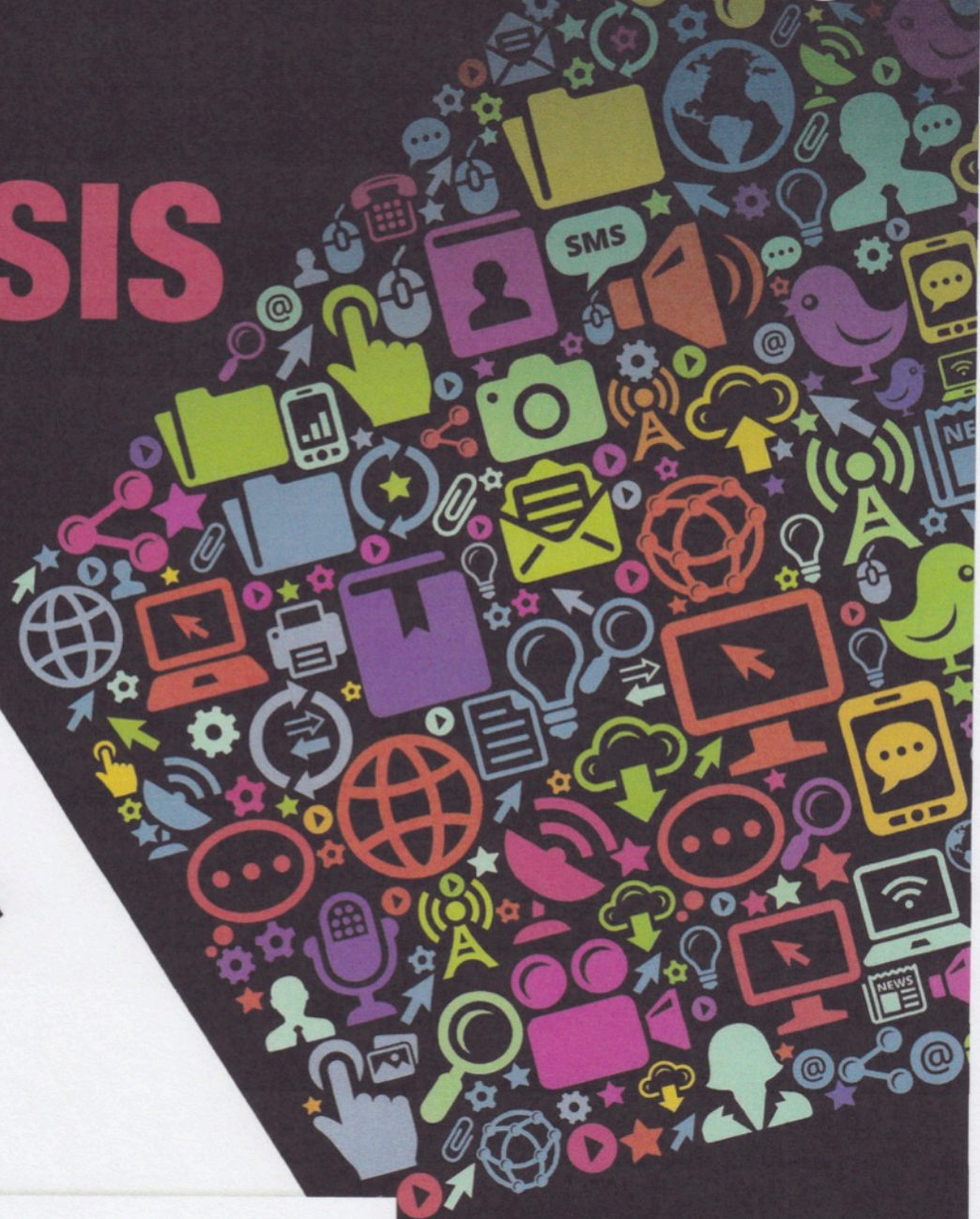


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THE CRISIS ISSUE



Mental Readiness and Leadership in Crisis

By Helio Fred Garcia



Why do some companies — and some governments, NGOs and leaders — get through potentially catastrophic crises strong and successful, without any meaningful harm to reputation, to trust, to confidence or to other measures of competitive advantage?

And why do other companies — and governments, NGOs and leaders — go through equivalent crises but come out the other side with their reputation in tatters, with trust and confidence evaporated and with other measures of competitive advantage, from stock price to employee productivity, plummeting?

The difference between leaders who handle crises well and those who handle crises poorly is mental readiness — the ability some leaders exhibit to make smart choices quickly in a crisis. And this ability creates real competitive advantage.

One of the predictable patterns of crisis response is that the severity of the event does not determine whether an organization and its leader get through a crisis well. Two organizations, similarly

situated, can see dramatically different outcomes based on the quality and timeliness of their individual responses to the crisis events. And the ability to respond effectively in a timely way is a consequence of mental readiness.

Mental readiness involves habits of the mind — the persistent ability to remain calm, to think clearly and to understand other people's concerns even as conditions deteriorate and as panic begins to strike all around the leader. But mental readiness requires preparation, as well as clear thinking, and both self-awareness and situational awareness.

Emotional discipline, deep knowledge and intellectual rigor

We can understand mental readiness as consisting of three separate but related dimensions: emotional discipline, deep knowledge and intellectual rigor.

■ **Emotional discipline:** Every crisis takes place in an environment of emotional resonance: of fear, anger, anguish, embarrassment, shame or panic. Effective leaders are able to control

negative emotions and remain calm. Even a forced calm can help a leader make smart choices by helping him think clearly despite having a strong emotional stimulus. Emotional discipline also allows the leader to see the crisis for what it is, and to avoid the denial that is often a consequence of the emotional response to a crisis.

Emotional discipline can be developed through training, through repetition and through simulations. At my firm, we often run leadership teams through high-stress situations to build their ability to keep calm and think clearly.

Emotional discipline also includes sufficient humility to allow a leader to understand the needs and concerns of others.

■ **Deep knowledge:** Deep knowledge starts with understanding the patterns that drive effective and ineffective crisis responses, including the reasons certain things work and certain things don't work.

Deep knowledge not only includes what works and what doesn't work, but

why. And it is the *why* that matters most. The *why* allows a leader to recognize that however compelling a course of action may seem, if it clearly will not work, because it never works, then the leader should not even try. With that insight, leaders can focus instead on what is likely to work.

Deep knowledge also includes studying particular crises, those that were handled effectively and ineffectively. This allows leaders to learn tough lessons without experiencing the trauma that took place among those who lived the crisis. That way they can give themselves permission to make choices that might otherwise seem risky.

■ **Intellectual rigor:** There is rigor to effective crisis management that is equivalent to the rigor found in other business processes. But that rigor is often ignored or misapplied.

The rigor begins with clear thinking. The leader is, among other things, a steward of the organization he or she leads. The CEO has a moral duty to think clearly and to put the interests of the organization first, even if it means doing things that are unpleasant or even painful.

Part of intellectual rigor is naming the problem to be solved. Many leaders deny or ignore a problem, or understate the severity of the problem. But if a problem isn't named clearly, then it will be difficult to solve the actual problem. Instead, resources are spent trying to solve the symptoms of the problem.

Common Missteps to Avoid

Deep knowledge focuses on the patterns and specific cases showing the approaches that do not work during a crisis. Here are 10 common missteps that are often the first resort of organizations in crisis:

1. Ignore the problem.
2. Deny the severity of the problem.
3. Compartmentalize the problem.
4. Tell misleading half-truths.
5. Lie.
6. Tell only part of the story; let it dribble out.
7. Assign blame.
8. Over-confess.
9. Panic and paralysis.
10. Shoot the messenger.

Misnaming the problem is counterproductive for two reasons: First, it leaves the fundamental problem unaddressed. Second, it gives management false hope — the illusion that it is managing the crisis, when, in fact, it is compounding the difficulties.

Intellectual rigor is also about understanding consequences.

That means taking the pain — doing what leaders already know they will need to do eventually, but doing it when it can have a positive effect. If it is clear that the only way to maintain trust is to apologize, then apologize quickly and fully. If it is clear that the CEO will need to be fired, fire him or her quickly. A late apology or late dismissal, after public outcry, will seem forced and insincere, and will come only after the loss of trust and other measures of competitive advantage.

While it is understandable that people, even those with a fiduciary duty to shareholders, may wish to avoid embarrassment, unpleasantness and pain, it is also notable that having the character to own up to one's mistakes can not only prevent greater pain in the future, it can even enhance a company's stature.

The right questions to ask

Mental readiness allows a leader to make smart choices in a crisis by asking the right questions. But most leaders ask the wrong questions. They ask some version of *What should we do?* or *What should we say?*

The challenge with this kind of question is that it focuses on the *we* — on the entity or leader in question — rather than on what really matters. This leads to saying things that make the leader feel good but that predictably alienate stakeholders.

One common goal in a crisis is to maintain or enhance the trust of those

who matter — shareholders, employees, customers, regulators, etc.

And trust arises when stakeholders' legitimate expectations are met. Trust falls when expectations are unmet.

Because trust is the consequence of fulfilled expectations, the right question to ask when determining the best course of action in a crisis is not *What should we say?* or *What should we do?*

Rather, think of the stakeholders who matter to your organization. Then, with those stakeholders in mind, ask: What would

reasonable people appropriately expect a responsible organization or leader to do when facing this kind of situation?

Framing decisions in light of stakeholder expectations leads to making smarter choices faster and maintains stakeholder trust.

Whatever the particular expectations may be, there is a common expectation that applies to all stakeholder groups all the time: In a crisis, all stakeholders expect a responsible leader or organization to care.

The single biggest predictor of loss of trust and confidence is the perception that an organization or leader does not care.

So, effective crisis response begins with a timely demonstration of caring, and it continues with a persistent demonstration that the organization and its leader continue to care, for as long as the expectation of caring exists.

What it takes to show we care may change over time, across stakeholder groups and through forms of crises. But the need to show we care does not change. Showing we care is the most significant consequence of mental readiness and is the key to getting through a crisis well. ■

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