



**DIGITIAN  
GLOBAL  
CONSULTING**



## FUTURE READY

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“In extraordinary Volatile times, leaders need to be resilient, responsive, clear, transparent but honest and hopeful in communication, demonstrate empathy, consistent in purpose and self discipline”

## Leadership in Extraordinary Time

# DIGITIAN VIEW!

Leaders are always tested be it a growth time or a time of recession - but they are most vulnerable during uncertainties. We are passing through such an extraordinary uncertain time caused by a Black Swan Event- Coronavirus (Pandemic).

It is a fact that most of the corporate leadership failed to recognize a global tsunami of disruption, although they got almost 60 days' time to prepare for the same. Majority of them thought that since it is happening in China - the only effect will be for the companies who have supply chain linkages in China will see some supply disruption which could affect the demand for a short while and then the economy will be again back in the growth phase. **Were they not aware of strategic facts and figures? Did not they have proper**

**risk management and governance structure in place?** There will be many haunting questions for leaders.

**What they knew but could not determine as strategic signals?**

All were aware that there has been a complete lock-down of cities in China. Large scale super agile operation in emergency health care from building hospitals in 19 days to national quarantine. Everyone was also aware of disruptions during earlier SARS(2002) and China at that time was only contributing to 3.4% of the world trade while in 2020 they are controlling 16.5% of the world Trade. It is also a known fact that overseas Chinese population as a percentage of foreign country population varies between 1% to 45%), quite a high influence.

### Facts Corner

#### NEW PHRASES :

- Social Distancing
- Work remotely
- Stay at Home /Lockdown
- Flattening the curve
- Self Quarantine

#### WHAT IS TESTED :

- Effectiveness of the Board
- Crises leadership
- Agility of Management
- Operational Nimbleness

#### Pandemic Facts(19th April 2020)

Countries affected : 211  
 People Infected : 2.4 million +  
 People Dead : 164,000+  
 Days Past : 90-100 days +  
 International & Domestic Lockdown -  
 All airports closed  
 Oil Crashed, Travel/Hospitality/Airline badly hit; Record Unemployment

Further, approximately 12 million Chinese traveled per month for business and leisure plus 34 million Travelers from around the world per month used to visit China. When the virus broke in Wuhan, the Chinese new year was ensuing and International Festival happened. **It is obvious there will be Contagion Effect - globally.**

**How they reacted to crises which are extraordinarily uncertain?**

However, still most of the Corporates presented their Quarterly results in January 2020 with a little or no commentary on future disruptions, declared large dividends, announced buy back of share - instead of preserving cash. This shows they completely underestimated the future disruptions, were in a denial mode, failed to comprehend the strategic linkages, leadership view was myopic and assigned themselves to future.

When Bloomberg spoke to strategy guru **Nassim N Taleb(Black Swan proponent), he mentioned that it actually is not a Black Swan event rather a white swan event, given the time everyone got, but missed on taking action.** It is true we have risk management structure and Governance structure **but why it did not work ?**

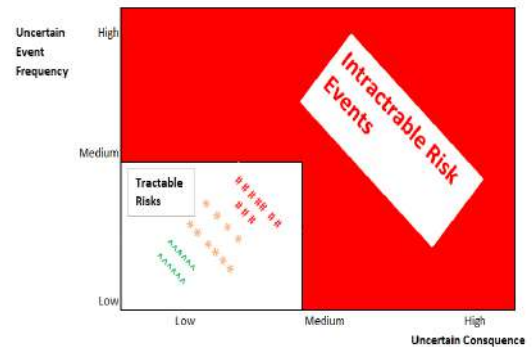
**Why leaders crumbled and failed to take notice of the looming crises?** That is the topic of my piece. It is interesting to note that even if the leaders are aware of facts and figures but they became short-sighted in comprehending the nature and scale of disruption due to the inherent biasness and inability to assess uncertainty. Although most of the market companies have governance and risk management structure in place but the mandate does not operationalize scenario planning for crises management in detail. The most important reasons are :

**Denial to accept "It can happen to us" Syndrome :** Leaders thought it will be China centric or maximum South Asia regional centric. They did not make much analysis of earlier virus spread from SARS/MERS and increasing global linkages. They simply went into denial mode.

**Profit Motivation Psychology/Fear of economic loss :** From corporate leaders to Political leaders all have become more focused on Growth Numbers (Profit/EPS/GDP/Customers) quarter on quarter basis. Since this happened during the end of year/ the last quarter they completely caught up in their committed path, did not want to put their neck out; Left it to happen universally - to take steps only when it happens; **Few Companies did withdraw their 2020 financial projection and their stock price was hammered down.**

**Inadequate Risk Management/ Crises management Practices :**

This is the main reason. The normal risk management practices generally simulate **Tractable Crises Scenarios** (Routine Emergencies - financial crises, natural calamities etc) on the basis of available previous data based upon **Frequency** and **Consequence**. But the Covid-19 pandemic crises falls in the **Intractable Risk Segment** - an extraordinary Emergency (Novel Risk Event) with competing priorities which deals with **Uncertain Risk Event Frequency and Uncertain Consequence**. The tractable risk is only small part of overall Risk Continuum, major part remains Intractable Risks which we carry with us to avoid time and cost



Intractable Risks can only be detected through war games/simulated risk scenario planning involving long term sustainability thinking, risk consciousness and governance focus;

In the growth time, the challenge remains with the efficacy of the strategy of the organization - whether it is able to exploit the growth levers properly. With a proper governance framework in place, an agile smart management can take care of the



Tractable Risks. But most of the Management and Board are not geared up for Intractable Black Swan events that lead to extraordinary uncertain, turbulent and volatile series of cascading events. **This is the lesson all of us should learn.**

## Right of the Boom

Today in this article I will briefly mention, some important Leadership learnings which will at broad and executive level help the leaders to address the situation subject to adjustment at micro-level (this is generally covered in my strategy sessions). We are now discussing our reactions and actions when the situations are unfolding - "right of the boom".

**Core Issue:** Any extraordinary incidents are multi-faceted, it starts with one crisis but gradually leads to other crises and creates a **Snow-ball effect**. Now this one started with **Health/medical crises => Supply chain crises=> Liquidity Crises => Financial Crises => demand crises=> Economic Crises=> Social Crises => Psychological Crises.**

All leaders with their management Team need to do a situation analysis of the crises as much they can visualize within their immediate environment, and at national and Global level.(Box 1)

## 3 Crises Leadership attributes You need to activate :

**Resilience** makes a leader to endure the high stake event and to grow stronger which exerts positive impact on team

**Emotional Intelligence** helps to adapt and demonstrate ability to change. It involves emotional self awareness, emotional self control, empathy and

### BOX 1

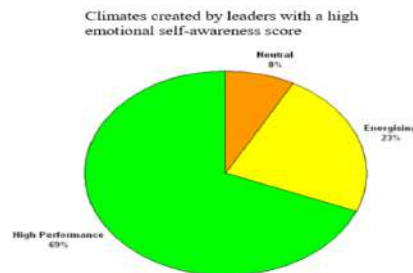
#### Situation Analysis

- Employees – their safety Security
- Customers/Suppliers – Their safety & status
- Competitors response
- Liquidity – Cash & Debt Position
- Financial – Revenue Threat & Cost Avoidance
- National – Fast moving Policy Actions
- Central Bank – rate Cut & Liquidity
- Government Stimulus Package
- Endgame uncertain and duration unpredictable
- Global response – effect on supply/demand
- Disruptions Happening & what can happen

#### Challenges

- Leadership - No off the shelf response plan
- Continuously moving Targets
- Height of Stress & Anxiety
- Remote working
- Important priorities will be in conflict
- Exit strategy not clear
- Beyond – Capabilities/resources/Knowledge

Team work to boost Team buy-in, trust-worthiness and greater motivation.



**Commitment to Purpose** - 96% of leaders believe purpose is a stronger driver. In volatile times, it seeks to empower employees for delegation, promotes self discipline and make rapid innovation under stress.

For winning the crises, leaders need to remember **two important** strategies :

- **First** keeping your Team **Positive & Motivated** - Manage the **energy, outlook, engagement and cohesion** of your team
- **Second, Crises Communication** - In uncertain volatile circumstances, the leader has to be **brutally honest** about the real circumstances, at the same time a leader must provide a **rational base for hope** & perspective (refer **Stockdale paradox**)

Leaders need to understand that there is **no ready made solution** for leading the team in this uncertain time. I can only **offer you a Process**

which needs to be understood and tailored as per your circumstances.

**1. Resist the temptation to provide quick decision.** Wait to act before taking any decision, consult core team (remember most of the decisions may not work)

**2. Continuously remind yourself and the team** - situation is volatile and uncertain, continuously changing, adaptability and flexibility are key, before developing best approaches

**3. Activate a Core Crises Management Team (Umbrella Group)** with 3 types of **team members** (who understands the company, its culture, systems, operations/ second who understands the crises and its effects and third group who understands firm's priorities/Values (customers/suppliers). **Never create too many small groups.** The core group can assign jobs to several expert groups. **Assembling the right people with positive attitude is the key**

**4. Create Conditions for agile Problem solving** - Iterative & Design thinking. Everyday meet twice for maximum 15 minute (involve upto 3rd Level) Facilitate deliberation, encourage diversity, make psychologically safe, promote joint inquiry and not advocacy

**5. Set Reasonable Expectation** - Best efforts, Rapid learning and "not everything we execute will work" attitude will keep the team energy high

**6. Establish Goal priorities, develop best course of actions** with predictable outcomes, **execute actions** (tentative & experimental), implement **OODA loop to adapt, revise and re-implement**



DIGITIANS are those who born in or after the year 2000 and will be a dominant force through 2075. They are completely different in usage of their left brain and motor nerves. They are different from the Millennials in behaviour, thinking and action.

The world is changing superfast – media, communications, banking, currencies, education, retail channels, health & medicines, travel and tourism, consulting, manufacturing, agriculture, – every sectors facing disruptive innovations; Nano technology, internet of things, artificial intelligence and robotics will be overwhelmingly embedded. In this age, model disruption, extinction, miniaturisation, real time delivery, speed and virtualisation are neo normals- **YOUR TEAM** requires **INTERVENTION**.

*We make you ready for them*

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