
The Core of Resilient Leadership – Crisis Management

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Abstract

We live in unprecedented times where crisis such as Covid-19 can shape world's today and tomorrow. In the crucible of crisis, resilient leaders are defined first by who they are and what they do at different times and across multiple priorities. Leaders in different organizations look for specific guidance to navigate through the impacts of the current challenge and emerge more resilient.

There are three distinctive timeframes depending on the phase of the crisis: Respond, Recover or Thrive. These different phases demand different actions from leaders. Furthermore, these actions are broken in to six priorities: Command Center, Workforce and strategy, Business Continuity/Financial, Supply Chain, Customer Engagement, and Digital Capabilities that align to various leaders in every organization.

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1. Introduction

Leaders are at the forefront of businesses with a clear focus on facing and resolving new challenges. These challenges differ in nature – from economic uncertainties, corporate litigations to environmental issues. While some of these traditional challenges have a playbook and structure towards resolution, the real test of a leader comes when all the challenges collide

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and pose an imminent crisis. During the times of these crisis situations, resilient leaders are defined first by their qualities and then by their short term and long-term actions. These qualities serve as guiding principles through out the crisis and define the actions across three dimensions – priorities, time frame and accountability. Finally, leaders need to evaluate actions within the context of geographic location and sector while leveraging the learnings of those experiencing the same crisis conditions.

There are specific areas that can help leaders distinguish between surviving and thriving amidst crisis. At the core, leader needs to serve the heart of organization - its purpose, social obligations, while simultaneously making hard decisions to protect financial viability. Second, the immediate focus needs to be on stabilizing today and harnessing both the energy and constraints of volatile conditions to spark innovation tomorrow. During these pressing times, the decisive action with courage is often more essential than getting it perfect. Next, misinformation and rumor during crisis cause more harm to the ecosystem rather than the actual threat. Hence, it is extremely critical to paint a picture of compelling future and path forward that the stakeholders can support and rally around. Finally, staying focused on the horizon to instill confidence and steadiness across the ecosystem.

2. Crisis Mangement Approach

Once leaders have aligned on specific focus areas, resilient leaders are then defined by “**what they do**” along three dimensions: *priorities* to identify functional areas most at risk during the crisis, *time frame* to thoughtfully selecting when to pivot from respond to recover to thrive and *accountability* to define who is responsible and accountable in the business.

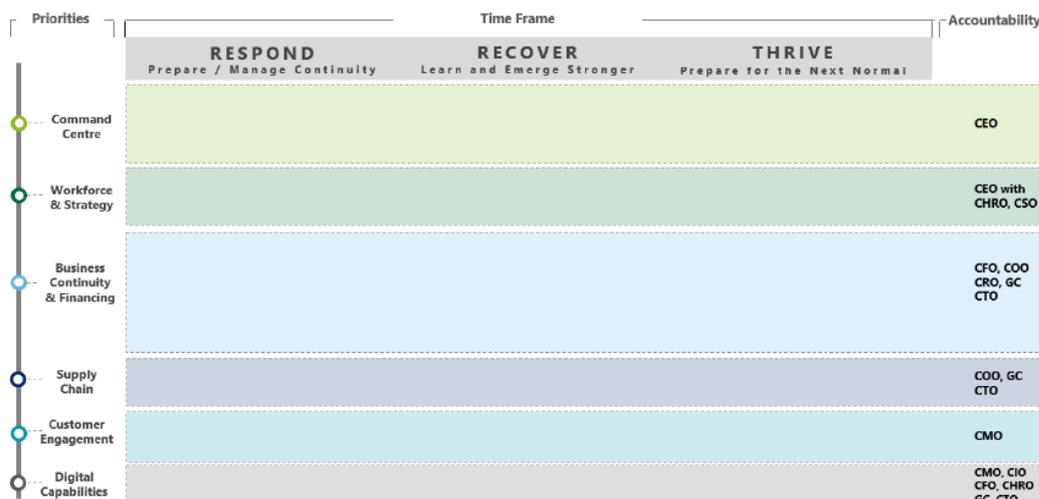
2.1. **Priorities:** Depending on the industry, geography and other demographic factors, different business functions can be prone to different levels of risk during the times of crisis. Setting up a central command center helps in coordination, communication and controlling the overall messaging to the stakeholders. Workforce and strategy look at employee well being aspects in the wake of crisis and ensures any adjustments that need to be done from short term and long term. Typical adjustments range from adjusting work from home policies or employee education in shape of new business models. Business coninuity and financing becomes a key priority since crisis situations bring in a lot of uncertainty. Consequently, it becomes critical to control the cash flow and discretionary expenses while revisting the capital structure and corporate models. Next, crisis situations can result in limitations around supply chain due to imposed restrictions on mobility. Moreover, demand supply shocks can bring volatility, increasing further risk. Also, sometimes business can become too focused on inner stability without considering that its customers are also going through the same crisis. Hence, customer

engagement becomes an important priority to understand any drastic changes expected in buying pattern and to provide transparency as organizations also go through changes. Finally, technology plays an important role in running daily business operations. During the times of crisis, the role of technology becomes even more critical to ensure right cybersecurity measures and enable the workforce to operate in minimal disruption mode.

2.2. Time frame: Once the priorities are aligned, it is pivotal to understand the time frame and actions specific associated with these priorities. Respond phase gets activated immediately following the crisis and helps in preparing and managing continuity for business operations. Focus of this phase is on controlling the immediate danger of disruption. Once the crisis and its implications are well understood, leaders need to start moving towards recover phase. Recover phase helps in building medium term action plans revolving around business operations and helps in emerging stronger at the end of crisis. Finally, crisis situations change the way business and industries run operations. In the final stages of crisis management, leaders need to start thriving and embracing the new normal so it can be used for a competitive advantage.

2.3. Accountability: Organizations need to operate on multiple priorities during the time of crisis. It is imperative that there is a clear accountability of driving different priorities and actions from CXOs to the employee community. This crisis management framework (Figure 1) brings all the dimensions together along with the right level of accountability across the ecosystem.

Figure 1. Crisis Management Framework



3. Results and Analysis– China & Covid-19 Crisis

China took decisive actions to contain the impact of Covid-19 on its different sectors and industries. While the country was impacted in Q1 FY20, there is evidence of recovery. China adopted the framework and identified priority impact sectors and built the short term and long-term recovery plan. This plan considered all the key factors such as limited mobility, suspended production scenario, supply chain interruption, reduced demand from consumers and working capital pressures. Figure 2 analyzes China's impact score card across these factors.

Figure 2. Case Study: China & Covid-19

Priority Impact Sectors	Scenarios		Influencing Factors				
	Short term	Recovery scenario	Reduced/ Restricted Travel	Production Suspended	Supply Chain Interruption	Reduced Consumption	Working Capital Pressure
Automotive	H	M	X	X	X	X	X
Consumer Goods (Clothing & Essentials)	M	M		X	X	X	
Consumer Goods (Luxury Goods)	H	M	X			X	X
Transportation and Hospitality	H	M	X	X	X	X	X
Technology (Hardware)	H	M	X	X	X	X	X
Real Estate	H	N	X	X		X	X
Oil & Gas	H	M	X	X	X	X	
Life Sciences	H	O	X	X	X	X	X

H High Impact	N Neutral or Low impact
M Significant disruption/financial impact	O High demand/opportunity

3.1. Key Learnings from leading companies in Chinese Market:

Command Center: Leading companies in China established emergency response teams right away in order to assess the risks and formulate response strategies after conducting robust scenario planning, which significantly improved epidemic response mechanism and toolkits.

Workforce and Strategy: After the initial outbreak, companies began implementing flexible work arrangements for middle and back office staff in order to minimize on-site work while meeting basic operational requirements. With remote work capabilities being stress tested, overall opportunities for improvement were identified and addressed. A digital employee health declaration system was also launched by some companies in order to track employee well-being and to be in compliance with administrative reporting requirements.

Business Continuity and Financing: Companies immediately began to update / develop business continuity plans to understand contractual obligations, evaluate financial impacts and liquidity requirements, formulate debt restructuring plans, and optimize assets to help restore financial viability. Another core focus was to understand financial impacts across the entire value chain.

Supply Chain: Companies in China accelerated investment in digital trading solutions to combat supply chain interruptions, overcome logistics and labor shortages, and local access limitations in order to ensure product supply for the domestic market. Operational agility and data quality were critical in supply chain scenario planning.

Customer Engagement: Companies quickly moved to maintain open and ongoing lines of communication with their customers on the impacts of COVID-19 to the business and the emergency actions implemented. This working in partnership has built confidence amidst the uncertainty.

Digital Capabilities: Companies are revisiting the current e-commerce landscape and developing digital roadmaps for the short, medium and long term. Companies realized digital capabilities needed to be implemented across the entire organization in order to embed resilience. Some leading companies in the service industry promoted “no touch” experiences in order to shift away from “brick-and-mortar” presence

4. Conclusion

China has shown early signs of recovery both in terms of population affected by Covid-19 and business operations. These signs show the power of driving resiliency through planning and execution from top leadership. Leadership during the time of crisis can build or break businesses. Crisis leadership can shape digitally-enabled future of work including for business processes and back-office functions. In addition, it can help reimagine the operational model to strengthen customer engagement. Using this approach, the new operating can be played for strategic competitive advantage and can contribute towards long term growth of any organization.

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