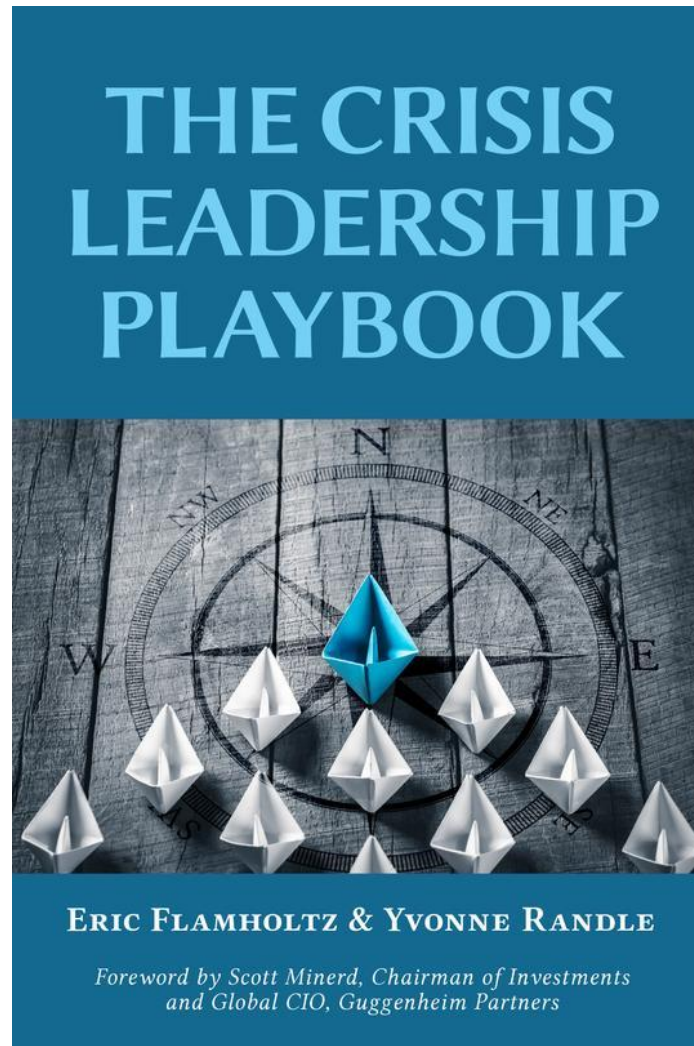# The Crisis Leadership Playbook: A Preview

This article is a preview of a book dealing with crisis leadership that is forthcoming in June 2020. The authors are Eric Flamholtz and Yvonne Randle, with a Foreword by Scott Minerd. The book is titled: *The Crisis Leadership Playbook.*[1]

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[1] Eric Flamholtz and Yvonne Randle, with a Foreword by Scott Minerd, *The Crisis Leadership Playbook,* **Vandeplas Publishing LLC, Lake Mary FL. and the ISBN: 978-1-60042-513-4.**

The Challenge

The challenge to leadership of all types of organizations both public and private, governmental as well as business from the pandemic caused by the coronavirus and the resulting COVID-19 disease is unprecedented in modern history. Although there have been plagues through human history such as the Black plague that began in 1347 and the 1918 Flu Pandemic that killed an estimated 50 million people worldwide, never before in human history has a pandemic occurred globally with such swiftness and ferocity. The difference today is due to the unprecedented globalization of travel and movement of peoples.

Purpose

The purpose of this book is to provide practical guidance for leaders facing crises such as the pandemic caused by the coronavirus and the resulting COVID-19. The pandemic's impact will be vast. In the 1990s, the introduction of the internet had enormous impact on many aspects of life and business operations. However, the impact of the Pandemic is likely to be even greater than the impact of the internet. There simply will *not* be a return to "normal" as we once knew it.

During the blossoming of the internet, there were people who foresaw its coming impact on business and took advantage of it for their businesses. Bill Gates, for example, sent an email to employees in 1995 declaring that the "internet has to be elevated to the highest level of importance.[2]" Similarly, Harvey Golub, CEO of AMEX stated that: "The internet will change

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[2] Sam Walker, "Getting the Restart Right, "*Los Angeles Times*, Exchange, April 25, 2020, P. B1.

everything.[3]" On the contrary, there were business that failed to appreciate the impact of the internet were destroyed it and particularly the rise of one of its creatures, Amazon.com.

Our primary focus in this book will be on business organizations. Specifically, we will present and analyze some actual examples of organizations that have experienced a variety of crises and how they dealt with them. Some of the examples of companies facing crises to be examined will be American Express, Chrysler, Disney, Eastman Kodak, IBM, Osborne Computer, Sears and United Airlines. Some of these examples will illustrate successful adaptation to the crisis, while other will illustrate failures. We also expect that organizational solutions to this crisis might require businesses to redefine their business purpose and/ or diversify.

Our strategy is to look back to look forward. We want to identify lessons from past experiences in dealing with crisis that are generalizable for the future. Although our overarching purpose is to learn how to deal with crises; however, we will also examine examples of companies that have either successfully or unsuccessfully changed the nature of their business, their vision and/or diversified even though they were not in crisis. We believe that there are insight and lessons which can be learned from them as well.

Nature of the Current Leadership Challenge

The challenge for organizational leaders is *to create a defense to manage the current crisis while simultaneously positioning the company for the future*. When faced with a wild fire due to a lighting-strike which moves swiftly to envelop everything around it, the objective is simple and

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[3] "Recharging American Express, Interview with Harvey Golub, CEO of American Express" Harvard Business Publishing Corporation, Boston, MA 02163-1098.

clear – to put out the fire. However, facing the human health, social and economic threats of the COVID-19 pandemic, the objective is more complex. It must be to resolve the immediate threats while simultaneously preparing for an uncertain future.

Admittedly there has been nothing quite like this pandemic in scope and impact on the lives of anyone currently alive. However, there have been consequential, if lesser, threats and crises.

A Crisis Is Not A Crisis Is Not A Crisis

With a nod to Gertrude Stein, a crisis is not a crisis is not a crisis. There can, of course, be a "Black Swan event" which causes a crisis, like the crises caused by the coronavirus-19. The notion of a Black Swan event refers to the relative frequency of the crisis. There are also crises which we can label "Tsunami crises" and "Stealth crises." Each is explained below.

"Tsunami Crises." Some crises are caused by sudden changes in the economy. These can be viewed as "Tsunami Crises," which, like a Tsunami, suddenly appear unexpectedly. These can also be referred as "Black Swan events," because they are (like Black Swans) relatively rare. However, we prefer the notion of a Tsunami Crisis because it has the connotation of sudden threat and danger as opposed to the more benign connotation of a Swan[4].

"Stealth Crises." Other crises are caused by gradual changes in the market or competitive environment. These latter crises can be termed "Stealth Crises," and they seem to appear suddenly; but, in fact, the actual crisis has typically been foreshadowed for some time.

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[4] The notion of a Black Swan event refers to the frequency of the crisis. Our notion of "Tsunami Crises," and "Stealth Crises" refer to the time it takes the crisis to appear.

Our notion of "Tsunami Crises," and "Stealth Crises" refer to the time it takes the crisis to appear (or lead time before the appearance of the crisis). For our purposes in analyzing leadership responses to crises in organizations, the primary issue is the *lead time* for the crisis to appear rather than its frequency.

Accordingly, we will examine several examples of organizations that have faced crises and do an anatomy of the nature of the crises, whether it was a "Tsunami Crisis," or a "Stealth crises," and the leadership response to the crisis.

Organizational crises can also differ in their origin or source. Some are caused by wholly **external** events such as wars, pandemics, and currency failures. This type of crisis is seen in the example of Chrysler in Chapter 2. Others arise from the **internal operations** of the organization itself. Examples include a firm that has grown too fast and outgrown its own "organizational infrastructure" and is, in essence, "choking on its own growth." An example of this type of crisis is Osborne Computer, which is described in Chapter 8. Another example of an internal crisis is a corporate acquisition that was either poorly conceived or poorly executed. This type of self-induced crisis will be seen in the example of Westfields in Chapter 3. There are also crises which are caused by externally driven events but which are exacerbated by internal operations and mismanagement. This type of crisis is examined in the case of Eastman-Kodak in chapter 6.

The Value of Studying Past Crises

Recognizing that a crisis is not a crisis is not a crisis, and those in the past are not necessarily the same in scope and magnitude as the Covid-19 pandemic, we can still view past crises as **simulations** and learn from studying their effects as well as the strategies used to deal with them.

Some of the examples, as noted above, of companies facing crises to be examined will be Chrysler, Disney, Eastman Kodak, IBM, Sears, and Westfield's. Some of these companies were ultimately successful in managing their crises, while others essentially failed. We can learn lessons from both failure as well as from success. In fact, lessons from failures might well be more important than those from successes.

Our Approach

We will not be examining theses examples in comprehensive, microscopic detail. Instead, we will present the relevant highlights. Stated differently, the approach taken to examine these examples will adopt the perspective of "the 20-minute Leader:" In brief, "What can I learn in about 20 minutes?" Our goal is to derive most of the benefit with relatively minimal effort. As such, our intent is to make this a useful, practical book for leaders, *not an academic treatise*. We will leave it to others to examine these examples in the level of detail found in *The Rise and Fall of The Roman Empire*.[5]

We have been studying organizational crises for more than 30 years and have selected crises based upon their value to provide insights and lessons. We also wanted many of them to be of well-known companies that people can relate to. Accordingly, we have chosen several classic cases of once high-profile companies of historical note. People remember when several of these companies were founders of an industry (International Harvester and Kodak) and/or totally dominant (Kodak and Sears), or among the leaders (Chrysler) in their industries. Presumably they will be interested in the reasons why there was such a reversal of fortune for such high-

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[5] Edward Gibbon, *The Decline and Fall of The Roman Empire,* Everyman's Library, 1993.

flying companies; and, if they were ultimately revitalized or not, how leaders accomplished that or, if they failed, why it was not possible.

In some cases, where the events happened some time ago, we will do a brief "Epilogue" to bring the reader up to date. However, just as military leaders still study the wars of ancient Rome, The US Civil War, and World War II for insights, our examples are of sufficient significance to merit study.[6] For example, during World War II, General George Patton, who some (including his adversaries – the German General staff) regarded as the greatest General of the US Army in that era, drew upon his knowledge of ancient history to propose where to land in Italy to start that campaign.

Nature of Case Examples Selected

We have selected a number of cases to illustrates both successful and unsuccessful handling of organizational crises, including American Express, Chrysler, Disney, Kodak, International Harvester/Navistar, Osborne Computer, Sears, UAL, and Westfield's.

Some of these crises were "Tsunami Crises" caused by sudden external crises in the economy. Others were "Stealth Crises" caused by the inability of companies to respond effectively to more gradual changes in the competitive environment. Still others were caused by poor management or faulty decision-making. Nevertheless, in spite of what we previously stated and at the risk of contradicting ourselves, in the sense that all crises are a turning point for better or worse, we can state that a crisis is a crisis is a crisis!

As we shall see, the examples discussed will illustrate some very different approaches to dealing with crises. Some firms dealt with crisis by keeping their vision intact and attempted to revitalize the company and its operations. Others made changes in corporate vision. Some attempted acquisitions and others divested part of their firm. There was no one approach that functioned as a recipe or panacea.

Chapter Preview

This section provides a brief preview of the book's chapters.

Chapter 1: Effective Leadership During a Crisis

Chapter examines the nature of leadership during crises. It examines the nature of a crisis; presents a framework for thinking about different types of organizational crises; discusses our approach to the key cases used to study the phenomena of crisis leadership; identifies the cases to be examined (American Express, Chrysler, Disney, Kodak, International Harvester/Navistar, Osborne Computer, Sears, UAL, and Westfield's); and provides a preview of the remainder of the book.

Chapter 2: Lee Iacocca and The Crisis at Chrysler

Chapter 2 begins our examination of our first example of leading during a crisis. Specifically, we will examine the now iconic example of how Lee Iacocca helped to lead the revitalization of Chrysler Corporation from its near-death experience during the late 1970s in response to the oil crisis.

Chapter 3. Frank Lowy: Leading Westfield Out of a "Diversification" Crisis

Chapter 3 examines Westfield's ill-fated acquisition of Channel Ten in Australia as a result of the attempted diversification into media business and the near bankruptcy that it caused. It also examines the lessons learned by the company's founder, Frank Lowy, who said that this experience was a great lesson in managing failure.

Chapter 4. International Harvester /Navistar: Leadership of Perpetual Crises

This chapter examines the crisis at International Harvester that lasted for decades under a series of leaders. It also examines the birth of Navistar, a successor company to Harvester, as well as Navistar's subsequent crisis attributable to both legacy issues that were not resolved prior to its birth and problems created by its own leaders.

Chapter 5. Amex & Disney: Successful Leadership in Crisis

This chapter examines the crises at America Express and Disney and the leadership by their CEOs Harvey Golub and Michael Eisner, respectively, who successfully resolved those crises.

Chapter 6. Unsuccessful Crisis Leadership at Eastman Kodak

Founded in 1888 by George Eastman, by the 1980s, Kodak was the global leader in film and photography and had achieved more than $10 billion in revenue. Over the next three decades, Kodak went into decline that culminated in the company filing for Chapter 11 bankruptcy protection on January 19, 2012. The case history of what happened to Kodak is an object lesson in leadership failure.

Chapter 7. The Tragedy of Failed Crisis Leadership at Sears

Once up a time, Sears, Roebuck & Co. (Sears) was where America shopped. Today, Sears is where Americans *used to shop*. The story of Sears simultaneously demonstrates the best and worst of leadership in a crisis. Specifically, what makes the story of Sears so extraordinary is that it was a company that *actually transformed itself **successfully***, and then *reversed course and dismantled what it had created* to return to a failed strategy which ultimately led to its decline and virtual failure as a business.

Chapter 8. Osborne and UAL: Unsuccessful Leadership in Crisis

This chapter examines two different cases of unsuccessful leadership in a crisis: Osborne Computer, which was once a highflying start-up, but failed within three years; and UAL (parent of United Airlines) which engaged in a vision transformation that was initially successful but was dismantled because a key group failed to buy-into the new vision.

Chapter 9. Lessons for Leading During Crisis

This chapter steps back from the details of the case examples presented in previous chapters and summarizes the key **characteristics** of companies which are susceptible to a crisis. We also summarize the key **lessons** derived about leading in a crisis in order to derive a set of general principles for successfully leading and managing crises.

Chapter 10. Tools for Leading During Crisis\

Each crisis examined required a different "leadership playbook" or set of initiatives. Many of the initiatives drew on a common set of **tools**. This chapter presents some of the "tools" available to leaders to help them respond to the problems that lead to organizational crises, including: 1) tools for assessment of an organization's susceptibility to a crisis, 2) tools for planning for the resolution of a crisis, and 3) tools for dealing with the culture problems that contribute to a crisis that either prevent or inhibit its resolution.

About the Authors_____

This article draws upon a book dealing with crisis leadership that is forthcoming in June 2020: Eric Flamholtz and Yvonne Randle, with a Foreword by Scott Minerd, *The Crisis Leadership Playbook,* **Vandeplas Publishing LLC, Lake Mary FL. and the ISBN: 978-1-60042-513-4.** Eric Flamholtz is Professor Emeritus, Anderson School of Management, UCLA. Yvonne Randle, Ph.D. is Executive Vice President, Management Systems Consulting and Lecturer, Anderson School of Management, UCLA. Scott Minerd is Founding Managing Partner**,** Global Chief Investment Officer & Chairman of Guggenheim Partners and a member of its Executive Committee.