



Is Your Crisis Response Defensive or Proactive?

Encouraging dynamic capabilities in your organisation or team can help your business find its feet, even in perilous times.

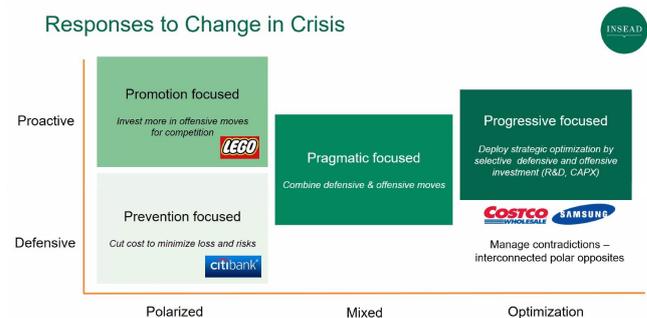
What is it that sets some organisations, some teams, apart from others in times of uncertainty? Certain companies move quickly – not always in the right direction – and others have the ability to adapt in a productive way. Instead of following a single template for success, these firms have developed capabilities in their managers that allow them to flourish in this moment of instability.

What does it take? It's not always the edgy, new talent that scans the horizon for opportunities. In fact, the venerable **All England Lawn Tennis Club**, aka Wimbledon, was a stellar example at a recent webinar in the **Navigating the Turbulence of COVID-19** series. "What has Wimbledon got to do with change management?" mused **Michael Jarrett**, Professor of Management Practice in Organisational Behaviour at INSEAD. After the SARS outbreak in 2004, he explained, Wimbledon bought a special insurance policy. "Unlike the Olympics, unlike many other sports, they are now receiving £114 million payout after taking out insurance specifically for a pandemic."

What does make a difference?

Organisational responses to crises are either defensive or proactive, he explained. "We either go on our front foot or we go with defensive. One type of company, bottom left was to cut costs right down

to the bone, and they thought, 'Well, we'll get through this.' But in actual fact, this didn't seem to be a way forward. Fewer companies, which are prevention focused, managed to survive and get through to the next round post-crisis. Then there are other types who are more promotion-focused."



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For example, Citibank liquidated around 50,000 jobs during the last financial crisis. On the other hand, Lego was pragmatic and when entering the Asian market, it created products like the **Lego Taj Mahal**. Whereas, the Costcos and Samsungs of the world “manage the contradictions, and contradictions are interconnected polarities,” he said. “And I think that’s what we’re managing now in the crisis.”

Thus, those firms with dynamic capabilities that can reconfigure their resources when necessary and manage contradictions tend to do much better than their counterparts during a crisis. The temptation to give all credit to the very top is strong, but the myth of a **single leader** carrying the entire enterprise is a trap we should avoid. Jarrett’s deep knowledge in this field also includes past **research** in helping leaders overcome barriers to strategy execution. On further analysis, three aspects seem to tip the balance: initial responses to threat, what we do about it (engage or disengage) and the dynamic capabilities of the strategic leadership team.

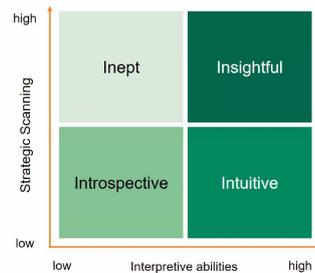
The psychology of threat response

“The language of crisis has been about financial crisis. It’s ‘unprecedented’, it’s ‘apocalyptic’, it’s a ‘black swan’. And in some ways, this creates a sense of panic,” Jarrett explained. There have been many crises over the past century or so. He spoke about the narration of this current threat not being conducive to effective decision making. The initial element of a threat response is questioning whether something is bad. “More importantly, the secondary element is ‘What can I do about it? Do I feel I have a sense of agency?’” Jarrett clarified. “When we are faced with threat, our natural response is either to literally withdraw, pull away, or for the mad people among us, we actually dive into it,” he said. The common response is to retreat from the threat and most leaders find themselves in this category.

Naturally, this has an impact on how they manage teams and the types of decisions they make.

Engage or disengage

The underlying issues that motivate people to either get on board or withdraw need to be addressed. Jarrett spoke about how different leadership styles manage dynamic capabilities on two axes: strategic scanning and interpretive abilities. Strategic scanning is looking to the future with an eye towards the best opportunity. Think of it like anticipating change rather than reacting to the current crisis. Interpretive abilities are how leaders can make sense of a situation and how they manage contradictions. Contradictions in this case could be health and maintaining the economy.



Introspective leaders are, according to Jarrett, “operating (in) psychic prisons. They really have no clue about what’s going on.” Others are inept, scanning constantly but unable to make sense of the data they accumulate. “In fact, they may have distorted it, I think it’s called fake news now.” Intuitive leaders are “low on strategic scanning, but have a kind of sixth sense...They’re instinctive and they’re intuitive, and some of these people actually continue to do well...Their returns are no worse or better than others; however the variance in terms of performance is huge.”

“Finally, there are these insightful folks who are able to interpret in a very sophisticated way, and also they’re able to manage these contradictions. And in the work that we’re looking at now, managing contradictions, I think is going to be one of the big competencies that we’re going to be talking about moving forward and thinking about organisational change.”

Thinking forward: Actions for leaders and leadership teams

Individual leaders and management teams can take specific actions to prepare themselves and their teams for crisis response.

Managing self and discrepancy detection: When expectations are unmet, people tend to move into threat anxiety. “We either have to manage expectations...in terms of standards or we have to manage the **reality principle**, so that we can bring these two things closer and closer together. This is called being a mature adult,” Jarrett said. For many reasons, be they from childhood or from the professional scope, people have incredibly high expectations of themselves. “They take that into work, they’re successful and that’s the way they work...In fact, people don’t have to apply pressure on you, you put more pressure on yourself.” Jarrett spoke about how to get around these patterns of past influence we inhabit in our current roles.

“I remember working with somebody who could no longer stand in front of the investors and give a presentation. I call this a real attack of anxiety, and literally just by us working on it week by week, over

quite some time, he managed and I'm quoting, 'to get his mojo back'." Coaching can help when leaders are facing underlying biases or anxieties. Expectation management is also beneficial, as well as getting in touch with the reality principle, accepting that we act and make decisions based on what actually is instead of what might make us feel good.



Improving team dynamic capabilities: Teams don't have to be limited to pre-defined roles. They can improve, even in times of uncertainty. Jarrett spoke about the need for three significant characteristics to help these groups. First, diversity to bring different cognitive views to the group. In this moment, when problems are no longer routine, teams who provide cookie-cutter answers won't be successful.

Diversity allows for varied insights. Second, behavioural integration combines individual behaviours so a group can coordinate its efforts. Third, high flows of information need to be shared, which leads to high levels of trust and better collaboration.

Leaders – when they are aware themselves – can help their team members work through their flight reaction and towards a mature and more thoughtful response.

Data request

*Contribute to Professor Jarrett's academic research on how organisations respond to crisis: If you are an executive willing to share your experience and thus help develop collective insights about this global challenge, please fill in a **five-minute survey** about you and your organisation before 21 May 2020. Responses are only shared in aggregate form and in an anonymous fashion.*

Michael Jarrett is a Professor of Management Practice in Organisational Behaviour at INSEAD. He is also a programme director of the **Strategy Execution Programme**, one of INSEAD's Executive Education programmes and a programme director for the **Executive Master in Change**.

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