

J. Michael Locke

Musings

Guest Musing #1: Should I Open Campus in the Fall?

May 11, 2020

I wanted to share a “Guest Musing” today by Daniel Diermeier. Daniel has just finished as the Provost of the University of Chicago and will be the Chancellor of Vanderbilt University starting July 1.

<https://news.vanderbilt.edu/2019/12/04/daniel-diermeier-ninth-chancellor/>. I previously shared a paper he had written on leading through a crisis but here he addresses the question being asked on every college campus. From Daniel:

“In times of profound and persistent uncertainty, as in case of the COVID-19 crisis, there is substantial value in making a decision as early as necessary, but not earlier. We will know more in July than in May about the features of the pandemic, and the world will have changed, e.g. antibody testing accuracy may have dramatically improved. This is nothing else but the option value of waiting known from finance now applied to management. See the classical paper by Donald and Siegel (1986). (Here is a free version <https://www.nber.org/papers/w1019>).

An example is the decision on whether and how to open college campuses in the Fall. There is substantial value in waiting to see how the reopening of the economy in various states will play out and what additional diagnostic and therapeutic tools are available. Yet, people tend to have a very hard time dealing with long periods of uncertainty. Unresolved uncertainty increases fear and anxiety. This is well known from the literature on risk perception. Here is a good source on this literature by the undisputed leader in the field. (<https://www.amazon.com/Feeling-Risk-Perspectives-Perception-Earthscan/dp/1849711488>). As a consequence people rush to decisions, which then have to be walked back or significantly adjusted, which undermines the leader’s credibility. The recent announcements by various schools to open in the Fall are examples of this. They are laudable in their clarity and transparency but exposed their leadership to significant risk if the situation takes a turn for the worse, e.g. because of a second wave of infections, or some other calamity. Of course, there can be other considerations, e.g. the need for students and parents to plan or concerns that many students may take a gap year or defer attending, but these need to be balanced against the option value of waiting. And, as we have seen, an announcement to “re-open” followed by a decision to go online will sure trigger additional class-action law-suits. Much of good crisis management consists in deciding what needs to be decided now and what can and should wait.

A better way to handle these situations is to engage in good old scenario planning and develop 2-3 scenarios in great depth and detail that can then be activated at a moment’s notice. Developing such scenarios also alleviates the anxiety of team members: engagement calms fears.”

Be safe.

Jml

Second Thoughts

In Musing #33, I wrote about how it can be difficult to manage technology professionals because they have expertise you lack. I think we are seeing some of these mistakes in the politicians' management of public health professionals. There is knowledge asymmetry as no Governor has a background in infectious disease. They have to "listen to the experts." That does not mean they have to let the experts make the decisions! The elected official must balance the position of a public health official (which by definition will be over weighted to healthcare) with the economic damage the decision might create. We as a society aren't great on these tradeoffs, but we do make them. For instance, the speed limit is not 35 on the highway although that would save lives. Personally, I think it is crazy that Governor Pritzker in Illinois has already decided (does he have that right?) that restaurants will be closed until June 26 at the earliest. They are the largest employer in the state.