

## Embracing Flexibility to Navigate Crisis: Critical Lessons from G100 CEOs

Organizations are entering a “New Abnormal”—the uncertain period between now and when the CV-19 crisis has truly subsided. CEOs have never faced a crisis with such volatility, complexity, and wide range of possible outcomes. As former Johnson & Johnson CEO, Bill Weldon summarized: “All bets are off for the future. The only thing you’re able to guarantee is that the numbers are wrong.”

Even as economies slowly re-open, we don’t know whether, how, or when the virus will be controlled or reoccur. Its impacts on customer behavior are likely significant, but unclear. Policymakers at the national, state, and local level are launching different responses. Financial markets are reeling, with questions about the ability and cost of accessing capital going forward. And CEOs must consider not just their organization, but all of the potential weak links in their supply chain and wider ecosystem.

How can CEOs navigate this challenge?

Those who led during the Global Financial Crisis, 9/11, and periods of intense volatility point to a common approach: *flexibility*. In the New Abnormal, effective CEOs will define a clear destination and stay flexible to reach that goal. They will set up the right structures and strategies to anticipate changes in consumer habits, the supply chain, technology use, and policy—and respond quickly to early warning signs. Ultimately, their organizations will come out of the crisis ahead.

Five pillars are essential for a flexible response:

### Establish A Flexible Leadership Team

In our conversations, CEOs and experts emphasized that while leaders can’t predict the course of COVID-19, they can establish the right teams and structures to see disruptions early and pivot quickly.

Ram Charan, the CEO advisor and business author, calls for a central team of four: the CEO, CFO, CCO, and CHRO. These leaders, together with others as needed, can both plan for the long-term and manage the evolving situation. This flexible leadership team is small enough to make decisions quickly but powerful enough to steer the entire organization through the turbulence ahead.

However, the needed flexibility also requires decentralizing decisions where possible, including for pricing, products, digital services, and other key areas impacted by COVID-19. Identify a half-dozen decisions that would require fast action and discretion on the part of lower level decision-makers. They need discretion also in terms of how they adapt to changing conditions. Clearly define goals and roles from the beginning—and then hold people accountable for their decisions. Now more than ever, it is essential to empower the 2% of people who deliver 98% of the impact.

### Define Your Destination, Distill Your Strategy

The core leadership team must first define the organization’s long-term destination. “Sail

the sea you've got," said Perella Weinberg CEO, Bob Steel. "But know your destination." Brian Kelley, former CEO of Green Mountain, underscored that there is already too much noise and confusion in any crisis—so goals must be incredibly simple and clear. To start, consider which parts of the business will remain important in two years or more, ruthlessly cutting back all extraneous ideas to find your "true north."

This core direction is the only strategic element that is *not* flexible.

To deliver on it, distill the essence of your strategy and market position. Bill Weldon, who led J&J during the Global Financial Crisis, framed crisis as an opportunity to re-examine assumptions, clarify strengths, and advance strategy. When the crisis struck, Weldon's team re-affirmed J&J's core focus: manufacturing excellence. They took a hard look at every dollar of spending and consolidated control of excess manufacturing capacity to better serve overall needs. At the same time, they realized that J&J's famous decentralized structure was too unwieldy and had to change. As a result, J&J came out of the crisis with a significantly better cost structure and strategic position than competitors.

## **Apply Technology for the Future**

As Weldon put it, "Now is the time to look at and understand the implications of technology for your business moving forward."

Every CEO we spoke with highlighted the opportunity to accelerate digitization in the current crisis. All of your customers and employees will be digital from now on.

This is the time to evaluate your IT infrastructure for the challenges presented by today's reality—like re-thinking how teams work remotely, re-imagining how you manage supply chain relationships, and re-tooling customer relationships to deliver better, more efficient service. By adapting to the 'now,' you will be preparing for the 'next.'

If you haven't already, it is also a good time to benchmark your company's digital strategy against leaders in your space. Adapt your strategy for the competitive environment, as well as what you learn about your business as you refine your business data analytics to understand the impact of the crisis.

Take advantage of the opportunity to establish and maintain new operating protocols and models for customer engagement. "You now have license to transform your business faster than you did before," said Steel.

## **Build a Flexible Operating Model**

Perella Weinberg CEO, Bob Steel, who is also the former CEO of Wachovia and a senior Treasury official during the recovery from the 2008/2009 financial crisis, proposed a flexible operating model to execute an essential strategy amid crisis, leveraging a range of different tools. Other experts agreed and provided additional details:

*Policy engagement.* Much like the recovery from the Global Financial Crisis or changes to air travel after 9/11, responding to COVID-19 requires partnership between the private sector and policymakers. However, today's crisis involves a far more diverse array of global, federal, state, and municipal authorities. Bring a flexible mindset to these engagements,

staying open to different outcomes and avoiding a rigid view of success. Think of these investments as “reputational deposits” that will give you greater flexibility in the future.

*Financial flexibility.* Seek as much liquidity as you can from every available option, including debt, bank financing, equity, working capital, and selling inventory. In 12 months, would you rather have to explain why you have too much liquidity, or why you went out of business?

*Operational flexibility.* Develop a plan that considers the worst-case scenario, manage it on a monthly basis, and prepare to regularly make decisions based on what you’re seeing at a certain moment. Given the immense volatility of COVID-19, it’s better to focus on operating assumptions, not outcomes. Proactively manage and drive these inputs, rather than constantly looking over your shoulder or struggling to predict the unpredictable.

Ram Charan also highlighted the importance of board management, which threatens to become overwhelming in a crisis. Establish a small group of trusted board members who will collaborate on proactive, timely decisions as circumstances change. Boards need to work with management to identify the most difficult decisions that will come in navigating through this rocky road – and be clear about the discretion they want/need management to have.

Finally, the needed operational flexibility may require jettisoning parts of the business. This is painful, but sometimes necessary to maintain your essential strategic direction. Be courageous and acknowledge your reality.

*Personal leadership.* You don’t owe your team an outcome, but you do owe them transparency. For example, during a crisis at a J&J division, Bill Weldon didn’t promise “full employment,” but he guaranteed that every two weeks he would share the state of the business, and, if jobs needed to change, each person would hear from him first. This built loyalty, while providing flexibility for difficult decisions.

## **Prioritize Communication**

Communication must underpin flexibility. Steel noted that leaders today have a greater degree of freedom and face fewer reputational risks than in many past crises—but only if they communicate clearly and proactively. This is why the Chief Communications Officer is an essential member of the flexible leadership team.

For effective communication, Kelley suggests marrying a good “air game” with a solid “ground game.” In a crisis, most leaders over-index on one or the other—speaking globally, but in general terms, or focusing narrowly, but missing bigger picture ideas. The challenge is synthesizing and balancing both approaches. And leaders should also strive for two-way communications, so they can count on access to critical information, fast and without politics.

Leading through crisis is more than just keeping the business running and the balance sheet stable. The best leaders are flexible enough to not only navigate emergencies, but ensure they come out the other side with a stronger business, more loyal teams, and a better competitive position.

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## Featured In This Article:

### **Brian P. Kelley, Partner, Lindsay Goldberg**

- CEO, Keurig/Green Mountain, 2012–2016
- President, Refreshments, Coca Cola, 2007–2012
- CEO, Sirva Worldwide Relocation & Moving, 2002–2007
- President, Lincoln Mercury, Ford Motor Company, 1999–2002
- Board Member, AMAG Pharmaceuticals

### **Robert K. Steel, CEO, Perella Weinberg Partners**

- CEO, Wachovia/Wells Fargo, 2008–2010
- Vice Chairman, Goldman Sachs
- Deputy Mayor for Economic Development, New York City, 2010–2013
- Undersecretary, US Department of the Treasury, 2006–2008
- Chairman, Aspen Institute, 2008–Present

### **William C. Weldon, former Chairman/CEO, Johnson & Johnson**

- Chairman & CEO, Johnson & Johnson, 2002–2012
- Board Member, JP Morgan Chase
- Board Member, Exxon Mobil
- Board Member, CVS Health