



## Amidst the coronavirus chaos, businesses need resilience thinking

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## Amidst the coronavirus chaos, businesses need resilience thinking

Contradict everything you learned in business school: forget about maximising value and focus on surviving, writes Josef Oehmen



When I started running the numbers at the end of January, I reluctantly began to draw my own conclusions regarding plausible future scenarios. I had a hard time convincing myself. I subsequently (re) learned that good old fashioned ‘denial’ is the first step of dealing with any crisis. As any good academic, I had written about it, but was strangely irritated when I experienced it myself. First, inside my own head, then with people I talked to. I’m writing when the coronavirus pandemic is in its initial stages. We are collectively snapping out of ‘denial’ right now, which is followed by panic, then anger, and eventually, a new pragmatism (discussed nicely by Karl Taro Greenfeld [in this article for The Atlantic](#)). I want to share some thoughts on fast-tracking your organisation towards the ‘new pragmatism’ stage.

If you think risk management is a fairly specialised field, wait until you discover the many tribes that share it and constantly bicker about what exactly it is and means. I will highlight some thinking principles from corners that rarely make front page news: deep uncertainty, resilience and psychometric risk assessment.

### **Learn to minimise regret instead of maximising value – work with plausible scenarios**

I am about to contradict everything you learned in business school. For the next year or two, forget maximising value. There, I said it. Why? Because you are in uncharted territory. There is no personal experience you can build on, no consultant you can call, no precedence to which you can point. Calculating or estimating any form of “risk-adjusted value” — and then spending your money accordingly — just flew out the window. What you are interested in right now is neither probabilities nor possibilities. You have to think in plausibilities, or plausible scenarios, if you like.

As a shortcut, anything that has happened anywhere in the world is a plausibility. And

anything a policy maker (you trust) announced, is also plausible. Example: at the writing, people are still baffled that some countries have started closing their borders and closing schools. That goes onto your list of plausible scenarios. Losing water and electricity supply for a month in a developed country is NOT on that list. Germany promises unlimited credit to corporations – another scenario to work with. With a little digging, it is quite possible to establish plausible upper bounds for those events, say school closures. Talk to any epidemiologist, and they will tell you it is 4-6 weeks is plausible.

Next, and here comes the hard step, you do not ask: “How can I make the most out of this situation?” (you are allowed to ask that later). Instead you ask: “What do I need to do to survive this scenario?”. For most of us, that will have a great deal to do with managing cashflow. And a great deal with how much we trust the institutions around us to make good on their promises – that places an extraordinary burden on policy makers.

Start working with a set of plausible future scenarios, and make sure your organisation can at least limp away from all of them. That is your first order of business.

### **You have three new core business processes: prepare, resist, recover**

You will be surprised by the amount of bored yawning currently happening in the resilience community. The only surprise I have had in the last couple of weeks is that it has not been worse – for starters, that we did not have more undiscovered infection clusters as in Italy. Other than that, we are following nicely the resilience triangle of business as usual, disruption, and then recovery (after some more disruption).

There are three things that you can do: prepare, resist, and recover. Your organisation is currently disrupted on various fronts (you have supply chain problems, you have problems getting people into work because they have their kids at home, you have a vaporising market and cash flow worries, you have loved ones in quarantine), so you will be executing against all three process categories in parallel.

For your preparation, you are trying to stay in the middle of two extremes: complacency, and panic. A practical way of approaching this challenge is starting to think in plausible scenarios and getting used to the old crisis management wisdom that you have very little interest in your opinion from yesterday when new data comes in (but only then). After a short while, you will find that your plausible scenarios are rather stable, even if their priority order changes.

Resisting starts when disruptions happen. This is crisis management, aiming at minimising the immediate impact of disruption, like local infection clusters or new regulation by the authorities. The main advantage of preparing is that you will lose a lot less time than everyone else getting your response into gear. An hour saved early (say, getting a backup order in with a supplier) can save you weeks later (say, when said supplier starts shipping their back orders). It will also do a lot to maintain sanity in your organisation, as there are many fewer surprises – what just happened, however bad, is something that you prepared for, or at least considered.

Recovery is why the current situation is a marathon, not a sprint. Thing will not just snap back to normal when we open daycares and borders again. Learn whatever lesson you can from China – as the first country to close down large parts of their economy, they are also the first community figuring out how to restart. Not surprisingly, we are discovering right now that restarting is harder than shutting down. Maintaining operations, exploring new business opportunities, and preparing to rebound will also provide a healthy dose of comfort for everyone.

## Be a leader, not a manager. People's emotions are not governed by numbers on a spreadsheet

When you worry about your loved ones, you will not care about your job. When you are afraid of losing your job, you will not have your head in the game at work. When work is exhausting, you will not be the most likeable person. Times like the current crisis require honest, relatable, human leadership, not management. I believe you that you honestly care about your people: their health, their finances, their future – find a way of showing it, your way, every day. Now, more than ever, you are in the business of trust.

Other than trust, there are two major factors that influence our personal, emotional reaction to events. First, the perceived level of control I have over a situation. I am not afraid to ski (because I feel I am in control), but I am afraid of flying (because I am just a passenger and cannot do anything). Do not make your employees passengers in this unfolding crisis. Give them tools, and a plan to fight back and get back on top. And they will, because it will make them feel better.

Second, our familiarity with the the events or threats drives our emotional reaction: genetically modified crops are scarier than kids' trampolines, although the latter has done significant damage. Acknowledge that this is a new situation, that it is dynamic and evolving, but also start being consistent and repetitive, reinforcing core messages and work routines. Draw parallels to similar situations you have mastered together. A great daily internal memo right now will say that there is nothing to add to yesterday's. There is also a lesson from crisis management here: you are the interface between chaos and order. Keep the chaos outside. Inside, try and stick to rules and narratives for at least two weeks at a time. Resist the temptation of daily fine-tuning, of who gets to have lunch with whom these days etc. Make changes when certain pre-defined escalation points in your scenarios are reached, otherwise let your people get on with their work.

Moving forward, all of us together need to take a cold, hard look at how we have built our societies. We all love productivity, and over the last 50 years, have also convinced ourselves that sustainability is important. We are currently paying a high price to learn that there is a third pillar that our society rests on: resilience. We must strengthen that pillar, and we must start now. The price we are paying now, we cannot pay a second time.

*Author's suggested readings: [here](#), [here](#), and [here](#).*



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