



Crisis Management: Framework and Principles with Applications to CoVid-19

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This article tries to sum up lessons all facing any crisis should be aware of. We use the CoVid-19 crisis to illustrate these lessons and put them in a context that concerns us all today.

What is particularly painful in the crisis – a fact that motivated the writing of this article - is to see that these principles are regularly ignored. Crisis is not a time for learning or reinventing what should already be known. Crisis management is a time for experienced hands, endowed with healthy doses of both science [or “facts” instead of “science” to make it more generic sounding] and intuition. and that not learning from the past or the present can be very costly.

These lessons are organized in a general framework for crisis management that consists of 5 phases to be implemented in a virtuous cycle. Other points made by the framework is that framing and reframing the crisis is key, that the way one gets into a crisis is typically not the way one gets out, and that the how in crisis management is as important as the what.

Key Words: Crisis Management, Financial Crises, CoViD-19.

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Crises is not a time for the uninitiated, nor for learning or reinventing things that should be known.

Frame the crisis correctly and look for patterns.

Apply segmentation and triage.

No such thing as having all the information.

Time is your enemy.

Maintain a bias to act.

Build trust and credibility based on objective measurement.

Admit mistakes ... and know how and when to exit.

Keep learning and adapt your readiness for the next crisis.

How you got into the crisis is not the way you get out of it.

In his book *Outliers*¹ Gladwell mentions the now famous *10,000 hour rule*: it takes, according to Gladwell, about that time to become a master at anything.

10,000 hours is 20 hours a week for 500 weeks or 10 years. One of us spent triple that time in the financial industry, with crisis weeks in the finance world easily clocking 80 hours. The other author has been studying governance and strategy, with a particular affinity for collaboration and military strategy. We wished to make a contribution that might help and support those that manage crises.

The starting point for all to recognize is that crisis management is a time for experienced hands, endowed with healthy doses of both science and intuition. The uninitiated and inexperienced will be prone to errors that likely will worsen the crisis and that experts would avoid making. In crisis not learning from the past and the present can be extremely costly. Crisis is not a time for learning or reinventing things that should already be known.

This article tries to sum up lessons all facing any crisis should be aware. We use the CoVid-19 crisis to illustrate these lessons and put them in a context that concerns us all today. What is particularly painful in the crisis – a fact that motivated the writing of this article - is to see that these principles are regularly ignored and that relearning them can prove very costly.

These lessons are organized in a general framework for crisis management that consists of 5 phases to be implemented in a virtuous cycle. One point this framework immediately makes is that the how in crisis management is as important as the what.

PHASE 1: ENGAGE all in framing the crisis and get it right

Have memory and look for patterns. It is rare that crises are completely new. They are more similar than one imagines. Events and contexts that trigger the crisis typically differ and lead people to label crises as new and different. However, underlying causes, patterns and impacts are often quite similar. Memory and insightful analysis of past crises are the first weapons against the current crisis.

The 2007-08 crisis was a global financial meltdown due to excessive risk-taking. People collectively and conveniently forgot one of the pillars of modern finance, the risk-return relationship. The impact was a repeat of the Great Depression of 1929, even though, as Alan Greenspan commented, “this time it was different.” It was in some way, and not in others. What is true is that many patterns repeated themselves.

Governments regularly suffer from delusion or forgetfulness when it comes to crisis, as the current CoViD episode attests. Italy is experiencing a tragedy that France now desperately seeks to avoid. The US is next. All these countries looked East and did not seem to fathom the gravity of the situation unfolding in China, or seemed to freeze. Up to early March, President Trump still stated that the US numbers were small and that all would soon be fine.

The positive example here is Taiwan. The country learned their lesson from the mistakes made and acknowledged during the 2003 SARS epidemic. It put in place a public health emergency response mechanism that enabled experienced officials to quickly detect the crisis at hand and to respond with

¹ *Outliers*, by Malcolm Gladwell, Little Brown and Company (2008)

efficient, data driven and culturally sensitive policies that helped contain the spread and significantly minimize deaths. As of December 31, flights to and from Wuhan were restricted and a week later anyone showing “pneumonia-like” symptoms was placed in quarantine. The Chinese only confirmed human-to-human transmission on January 20, while signals appear to have been present as early as November! To this date, Taiwan, a country of 23 million, has had only had 49 confirmed cases and 1 death. By and large, except for Hong-Kong and Korea, the world did not appear to really notice and learn with, or from, them.

Frame the crisis correctly. A good framing is essential to the successful management of the crisis. Wrong or contradictory framings add fuel to an already burning fire. Regular flip flops of the US Government left the country largely unprepared for CoViD, particularly when the danger was minimized, or when a level of readiness was asserted that was unrelated to the facts, all while tragedies were hitting homes for the elderly in the Seattle area. Italy suffers from the same hesitations in the early stages, and yet reacted earlier than France. Delaying the onset of the virus so that health systems can be put in place to treat and save those members of the community that are more vulnerable is the right framing. So is truly confining the elderly. Good framing focuses all energies on stopping the fire; bad framing fuels the fire. As the crisis evolves, reframing is needed to remain relevant and trusted. More on that later.

Engage people early, and communicate the method that will be followed to conquer the crisis. A good framing proves virtuous: it aligns people, reduces the odds of dysfunctional behaviors (e.g. in CoViD the continuation of larger gatherings), and should be open to engage those with contributions. The key people to identify are those that will be impacted by the crisis, those that are key to execute the response, those that have crisis expertise – as crisis is not the ideal time for improvisation - and finally those that might prohibit effective solutions from being deployed. Given the unavoidable uncertainty in times of crisis, an alternative is to explain the process that will be followed to manage the crisis. This reassures people that the leadership has a method – the 5E framework offers one such method – as it prepares for an effective response.

PHASE 2: EXPLORE the crisis and how to fight it

Segmentation and Triage. It is rare that there is one optimal approach in a crisis. All solutions include some triage of the population at risk so that each segment benefits in due time from an effective approach. Saving all banks at the same time in the 2007-08 financial crisis was impossible, so the idea was to save the most critical and vulnerable ones early, and turn to the less critical and more robust ones later. If you allow the entire population to interact while CoViD is present, you will run out of medical capacity very quickly, as we noticed. Successful country responses involve intense testing to remove the infected people from the healthy population – but this is viable only if infection rates are low. Triage is the necessary consequence of having limited resources and focuses the intervention where leverage is highest. Once framed as a resource allocation problem, issues can be addressed and communicated more constructively than if the message is “we will save them all” which is initially reassuring, yet is most likely to ultimately set leaders and countries up for failure.

It is, what it is. Assess the downside and understand people’s motivations. There is no such thing as having all the information. Stay objective and Independent. Crisis triggers strong emotions. More than at other times, one needs to understand how emotions drive and bias decision-making, and how emotions filter what people can hear and understand. The immediate desire to find reassurance is

ever present but may lead to ignoring the danger. Excessively hasty decision making based on these reactions is equally dangerous. Sudden changes in communications or actions without an objective argumentation for the change in tone and assessment, risk being ineffective and can be costly in terms of credibility as people are hungry for positive news that cannot be given. One suggestion here is to speak in terms of ranges or scenarios of what could happen, to reassure the population that the crisis will end while getting people used to uncertainty - hopefully narrowing windows as time goes on. One typically does not have the information necessary for precise forecasts and admitting the truth is then wise, particularly if one can state when this uncertainty will be resolved.

A great example of a communications protocol is to be credited to the Singaporean Government where each identified CoViD case was identified, provided a number on the Government's website and tracked for all to see. All those interested can see that the latest cases of infection have entered from outside the country or are related to previously identified and treated cases. This is objective and very reassuring, and immediately points authorities to not allowing foreign travelers in the country without a 2 week quarantine.

How you got here, is not how you get out. Understand and focus on what leverage you have now. There is a tendency in a crisis for blaming and lamenting. This is human. Recognize it by indicating that once the crisis will be over, there will be a big diagnosis job to do for lessons learned and responsibility. But that is for later. Engaging in a blame game is destructive at a time when all need to fight the fire that is spreading. Energies should be spared and resources dedicated to solving the crisis.

Most should fight the crisis, another team should already be looking ahead at the exit and post-crisis. It is very important to divide the team into two: one, the major team, dedicated fully to fight the crisis and contain it, while another team (initially a few, then a growing number) already focused on preparing the next moves, should current ones not work, and also on searching for options that will get us out of the crisis and return us back to normal.

What is your exit strategy? Focus on the right indicators. Initially the attention in CoViD focused on containment. In some countries, testing was applied but too late and was abandoned. Lately, we have heard of messages about research on new vaccines and anti-bodies, on building more capacity, and bringing more health equipment online. When fighting, one also needs to hear positive messages that bring hope and resolve that the battle can be won when all around defeat looms large. Vaccines will emerge, and at some point countries will have learned how to fight the crisis, and populations will be sufficiently immunized. China recently just reported no new Corona cases in the Wuhan region. This news gives a tremendous boost to those being confined and to those fighting the crisis, for it points to light at the end of a horrific tunnel. Focus on the right indicators: reduction in the rate of new cases is a much more relevant indicator than the number of deaths which is a lagging indicator. Recognize that, more than how you combat the crisis and its effects, what people really wish to hear is how and when to exit the crisis. Good indicators make this self-evident.

PHASE 3: EXPLAIN what you have decided, why and how it will work, and then commit to action

Time is your enemy so maintain a bias to act. The whole idea in the crisis is to stay ahead of the game by preparing the next move. The crisis is racing with you. The longer you wait to (re)act, the fewer the options that are available to you. No action means you are losing the race. Action always reveals

something, even if it is not successful: knowing what does not work is **very useful** – it avoids spending time in blind alleys. Setting the agenda is much more motivating for people than responding to events.

The vital decision: stay or leave? What is your bigger strategy? What is your purpose and your narrative? Fighting a losing battle is pointless. Like in a military campaign, one should have options, retreat being one of them. In crisis, a lack of options forces gambles and leaves matters to hope and luck. Staying in the game requires options. Being cornered without options is like entering a desert hoping to be rescued. The key here is something akin to the “3 lines of defense” - those in modern banking (business unit, control functions, and internal audit) or those of Wellington facing the French Imperial Army at Torres Vedras in Portugal (they held, and Wellington won). Lines of defense result from key strategic insights that are successfully implemented. Once proven wrong, it is time to retreat. The leader will inform his troops that retreat is an option so as to avoid chaos in retreat (Waterloo) and to maintain her or his vital ingredient, credibility. The advice here becomes more complex: have 3 lines of defense in the current battle, and indicate that other (inferior) options exist (at least 2 in order not to corner yourself), should current lines of defense not be sufficient. Present and explain your “toolkit” to fight the crisis, use some of those tools, and remind people other tools are available for later use.

Returning to CoViD, last week’s financial measures were issued rather hastily in both Europe and the US, the Federal Reserve announcing them on Sunday night March 15. They failed to make the impact that was intended. One reason is that these announcements were missing a clear narrative explaining purpose and how they would stem the economic decline. Markets erroneously interpreted them as if the Federal Reserve panicked, which was in fact not the case. As a result, the announcements missed their mark, and markets plunged the next trading day.

Clearly communicate your purpose with one or multiple scenarios that will work. The key is to clearly communicate purpose, with one clear scenario that will work or a number of alternative measures that together should prove a sufficient toolkit for managing the crisis. Putting all one’s resources into the battle too early is dangerous for it leaves many wondering what reserves might be left should current measures prove insufficient. At Waterloo, Napoleon engaged his Imperial Guard at the end of the day: all knew that the moment was serious as that was the final move. It quickly proved not to work, which signaled the end, and French troops who had fought in a composed manner suddenly panicked.

PHASE 4: EXECUTE with focus and constant monitoring

Indicate that the battle has started. Execute what has been decided. Remind stakeholders of your purpose and of the results to be expected. Having finished preparing for the battle and having announced it, one now must move into real battle. Discussions about what and how are behind us, and all efforts must now be directed at halting the fire and ultimately extinguishing it. Continuing discussions at this stage is negative and counterproductive. Leadership will remind stakeholders of what was decided, what victory looks like and what results can be expected, and how these will be achieved.

You get what you measure. Build trust and credibility with your stakeholders based on objective measurement. Strategy is ultimately defined by what one measures, for that is what all pay attention to. The measurement typically becomes equated with the strategy. The key then is to have a great strategy and a good measure of strategic progress, essential to build credibility and trust in the

leadership. Objective measurement is also the best way to communicate to all concerned. The more transparent, the clearer the communication and the stronger the leader's credibility.

In CoViD one key strategic question concerns self-immunization versus containment/protection strategies. The former describes the rate at which the population self-immunizes (and stops being a hazard or a transmitter) while the second concerns the number of people saved from negative outcomes or death. Focusing on the cases dying, by itself, provides no sense of whether one is winning the war or not, nor does it address resource allocation, which is the real issue. A terrible reality of CoViD indeed is that many of the people dying are in bad health; hence one should examine mortality rates per age group relative to the same rates in previous or comparable episodes. There is some good news with CoViD in that normal mortality rates (e.g. due to flu) are declining. However, what the vulnerable population wishes to know is how many people have been saved due to effective crisis management. Excessive focusing on deaths becomes psychologically tough to take and only spreads a sense of losing the battle.

Fighting requires resources: show that you are resourced for unavoidable contingencies. Follow the cash and the Critical Resource(s). New money and resource set the terms. Negotiate. Crisis management is fraught with uncertainties. To handle these, one needs contingencies. Cash is the lifeline to access more resources that may be needed. One needs to be very careful about how to spend the cash one has on hand, how to preserve it, and especially how one may be able to access more if needed. One of the big realities in NYC, the financial capital of the world, is that new money sets the terms. The same is true for any critical resource. So do not go for these too late, for your bargaining power will be reduced to nearly nothing. Get your reserves and contingencies arranged early and spend only what is truly necessary. When you spend it, monitor that the spend provides the benefits you expect.

In CoViD it would have been easy to stockpile masks and medical equipment early. That is necessary to safeguard your key personnel, the health care workers and doctors, supported by adequate equipment. That is a line of defense, however, that was not built early enough (also because European and US firms emptied their stocks on China). Economic efficiency drove out an effective health care policy. It should not have been difficult for governments to keep the public health system in an adequate state of readiness, particularly when people like Bill Gates had given TED talks to this effect.² At the same time, one ought to be conscious of avoiding excessive generosity early, for you may need more and different resource later. Readiness is a function of building stockpiles and capability before you need it. Ultimately, readiness is both a financial and a strategic decision of how much of the Government's budget is invested in readiness.

PHASE 5: EVALUATE, learn and adapt efforts, as well as your leadership, as new information and feedback comes in

Remain yourself, trust your instincts and your talents, don't agree to anything you do not understand, remain open to feedback and criticism, reassess continuously, manage errors and admit mistakes, and, above all, keep learning. Leadership requires authenticity, confidence, credibility, and the competence to do the right thing. However, not to be underestimated is talent that allows you to think and do innovative things. Talent comes from you, it is fed by instincts, by learning and experimentation over

² *The next outbreak ? We're not ready*, TED Talk by Bill Gates (April 3, 2015).

many years (the 10,000 hours we mentioned above). Innovative solutions result from both learning and from the talent within yourself. Errors will be committed and will need to be managed, particularly through admitting that one was wrong, taking responsibility for it, and promising that learning will ensure that errors will not be repeated. Embrace your instincts, explore them with others; also explore theirs and assess the viability of success and downfall if intuition is followed. Accept that there remains a part of the response that is instinctive and not just reason. Find a good balance of both. Consistent with the above Stay or Leave recommendation. Put boundaries in for when it may be time to “leave” current positions and also personal commitments. In the end, the organization should not depend solely on you for that would be too risky. At some point responsibility, may require you to leave. Your departure will require courage, it also allows the organization to continue under new leadership and in the leadership change, if you can, express your confidence in your successor and walk away elegantly.

Know how and when to exit the crisis. The Stay or Leave principle also applies to the crisis itself. One needs to know how to exit the crisis and when to call it over. The danger with a fire is that it suddenly picks up again. A poor or careless exit may create a bigger crisis later on. A point often made is that WWII was fueled by a poor conclusion of WWI at the Treaty of Versailles. Eventually that lesson was learned and resulted in the Marshall Plan that allowed Germany and Europe to recover thoroughly following these two big European crises.

This will be a major issue with CoViD-19 as countries are not coordinated in terms of timing of the crisis and its peaks, and they will wish to protect themselves from a restart due to visitors from infected areas abroad. Presumably, by then, base infection rates will again be much lower and quarantine measures, as well as mass testing, will be fully available to avoid a repeat.

Never let a good crisis go to waste. Adapt so as to avoid a repeat of the crisis or of a similar one. The first sentence has gained fame due to former Chicago Mayor and Chief of Staff of the Obama White House Rahm Emanuel. As we close this article we will not belabor the point as it is one of the major points this article has aimed to stress: the current crisis is the result of a lack of learning, and especially adaptation and change. The real crisis, as we stated in our introduction, is we were not prepared for a crisis that shared many patterns with earlier crises. It is not sufficient to learn, one also must adapt one’s organization, government and country so that lessons are truly integrated resulting in improved readiness to manage a crisis that will share many patterns with earlier crises. The end of the crisis is also the time to must support and get things done (politically) which will be much harder if not impossible to achieve in normal times.

The undoing of the Glass-Steagall Act separating investment banking under the Clinton Administration actually went further: the now famous Financial Services Modernization Act (also called Gramm-Leach-Bliley Act) actively set the conditions for the 2007-08 meltdown. On a smaller scale, the Belgium government destroyed a stock of 6 million FFP2 masks in 2019 (according to the press) or in 2017 (according to the Ministry) which are now sorely missed. The Health Ministry explained that the plan was “to replace the stock with a stock functioning differently, so as to not repeat the errors of the past and that the solution proved more complex to implement due to contractual and legislative difficulties.” Effective adaptation to a more capable world is the imperative here.

A call for method and leadership. Crisis calls for leadership. Most great victories have been achieved by teams, not individuals. Roosevelt would not have succeeded without his Chief-of-Staff George Marshall; the latter would not have succeeded without Eisenhower, who needed Patton to break

through in Normandy after D-Day. On top, there was Roosevelt, but all these leaders had their ways of selecting and building teams of great people around them. Crisis is conquered through a positive combination of talents and competences, and a method for ensuring the right synergy amongst the people and resources engaged. Methods and strategies are only good if the leaders who steer them are good as well. It is the combination of method and leadership that determines a leader's credibility. In crisis, people learn to trust their leaders if what they say is going to happen, actually happens; when it does not, a leadership crisis emerges which requires a leader to take responsibility, acknowledge the error, and restart the 5E cycle all over again, with the conviction that victory is still achievable. When a leader no longer has that confidence, courage is required to force a hand-over to a new leader, able to muster the energies vital to fight. A new leader then takes command committed to beat the crisis initiating a new 5E cycle.

Figure 1. A Phased Framework for Crisis Management

