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USING CRISES AS A CATALYST FOR A TRANSFORMATION

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Most organizations are not well prepared to deal with a serious crisis. The end result of a crisis can either help transform the organization or leave it in a very dangerous position. Crises can evoke fight-or-flight conditions, which are a physiological reaction in response to perceived danger, attack, or threat to survival. In animals, as well as humans, this is a natural response mechanism that helps keep us alive.

Consider the crisis that Johnson & Johnson faced in 1982. You have probably heard the name Tylenol before, one of the most common painkillers available in the market. In September 1982, seven people in and around Chicago died after consuming capsules of Extra-Strength Tylenol. The capsules were laced with cyanide. At the time, Tylenol was Johnson & Johnson's best-selling product, making up 17 percent of the company's net income in 1981.

Experts predicted that the company would never recover. But, only two months later, Johnson & Johnson was back on track with improved, tamperproof packaging and an extensive media campaign.

What helped Johnson & Johnson to overcome this terrible crisis was not luck or magic. It was effective leadership and action, with the right approach to crisis management. The business followed a deliberate sequence of decisions and process changes to create a position of strength after the crisis had almost destroyed it.

First, the company prioritized consumers. All 31 million bottles of Tylenol capsules on store shelves were recalled and consumers were offered a replacement product free of charge. Leadership was key. As well as taking immediate action to pull the product off the market, Johnson & Johnson's chairman, James Burke, took a transparent approach with the media and public. He released a full chronology of actions the company had taken in the month that followed the start of the crisis. Johnson & Johnson's responses were extremely expensive, but the right actions and practices helped the organization transform itself, and today it is a global pharmaceutical powerhouse.

Of course, Johnson & Johnson is not alone. Examples of crises that threaten organizations' reputations, image, and market value are everywhere. They are industry agnostic and occur on a global scale as consumers, markets, and our economies are more connected than ever. Recent examples include defective lithium batteries in Samsung phones that were prone to explosion and banned from flights in the US, the Facebook data breach by Cambridge Analytica, the deadly accidents caused by Tesla autopilot problems, and the tragic accidents during 2019 involving two Boeing 737-MAx planes.

To better understand what happens during a crisis, and most importantly, what leaders can learn from a crisis situation that can help organizations to transform, Brightline Initiative partnered with Quartz Insights to conduct a global study. Our goal was to uncover ways organizations could leverage the experience of a crisis and use those learnings to improve their performance and transformation capabilities.

The study comprised both qualitative research and interviews with senior executives who had experienced a crisis situation in the past. Candidates represented different industry sectors and all had managed a team or organization through a crisis. Using a qualitative study, 1,258 executives and managers around the globe were surveyed to investigate specific aspects of crises. The sample was selected based on geographic representation, organization type and size, including government, non-profit, and the private sector. There are key learnings on both why crises happen, and what can be gained from them.

Understanding crises

Crises are inevitable. As pointed out, organizations are facing, have faced, or will face a crisis that may threaten their existence at some point. The study confirmed this argument, with 68 percent of respondents agreeing with the inevitability of their organizations facing a crisis in the future. There is also evidence that crises are usually a sign of poor leadership (Exhibit 1), regardless of whether it is in the private sector, non-profit or government, and the size of the organization. A CEO from an aerospace company stated in the report:

"A leader has to understand that dealing with a crisis requires a change of culture, and when they don't understand that, things will quickly spiral out of control."

Operational processes also come under scrutiny during crises. Respondents indicated that the organization must work to shift priorities and change team structure, as well as shift the operating mindset to act quicker. Sometimes, this means teams will go from making decisions over days and weeks to making decisions in a manner of minutes. "In crisis, there needs to be accelerated decision-making, a tighter grip on direction from the top executive leadership," said a government consultant.

But the question that we were more interested in was what happens when some organizations are facing a crisis situation? What changes might they experience in their leadership, processes, team dynamics, and culture? What can organizations learn from a crisis?
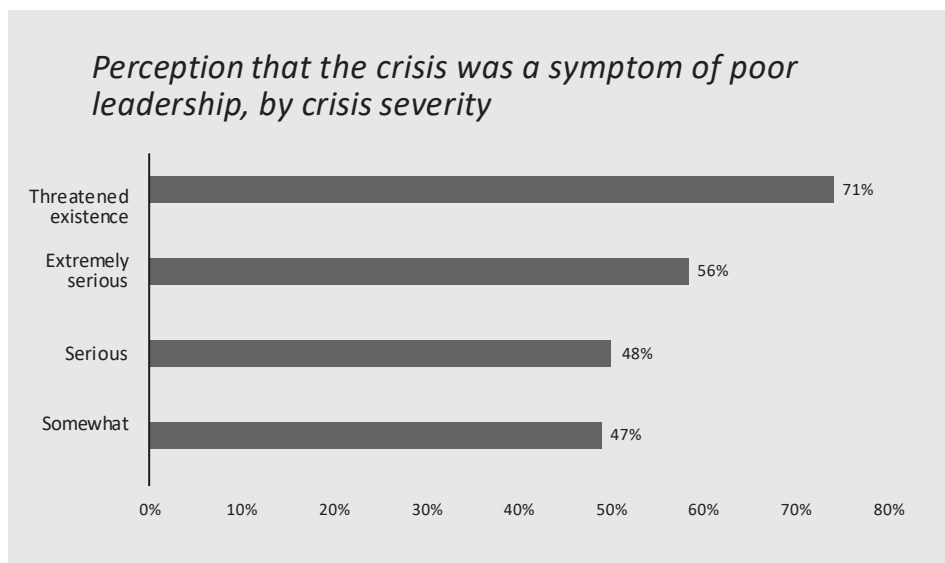
Perception that the crisis was a symptom of poor leadership, by crisis severity

Crisis severity	Percentage
Threatened existence	71%
Extremely serious	56%
Serious	48%
Somewhat	47%

Exhibit 1: Perception that the crisis was a symptom of poor leadership, by crisis severity. Source: Learning from crisis mode: implications for better strategy implementation. Brightline Initiative, a special report by Quartz Insights, 2018.

The crisis mode

When organizations face crises, their natural reaction is to go into what the research calls "crisis mode." "Crisis mode" is the operational realities of an organization in crisis, including shifts in ways of working and employee responsibilities. It seems some organizations radically change the way they do things. A full 93 percent of respondents said their organizations went into "crisis mode" when crises hit them and over half (59 percent) agreed their organizations were facing an extremely serious crisis, or a crisis that threatened the company's existence.

Entering crisis mode has to be a deliberate action, and organizations should recognize that this state of work helps them to recognize the threats and examine their ways of working, learn from specific changes, and learn how to capitalize on key opportunities that a crisis can produce. The report clearly shows the opportunities that can emerge from a crisis mode state, and if the organization fails to act on these they will be unable to make substantial improvements in the way they work.

Effects of crises

It is not only about problems and challenges. Crises are ways to improve performance, if they are leveraged the right way. For instance, of the respondents who said they went into crisis mode when facing a crisis, 78 percent declared their strategy implementation capabilities grew stronger as a result of the crisis.

They also agreed that modifications to team structures that were introduced as a result of the crisis remained in place (79 percent), close working partnerships between cross-functional teams continued (74 percent), and a clearer understanding of the organization's priorities renewed its vision and sense of direction (71 percent).

One senior partner and managing director of a large consulting company asked:

"Why can't we have this degree of cooperative effectiveness more commonly in our organization? Why does it take a crisis for us to operate this way? How can we take at least a portion of this magic and make it a more common element of business as usual?"

In fact, the right answers for these questions will depend on an organization's ability to leverage the "crisis mode" and use the learnings to transform the way it works.

Leveraging crisis to transform

You can (and should) use crises to develop some of the key competences that will help your organization transform. The study identifies four areas where key capabilities need to be developed to transform organizations.

•   **Focusing on what matters**

Prioritizing initiatives is a key success factor when facing crises. The ability to identify what is critical and focus resources on it is paramount. Teams need to encourage smart simplicity, by staying focused and keeping things as simple as possible to rapidly react to changes in the organizational environment. Leaders need "people who can get to the core of an opportunity or threat, understand the drivers, deliver the information, take the action you need in the way you need it."

Of 75 percent of the respondents who reported a "crisis mode" environment, 91 percent reported making changes to their prioritization of initiatives, and 88 percent changed their team's priorities and dedication to initiatives.

A simple and effective way to identify key initiatives is how Steelcase, the 100-year-old furniture company, applies prioritization to all projects. The company divides initiatives into three main categories: Now – projects that are closest to the core business and demand immediate attention; Near – near-term initiatives that require building internal capabilities to respond to market shifts; and Far – investments in future projects with long-term shelf lives. With this approach, the company is able to prioritize what is critical for its transformation and maximize its resources with the right mix of investments across all three horizons.

- **Need for speed**

During a crisis situation, timing and the ability to respond quickly define whether the organization will successfully overcome the crisis or succumb. The study found that organizational decision-making was 10 percent more likely to have sped up during the crisis, increasing productivity and efficiency, rather than increasing error rates and quality issues. Eighty-one percent of respondents believed that business processes benefit from adaptation, as the crisis reveals weaknesses and strengths, rather than believed that business processes would suffer because unproven processes were adopted as a response to time constraints.

As a Chief Reputation Officer at a public relations agency stated in the report, "being forced to deal in the time constraints and under the pressure of a crisis forces you to identify roadblocks to getting things done."

Similarly, teams were 11 percent more likely to increase their effectiveness in response to the crisis because of the challenge than they were to decrease effectiveness because of the emotional turmoil.

- **Power to the people**

Those organizations that performed well during a crisis situation believe that crises help to uncover talented leaders from within the organizational ranks, allowing those leaders to advance (75 percent), and this is why empowering key employees to take the lead on transformation is essential during a crisis.

The study revealed that respondents did not agree that responsibility for successfully resolving the crisis rested with the organizational leadership team more than employees. In crisis mode, non-leadership employees are motivated to take ownership of the situation, an attitude that has clear benefits in post-crisis scenarios.

"I think in a true crisis, it becomes an all-hands-on-deck situation where even the most senior leaders need to roll up their sleeves and get into the dirty work just to show solidarity on some level," said a marketing director from a healthcare company.

In addition, modifications to the organizational and team structures as a result of the crisis were more likely to leave long-lasting impact and benefits, and close-working partnerships between cross-functional teams continued after the crisis was over.

ING, the Dutch banking group, uses agile techniques to improve speed and collaboration. The company created the "One Way of Working," a strategy that incorporates the principles of "agile" methodology to improve flexibility, innovate

faster with shorter time to market, minimize handovers, and provide employees with greater freedom and responsibility than in a traditional company approach. Dina Matta, Head of the Global Transformation Office at ING, stated:

"As you empower people by being clear on a strategy's purpose, and empower teams to participate in the decision-making process, they have a lot more ownership [and] a more direct impact on business performance and strategy execution."

• **Committing to communication**

Communicate, communicate, and communicate. There is no question that during a crisis a successful resolution depends on communicating widely and effectively.

Improved understanding about the organization's vision and goals, and a clear sense of direction will help organizations navigate any type of transformation.

Don't just assume your people will get it – you must firmly establish a shared commitment to communicate and get buy-in from people about what needs to be done. A retired firefighter observed:

"You have to communicate. You could have all the strategic plans and all the strategies you want, but if you don't have people that have bought into that, and if you are not communicating as a boss to your subordinates, they're not going to understand what they're doing and why they're doing it. The big thing is why, why are we doing this? If you can't communicate that, you shouldn't be doing the job!"

Open, clear, and constant communication helps employees to understand the context and why their work is critical to solving the crisis.

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