1. Uncertainty and change in the Coronavirus era.
2. When does leadership make the greatest difference? And is it the top person or top team?
3. What leadership capacities make the difference?
4. Build your own leadership checklist.
5. You’re in charge, now what?
6. Application of the checklist to your own leadership while facing Covid-19.
1. Uncertainty and Change in the Coronavirus Era

THE PANDEMIC HAS TURNED BUSINESS ROUTINES UPSIDE DOWN.

• GM shuttered plants and laid off thousands of employees.
• Macy’s closed 775 stores and furloughed 125,000.
• U.S. unemployment soared to 22 million.
• Dow Jones Industrial Average shed a third of its value.
• Goldman Sachs forecast a U.S. GDP decline in 2020 by as much as 30 percent.
• The country’s 500 largest enterprises gave up 3-trillion dollars in market value in less than a month.

2. When Does Leadership Make the Greatest Difference? And Is It the Top Person or Top Team?

These leadership capabilities make greatest difference in company performance when the firm faces an uncertain and fast-changing environment.

Other research reveals that the quality of top management teams are better predictors of company performance than the CEO alone.
How Much Difference Does Leadership Make?

Taking a cross-section of companies in many industries over a long period of time, we ask what happens to earnings 1 to 3 years after a CEO has voluntarily stepped down. Company financial performance, net of firm size, sector, and trends over which the CEO has no control.

Mattel Taps Its Fourth CEO in as Many Years

BY DANA CICILIA
AND PAUL ZARDO

1. What Leadership Capacities Make the Difference?


Before and After CEO Turnover

Financial Performance

0 20 40 60 80 100 120 140

Retiring CEO New CEO #1 New CEO #2

 +/- 10 to 15%

3. What Leadership Capacities Make the Difference?
Marriott International Confronts the Crisis

You are Arne M. Sorenson, in your 8th year as CEO, and you are about to send a video message on March 19, 2020 to your 175,000 employees worldwide about the massive layoffs expected in the days ahead. Some of your affiliated properties are unlikely to reopen. Pandemic likely to be worse for business than 9/11 and 2008 combined. Business already down by 75 percent.

What should be stressed and how will you say it?

4. Build Your Own Leader’s Checklist

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Think, Decide, and Communicate

THINK STRATEGICALLY: When Vanguard Group faced the economy’s near total meltdown after the failure of Lehman in 2008, its chief executive slashed salaries but laid nobody off. He theorized that when the equity market eventually came back — and it did, of course — he would need all his people to service the returning clients. Vanguard is now one of the largest investment companies on earth, with $6 trillion in assets under management (in 2005, before the financial crisis, that number was less than $1 trillion.)

DECIDE DECISIVELY: The owner of three crowded pizza stores in Johnson City, Tennessee, shut them down in mid-March, not because they were empty but because they were jammed. Less than a day later, a nearby restaurant shuttered itself for the same reason, with special thanks to the first mover.

Then there’s the question of where to act. The closer to home, the research confirms, the better, since that’s the place that we have the most immediate, best informed, and greatest impact. Intensive-care nurses can strengthen patient safety on their floors; grocery stockers can ensure safe produce is on their shelves; auto companies can assemble life-saving respirators in their plants.

COMMUNICATING PERSUASIVELY: We interviewed 14 company CEOs in 2009 on what they were doing to weather the financial crisis, and they all said: Connect with others.

• “If in doubt,” reported the CEO of aerospace company Northrop Grumman, “communicate.”
• Explained the top executive of Travelers insurance: “transparency in troubled times really matters!”
• New York Governor Andrew Cuomo during the COVID-19 crisis: a combination of facts, empathy, and humility made for memorable messaging.

Think Strategically

1. Scan wider, see sooner.

2. Separate signal from noise, identify weak signals.

3. Stand in customer shoes and on competitor parapets.

4. Build networks, peer councils, and personal boards; track markets, hear customers.

5. Decide deliberatively

Source: Steven Krupp and Paul J. H. Schoemaker, “Elephants and Black Swans”
SYSTEMATIC BIASES AND SIMPLIFIED DECISION RULES

• Availability and hindsight bias: What just happened is more likely than other events to happen again (Germanwings)
• Underestimation of risk and overconfidence (AIG)
• Minimum risk thresholds (BP and Gulf Oil Spill, 2010)
• Myopia (VW, Wells Fargo Bank, Tokyo Electric Power Co.)
• Status quo bias

Sources: Kunreuther and Useem, Mastering Catastrophic Risk, 2018; and Daniel Kahneman, Thinking Fast and Slow, 2011.

5. You’re in Charge, Now What?

DISASTER STRIKES, YOU’RE IN CHARGE, NOW WHAT

What do company leaders do in the wake of a calamity, how do they assist relief and recovery, and what are their optimal actions for the both the affected communities and their own shareholders?

You the chief executive of Anglo American plc, a London-headquartered mining company with 69,000 employees, $26 billion in annual revenue, and a market value of $24 billion. A magnitude-8.8 earthquake, the 6th largest in recorded history strikes Chile on February 27, 2010 where you operate four major cooper mines.

You are responsible for the Chilean operations, and now what?

1. What should you do in the next ten days?
2. What leadership and risk-management capacities of your own do you wish you had put in place before the earthquake?
3. What should be your immediate short-term and longer-term strategies?

You Are Leading the Rescue of 33 Miners

AUGUST 5, 2010, 11 PM: “MINE CAVE-IN…33 VICTIMS.”

1. Should Mining Minister Laurence Golborne take charge of the rescue?

2. Should LG take a role in the technical decisions?

3. What information and forecasts should LG share with the miners, their families, and the media?

4. Who else should LG enlist to lead the rescue?

Think, Decide, and Communicate

“We learned” from F27 “that a government should never underestimate the potential magnitude of a crisis. You have to act fast and deploy all necessary resources anticipating that things can turn bad.”

“You cannot hesitate; you have to act and at full throttle.”

— Laurence Golborne, Minister of Mines, Chile
6. Application of the Leader’s Checklist to Your Own Leadership While Facing Covid-19

In light of our dialogue, identify the two or three key leader’s checklist principles that should be at the top of your own list for leading in your own way in the months ahead?

Here’s an additional checklist for exercising your own leadership, whatever your rank or role in life, when we all need it:

- I can help prevent the spread of the Coronavirus in my own neighborhood or workplace if I act now.
- Here, as I see it, is a short list of my actions that will likely help most.
- Let’s make sure that nothing on my list can worsen the health or safety of those around me.
- I will take at least one of those actions today.

### The Leader’s Checklist

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Summary

- Leadership makes greater difference in dynamic, risky or uncertain environments, as during the Coronavirus pandemic.
- A leader’s checklist comprises mission-critical items, is as simple as possible but not simpler, and is customized around your unique challenges.
- The checklist for most includes thinking strategically, deciding decisively, and communicating persuasively.
- Most of us are not fully or formally in charge of a whole lot, but if we can make a difference, now is the time to step forward to do so, and to do so close to home.
- We are all leaders now. Let’s seize the moment.

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Questions?
Submit your questions on social media to be addressed in a future Livecast.

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