

## Navigating a Crisis

### Lesson 6-1: Crisis Management

#### Discussion Guide – Confidentiality Reminder

#### One Word Check-in

#### Update – Personal, Business, Leadership

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*“Be strong and very courageous ... Study this Book of Instruction continually. Meditate on it day and night so you will be sure to obey everything written in it. Only then will you prosper and succeed in all you do. This is my command — be strong and courageous! Do not be afraid or discouraged. For the Lord your God is with you wherever you go.” Joshua 1:7-9 (NLT)*

**Your business (and non-profit) will experience a crisis – it is not a question of if, but when.** All businesses are susceptible to experiencing a crisis, even non-profits (likely even more so than most companies). Crises can be created by:

- **A global recession:** The COVID-19 pandemic and the current potential recession are fresh on our minds; however, historically, global recessions happen frequently. Since 1970, the U.S. has averaged a recession every 6.5 years with an average duration of eleven months. Unemployment has sometimes reached 10%.<sup>1</sup>
- **Poor understanding of market changes:** Sears, JCPenney, and Kmart were leaders in the retail business until the beginning of the 21<sup>st</sup> century. Sears’ catalog business was the precursor to Amazon, but the company failed to understand how customers were changing.
- **Company catastrophic events:** The Boeing company spent billions of dollars developing the 737MAX, yet it took fatal shortcuts in the design and construction of the aircraft. Some staff warned of the problem, but this was ignored by management. The result was hundreds of lives lost and hundreds of aircraft orders being cancelled.<sup>2</sup>

**These three critical company assets must be considered to survive, and ultimately thrive, after a crisis.**

Subsequent lessons will examine each of these in detail:

- **Cash** – Almost every crisis affects the finances of a company. If the company runs out of money, it ceases to function. It is bankrupt. The plan must address how cash is used sparingly and wisely. Caution: Be prudent in using debt to meet cash needs.
- **Employees** – They are the lifeblood of the organization. Without employees to provide services and products, the company cannot meet the needs of its customers. Employees will likely have insightful ideas on how to help your customers and save money, so brainstorm with them for ideas.
- **Customers** – Without paying customers, the company has no purpose and no cash flow to maintain operations. A crisis is a great opportunity to listen to how you can uniquely meet the needs of the customer.

**To successfully manage a crisis, these fundamental principles should govern your crisis response:**

1. Thoroughly understand the issue and its effect on your company
2. Respond quickly and carefully with a thoughtful plan
3. Build trust with staff and customers by communicating with honesty and transparency
4. Execute, monitor and modify the plan as appropriate

#### **Shared Experiences:**

- Can someone share how the recent financial crisis affected their company in positive or negative ways?
- In your opinion, after a significant crisis, how was trust fractured and then restored with staff and customers?
- What are your thoughts about the importance of the company assets listed above? How would you prioritize?
- How does your company prepare for a future crisis?

**Bottom line:** Strong and courageous leadership is required to effectively navigate a crisis. It starts with anticipating the headwinds of a crisis and then planning a thoughtful response that fully considers the protection of critical assets: cash, employees and customers.

## Navigating a Crisis

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#### One Word Check-out

#### Dig Deeper

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##### Want to learn more?

- <sup>1</sup>Article: [List of recessions in the United States](#) from Wikipedia
- <sup>2</sup>Article: [Boeing 737 MAX groundings](#) from Wikipedia (From article: “Boeing suffered directly through increased costs, loss of revenue, reputational damage, victim litigation, client compensation, reduced credit rating, and decreased stock value. In January 2020, the company estimated a loss of \$18.4 billion for 2019, and it reported 183 canceled MAX orders for the year.”)
- Article: [How to Thrive During and After a Crisis: 5 Small-Business Strategies](#) by Victoria Brodsky, co-founder of Blockchain BTM, Inc.com
- Article: [Leading Beyond the Blizzard: Why Every Organization Is Now a Startup](#) by Andy Crouch, Kurt Keilhacker, and Dave Blanchard published in the Praxis Journal
- Article: [Lessons from the generals: Decisive action amid the chaos of crisis](#) by Yuval Atsmon, David Chinn, Martin Hirt and Sven Smit, published by McKinsey

##### **A case study on excellent crisis management – Johnson & Johnson (J&J) Tylenol poisoning in 1982**

Seven people died when someone injected potassium cyanide into Tylenol capsules in the Chicago area. Tylenol plummeted from 34% market share to 0% market share overnight as J&J faced the fall of their top-selling product. While many predicted that Tylenol would become obsolete within a year, CEO James Burke responded with transparent and clear communication to the public, and more importantly – a plan for recovery. J&J pulled 32 million bottles of Tylenol from store shelves nationwide, and J&J created a triple seal system to demonstrate the medicine was safe. Ninety days after reintroducing Tylenol to store shelves with tamper proof packaging, Tylenol had spent \$100 million on the crisis but was stronger than ever at 46% market share. Burke’s response plan is still the model for crisis management. ***Through his strong and courageous leadership that demonstrated customer safety was more important than money, Burke turned a crisis into an opportunity and ultimately created more revenue for the company.*** His actions still have impact today, as every over-the-counter medicine and consumable food supply has a seal demonstrating the product is tamper-proof.

For more information on the crisis and Burke’s response, visit the below resources:

- Video: [A trusted pill turned deadly. How Tylenol made a comeback](#) (Retro report, 2018)
- Video: [James Burke discussion of the company response](#) (CBS, 2017)
- Video: [Explanation of J&J's PR firm's response](#) (GIBS Business School, 2014)final

##### **How Johnson & Johnson (J&J) applied the fundamental principles to crisis management:**

- Thoroughly understand the issue and its effect on your company
  - Within 36 hours, J&J collaborated with the FBI and local authorities to determine that someone had tampered with the bottles of Tylenol, likely within the store or during delivery.
- Respond quickly with a thoughtful plan
  - The J&J management team, FBI and local authorities recommended to CEO James Burke that all Tylenol products be removed from Chicago area stores. Burke refused to limit the recall to the Chicago area, and instead removed Tylenol nationwide to restore trust.
- Build trust with staff and customers by communicating with honesty and transparency
  - Going against the advice of attorneys, Burke established a relationship with major news agencies and was transparent and honest about the problem. He made it clear it was a packaging and delivery issue, not a problem with Tylenol itself. He made a \$100 million investment to remove and destroy perfectly safe Tylenol nationwide to restore trust. He knew restoring trust was the most important factor to Tylenol’s recovery.
  - The company created a triple seal system for Tylenol bottles. Burke went on national television to explain how it worked.
- Execute, monitor, and modify the plan as appropriate
  - The plan worked. Trust was restored as evidenced by Tylenol market share increasing to 46%.