

J. Michael Locke

Musings

#22: Making Decisions in a Crisis April 13, 2020

Making decisions in the middle of a crisis is difficult. Speed is vital yet you don't have the information you need. Here are some recommendations:

Get a lot of input from smart people. You won't have the data you need (and usually have) so crowdsource intelligence by talking to wise people with different perspectives.

Act incrementally. Don't bet the company. Respectfully, one of the worst decisions in a crisis was Ken Lewis at Bank of America buying Countrywide. It looked like a great deal. It wasn't. It has taken over a decade for Bank of America to deal with all of the crap it inherited from the poor mortgage portfolio and practices of that business.

Preserve optionality. If you can, make decisions that don't eliminate the ability to go a different direction in the future. Many high school seniors are doing this right now by putting down deposits at multiple institutions since they have not been able to attend an admitted students' day or spend a social weekend on campus. On the other side of this dynamic, college admissions professionals need to be careful about using historical algorithms on yield. Unfortunately, political leaders can't really act incrementally and preserve optionality on the decision to "reopen" from the Covid-19 lockdown. Talk about a hard decision. The "reopening" will also require business leaders to make difficult decisions on "how to go back to work" and think through questions like having people come back in stages or how to handle working parents when school is out for the rest of the year.

Create a "T" chart with positives and negatives and visit it every so often after you get input. This should be a dynamic analysis. When it settles down and stops moving, you are ready to make a decision.

Have a moral compass. One college president used to tell me, "I always make decisions by what is in the best interest of the student." Recently, during a discussion about an employee matter, a great executive said "What is in the best interest of the employee? We have to do what is best for him."

In normal times, I recommend getting buy in from key executives on a decision so you know they will be fully behind the implementation. In a crisis, the leader has to make the call. It is not a time for a democracy but rather more of a benevolent dictatorship. The leader must lead. I believe in servant leadership but in urgent times, your style needs to change.

It is all about judgment. The decision won't clearly be right or wrong for a while. Everything is gray. Trust your gut.

Don't look back. The goal is to get more right than wrong, not to be perfect. No regrets, plow forward.

Be safe.

Jml

Second Thought

In Musing #7, I wrote about layoffs. Let me be more specific on the options. When you furlough an employee, they stay on your healthcare plan (you still pay the company share of the monthly healthcare premium) but they don't get compensation and can file for unemployment. The thought is you plan to bring them back on when business resumes (ex. the gym reopens). When you terminate an employee, they can take COBRA and stay on your healthcare benefits but they pay the full premium. Hopefully, you can provide severance but you are not legally obligated to. The stimulus bill added some additional federal money to regular state unemployment benefits so an employee may temporarily not receive a significant change in income. See the WSJ article [here](#).