



Briefing November 2009

# Effective Crisis Leadership

## The Qualities of Successful Leaders

### At a Glance

- ◆ An outstanding leader demonstrates proficiency at all levels of the organization during a crisis, as well as in the absence of a crisis.
- ◆ Effective crisis leaders distinguish themselves with their character traits, knowledge, and actions.
- ◆ Emergency and business continuity managers have an important enabling role.

### INTRODUCTION

Preparing an organization for crisis is an enormous leadership challenge. A number of studies have been conducted, and articles have been written, about the leadership qualities required by emergency and business continuity managers to ensure an effective response to a crisis.<sup>1</sup> Yet comparatively little has been done to provide guidance to presidents, CEOs, and other senior leaders. But the importance of strong organizational leadership—in addition to the technical

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<sup>1</sup> Thomas E. Drabek, *The Professional Emergency Manager: Structures and Strategies for Success* (Boulder: University of Colorado, June 1987); Gregory L. Shaw, "The Competencies Required for Executive Level Business Crisis and Continuity Managers" [online]. (Washington, D.C. The George Washington University, December 15, 2004), [cited July 15, 2009]. [www.gwu.edu/~icdrm/publications/PDF/Dissertation\\_Shaw.pdf](http://www.gwu.edu/~icdrm/publications/PDF/Dissertation_Shaw.pdf).

abilities of emergency managers—is essential for organizations to survive crises, let alone become better as a result of them. To help prepare leaders to guide their organizations during emergencies, members of The Conference Board of Canada’s Council on Emergency Management (CEMT) considered four key questions:

- ◆ What makes an effective leader during an emergency?
- ◆ What do successful leaders believe and know about emergency management/business continuity management (EM/BCM)?
- ◆ What actions do leaders take that make them successful?
- ◆ What can EM/BCM professionals do to cultivate and support effective leadership?

During a number of CEMT meetings, the members engaged with leading experts from the private and public sectors. (See box “The Conference Board of Canada’s Council on Emergency Management.”) For example:

- ◆ **Kathleen Tierney**, Professor of Sociology and Director of the Natural Hazards Center, University of Colorado at Boulder, gave a keynote presentation on the characteristics of leadership in emergency management.
- ◆ **Sylvia Barnard**, President, Cambrian College, shared and discussed “a leader’s perspective” of crisis leadership at the helm of an educational institution, and the enabling role of emergency managers.

### The Conference Board of Canada’s Council on Emergency Management

The Council on Emergency Management (CEMT) is a national forum of emergency and business continuity management professionals that focuses on effective operational practices and key strategic issues related to emergency management. CEMT provides valuable networking, learning, and leadership development opportunities for individuals responsible for emergency management and operational continuity who are focused on maximizing resilience within their organizations. CEMT also enables members to broaden their understanding of risk factors, to exchange insights, and work collaboratively to develop innovative approaches to new challenges.

Source: The Conference Board of Canada, Council on Emergency Management. [www.conferenceboard.ca/networks/cemt/default.aspx](http://www.conferenceboard.ca/networks/cemt/default.aspx).

- ◆ **Mark Kreyer**, Protective Security Advisor for Western New York, U.S. Department of Homeland Security, discussed the U.S. national critical infrastructure protection program and the importance of collective and collaborative public–private leadership.
- ◆ **James Young**, former Special Advisor to Canada’s Minister of Public Safety and Emergency Preparedness, led the 2003 response to SARS as Ontario’s Commissioner of Public Safety and Security. He shared his experiences and discussed his views on the role of leadership and effective crisis communication, especially in a health crisis.
- ◆ **David Rosenzweig**, former Vice-President of Network Operations Northeast, Verizon, played a major role in his company’s central office recovery operations following the 9/11 terrorist attacks on the World Trade Center office towers in New York City. He gave a very vivid account of what it was like to lead under these extraordinary conditions. He also shared his observations of effective leadership demonstrated by emergency managers, operational specialists, and senior executives.
- ◆ **Dave Scholz**, Vice-President, Leger Marketing, presented the findings of a study on the impact of crisis communication following the case of the listeria outbreak at Maple Leaf Foods. He conducted the study with Terence Flynn, Assistant Professor and Director at the De Groote School of Business. Mr. Scholz interpreted the findings of the study and shared his advice on what senior leaders need to know about effective crisis communication.
- ◆ **Jay Rosenblatt**, Partner, Simpson Wiggles LLP, focused his presentation on what senior leaders and emergency managers need to know about the potential impact of a diversity of legal risks. He emphasized the necessity of recognizing the value of assessing, managing, and mitigating these impacts and risks.

## WHAT KIND OF PERSON MAKES AN EFFECTIVE CRISIS LEADER?

### TRADITIONAL IMAGES, NEW REALITIES

Kathleen Tierney, Director of the University of Colorado's Natural Hazards Center, suggested that the traditional images many people still have of a successful crisis leader were likely formed by the media—particularly cinema and television. These images include:

- ◆ the man on horseback who rides in to save the day;
- ◆ the “take-charge guy” who orders everyone else around; and
- ◆ the bold hero who sees more clearly than anyone else and acts alone.

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**Crisis leadership is demonstrated in the midst of a crisis, and in its absence when organizations plan and prepare.**

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However, over the course of the council meetings, emergency and business continuity managers from the public and private sectors painted a very different picture of what is required of a modern leader to prepare his or her organization for crisis. They recognized that much of the success of crisis leadership is predicated on the behaviours of leaders before the crisis occurs.

Today's crisis leadership is not only demonstrated in the midst of a crisis, but also in the absence of a crisis when organizations plan and prepare. Successful leaders excel in all situations. Sylvia Barnard, President of Cambrian College, confirmed this view and said that effective leaders build a culture of preparedness by educating and empowering employees at every level of the organization.

Therefore, preparedness leadership is demonstrated at many different levels—from the shop floor to the boardroom. The professional emergency manager is only one of many leaders who are involved in achieving the objectives of EM/BCM. Kathleen Tierney stressed that successful EM/BCM increasingly requires leaders who are able to coordinate and cooperate across functional, hierarchical, organizational, and jurisdictional boundaries. These realities determine, in part, the type of person a successful leader is, regardless of his or her hierarchical position.

### ESSENTIAL CHARACTER TRAITS

In discussions held with a group of EM/BCM leaders about the characteristics of outstanding leader personalities, a consensus emerged that the distinct character traits relate to five key attributes. An exceptional leader is an authority, influencer, learner, team-builder, and a source of confidence.

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**Senior leaders must know the risks, lead by example, lead with confidence, and be able to adapt quickly.**

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#### **Authority: Knowledgeable and Experienced**

Successful leaders speak and lead with authority. This authority is grounded in relevant and current knowledge and experience. However, the type and depth of knowledge and experience change, depending on the hierarchical level of the leader concerned. The CEO cannot be expected to have an in-depth knowledge of all business continuity processes, nor can a mayor of a town or city be expected to know all the details of the emergency management plan. However, effective leaders who head private and public organizations must understand the value of excellence in emergency and business continuity management, and the benefits to the organization as whole. This requires that leaders know the risks their organizations face, and how these risks might impact day-to-day activities. Sylvia Barnard emphasized that senior leaders must lead by example, participate in preparedness exercises, and take part in training sessions. This gives them first-hand experience of the preparedness efforts in the organization, and familiarizes them with the various players and their roles and responsibilities. Most importantly, their personal participation demonstrates their commitment to EM/BCM and motivates other leaders and staff to take preparedness as seriously as they do.

#### **Influencer: Confident and Decisive**

Several EM/BCM leaders observed that, particularly in crisis situations, outstanding leaders are confident and decisive. They make sound and timely decisions despite being confronted with a complex and often ambiguous decision-making environment. They give direction when needed and are not afraid of failure.

**Learner: Open-Minded, Flexible, Adaptive, Learns From Experience, Imaginative**

Effective leaders learn quickly. Sylvia Barnard observed that outstanding crisis leaders show no complacency and always look for opportunities to learn, particularly from failure. They keep an open mind and invite the expertise, opinions, and recommendations of others. They have an adaptive thinking and management style that makes them flexible in their approach to problem solving and allows them to react quickly to new and often unexpected information and situations.

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**The most efficient and effective of CEOs and presidents use the competence and expertise around them.**

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**Team-Builder: Self-Aware, Collaborative, Inclusive, Active Listener, Respectful, Trusting**

Effective leaders know that they can't do it alone. They are extremely self-aware and recognize that there are limits to their capabilities and expertise. They trust and rely on their functional leaders and other experts and listen actively to what they have to say—whether in preparation for or during a crisis. Expert advice coupled with their own knowledge and experience forms the basis of what will inevitably be better decisions. CEOs and presidents are used to making important decisions that can potentially make or break their organization. The most efficient and effective of these leaders use the competence and expertise around them, and include them in their decision-making process. Leadership, said Tierney, is all about relationships. She explained that one reason for this is the need to collaborate and include others—inside and outside the organization—in making the decisions that will prepare an organization and its community for crisis.

Dependencies and interdependencies within and among private and public organizations are increasing. Therefore, a multi-player approach to emergency and business continuity management across functional, organizational, and jurisdictional boundaries is required. Excellent leaders build relationships, actively pursue collaboration, and coordinate with others for the benefit of their organization and the community they serve and benefit from.

**Source of Confidence: Calm, Collected, Stress Resistant, Emotionally Stable, and Visionary**

Good leaders are a source of confidence for others. This results partly from the confidence and decisiveness that effective crisis leaders demonstrate on a daily basis. But they also instill confidence in others by being calm and collected in the face of adversity and ambiguity, by handling stress well, and by preventing their emotions from interfering with their responsibilities. Sylvia Barnard said that employees have confidence in leaders who have a vision for the future—and genuinely care about and respect them.

**WHAT DO EFFECTIVE LEADERS KNOW?**

CEOs and other senior leaders, who demonstrate excellence in providing EM/BCM leadership, depend on a body of background knowledge to guide their decisions and actions. In facilitated discussions, a group of EM/BCM leaders from the private and public sectors identified three key areas where effective leaders demonstrate superior knowledge. The three areas are the:

- ♦ risk environment;
- ♦ value proposition of EM to the organization as a whole; and
- ♦ importance of corporate resilience (for organizational competitiveness).

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**Outstanding leaders adopt a detailed and holistic view of their risk environment.**

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A number of “thought leaders” shared the view that efficient leaders in EM/BCM are successful because they understand their risk environment (including their organization’s external and internal dependencies and interdependencies), appreciate the value of an integrated emergency management program, and embrace the notion of corporate resilience.

**RISK ENVIRONMENT**

Outstanding leaders adopt a detailed and holistic view of their risk environment, the possible impacts on their organization, and the role of those they depend upon

(e.g., supply chain partners, electricity providers, telecoms). This saves them from going through what Ralph Dunham, Senior Vice-President at Marsh Inc., calls “the four degrees of denial”:

1. It won’t happen.
2. It won’t happen to me.
3. It won’t be that bad.
4. I couldn’t have done anything about it anyway.

Tierney suggested that the greatest value EM/BCM professionals can bring to the organization lies in the effective communication of the various types of risk to senior executives. Interpreting risk for others is a significant challenge because “risk” is ambiguous. The term “risk” can take on various meanings. For example, risk is frequently used to mean hazard, probability, consequence, and potential threat. Risk assessments have been developed that promise to quantify risks objectively. But elements of subjectivity that remain as risk assessments depend on judgments at almost every stage of the process.<sup>2</sup> Risk is an emotional topic and the perception of risk is frequently distorted by many factors, including common (unconscious) rules of thumb<sup>3</sup> and biases, and the interplay between the emotional and the rational brain.<sup>4</sup>

Tierney emphasized that leaders who assess the broadest possible range of risks adopt a comprehensive emergency management philosophy. They take an all-hazard approach, support activities in all phases, and consider and involve all audiences and stakeholders—which explains a large part of their success. Jay Rosenblatt, a partner with SimpsonWigle LAW LLP, underlined that successful leaders not only need to understand the significance of physical impact and financial risks, but also legal risks.

## Physical-Impact and Financial Risks

Physical-impact risks include risks associated with natural disasters, malicious disruptions, and health emergencies. Financial risks traditionally involved the direct risk of losing money because of the organization’s core activities. More leaders, however, now extend their financial risk management to include exposure to indirect financial risks, such as those inherent in an organization’s dependencies and interdependencies, and the financial consequences of physical-impact and legal risks.

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## Legal Risks

Legal risk is the risk that an organization will become liable to third parties and be exposed to legal action. Rosenblatt explained that while legal risks form a category of their own, they are also closely linked to physical-impact and financial risks. For example, organizations found to be negligent in the face of emergencies and disasters—that they should have known about and prepared for—face the payment of damages. Security breaches and infrastructure disruptions that could have been prevented can equally result in legal liability to customers, employees, suppliers, and others, if they cause damages or injuries.

Rosenblatt cited a number of federal and provincial legislations—with which organizations are required to comply—including recent amendments to the Criminal Code, the *Privacy Act*, the *Income Tax Act*, and the *Environmental Protection Act*. In the area of employee health and safety in Ontario, for example, the *Occupational Health and Safety Act* (OHSA), the *Workplace Safety and Insurance Act* (and the federal Human Rights Code) determine the rights and duties for all workplace parties.<sup>5</sup> Contraventions can be costly. The maximum penalties for a contravention of OHSA

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2 Paul Slovic and Elke Weber, “Perception of Risk Posed by Extreme Events” [online]. (New York: Author, April 2002), [cited July 20, 2009]. [www.ideo.columbia.edu/chrr/documents/meetings/roundtable/white\\_papers/slovic\\_wp.pdf](http://www.ideo.columbia.edu/chrr/documents/meetings/roundtable/white_papers/slovic_wp.pdf), p. 4.

3 Amos Tversky et al., “Judgment Under Uncertainty: Heuristics and Biases,” *Science*, 185 (1974), pp. 1124–1131.

4 Dan Gardner, *Risk: The Science and Politics of Fear* (Toronto: McClelland & Stewart, April 15, 2008).

5 Workplaces under federal jurisdiction are regulated by the Canada Labour Code.

or its regulations are set out in section 66, which states that a successful conviction could result in a fine of up to C\$25,000 for an individual person (and/or up to 12 months' imprisonment) and a fine of up to C\$500,000 for a corporation. In addition, most organizations are subject to industry-specific legislation such as the *Canadian Oil and Gas Operations Act*, the *National Energy Board Act*, the *Nuclear Safety and Control Act*, and Ontario's *Electricity Act*. Boards and CEOs whose organizations do business in the United States must conform to the provisions of the *Public Company Accounting Reform and Investor Protection Act* of 2002 (Sarbanes-Oxley). They risk personal criminal prosecution if they fail to provide adequate "internal controls" to ensure reliable financial reporting (e.g., security of financial data).

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Rosenblatt said it is important to be aware that compliance default exposes organizations not only to expensive legal action, but also to interventions by regulating authorities. In some cases, the range of possible legal sanctions includes the cancellation of operating rights—a consequence that can force an organization out of business.

Many activities of an organization are undertaken as a result of contracts with employees, suppliers, potential competitors (non-competition agreements), business partners, or customers. The breach of any one of these contracts can have serious consequences, including the payment of damages, disruptions to operations and the supply chain, and a tarnished reputation. Rosenblatt emphasized that leaders need to realize that not meeting minimum legal requirements jeopardizes the profitability and the sustainability of the organization.

**VALUE PROPOSITION**

When a group of experienced emergency and business continuity managers was asked what ultimately determined senior leadership commitment to EM/BCM, the answer was unanimous: a good understanding of EM/BCM's value proposition. Many leaders already understand that

EM/BCM provides value by providing for the continued availability of critical functions and services, and ensuring the safety of employees and citizens during a crisis. Good leaders in EM/BCM, however, take a much broader view of EM/BCM and its value. They conceive of it as an integral part of the organization's risk management and see the links between legal, financial, and physical risk management. In response to a survey about the value of EM, several leaders from the private and public sectors said that successful leaders recognize that the implementation of a culture of preparedness across the organization lays the foundation for its sustainability and determines its competitiveness in the marketplace. Sylvia Barnard suggested that the prioritization of health and safety, including emergency and business continuity management, improves an organization's competitiveness. She stressed that a comprehensive program contributes to:

- ♦ the motivation of employees because it demonstrates to them that they are cared for and valued by the organization;
- ♦ the attraction and retention of employees because (prospective) employees place an increasing value on health and safety; and
- ♦ the positive reputation of the organization because it reassures customers and clients that the organization can be relied upon, even in times of crisis.

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**Catastrophe also offers an opportunity to demonstrate the capacity of the organization to deal effectively with difficult circumstances.**

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At a minimum, leaders need to understand the risk of not having any EM/BCM and the potential effects on the organization, the risk of not adhering to legal requirements, and the risk of falling behind recognized standards. In order to excel, however, leaders must embrace the notion that successful EM includes everyone in the organization in the identification and management of all types of risk.

In his presentation about the lessons learned following the outbreak of SARS, Dr. James Young, former Commissioner of Public Safety and Security of Ontario,

explained that good crisis communication contributes significantly to the value of emergency management. According to Young, leaders who are confronted with a disease outbreak perform two jobs at the same time. They manage the impact of the disease and they manage employees' and citizens' (or clients') fears. Good crisis communication as part of EM could prevent these fears from turning into uncontrollable anxieties and panic that could disrupt or halt business operations and public services.

According to a study conducted by Rory Knight and Deborah Pretty, two researchers from the University of Oxford's Templeton College, every corporate catastrophe has an initial negative impact on shareholder value. But catastrophe also offers an opportunity for senior management to demonstrate the capacity of the organization to deal effectively with difficult circumstances.<sup>6</sup>

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**Maple Leaf's rapid recovery showed that effective crisis communication directly benefits customer loyalty and the overall reputation of the organization.**

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Knight and Pretty analysed the impacts of 25 corporate catastrophes on stock returns and found that crises are an opportunity for leaders to build substantive reputation equity because "the public responds not only to the perceived physical threat and its potential consequences, but also to the perceived credibility and trustworthiness of senior management."<sup>7</sup> Senior executives must be able to demonstrate openly that the critical steps are taken to deal with the effects of the crisis.

This view was confirmed by Dave Scholz, Partner and Vice-President at Leger Marketing, who presented the findings of a DeGroote School of Business study into

the response of Maple Leaf Foods to the outbreak of listeria in a meat-processing plant in August 2008. He and Dr. Terence Flynn, Assistant Professor and Director at the De Groote School of Business, found that Maple Leaf Food's CEO, Michael McCain, and his exceptional crisis communication were the deciding factor in restoring the company's reputation and regaining the consumers' trust within a matter of months. Maple Leaf's rapid recovery showed that effective crisis communication directly benefits customer loyalty and the overall reputation of the organization.

### **CORPORATE RESILIENCE AND COMPETITIVENESS**

Exceptional leaders focus on the resilience of people and the processes and infrastructures they depend upon rather than the protection of their organization against any and all risks. They know that unexpected events or unexpected consequences from predictable events will continue to challenge and sometimes overwhelm an organization's preparedness and business continuity capacity. When this happens, the resilience of people and processes—their ability to learn, bounce back, and emerge strengthened from the crisis—has the potential to mitigate the consequences of any such disruption.

Aaron Wildavsky, one of the pioneers of the concept of corporate resilience, explains that "the mode of resilience is based on the assumption that unexpected trouble is ubiquitous and unpredictable; thus accurate advance information on how to get out of it is in short supply. To learn from error (as opposed to avoiding error altogether) and to implement that learning through fast negative feedback, which dampens oscillations, are at the forefront of operating resiliently."<sup>8</sup>

Yossi Sheffi, Professor of Engineering Systems at the Massachusetts Institute of Technology and an international expert in supply chain management, shows how investments in resilience and flexibility not only "reduce risk but create a competitive advantage in the increasingly volatile marketplace." Sheffi argues that resilience benefits firms every day—not only in a

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6 Rory F. Knight and Deborah J. Pretty, "The Impact of Catastrophes on Shareholder Value," Executive Research Briefings [online]. (Oxford: University of Oxford, 1997), [cited July 20, 2009]. [www.nrf.com/Attachments.asp?id=12546](http://www.nrf.com/Attachments.asp?id=12546), p. 6.

7 Rory F. Knight and Deborah J. Pretty, *Reputation & Value—The Case of Corporate Catastrophes* (Oxford: Oxford Metrica, 2001), p. 27.

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8 Aaron Wildavsky, *Searching for Safety* (New Jersey: Transaction Publishers, 1991), p. 120.

crisis—and provides examples of companies that have successfully reduced the vulnerability of their supply chain. Tierney underlined that leaders who embrace the concept of resilience encourage flexibility, agility, creativity, and improvisation in their employees to prepare their organization for the unexpected.

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**Leaders at every level can take actions to influence the organization with resilient attitudes and thinking.**

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One private sector EM leader added that the introduction of the concept of resilience—the integration of resilient thinking in every business process—helps to prevent compartmentalized thinking within the company because it forces leaders at every level to identify and actively manage interdepartmental and cross-functional dependencies and interdependencies.

## THE ACTIONS

### BUILD A RESILIENT CULTURE

Yossi Sheffi argues that the safety and quality movements that have changed corporate cultures in the past suggest that the transformation to a resiliency culture is possible if business leaders make it “everybody’s business.” Private and public sector leaders in EM/BCM have identified a number of actions that leaders at every level can take to infuse the organization with resilient attitudes and thinking.

#### Distributed Responsibility

According to one emergency manager, the most important step to improve resiliency is the transfer of risk back to the business units. This attribution of responsibility for the impacts of business risks encourages those with the respective expertise on the front lines to participate in adaptive thinking and actions. The development of a resilient attitude starts with all business units identifying their own risks (with the help of EM/BCM and others). Successful leaders embrace their champion role in working toward organizational resiliency but know that it

is achieved only if all business units own some of the responsibility. This distribution of responsibility ensures that risk is owned by those who are most able to influence or control it.

#### Employee Empowerment

Leaders of resilient organizations are committed to empowering employees to think and act. According to Karl Weick and Katherine Sutcliffe, two professors at the Ross School of Business at the University of Michigan, “the improvements in resilient performance lie in the hands of those who have a deeper grasp of how things really work.”<sup>9</sup> This observation was confirmed by David Rosenzweig, former Vice-President of Network Operations Northeast at Verizon. He maintains that during a crisis, CEOs and presidents play an important part in the empowerment of those who could develop response and recovery plans in real time (on the fly) and execute them. Rosenzweig, who led the response and recovery operations at Verizon’s central office following the 9/11 terrorist attacks on the World Trade Center towers, observed that exceptional leaders at the CEO level demonstrate that they have confidence in the functional leaders, and respect the roles of those who work on the frontline of the crisis. They let authority migrate to the experts to save valuable time during the response. The role of those executive leaders is to provide high-level support, such as funding, and eliminate distractions. Several emergency and business continuity managers emphasized that employee empowerment was an indispensable complement to the concept of distributed responsibility.

#### Deference to Expertise

Champions of EM/BCM know the limits of their expertise and welcome decision-making support from those who can fill their knowledge gaps. Decision-making authority must flow to those who have the operational knowledge and ability to take effective and swift action. According to Weick and Sutcliffe, this requires the introduction of flexible decision structures where expertise

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<sup>9</sup> Karl E. Weick and Kathleen M. Sutcliffe, *Managing the Unexpected* (San Francisco: Jossey-Bass, 2007), p. 160.



and experience are more highly valued than rank, when crises arise. High reliability organizations (HROs)—such as emergency rooms in hospitals, firefighting units, and flight operations of aircraft carriers—and their leaders, emphasize deference to expertise. This means that decision-making authority migrates to those in the organization, including front-line workers, who have the expertise and are able to access the real-time information needed to respond to problems.

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### Focus on the Impact

Good leaders in EM focus on the impact, not the hazard. Different hazards (i.e., causes) share identical impacts. Thus, preparing for the impact, rather than the hazard, realizes “co-benefits.” For example, while no two hazards are exactly the same, the impact of a pandemic on an organization’s workforce can be similar to the effects of a strike or a fire that would also require people to work from home.

### Foster Collective Mindfulness

Kathleen Tierney said that effective leaders foster a “collective mindfulness” within their organization. The term is borrowed from Weick and Sutcliffe, who discovered that HROs deliberately create a “collective state of mindfulness” to be able to prevent crisis.<sup>10</sup> Organizations must continually:

- ◆ track small failures;
- ◆ be reluctant to (over-)simplify;
- ◆ monitor their sensitivity to operations;
- ◆ commit to resilience; and
- ◆ demonstrate awareness of and deference to expertise.<sup>11</sup>

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10 Karl E. Weick and Kathleen M. Sutcliffe, *Managing the Unexpected* (San Francisco: Jossey-Bass, 2007), p. 42.

11 *Ibid.*, pp. 93–100.

Leaders who want to make their organizations more reliable and resilient must promote these five principles of mindfulness within their organizations. Mindfulness is both a mindset and a style of managing. The most effective contribution that leaders could make to EM/BCM is to manage mindfully<sup>12</sup> and thereby exemplify the desired behaviour and mindset. (See box “Nokia’s Resilient Culture of Early Risk Identification.”)

Kathleen Tierney’s research confirms that resilient organizations cope better than others with uncertainty because they foster a state of collective mindfulness, encourage distributed problem solving, and avoid unnecessary hierarchy by being deferential to expertise and encouraging front-line responses to disruptions.

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12 *Ibid.*, pp. 139–160.

### Nokia’s Resilient Culture of Early Risk Identification

Bad news is encouraged to travel quickly at Nokia. In 2000, this attitude of identifying potential risks early enabled its top trouble-shooter, Pertti Korhonen (former Senior Vice-President, Global Operations, Logistics and Sourcing), to identify alternative sources for a number of essential parts that were affected by a fire at the Philips semiconductor fabrication plant in Albuquerque, New Mexico. This disruption to Nokia’s supply chain almost prevented the production of four-million handsets had the news not travelled as quickly as it did. True to its belief in collaboration and partnership, Nokia held meetings at the highest levels with Philips. When Mr. Korhonen went to visit Philips headquarters, even Nokia’s chairman and chief executive diverted his flight home from the U.S. and dropped in on the meeting. Direct talks with Philips’s CEO, and the head of the company’s semiconductor division, ultimately brought a solution to the problem. Organizational culture and a partnership approach helped Nokia emerge virtually unscathed from what could have turned into a supply chain disaster. Nokia’s competitor, Ericsson, did not react as quickly and did not have the necessary relationships with alternative suppliers in place. As a result, Ericsson came up millions of chips short of what were needed for a new generation of cell phone products and lost around US\$500 million that quarter alone.

Source: Yossi Sheffi, *The Resilient Enterprise* [online]. (Cambridge, MA: MIT Press, October 2005 [cited October 2009]. <http://resilient-enterprise.mit.edu/>, p. 10.

### Communicate Effectively

Much of an organization's communication is typically carefully prepared in advance and disseminated by designated spokespersons. In a crisis, however, senior leaders must do all that is reasonably possible to mitigate the effects of a crisis—through decisive action and open communication. David Scholz said that the onset of crisis exponentially increases media scrutiny and the demand for information from a range of interested parties. Employees, customers, suppliers, local and national media, public authorities, and the public want to know how serious the crisis is, how they will be affected, what the organization is doing to respond, and how long it will take for things to get back to normal. Exceptional leaders are prepared to deal with this situation and know exactly what, when, and how they should communicate. Scholz said that it is particularly important to balance risk and reassurance messages, and to make effective use of credible (impartial) experts.

Good leaders not only perform well in crisis situations, they also know how to communicate well with their customers, constituents, and other stakeholders. Effective communication builds confidence in the ability of the leaders to overcome the crisis, keeps customers from turning away, and prevents anxieties and panic among customers and business partners.

### THE OPPORTUNITIES FOR EM/BCM PROFESSIONALS

Over the course of two council meetings, EM/BCM leaders from the public and private sectors identified five actions that can promote the kind of leadership, knowledge, and resilient mindset described in the previous sections. The actions are to:

- ◆ frame the value proposition;
- ◆ establish relevancy from within;
- ◆ speak the “C-suite” language;
- ◆ take advantage of real events; and
- ◆ communicate effectively about risk.

### FRAME THE VALUE PROPOSITION

Emergency managers need to frame their value proposition in a number of different ways and align with the values and the goals of their organizations. Different organizational cultures and risk environments lead to a range of different philosophies and approaches. Members of CEMT identified several actions leaders can take to ensure that their value proposition is framed effectively in terms of the goals and values of the organization.

- ◆ Use exercises, rather than a PowerPoint presentation, to demonstrate how EM/BCM aligns with core values and goals. For example, if the organization values independent thinking and individual initiative, the exercise scenario can focus on the role of front-line employees in the early detection of risk. This would demonstrate how a culture of resilience builds on the organization's values to make the organization more flexible and agile in the face of potential disruptions and increasing uncertainty in the marketplace.
- ◆ Integrate the organization's mission statement and expressed values into plans. If the mission of the company is to become the recognized leader in the industry, the plan should address how it contributes to this mission.
- ◆ Work with other functional leaders to understand their needs and help them see the connection between resilient attitudes and processes within their area, and competitiveness of the organization as a whole.
- ◆ Benchmark against competitors and quantify likely losses (including indirect costs, costs to customers and suppliers, and investigation costs) that would occur if the organization stopped investing in EM/BCM. The economic benefits of disruption avoidance are not easy to measure, but the dual benefits of resilience are easily identified.
- ◆ CEOs and presidents play an important role in demonstrating the value of EM/BCM to the board of directors. Emergency and business continuity managers must work with them to include the relevant risk information in periodic risk and status reports to the board.

While the value proposition must be made specific to the organization, some benefits of EM/BCM are universally applicable:

- ◆ **Improved risk management:** Resiliency-focused EM/BCM optimizes the business through better understanding and managing risk. In a resilient organization, the detection and mitigation of risks is “everybody’s business.” This non-hierarchical approach to risk management increases the likelihood that significant risks can be addressed before they materialize into major disruptions.
- ◆ **Enhanced reputation:** EM/BCM contributes to the opinion that (prospective) employees, the public, shareholders, and business partners have of the organization. Sylvia Barnard said that one of the reasons why many of her employees have chosen her college over other employers—given the recent school shootings in North America and Europe—is the emphasis she and her staff place on emergency preparedness, safety, and security.
- ◆ **Greater competitive advantage:** EM/BCM understood as a culture (of resilience), and a set of principles that guides practice, benefits the organization as a whole and provides it with a competitive advantage. Resilience suggests the course of action when the unexpected occurs. Flexibility built into an organization’s business processes and the empowerment of its people to act enables the organization to bounce back, not only from major disruptions but also reduces its vulnerability to day-to-day market fluctuations.

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**Engaging other departments and obtaining their buy-in is essential to broaden the foundation of EM/BCM within the organization.**

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### **ESTABLISH RELEVANCY FROM WITHIN**

Framing the value proposition of EM/BCM for the organization as a whole is necessary. But framing it specifically for individual departments will build the internal alliances and yield the departmental advocates that it needs to be successful over the long term. Engaging other departments and obtaining their buy-in is essential to broaden the foundation of EM/BCM within the organization. Actions EM/BCM professionals could take to

establish their distinct value proposition to individual departments and foster a sense of mutual responsibility for preparedness include:

- ◆ partnering with the risk owners;
- ◆ promoting cross-functional dialogue about risk;
- ◆ determining varying levels of risk tolerance within the organization; and
- ◆ integrating risk management across individual departments.

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**Design exercises as well as after-action reviews in partnership with other functional departments, and with performance measurement in mind.**

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One of the challenges of EM/BCM leaders in engaging CEOs and presidents is their limited access to them. Departments that have become allies in the pursuit of organizational resilience could fill this gap and help argue EM/BCM’s case. Private and public sector leaders in EM/BCM agreed that the interaction with other functional departments—based on a clear definition of the value proposition of EM/BCM—will not only increase recognition of EM/BCM, but also win over the other departments as advocates of EM/BCM, in front of their senior leadership.

### **SPEAK THE “C-SUITE” LANGUAGE**

In order to effectively engage senior leaders, EM/BCM professionals have to learn how to speak the “C-suite” language. One business continuity leader said that, from his experience, EM/BCM must appeal to leaders’ values. It also must be measured against performance metrics comparable to the ones used in other business processes (e.g., cost-benefit analysis, project planning, audits) because values and metrics are two of the most important motivators of senior management. For example, business unit performance measures are commonplace and are regularly presented to the board.

Most senior leaders are already familiar with financial risk management and will easily follow a line of reasoning that employs the same principles—even if they are applied to a different risk environment. Sylvia Barnard confirmed that hard facts, and particularly performance metrics, attract senior management’s attention, and the

contribution of EM/BCM to the success of the organization must be framed in this way. One leader highlighted the fact that the use of performance measures in EM/BCM is still largely missing. The measures that are in use today are mostly qualitative in nature and are more likely to reflect activities as opposed to outcomes and impacts.

When a group of experienced emergency and business continuity leaders was asked how to improve the metrics used in EM/BCM, one suggestion was to design exercises as well as after-action reviews in partnership with other functional departments, and with performance measurement in mind. These could then serve as mechanisms to collect the data needed for hypothetical loss estimation and other performance indicators.

Kathleen Tierney reminded public and private sector EMT leaders that the academic community could help with creation of scenarios, and simulate the effects of certain disasters on workers, the community, the bottom-line, and even the reputation of the organization. She cited the partnership between Seattle, Washington and Washington University in the area of sea-level modelling as one such example.

One public sector leader cautioned that some leaders might be tempted to argue that the cost of doing nothing (or merely buying insurance) was lower than the investment in EM/BCM. The fallacy that one cost could be weighed against the other, however, could be avoided by measuring and demonstrating the impact of EM/BCM and a resilient culture on the organization as a whole—both in a crisis and during normal operations. Insurance companies and credit-rating agencies (such as Standard & Poor’s) increasingly take the preparedness of organizations into consideration and view a mature state of resiliency as a sign of organizational sustainability. Other possibilities to draw senior leadership attention to EM/BCM include the following actions:

- ◆ require CEO sign-off for risk assessments and impact analysis;
- ◆ require CEO approval of an EM/BCM plan;
- ◆ audit the EM/BCM plan and share results with C-suite;
- ◆ benchmark progress against peers and competitors and share results with C-suite;

- ◆ use incident reviews from other companies and present the numbers and facts concerning the inevitable question: “Could this happen to us?”; and
- ◆ focus CEOs and presidents on exercises relating to their coordination and communication role.

### TAKE ADVANTAGE OF REAL EVENTS

Resiliency can be a tough sell, particularly in non-disaster periods. Typically, it is simply not on the upper management agenda, and even when a crisis occurs there is a tendency for organizations to very quickly revert to “business as usual.” Sheffi points out that “near misses” are excellent opportunities for EM/BCM professionals to demonstrate the continued relevance of EM/BCM policies, programs, and investments.<sup>13</sup> For a short period of time, “near misses” have a certain shock effect on senior management, and EM/BCM can step into this spotlight and identify the difference successful EM/BCM can make in a more serious event.

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**“Near misses” are excellent opportunities for EM/BCM professionals to demonstrate the continued relevance of EM/BCM policies, programs, and investments.**

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High-profile events that happen to competitors present similar opportunities because senior leaders will be interested in knowing how such an event would affect their own organization. The window of opportunity is small as the next day’s events may soon take over the leader’s attention. One emergency management leader suggested that EM/BCM professionals could prepare material on most of the relevant risks in advance and fill in the detailed assessment immediately following an actual event. This way, they would be in a position to brief the leader very quickly.

After-action reviews identify an organization’s vulnerabilities, gaps in readiness, shortcomings in the response, and opportunities for improvement. These are matters of direct interest to the senior leadership and they need to be made aware of the outcomes of the reviews. They need to

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13 Yossi Sheffi, *The Resilient Enterprise* [online]. (Cambridge, MA: MIT Press, October 2005 [cited July 20, 2009]. <http://resilient-enterprise.mit.edu/>, pp. 41–45.

know how ready the organization really is. One example is the brewery company, Anheuser-Busch. After the Northridge earthquake in the San Fernando Valley in California in 1994, Anheuser-Busch demonstrated what would have happened had it not invested in certain retrofits to make its buildings more earthquake resistant. The cost-benefit analysis removed any doubt in senior leaders that the retrofits were a good investment.

The presentation of after-action reviews to senior management can also be used to “market” EM/BCM’s successes. The success should be expressed in measurable terms and ideally brought to life with anecdotes and media footage to reach the audience on both a rational and an emotional level.

### **COMMUNICATE EFFECTIVELY ABOUT RISK**

The role of EM/BCM leaders as expert interpreters of risks requires a high level of trust on the part of senior management. This trust can easily be compromised if the EM/BCM professional is seen as an “empire builder” who is overstating risks in order to boost his or her budget and influence. It is the responsibility of EM/BCM professionals to present balanced expert views on risks and how they affect the organization.

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### **Decisions made or avoided today create the disasters of the future.**

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Emergency managers understand the science of risk and have the background knowledge to interpret risk assessments and explain their meaning and limitations. They know the facts and the data and are able to see beyond the sensationalized news, the spin from consultants, and the often politicized statements made by public officials and politicians.

There is also a visionary component to the role of EM/BCM professionals, as they regularly look at new and emerging threats and evaluate the possible impact on their organization in the future. Dennis Mileti, professor emeritus at the University of Colorado at Boulder’s Institute of Behavioral Science, found that the decisions made or avoided today create the disasters of the future. He concludes that, “human beings, not nature, are the

cause of disaster losses.”<sup>14</sup> EM/BCM professionals understand this and take a proactive and optimistic approach to risk management. They avoid being regarded as the resident “prophets of doom” and feel a responsibility to present senior leaders with balanced analyses and concrete opportunities for action.

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### **Crisis leadership is becoming increasingly collaborative and inclusive.**

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## **CONCLUSION**

The traditional image of crisis leaders is outdated. Crisis leadership is becoming increasingly collaborative and inclusive. It is demonstrated at all levels of the organization both during and in the absence of a crisis. Exceptional crisis leaders have distinct character traits that relate to five key attributes: authority, influencer, learner, team-builder, and source of confidence. They are aware of their risk environment (including their organization’s external and internal dependencies and interdependencies), understand the value proposition of an integrated emergency management program, and embrace the notion of corporate resilience and its influence of a resilient mindset on the organization’s competitiveness. Effective crisis leaders engage in activities that directly affect and improve their organization’s crisis readiness and management. These include distributing responsibility, empowering employees to think and take action, demonstrating deference to expertise, and fostering collective mindfulness. Emergency and business continuity managers have an important enabling role. Filling this role effectively requires them to:

- ◆ frame the value proposition;
- ◆ establish relevancy from within;
- ◆ speak the C-suite language;
- ◆ take advantage of real events; and
- ◆ communicate effectively about risk.

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<sup>14</sup> Dennis S. Mileti, “Disasters by Design: A Reassessment of Natural Hazards in the United States” [online]. (Washington: Joseph Henry Press, 1999), [cited October 2009]. [www.aonline-aon.com/public/intelligence/disasters\\_by\\_design.pdf](http://www.aonline-aon.com/public/intelligence/disasters_by_design.pdf), p. 27.

## Effective Crisis Leadership: The Qualities of Successful Leaders

by *Bjorn Rutten*

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