LEADING UNDER PRESSURE

SAMPLE CHAPTER

From Surviving to Thriving Before, During and After a Crisis

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Leading Under Pressure

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From Surviving to Thriving Before, During, and After a Crisis

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Dedication

We dedicate this book to our parents, who nurtured us to be the women we are; our husbands, for their love, wit, and support; and our children, for inspiring us to keep going.
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About the Authors

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In the time that it took to write this book, the United States and the world experienced tremendous change, and much of that change was marked by crisis. In the United States alone, financial markets all but crashed; companies that once defined America tumbled, or nearly so; a lone gunman killed 13 military men and women and severely injured 28 others in what was ostensibly one of the safest places in America—the military installation at Fort Hood; and President Obama declared the rapidly spreading H1N1 flu virus to be a national emergency, yet promises of vaccine dissemination were not fulfilled. Many of these events either had global consequences or were sparked from worldwide events. An unfortunate aftermath of all of these events is a lack of public trust in many of America’s institutions and the people that lead them.

To say that the global workforce is under pressure may be an understatement. At a macro level, there is the pressure of worldwide competition and the need to operate across the globe. At a more micro level, there is the pressure of individuals or departments to produce more with increasingly fewer resources. Pressure is at once the precipitator and the consequence of crisis. It is ubiquitous, and it is increasingly defining how we function at work. Leaders who can flourish under pressure will be the ones to guide us through these and future turbulent times.

When people have asked us about the type of research that we do, or in what areas of business we teach and consult, we have told them that we are experts in crisis leadership. Naively, we expected managers to engage with us in conversation about why this was an important subject matter and how their organization or organization’s leadership could benefit from a deeper understanding of this topic. What we received from executives, however, was one of the following three responses: (1) a dismissive nod of the head followed by a summation of their own organization’s business continuity plan (loosely speaking), (2) denial that there was a need for such expertise in their own organizations, or (3) a recounting of how poorly other firms were at crisis management and assurance that their own company would never act in such foolish ways. From the academic community, our crisis leadership ideas were often confused for the study of crisis communication. In fact,
there are numerous occasions in which our colleagues (people with whom we have worked for years and who have read and provided feedback on our research) have referred to us as experts in crisis communication. In our minds, crisis communication is just one of several important aspects of leading under pressure.

Committed to our belief that leadership in times of crisis should be a core managerial competency, we refused to be swayed by the reactions of people that did not quite understand, much less buy in to, our notion of crisis leadership. Yet, it was clear that we did not have the language to communicate our message effectively to our audiences, whether the audience was an MBA classroom, corporate executives, directors of government agencies, or leaders of a not-for-profit organization. We were faced with the attitude that crises happen to other people, or that crises were a result of other people’s incompetence. Failing to consider that most crises do not discriminate, and that even very competent leaders can find themselves facing a set of undesirable and threatening circumstances, was precisely at the root of the message we wanted to convey. Beyond those two central messages was an even more important one—that crises are about people, and leading an organization before, during, and after a crisis requires continuous focus on the well-being of those individuals. This book is intended to communicate our belief that developing the ability to effectively lead an organization facing immense pressures is no longer an option, nor is it something to be delegated to others. Rather, it is a central aspect of every leader’s responsibility to the array of stakeholders that are affected by their decisions. The concepts associated with the ability to lead under pressure, such as decision making, building organizational trust, and organizational learning, should be a required part of management education whether at graduate schools or during professional and executive development engagements. To that end, we offer the ideas, examples, and research presented in the subsequent pages of this book.

Our goal is to help students and business leaders alike deepen their understanding of how we typically respond to threatening situations and to provide food for thought with respect to how one might enact effective leadership behaviors in times of crisis. The book is grounded primarily in academic research. Throughout the book, we integrate the academic discussion with modern examples of crises or crisis handling to illustrate key points. Through an intricate weaving of theoretical, empirical, and practical ideas associated with the concepts of crisis and leadership, we present a comprehensive perspective that we hope will guide the scholarly community toward continued study in crisis leadership, challenge students to prepare themselves for a new leadership form, and provide a road map for students and business leaders to traverse as they continue to navigate the ever-increasing challenges of leading today’s organizations.

That said, we want to be clear that our intention in writing this book is to highlight the important role of leadership when organizations are under the
type of pressure that crises evoke. Unlike the typical crisis management book (which serves an important although altogether different goal), ours does not offer the ABCs of how to handle a crisis. Rather, we offer a framework and set of perspectives of leadership that are particularly relevant when leading under pressure. Clearly developing a business continuity plan before a crisis hits and managing the communication process during a crisis are necessary elements of crisis management. However, these are all tasks to be managed or perhaps even delegated. Leadership, on the other hand, is everyone’s responsibility. Finally, to lead under pressure requires a broader mindset and a different set of capabilities than what might be required when one is focused solely on the tactical aspects of crisis handling. We describe this mindset and the requisite leadership capabilities throughout this book.

The book is organized into four parts. Part I serves to introduce the reader to the concept of crisis leadership and differentiate how leadership under pressure differs from general leadership or leadership in times of relative calm. Combined, the two chapters in Part I provide a solid foundation of key terms (e.g., crisis, crisis management, leadership, and so on) and a comprehensive overview of crisis types and general crisis handling strategies. Part II expands the discussion by focusing on the individual capabilities necessary to effectively lead an organization in times of intense pressure. Here, we highlight critical leadership competencies, decision making, and the important role of designing and leading a crisis team. Part III identifies core organizational capabilities that facilitate leadership under pressure. These include an organizational culture or structure characterized by trust and learning, and one that is facile in operating with a global mindset. The final section of the book brings all of the prior information together to outline the circumstances that allow some leaders to perceive crises as potential sources of opportunity (rather than only as a threat). When this happens, the possibility for organizational innovation and positive change increases.

**Special Features**

Throughout this book, we attempt to shed light on the growing body of research that directly or indirectly is connected to the topic of organizational crises and crisis management. Some of that research reflects our own theorizing and empirical-based studies of the topic. Yet, given the potentially severe implications that crisis events can have on organizations, it would be a disservice not to also address the very practical side of leading under pressure and in times of crisis. Therefore, the chapters, as appropriate, offer two additional resources intended to guide those that lead organizations, big or small, public or private. “Leadership Links” are references to Web-based sources of information.

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from both academic and practitioner communities. They are intended for those readers who would like additional information about the specific topic in the chapter. The “Leader’s Hot Seat” poses a set of questions that managers should consider and corresponding answers. These are intended to encourage application of the ideas from the chapter to one’s own situation. Finally, several of the chapters include a section called “From Theory to Practice” that serves to connect theoretical-based research with practical implications.

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THE MODERN FACE OF LEADERSHIP UNDER PRESSURE
Chapter 1

Introduction
Why Crisis Leadership Matters

As we commence the writing of this book and contemplating what contribution we can make to the plethora of books on leadership, and the more recent emergence of books on crisis leadership in particular, the United States has recently gone through one of the most significant confluences of crisis events in its history. The euphemism of “a perfect storm” seems appropriate if not completely accurate. From our vantage point, though, the United States has simultaneously experienced a massive financial crisis, a reputational crisis, and a crisis of trust—the latter of which is largely a function of the two former.

In a two-week period in the fall of 2008, the United States witnessed the shocking collapse of several of its most seemingly stable and secure financial institutions. On September 14 Merrill Lynch entered bankruptcy and was quickly acquired by Bank of America. The next day, Lehman Brothers filed for bankruptcy, was split up, and portions of the former firm were purchased by Barclays. The next week, on September 25, the nation’s largest savings and loan association was placed into receivership, ironically on the same day as the firm’s 119-year anniversary. The demise of Washington Mutual represented the largest single bank failure in American history. The landslide of financial failures started several months earlier when Bear Stearns, once recognized as the “most admired” securities firm in Fortune’s “America’s MostAdmired Companies” survey, was acquired by JPMorgan Chase for $10 per share, down from the 52-week high of more than $130 per share. Among them, these once stalwart companies had almost 450 years of history, having previously survived other economic downturns, including the Wall Street Crash of 1929.
Leading Under Pressure

The causes of what has come to be called simply the financial crisis are too numerous to describe here. Economists, finance gurus, and the federal government will no doubt invest years in trying to identify the appropriate attributions. At the surface, however, it is clear that subprime mortgage lending practices played a major part. Subprime lending refers to the provision of credit to potentially high-risk borrowers, including those who have defaulted on prior loans or who have limited debt experience. When some credit issuers engaged in predatory lending practices, particularly for home mortgages, the result led to massive loan defaults, and lending institutions were forced to write down billions of dollars in losses. At the heart of those losses were Freddie Mac and Fannie Mae, government-backed mortgage lending institutions that survived the financial crisis only with substantial assistance from the U.S. government.

Banks and lending institutions were not the only industries affected by the crisis and in need of federal support. America’s largest insurance company, AIG, was close to insolvency before the federal government intervened, granting the company a sizable portion of a $700 billion financial package formally called the Emergency Economic Stabilization Act of 2008, now referred to as simply the “bailout.” In the midst of these troubles, America’s Big Three automakers (General Motors, Ford, and Chrysler) met with members of Congress to request their own bailout, and they did so more than once. Their initial visit to Capitol Hill resulted in a failed attempt to secure funds and a public relations nightmare for the auto companies when all three executives arrived independently in Washington, D.C., from the Detroit metropolitan area on their corporate jets. The public outcry toward this extravagance suggested that the executives were incapable of fiscal management. It was yet another sign of public mistrust in the institutions, and the leadership, that have been a driving force of the U.S. economy.

In short, it should have been no surprise that during this time period in which some of the giants of the U.S. economy were failing, we saw successive days of hundreds of points lost in the Dow Jones, marked most vividly by a 777-point drop on September 29—the most catastrophic day on U.S. markets in history. Clearly this is a tumultuous time for executives and leaders of every sort. And whether fault lies with a few executives that have severely mismanaged their firms, or with the ratings agencies that have long overvalued financial institutions, or with short-sellers attempting to manipulate the market, or whether this was merely a normal business cycle correcting the excesses of recent years, there is a sense of gloom and panic in the air. There is plenty of blame to go around, and in due time we will eventually learn as much as we need to know about where to attribute fault. Those who are judged responsible will be punished, and the financial events of 2008 will become a discussion for historians. In the meantime, while the experts are hammering through solutions to rescue our economy, Americans are left dealing with an overwhelming lack of trust and confidence.
in both the private and public sector leaders. The questions we all face are: Can we become a nation of leaders again, capable of leading under pressure and in times of tremendous turbulence? Can we restore trust in our organizations? Can we learn from each other and from history in order to create a better tomorrow? Can we reach across silos within organizations, or across cultural, religious, or economic constraints that divide companies and nations and prevent them from collaborating? The responses to these questions will determine whether we will be crisis leaders or merely managers of the status quo, reacting to the pressure in our environment.

Once considered to be the leaders of business and economic freedom, our reputation in the world has declined precipitously. Foreign investors have taken a substantial role in American business, the U.S. trade deficit and the national debt are at record levels, and the worldwide desire for American goods and services has waned. On top of these economic concerns, the United States has been engaged in a long-term war with Iraq that has in some cases strained our relationship with allies. On other fronts, our primary and secondary educational institutions have become less competitive, and the ability for the nation to adequately care for our elderly and poor has been called into question. Taken together, the financial crisis and the propensity of reputational challenges are enormous burdens.

In addition to the sign of the times described above, the fall of 2008 marked another turn of events in the United States with a historic presidential election—historic in part because the country elected its first African American president. But overshadowing this unprecedented race for the presidency is the daunting task that will face President Obama. He will need to demonstrate extraordinary leadership in order to pull the country out of the doldrums. In some respects, the tasks facing President Obama will require crisis leadership of epoch proportions. But this is not a political book. Rather, it is a book intended to speak to a variety of audiences, including students, scholars, managers, consultants, and others who have a thirst for understanding the essence of leadership as it applies to crisis situations.

So in addressing the question implied by the title of this chapter, crisis leadership matters precisely because crisis events are inevitable. Crisis leadership matters because leaders of organizations and nations can make a difference in the extent to which people are affected by a crisis. Crisis leadership matters because in its absence, the stakeholders who are adversely affected by the crisis cannot truly recover from the damaging event. And crisis leadership matters because despite the damage that is caused by a crisis, effective leadership is the one factor that creates the potential for a company to be better off following the crisis than it was before the state of affairs existed.
As scholars of crises, crisis management, and leadership, our observations about crises (current crises as well as crises from times past), and the rippling effect they can have, have assured us of a few things. First, crises are inevitable. Some crises may be avoided, and some may be managed well enough to limit long-term damage, but at the end of the day, every organization and every nation will experience crisis. Second, it is often the handling of a crisis that leads to more damage than the crisis event itself. Third, effective crisis handling involves much more than good communications and public relations. Although these certainly help, rhetoric and positive spin alone will not solve even one of the crises we described above, much less the lot of them. Fourth, learning from crisis is the best hope we have of preventing repeat occurrences. Finally, crisis events can create a potential for significant opportunity to be realized for individuals, for organizations, and for countries.

How Crisis Leadership Differs From Leadership in Ordinary Times

The question of whether crisis leadership is different from leadership in ordinary times is a debatable one for sure. In fact, at least one study has concluded that general leadership (leadership in noncrisis situations) is not completely distinct from leadership in a crisis.¹ To this end we can all probably imagine a situation in which someone who was judged to be a fine leader of his or her business was thrust into a crisis and performed as admirably in that situation as he or she did before the crisis. The case of Rudy Giuliani, the former mayor of New York City, offers one prominent example. Although the mayor had his detractors, the idea that he made a positive difference in the lives of most New Yorkers, cleaned up the city streets, and put New York City in a positive trajectory for the future is a commonly held sentiment. Yet, near the end of his tenure, Giuliani was confronted with the most egregious of acts ever faced by a U.S. mayor—the tragedy of 9/11. Within hours of the attacks, we saw images of Mayor Giuliani taking a strong and assertive stance against the aggressors, while at the same time displaying uncharacteristic empathy and emotion toward victims. We witnessed a speedy deployment of city resources and personnel, and we heard unwavering assurance in communicating his plans.

From this example we see someone who displayed effective leadership in times of relative peace and in crisis, and thus we could argue that the requisite leadership skills are the same regardless of the circumstances. In other words, if you prove to be a good general leader, then you will be a good leader during a crisis. The need to problem-solve, articulate a vision, and execute a plan, for example, would be expected under any leadership circumstance.
Despite this perspective, we can also just as easily identify someone who is considered to be a solid performer and who has demonstrated leadership skill or leadership potential, only to buckle under the pressure of a crisis. A prominent example is Doug Ivester, former CEO of Coca-Cola. Ivester had been groomed by his predecessor, Roberto Goizueta, to assume the leadership of the company some years in the future. When Goizueta died unexpectedly, Ivester was thrust into the spotlight to lead one of the world’s most long-lasting and respected brands. A former accountant, Ivester was known to have been almost obsessively rational and methodical in his roles leading up to CEO. He had worked for Coca-Cola for two decades and in that time had amassed leadership experience in marketing and global affairs, and he had a track record of success at executing the company’s strategy.2 Despite this preparation, Ivester failed at managing the 1999 crisis, in which the Belgian Health Ministry ordered that all Coca-Cola trademarked products be banned from the market and further warned the Belgian community not to buy or drink any Coke products. At issue were hundreds of consumer complaints about an unusual taste and odor coming from the bottled drink. On the heels of mass European fear associated with mad cow disease, Coke was eventually forced into its largest product recall (costing the firm more than $110 million) in the then 113-year firm history. Ivester came across as insensitive and aloof, and failed to move quickly enough, taking more than a week to visit Belgium in person. Even then, he made several public relations gaffes and other missteps that eventually contributed to his forced resignation only two years into the position.

There are other examples of successful leaders who have failed in a crisis, and we will explore those throughout the remainder of the book. But for now, the Ivester case suggests that circumstances and context matters, and that there is indeed a set of skills that may be unique to leadership under pressure. Crises are marked by time constraints, ambiguity, remarkably unusual circumstances, limited or conflicting information, curious onlookers, and a need for immediate and decisive action.3 Given these pressures, the demands of a leader in crisis can be unique and require a different set of abilities than what would typically be expected during general leadership (i.e., leadership in noncrisis situations).4 Moreover, where there are overlapping skill requirements, crisis situations promote a hypercontext that calls for extraordinary capability in some of those shared dimensions of leadership.

**Defining Crisis Leadership**

Our fundamental assumption is that crisis leadership is more than managing corporate communication and public relations (PR) during a crisis. Communication and PR activities are a necessary but insufficient approach to
leading an organization through crisis. Crisis leadership even goes beyond the parameters of risk management and legal responsibilities. Indeed, we argue that crisis leadership is about building a foundation of trust not only within an organization, but with a firm’s external stakeholders as well. Leaders then use that foundation to prepare their organizations for difficult times, to contain crises when they occur, and most important, to leverage crisis situations as a means for creating organizational change and innovation. This sentiment is precisely what the U.S. Congress asked of the Big Three auto manufacturers. They want the industry’s leaders to use their financial woes as a starting point to redesign their business model and to create a new and innovative product line.

Crisis leadership is a frame of mind accompanied by a key set of behaviors. The frame of mind is characterized by openness to new experiences, willingness to learn and take risk, an assumption that all things are possible, and a belief that even in times of crisis people and organizations can emerge better off after the crisis than before. Clearly, crises are traumatic and we don’t want to leave a false impression or indicate that there is not real pain and suffering that results from them. Indeed, this can be, and often is, the case. Crisis handlers must address and deal with these circumstances. Our goal with this book, however, is to emphasize that leadership is also about creating possibilities so that organizations can blossom in ways that might not have been predicted in the absence of the pressures that crises evoke.

In sum, the characteristics of crisis leadership may be appropriate for business leaders in all situations, not just during times of crisis—and they are. Displaying these leadership competencies during times of crisis, however, poses a unique challenge. First, leaders in crisis are forced to operate in full public view, with the media and others positioned to report and critique their actions. Second, during a crisis, there is the tendency to want to make the crisis simply go away, resulting in decisions and actions that are oftentimes suboptimal (e.g., cover-ups and deception). These shortcuts can ultimately undermine effective leadership. However, by consciously being attuned to the big picture of a crisis and the opportunities that can be created for the organization as a result of crises, leaders and their organizations can thrive. In short, in today’s competitive business environment, developing crisis leadership competencies is mandatory.

**Organization of the Chapters**

The book is organized into four parts. Part I serves as a foundation for understanding business crises and provides the fundamentals of crisis management. Within Part I, Chapter 2 is a primer on crisis management research. For those readers who are already familiar with this research, we recommend that you
proceed to subsequent chapters, where we integrate various leadership constructs with the fundamental tenets of crisis management.

Chapter 2 includes a definition for business crisis and differentiates a crisis from other business problems or challenges. Many scholars agree that a business crisis is a threatening event that may lead to a negative outcome unless swift action is taken. We outline each aspect of a business crisis and offer examples of each. Crises are considered rare, unlike other business problems that occur with more regularity. They are significant, meaning the outcome could be devastating to the firm. In addition, the consequences of a crisis can affect more than just the business, but also stakeholders internal and external to the organization. This can have wide-reaching effects beyond negative publicity.

Chapter 2 also identifies various crisis typologies in order to distinguish among crises, to give a comprehensive overview of them, and to consider their usefulness in preventing and responding to crises. The challenge is to limit the types for the sake of manageability. One typology breaks crises into sudden, which means unexpected situations, and smoldering, or small problems that escalate over time as a result of neglect. Another model explores conventional, unexpected, intractable, and fundamental crises. It is true that typologies have become more complex over time because business crises have become more complicated.

Researchers have identified five stages of the management of a business crisis: signal detection, preparation or prevention, containment or damage control, business recovery, and learning. We describe each phase and ask key questions associated with them to draw managers’ attention to the competencies required for leading a business through a crisis.

Part II of the book introduces the individual capabilities that are necessary for leading under pressure. Chapter 3, for example, covers the skills, or competencies, a manager must possess to lead an organization through a crisis. They include planning for, responding to, and learning from the event so that the organization is better off after a crisis than it was before. We use the five phases of a crisis to organize and analyze a set of critical leadership competencies, and we provide examples of their use during various crises. The five phases are (1) signal detection, (2) preparation/prevention, (3) containment/damage control, (4) business recovery, and (5) learning.

In the signal detection phase, recognizing the warning signs of a crisis is important. This is done by making sense of the situation and being able to see others’ points of view. During preparation and prevention, it is vital that a leader can influence people to take action by explaining his or her requests and being inspirational. In addition, a leader must be knowledgeable about the business and be able to work across different sectors. And a leader must be creative to confront the unexpected challenges of a crisis. Damage containment includes limiting the financial and other threats to the company’s stability. A skilled
leader must communicate effectively, and manage public relations to protect the image of the business. In this chapter, we also discuss various methods organizations use to control damage, including the apology and denial. In the process of defending the innocence of the company, its leader may have to take some risks. This goes along with being creative, because maneuvering a crisis will require changing courses and adapting to new situations easily. The recovery phase encompasses carrying on with business while dealing with the damage caused by the crisis. The goal of a company during this stage should be resilience or flexibility. A good leader must encourage collective efficacy so that the organization continues to function and meet its commitments to outside stakeholders. Finally, organizational learning requires that the leader views crisis as a potential source of opportunity. This means he or she must acquire new skills to prevent a future negative event, as well as to promote a future positive event. In this way, a company can actually improve in the face of adversity.

Chapter 4 addresses decision making under pressure, and particularly the issues that affect leaders in the process of identifying problems and solving them. We look at different approaches and their results, and provide real-life examples.

Among the various models of decision making is the rational one, that is, the logical series of steps one takes to reach a decision. First, one defines the problem, then evaluates the situation, analyzes alternatives, and finally reaches a conclusion. This does not take into account that leaders may not have all of the information, or the ability to understand all of it. In addition, a manager has to consider the expectations of stakeholders. As a result of these constraints, an optimal solution is difficult to find.

Another theory of decision making suggests that the more complex a situation becomes, the less likely one is to think logically and be open to important stimuli. Our minds manage data by simplifying it, and the strategies we use to make sense of overwhelming information are called heuristics. In this chapter, we describe different types of heuristics, such as the anchoring heuristic, or the way in which we give preference to information received first. The status quo heuristic is the tendency to play it safe, rather than take risks; the sunk-cost heuristic is a way to justify past choices; and the confirming evidence heuristic is seeking information that supports our own points of view. How a leader frames an issue, as either a threat or an opportunity, also affects his or her decision making. Ethics are relevant during decision making, as well, because organizations must consider what is morally acceptable to stakeholders. A theory on moral intensity includes recognizing an ethical issue, making a moral judgment about it, determining intention, and making an appropriate decision. Our goal in this chapter is to draw attention to the implications of framing issues as threats or opportunities, highlight how moral reasoning affects decision making, and
emphasize the limits of our minds, and how those limitations are exacerbated when we experience threat or pressure, as in the case of a crisis.

In Chapter 5 we explore the importance of teams and team leadership in a crisis situation. We discuss the design considerations when building a crisis management team, and how to create an environment in which the crisis team can be responsive, achieve maximum performance, and interact effectively with various stakeholders.

For leaders, composing a successful team requires finding experienced and heterogeneous members. It is helpful when individuals have prior knowledge of a critical event. In addition, each member should contribute something complementary to the group. The leader must identify the purpose of the team and guide it toward the goal without being rigid. Improvisation and flexibility are vital when maneuvering through a crisis. Many crisis teams are ad hoc and lack experience in dealing with significant or crisis events. They often have to learn as they go. As a result, we emphasize in this chapter that team members should be encouraged to seek new knowledge from various places, including outside the group. They can build relationships and network with external stakeholders to develop ideas and gain feedback. To summarize, a successful leader will build a team like a puzzle, so that each piece plays a role and fits the other pieces to make a whole. The team leader will create a vision that others will share and strive toward.

Having discussed the nature of crises and the individual capabilities associated with crisis handling in Parts I and II of the book, Part III illustrates a set of organizational capabilities necessary for leading under pressure. Chapter 6 highlights the fundamental role of trust before, during, and after a crisis. The chapter begins with some definitions of trust, and explores the role of trust between an organization and its stakeholders. More specifically, it details how leaders can successfully emerge from a crisis in an atmosphere of trust.

We describe research identifying four components of trust that appear to be consistent in most definitions: competence, openness, concern, and reliability. It is important for leaders to feel competent and for others to have confidence in them. When leaders are honest and open in the workplace, employees are more likely to believe them during a crisis. Leaders who show concern for employees and the company are especially reassuring during times of crisis. And meeting expectations, or being reliable, exhibits trustworthiness to stakeholders. To these four characteristics, we add a fifth dimension of trust: vulnerability. Many have acknowledged that there is an element of risk involved in trust. Leaders must believe that subordinates will perform to the best of their abilities, even though the possibility exists that they will not. In other words, leadership under pressure may require a willingness to be vulnerable to those that have been entrusted to handle various aspects of the crisis. This willingness is more likely if the
organizational culture is generally perceived as trusting. In this case, the work of crisis leaders is to create such a culture before crises occur.

While trust between a leader and stakeholders is built on a long-term relationship, trust among team members during a crisis must occur quickly. One researcher came up with the term *swift trust* to describe trust without the benefit of repeated interaction and assessment. These crisis teams must invoke vulnerability, suspend doubt in the minds of the stakeholders, and accept that they are taking a risk on the outcome of their efforts.

In Chapter 6 not only do we describe different definitions of trust, but we also look at betrayal. The consequences of a violation of trust can be devastating to an organization. Whether it is intentional or unintentional, a betrayal can be a barrier to successfully maneuvering through a crisis.

Finally, we list some ideas for generating trust within an organization. Among these are communicating openly, being honest with oneself and others, and responding to crises in a way that is consistent with the values of the company.

In Chapter 7, we argue that organizational learning can facilitate crisis handling and prevent future crises. We center our discussion around class action lawsuits because they are a particularly ubiquitous type of crisis and therefore provide a rich opportunity for learning how to handle crises across organizations. Class action lawsuits are brought by one or many, and the group that is affected receives compensation for the harm done to them. We believe failures in managing such lawsuits reflect a lack of learning by firms.

In this chapter we focus primarily on discrimination lawsuits. When companies manage diversity well, one by-product is that they are able to limit inequities in the organization that could lead to lawsuits. We describe some perspectives of and barriers to the type of learning that helps avoid these imbalances. For example, one theory states that behavior followed by positive consequences will be repeated, and that behavior followed by negative consequences will end. These patterns represent adaptive learning. In an organization, this means a change in routines, or policies and procedures, will take place. One barrier to organizational learning includes dysfunctional routines. Therefore, if discrimination is a practice, even if it is unconscious, it becomes exacerbated over time. When a crisis occurs, a firm can react in negative ways, such as being defensive. This behavior may include denying the problem and justifying the practice that contributes to the inequity.

Another barrier is when a firm focuses on events in the past, rather than looking at expectations for the future. Because organizations get into the habit of routines, a crisis presents a challenge for which management may not be prepared. With limited experience of a class action lawsuit, a firm cannot call upon past events to guide them through difficult times.

http://www.psypress.com/leading-under-pressure-9781841697918
Focusing on the wrong target bars organizational learning as well. In many cases, the emphasis is not on the cause of the crisis, but rather on the resolution of it. Also, without evaluations of performance for the handling of a crisis, a firm may not act as effectively. In other words, the desire for a reward and to avoid punishment motivates learning.

As we close the chapter, we look at failure and how it promotes learning. Failure represents a weak spot where managers can focus their attention. Trial and error involves changing behavior patterns until success is achieved. For example, if leaders heed early warning signals, a crisis may be prevented. And when managers accept failure, they can better identify and analyze the root of the problem.

Chapter 8 addresses globalization and how it affects the management of a crisis. In many cases, instability in one company in one part of the world sends ripples throughout an industry and across nations. How do organizations manage a crisis situation that has an external impact and implications? We present specific cases to illustrate the competencies and tools required to manage a global crisis.

An important leadership skill is a global mindset, which is the ability of an organization to understand the cultural issues surrounding a crisis and coordinate strategies globally as well as locally by managing resources. It is a collective perspective in a company that leads to better articulation of a problem and more effective mobilization.

Also, technology plays an important role in connecting leaders of various organizations to work together to deal with a crisis that spans the globe. Physical access to a region may be impossible, and language barriers and cultural differences can delay or prevent information gathering. Information technology is vital to decision making and crisis handling.

Part IV concludes the book with Chapter 9, which is devoted to the possibility for leaders and their organizations to thrive under pressure. Previous research maintains that leaders perceive crises as either threats or opportunities. Certain emotions are associated with each stimulus. For example, feelings that accompany threats include anger, anxiety, guilt, and depression. These responses can block the way to a positive outcome. Some leaders make a transition from an initial reaction of fear and panic to one of optimism. In Chapter 9, we explore how it is that some leaders see a crisis as an opportunity rather than a threat. We identify factors that contribute to this perspective, such as a leader’s ability to reflect and analyze. We note that perceiving value from a postcrisis positive result and believing that a positive outcome is in fact attainable are also important conditions. Thus, the last chapter lists the personal characteristics and situational factors that allow leaders to realize positive outcomes following a crisis, and offers suggestions for how they can create an environment in which this is possible.
Finally, Chapter 9 discusses the manifestations of perceiving opportunity in crisis and offers examples of some success stories. Some ways in which managers recognize a chance for improvement are that they search for the root of the problem, listen to the ideas of everyone involved, address long-term as well as short-term issues, and create an atmosphere of creative problem solving. This chapter culminates our insights on leading in times of crisis and brings together the leadership and organizational capabilities discussed throughout the book to demonstrate how people and firms not only survive but thrive under pressure (Figure 1.1).

**Figure 1.1 Leadership Links 1.1**

- Center for Positive Organizational Scholarship, Leading in Trying Times
  http://www.bus.umich.edu/FacultyResearch/Research/TryingTimes/default.htm
- Center for Creative Leadership

**Endnotes**

1. Evans, Hammersley, & Robertson, Assessing the role and efficacy of communication strategies in times of crisis, 297–309.