

Leading in Crisis: The Best of Times, The Worst of Times

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Best of Times, Worst of Times?

Significant challenges exist today for organizations on the basis of societal, political, environmental, and technological trends. These trends are often the source of significant crises that threaten the very survival of organizations.

Research has shown that the ability of organizations to thrive in crisis is strongly linked to the ability and performance of its leaders before, during and after a crisis. Yet, models for crisis leadership frequently focus only the public relations component. Further, much of what is written about crisis management focuses primarily on surviving crisis and misses an important opportunity for growth.

In this presentation we will consider the possibility that although crises represent a source of significant loss, they also offer opportunities for growth and transformation.

Recent history...

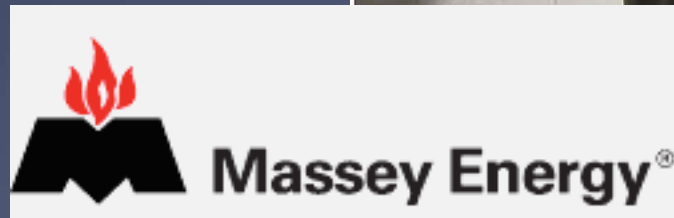
BP 'absolutely' will pay for Gulf oil spill cleanup, CEO says

By the CNN Wire Staff

May 3, 2010 6:47 p.m. EDT



No Survivors Found After West Virginia Mine Disaster



Agenda

1. The nature of crisis
2. Human response to crisis
3. Crisis leadership process
4. Core competencies for leading in crisis

Activity: Your Crisis Experiences

- * Reflect on a significant crisis you have faced in your port or in a past organization
 - * What made it such a challenge?
 - * How did it impact you?
 - * How well did your organization respond?
 - * What did it teach you?

Background

- * Port Directors Study
 - * Conducted in 2009 by Kevin Nourse
 - * Examined the mindsets and practices of 15 port directors in response to the global economic crisis
- * Katrina Thriving Study
 - * Conducted in 2008 by Kevin Nourse
 - * Participants included 15 middle managers who thrived during Hurricane Katrina
- * Crisis Leadership Competency Study
 - * Conducted in 2008 by Joe Raia
 - * Explored 100 senior leaders expectations of middle managers for leading in crisis

Crisis Leadership: Best Practice

- * Emerged in 1982 with the Tylenol crisis
- * 7 people died from tainted capsules
- * Controlled 37% market share
- * Recalled product costing \$100M
- * Relaunched product
- * Safety as a corporate value
- * Recovered market share



Crisis Leadership: Best Practice

Our Credo

We believe our first responsibility is to the doctors, nurses and patients,
to mothers and fathers and all others who use our products and services.
In meeting their needs everything we do must be of high quality.

~~We must constantly strive to reduce our costs~~
in order to maintain reasonable prices.

Customers' orders must be serviced promptly and accurately.

Our suppliers and distributors must have an opportunity
to make a fair profit.

Frames for Crisis Leadership

Social & Political



Technical-Structural

Psychological

Nature of Crisis



Nature of Crisis - Defined

We don't know yet if it's going to be a tsunami or a big wave...we know we're going to get hit but don't know how bad

-- Port Director

Nature of Crisis - Defined

- * Three primary components
 - * Severe threat
 - * High degree of uncertainty
 - * Time pressure for response

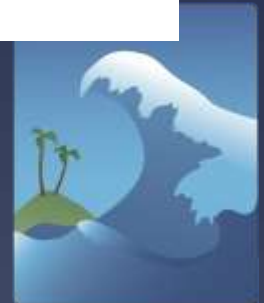
Nature of Crisis – Event Types

I don't call it [economic downturn] a crisis...to me a crisis would be if I had a security breach at the port and had to institute the incident command system...this is a business shift.

-- Port Director

Nature of Crisis – Event Types

- * Economic-related
- * Informational
- * Physical
- * Human resources
- * Reputation-related
- * Psychopathic acts
- * Natural disasters



Nature of Crisis – Event Types

- * What types of crisis does your Port's crisis management plans presently address?
- * What additional types of events should be included in these plans?

Human Response to Crisis



Shattered Assumptions



Shattered Assumptions

We invest a significant amount of our cash reserves in CDs...I now have to be mindful of banks – before the bank crisis that would have been the last thing I would have worried about

- Port Director

Psychological Impact



Psychological Impacts

“She said ‘Wait a second. You’ve got to act. What happened to you?’ It just didn’t seem real. She had to almost slap me in the face to snap out of it. ‘We’ve got to do something. It’s really going to happen.’”

-- Manager impacted by Hurricane Katrina

Psychological Impacts

* Physical

- * Fatigue, exhaustion
- * Gastrointestinal distress
- * Appetite change
- * Tight throat, chest

Emotional

- * Depression, sadness
- * Irritability, anger, resentment
- * Despair, hopelessness
- * Guilt, self-doubt

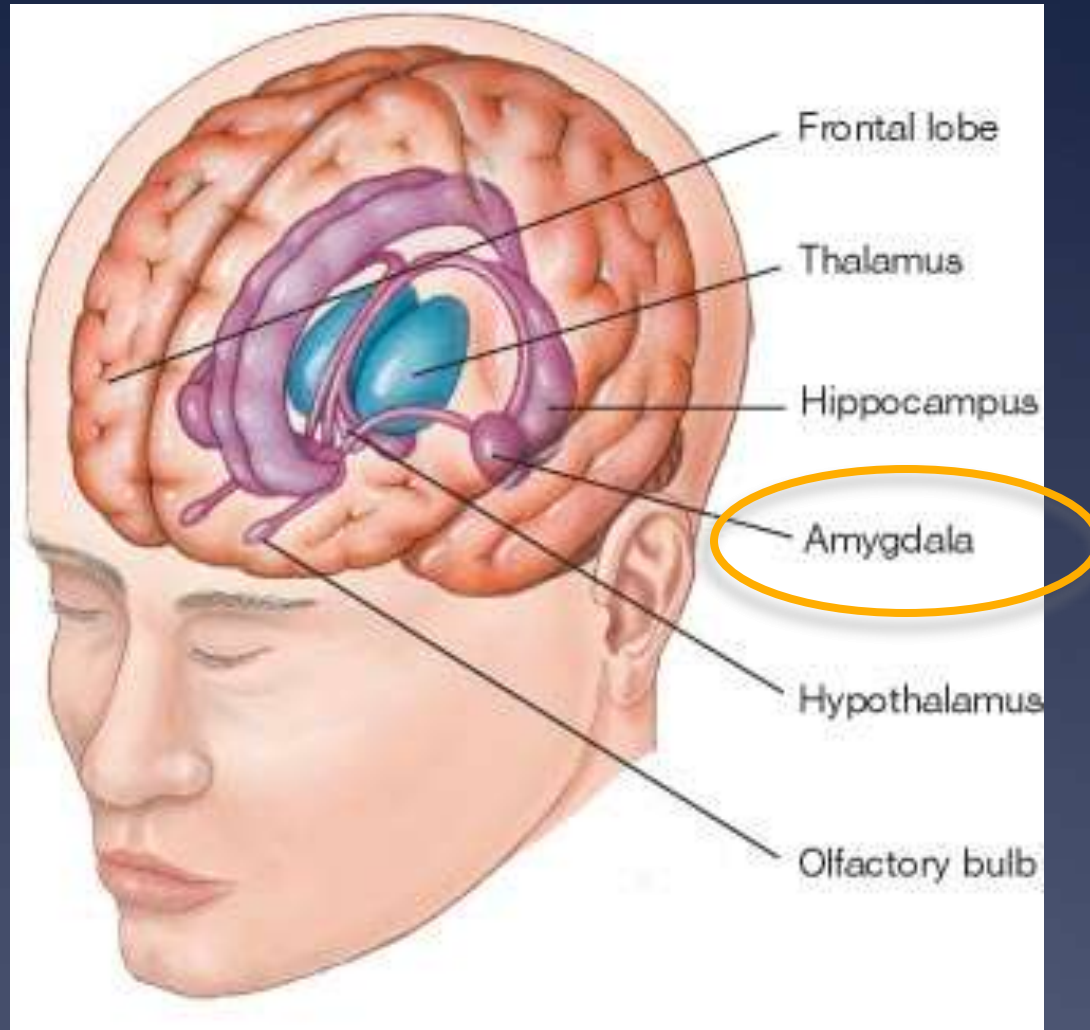
* Cognitive

- * Confusion, disorientation
- * Preoccupation with disaster
- * Trouble concentrating or remembering things
- * Difficulty making decisions

* Behavioral

- * Sleep problems
- * Excessive activity
- * Increased conflicts
- * Social withdrawal

The Emotional Brain



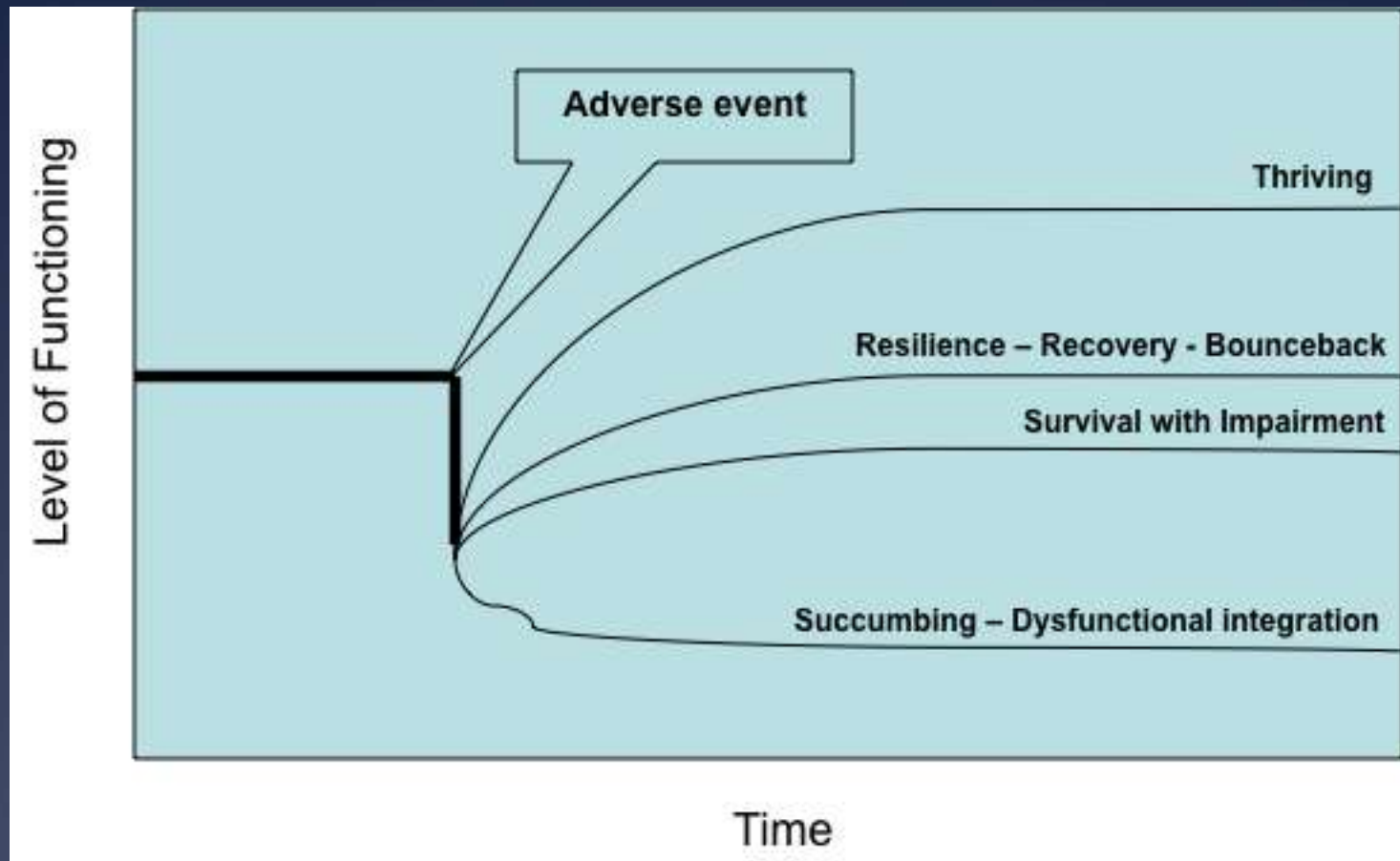
Fight or Flight?



Threat or Challenge?



Coping with Crisis - Outcomes



Leadership Response to Crisis

- * How leaders anticipate, plan for and respond to crisis influences...
- * The duration of the crisis
- * The magnitude of the negative impact
- * The probability of the crisis reoccurring
- * The extent to which the organization grows through the crisis

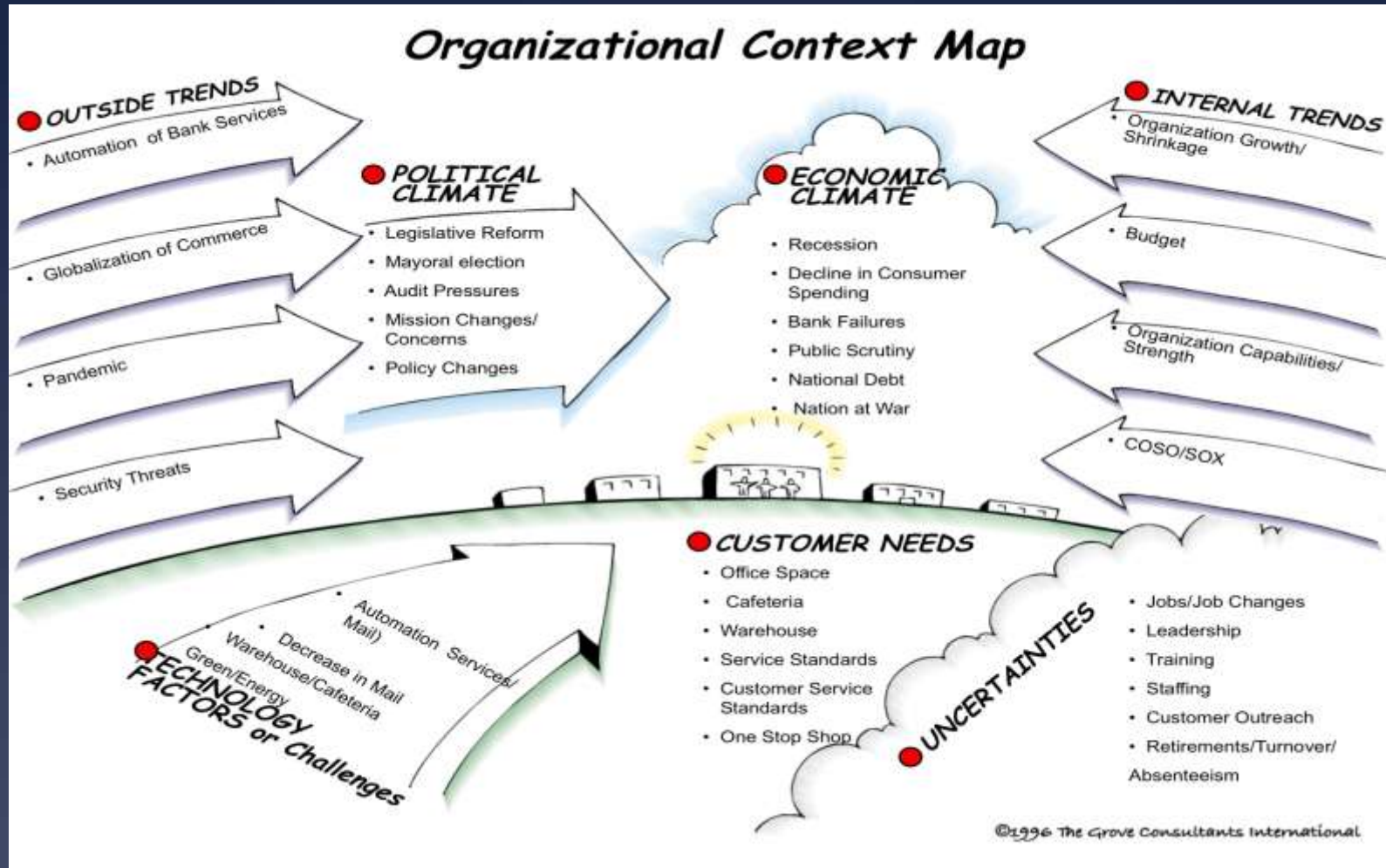
Crisis Leadership Process

- * Before
 - * Prevention and mitigation
 - * Preparation and planning
- * During
 - * Response and decision making
- * After
 - * Recovery, consolidation and change

Crisis Leadership: Prevention

- * Strategic Planning
 - * Clarity of mission
 - * Scanning the environment; SWOT analysis
 - * Articulating core values guiding behavior
- * Organizational design elements
 - * Structures
 - * Culture
 - * Systems
 - * Behavior
- * Alignment
 - * Environment to strategic plan
 - * Strategic plan to behavior
 - * Organizational design to the strategic plan

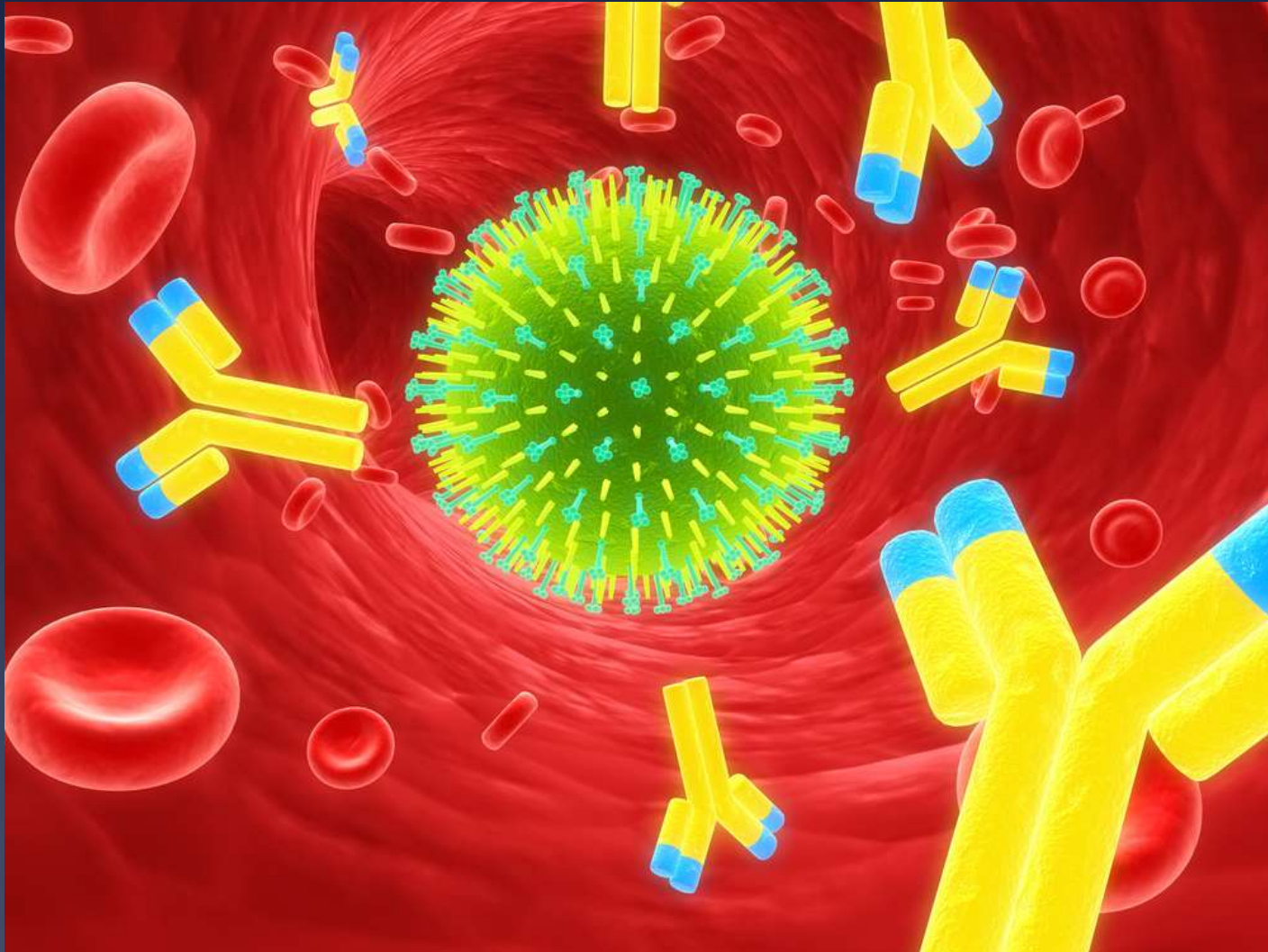
Crisis Leadership: Prevention



Crisis Leadership: Preparation

- * Developing crisis management plans
- * Use of cross-functional teams
- * Establishing SOPs
- * Communication processes and protocols
- * Simulations to test contingency plans
- * Early detection systems

Human Immune System



Crisis Leadership Preparation

- * Detection of the crisis
 - * Trends and data internal to the port
 - * Trends from other seaports
 - * Trends from external sources
- * Importance of a systems-thinking mindset
- * Early warning system failures: management failures
 - * Overwhelm
 - * Poor relationships between senior leaders (silos)
 - * Too tactical
 - * Insufficient technical qualifications
 - * Personality

Crisis Leadership Process: During

- * Focus on the desire for information
- * Professionalize communication
- * Setting the example
- * Taking responsibility
- * Symbolic action
- * Solving problems and conflicts
- * Maintaining resilience

Crisis Leadership Process: After

- * Open channels of communication
- * Asking the right questions
- * After action reviews
- * Update organizational crisis management plans
- * Reconsider strategic plan elements
- * Reflect and renew
- * Celebrate and acknowledge

Organizational Learning



Crisis Leadership Process

- * Consider your port's crisis plans
 - * On a scale of 1 (lacking) to 10 (perfect), how would you rate the quality of the plan?
- * What's missing?
- * To what extent is your port equipped to learn and adapt from crisis?

Core Competencies for Leaders



Emotional Intelligence

- * Defined
- * Domains of ability
 - * IQ
 - * Expertise
 - * Emotional intelligence
- * Prevent emotional hijacking
- * Includes 5 key competencies
 - * Self-awareness
 - * Self-regulation
 - * Motivation
 - * Empathy
 - * Social skills

Leader as Chief Hope Officer



Leader as Chief Hope Officer

- * *I would probably have to say my director was the most important person. Because of his ability to stay calm and anytime you were around him and you saw what was going on, and they were asking upon him to do something? He handled it. Never saw his stress level change. He'd get on the phone, state his point, something would get accomplished you know?"*

-- Maintenance manager at a hospital

- * *"The CEO was pushing carts of food up from the loading dock...it is the best place I've ever worked"*

-- Security manager at a hospital

Leader as Chief Hope Officer

R I C H

Core Competencies for Leaders

1. Understand the changing environment
2. Manage yourself and your demeanor
3. Get people focused
4. Communicate
5. Engage staff members
6. Encourage creativity and innovation
7. Raise the emphasis on resource management
8. Refine ongoing performance management
9. Identify opportunities for future success
10. Embrace the increased importance of your leadership role

1. Understand the Changing Environment

“Understanding the changing environment is very important...because that’s your whole source of identifying the competitive advantage in the future, from understanding the, how the environment is changing”

Recommendations include

- Educate yourself about the change
- Align yourself with the organization
- Get a handle on the big picture

2. Manage Yourself and Your Demeanor

“I would look for level-headedness and calmness in the storm, and a sense of optimism...it reduces or it prevents any growing sense of despair or hopelessness.”

Recommendations include

- Lead by example – be a role model
- Stay calm; don't overreact
- Be positive
- Demonstrate a sincere care and concern
- Take care of yourself

3. Get People Focused

“We didn’t wait that they call us. We are going to see every customer and say ‘hey, anything we can do for you guys?’”

Recommendations include

- Reinforce the core mission and vision
- Reassess and confirm priorities
- Focus on the customer

4. Communicate

You can't try to look at things through rose-colored glasses I guess, to phrase another term or parody. You gotta be honest with your people, but you've also got to give them hope"

Recommendations include

- Communicate early, communicate often
- Be honest and transparent
- Share as much information as you can
- Ask, listen and respond
- Combat the rumor mill

5. Engage Staff Members

“Once you get everybody in one direction and it’s from the lower, build to the top. Get them all involved thinking of what’s happening in the world. Sometimes you get opinions from people you won’t believe. They have an opinion”

Recommendations include

- Involve and include all staff members
- Interact with employees individually and collectively
- Solicit input from staff members

6. Encourage Creativity and Innovation

"I said you know 'I'm gonna try to save your job. That's one goal. My first job is to save your job, but in return you've got to help me to save your job because we gotta cut costs. We've got to ride the wave together as a team, and we have to be a team to ride the wave."

Recommendations include

- Raise your level of flexibility
- Model, encourage and reinforce creativity
- Emphasize the need for operational improvements

7. Raise Emphasis on Resource Management

“We found a tenant who was not paying his water bill...now he’s paying for the water now...we might not have caught that, but we were looking for things with a little bit more scrutiny”

Recommendations include

- Manage costs and resources more closely
- Drive efficiencies throughout the organization
- Seek out and create revenue opportunities

8. Refine Ongoing Performance Management

“If you can give people clear direction, give them a sense that...what their role is and their responsibilities are and...and do that in a way where you are remaining optimistic that we will find solutions. Then I think you find that people step up and...and really do deliver”

Recommendations include

- Be clear about expectations
- Emphasize accountability
- Provide more frequent feedback
- Increase positive recognition and reinforcement
- Retain a focus on coaching and development

9. Identify Opportunities for Future Success

“We encourage all our people but especially middle managers to be looking at what’s out there, what can we do, what opportunities exist. These guys have a lot of interaction with customers middle management on that level. And I’m sure they talk about us on a regular basis of what we’re doing right and wrong”

Recommendations include

- Look for and create opportunities

10. Embrace Increased Importance of Leadership

“My seven commissioners expect that of me. You know there’s one of them that’s always telling me you got to lead from the front”

“Leadership is critical in these times, because you’re either going to survive it or you’re not”

“There’s no substitute for good managers. I’m even more mindful today that perhaps I’ve been over the last 5 years, the importance of key managers who know how to connect all those dots...anticipate problems and opportunities before they occur”

Summary

- * Crisis is a challenge for leaders because it shatters their assumptions about the predictability and stability of the world.
- * Effect crisis management plans address 3 frames: (1) psychological, social-political, and technical-structural.
- * The way in which leaders response to a crisis can result in varying levels of success or failure.
- * Leaders that understand how people react to crisis can adapt their approach and thereby have greater impact on organizational outcomes.

Summary

- * Organizations that thrive in crisis do so because their leaders are able to proactively identify and surface potential threats, as well as focusing on learning from the experience.
- * The capacity of an organization to thrive in a crisis today is a by-product of learning from past decisions and crises.
- * Leaders play a critical role as Chief Hope Officers; hope gives people the ability to reframe crisis as a challenge and thereby take action (fight!).
- * There is a set of core competencies that leaders should demonstrate in order to successfully guide their organizations through crisis.

Call to action

- * Organizational assessment
 - * Review your strategic plan
 - * Review crisis management plans
- * Self-assessment and development
 - * Assess your own skills for leading in crisis
 - * Improve your own emotional intelligence
- * Team assessment and development
 - * Assess the capabilities of your own people
 - * Enhance the capacity of your team to function together

Closing thoughts

My boss told me “I’m going to give you an open checkbook, because I trust you and your judgment...do whatever it takes.” That one thing alone I attribute the most of getting this port back in shape.

-- Operations Chief impacted by Hurricane

Leap Advocates

- * Who are we?
 - * Research-based management consulting firm based in Washington DC
 - * Focus on several key industries including seaports
- * Services we offer
 - * Executive coaching and development
 - * Team effectiveness and retreat planning
 - * Strategic planning and strategic change facilitation
 - * Leadership training
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