

# Definitions of Credibility: 6C's

- 1. Conviction**
  - The passion & commitment you demonstrate
- 2. Character**
  - Consistently demonstrating integrity, honesty, respect & trust
- 3. Courage**
  - Stand up for own beliefs, challenge others
- 4. Competence**
  - Hard & soft skills
- 5. Composure**
  - Appropriate emotional reaction...
- 6. Care**
  - Concern for others...

***Leadership skills are based on leadership behaviour. Skills alone do not make leaders - style and behaviour do!***



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# Strategic Leadership...?

- **Strategic Leadership**

- entails making decisions across different cultures, agencies, agendas, personalities, and desires
- requires the devising of plans that are feasible, desirable, & acceptable to one's organisation & partners
- determines the ends, choose the best ways, & apply the most effective means

- **The strategy is the plan; strategic leadership is the thinking & decision making required to develop & effect the plan**

(Col W. Michael Guillot, Course Director of the Department of Leadership & Ethics at the Air War College, Maxwell AFB, Alabama, U.S.A)



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# Does Strategic Leadership make a Difference ?

- **193 organisations examined over 19 years; leadership explained 44% of the variance in profits as a percentage of assets**

(Weiner & Mahoney)

- **12 retailing companies examined in England over 20 years; leadership explained 51% of the variance in profit margins after controlling for non-leadership variables**

(Thomas et al)



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# Assessing Leadership and Measuring Its Effects

*“Only 8% of Fortune 1000 executive directors rate their leadership capacity as excellent, while 47% rated their leadership capacity as fair to poor.”*

(Hughes et al, 2009)



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# Leadership Literature/Research

- **Academic tradition**
  - Consists of articles that use data and statistical techniques to make inferences about effective leadership
- **Airport bookshop tradition**
  - Books and articles usually consisting of opinions



# Natural Disaster 1906

- **1906 San Francisco earthquake & fire**
  - 3000 dead
  - 200,000 homeless
  - Property loss = \$195 billion (adjusted)
- **Response**
  - Ranking Army officer away, deputy cabled Washington, DC
  - Sec of War (Taft) immediately dispatched food / every tent in the U.S. Army / assembled the longest hospital train in history
- **Post Office**
  - Did not lose an item of mail...



# Natural Disaster 2005

- **2005 New Orleans (Hurricane Katrina)**
  - 2000 deaths
  - 10,000 homeless
  - Property loss = \$80 billion
- **Mayor (Nagin) delayed evacuating the city**
  - Not enough transport arranged / failed to secure the Superdome
- **FEMA (Brown) failed to send enough personnel**
  - Too many of the wrong supplies (right supplies to wrong places)
  - Disaster relief efforts completely uncoordinated
  - Many fund issues (fraud, waste and abuse...)

***“Brownie, you are doing a heck  
of a job”***

George W. Bush  
U.S. President, 2001–2009



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([http://en.wikipedia.org/wiki/Michael\\_D.\\_Brown](http://en.wikipedia.org/wiki/Michael_D._Brown))

# Crisis & Charisma

- **A crisis often creates “charisma hunger” in followers**
  - They look for a leader to alleviate or resolve their crisis
- Leaders given more latitude, autonomy & can suspend accepted rules, policies and procedures
- **Some leaders create crises to increase followers acceptance of their vision and followers level of effort**
- A crisis situation does not always make every leader charismatic – the situation can ‘set the stage’ for particular types of leaders to be effective

# Crisis & Power

- **Leaders can exert more power during a crisis**
- **Leaders who develop close interpersonal relationships with followers use referent & expert powers to influence**
- **During crises leaders more willing to use legitimate and coercive power base to influence subordinates**
- **Bank manager example...**

# Crisis & Behaviour

- **An important part of charismatic leadership**
  - Some leaders purposely create crises to be perceived as charismatic
- **Behaviours of effective leadership during crises:**
  - Followers need leaders to identify the problem as well as develop & implement a solution
  - Need to be more assertive, directive & decisive
  - Leaders less likely to use participation or consultation during crises
  - Surgeon example...

# Phases of a Crisis

- 1. Signal detection**
- 2. Preparation/prevention**
- 3. Containment/damage control**
- 4. Business recovery**
- 5. Learning**



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# Competences for using crisis to promote change

- 1. Building a foundation of trust**
- 2. Creating a new corporate mindset**
- 3. Identifying the (not so) obvious firm vulnerabilities**
- 4. Making wise & rapid decisions**
- 5. Take courageous action**
- 6. Learning from crisis to effect change**



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# Leaders in financial crisis: Key considerations & issues

1. Step back & calm down
2. Do I have all **available** information? How hard is the evidence?
3. Who are my core team and where do I get support?
4. Business critical issues and optimum quick solutions (Cash is King)
5. Decisive action: What really matters!
6. Relations with fund providers (banks, shareholders, other...)
7. Budgeting in uncertainty: Scenario playing
8. Cost cutting strategy and human capital policies
9. Fixed and flexible work force capacity solutions and work/life balance
10. What are the new opportunities?
11. Market shares are redistributed in crisis times
12. What can go wrong? Fair risk analysis & stress testing
13. Communication, communication ..... with all stakeholders

# Let's see how Hollywood does it...

- **40 Inspirational Speeches in 2 Minutes**
  - <http://www.youtube.com/watch?v=d6wRkzCW5qI>



# *Always remember...*

- **The leader becomes a hero:**
  - If they take decisive action to deal with a crisis and performance improves – they are exceptional!
- **But...**
  - If they fail to take decisive action, or they take action and performance does not improve – they are incompetent!
  - If they maintain the status quo and only make small, incremental changes – they are competent but not exceptional



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