Dear GMBA friends.

While chatting with Marcello this morning about his remote classes, we tackled crisis Covid-19 and the outlook of business in our country.

Not an easy assessment; most of us are living one of the most difficult times in our lives. He asked me to share my views on the crisis as well as some tips.

Here's some reflections for our welcome discussion in the afternoon.

Feel free to add your reflections to the paper. It is still a work in progress doc.

What's a crisis?

Definition of crisis can be broad. A crisis is a sudden event, a stressful and frustrating time, a disruption in our routines, a fact that we have underestimated or has taken us by surprise.

From war to social unrest, from compliance violations to divorce, a crisis is an unforeseen event that threatens to harm society, organizations and individuals.

To a certain extent, within our lifetime, we constantly deal with various sort of crises in our personal and professional sphere.

For different reasons, risk appetite or lack of it are their trigger point. In either case, poor risk assessment leads to unavoidable crisis of various nature.

That is why best companies (and many other public and private organizations) preach preparation to prevent them, seek to develop competences to anticipate them, and develop AI predictive tools to mitigate as many risks as they can possibly foresee.

Anticipation through "early detection", solution design and training to prepare, enables smoother management of life-threatening crises like earthquakes (think of Japan, for instance), technology breakdowns, terrorism or cyber-attacks.

Anticipation has established as THE best practice.

We generally prepare, however, for a crisis we can anticipate.

We prepare against challenges we can predict. Rarely, not to say never, we anticipate and invest to mitigate a threat we cannot see (i.e. Mars attack or robot domination).

As proven by evidence, fragility and vulnerability are fed by new unforeseen threats, greater complexity than ever experienced before and larger scale negative events.

That's when crises drags us in, we fidget, sink and default. Often we struggle until we recover. Sometimes we fail and die.

Seldom are we taking the right steps to overcome it right away…

What's obvious is that crises existed ever since; they are unavoidable; hence we have to better learn how to turn them into opportunities.

Is there a practice or a secret that can help us deal with crises in a more effective way?

How can we learn "not waste a good crisis" to build stronger competences that would help us anticipate the next?

New generation, global crises

New generation epidemics – being Covid-19 only the latest – are the greatest global crisis in post-WW2 history. A mass scale event affecting all individuals, society, and life style.

No matter how and when we will overcome Covid-19, as of 2020 the planet has met an epidemic of a new scale. Unlike Ebola, confined to rural African areas, Covid-19 is spreading quickly in high-density metropolis, where half of our planet's inhabitants are already living.

When one human is infected, the killer is an insider to society. Our social habits and we are then the primary vehicle of the pandemic.

We are actors and witnesses of the first pandemic that will probably hit half of global population.

Covid-19 is an amazing opportunity to observe, debate and learn from.

A case study.

On March 11, at 19.00 CET, WHO has defined Covid-19 a global pandemic.

It is just the first of a new kind.

Without much efforts we can easily predict that climate change, technology developments, and migrations will foster today's threat much further in the years to come.

To get inspired, please listen to Bill Gates on "Ebola and the next epidemic" at https://www.ted.com/talks/bill_gates_the_next_outbreak_we_re_not_ready?language=en.

This Ted dates 2014…!

What did we learn and what did we do to leverage on Gates's common sense?

Probably not much, hence Covid-19 is turning into a fulfilled promise: the epidemic we are not ready for….

Blown in Wuhan-China in November 2019 (or earlier?), Covid-19 has taken Italy by storm in January 2020; an unexpected – though announced – epidemic, spreading at light speed from hand to hand, from block to block, and from quarter to quarter within a highly populated area: Lombardy.

While called like an old, well known, disease – a VIRUS – it has shown a faster pattern of propagation than others and a deeper impact on people's health. Spread and aggressiveness qualify Covid-19 as a new generation microbe with enhanced skills. We do not yet know its behavior, mutation, resilience…

Speed of propagation, though, seems to be the game changer.

In a few weeks, both in Wuhan and Lombardy, the virus has reached thousands of people causing a wide array of reactions: from none in the cohort of kids, to death in that of elderly people.

National health systems are struggling to cope with its propagation. Numbers of infected getting into hospitals is paralyzing the full functioning of national health care.

We do not seem to be ready to compete with it and our health infrastructure is at the verge of a collapse.

China vs Italy: strategy benchmark

Two extreme cases.

The two countries have addressed their challenge in alternative ways.

What are China and Italy teaching us, so far?

China – a dictatorship – has opted for an immediate lockdown of Wuhan; 40 million people, out of 1 billion Chinese, in quarantine; they banned mobility and contacts right away. From November through to March 2020 the issue is reported as "under control".

Italy – a democracy with Heath responsibility under 20 regional governors – has taken a different route. "Wait and see" in January; lock down of Codogno – highest incidence town, few thousands inhabitants out of 63 million – and full freedom to

move for all others. As of March 1, when neighboring areas to Codogno reported contamination, a plan of daily stricter measures have led to a country lockdown, today extended to manufacturing of non-core business to human sustainability. A full black out plan with uncertain deadlines was enacted on March 11, 2020. Contamination is still on the rise and the whole country is exposed to it.

When compared to China, Italy has been slow in framing the crisis, understanding its size, isolating hotbeds and tackling it suit.

At first glance it may be easy to say that China did it best.

Learning and first considerations from the benchmark

First. Decisiveness matters, when a crisis appear. China, with a strong central accountability was very fast in locking down Wuhan. Italy, with a very de-centralized health system, did not have a single approach to its threat for almost 6 weeks. Slow decision-making is a recurrent mistake when crises arise; probably the most common mistake, especially when threats are perceived as far (i.e. deforestation in Amazon and Africa, climate change, Ebola, African wars today) and sense of urgency is not there.

Second. Absent, in Italy, a single strong leadership to handle the crisis top down from day one, multiple decisions were taken at State, Regional and Metropolitan level, causing lack of focus and lack of understanding of the root cause of the crisis in the early days.

Third. Lack of coordination and cooperation among health regional systems in Italy, combined with shy and unclear messages about freedom to move, have weakened the effectiveness of any early measures.

Fourth. While authoritarian Chinese authorities have gone bold from day one, Italians have underestimated the magnitude due to their democratic optimism, lengthy debates among too many stakeholders and fear to take unpopular decisions at first glance.

Fifth. The NAME of the threat was not appropriate to make it visible! While the issue is a killing PNEUMONIA, the familiar cozy name of an ordinary disease ("a virus") and a naïve prejudice about its perceived violence have given it a chance to spread unnoticed for too long. To make it worse, individualistic culture of the country and tendency to play down any threats, have helped its spreading.

Last. Rump up of measures to contain the crisis has led to a very high level of uncertainty and has exposed thousands of citizens to a life-threat. The economy black out in the country will also have an unbearable cost on our GDP performance.

Covid-19 has already resulted into a mass-scale disruption to our Italian social life.

Size of catastrophe is yet unpredictable.

Crisis management: a few golden rules

I have no expertise to talk about an epidemic, nor have I managed any event of such a scale in my life, but have lived and managed business crises or change of various sizes.

Any crisis I managed to overcome in my life was my best learning and development opportunity. No crisis I have encountered was alike the previous. Although some few elements repeat, mix is always unique.

Over time I have also learned a few golden rules that always apply.

Let me share them.

First of all: crisis management is the outmost human competence.

While experts, technocrats, and AI may successfully handle tasks, projects, routines and data analytics, crisis management is about decisions making, courage, belief, decisiveness, drive, intuition, communication skills and empathy: most of them are soft skills, solely human. To deal with a crisis of any scale, in essence, it takes a leader.

I will not open up a chapter on leadership, but what I know is that new leaders often emerge out of critical times: they successfully tackle a challenge, establish as a reference point for their communities and are able to carry them into a new direction.

Leadership – especially when the going gets tough – is not about superheroes, nor about taking higher risks than ever to prove courage.

Crisis leadership is about striking the right decisions, set clear direction and voice clear and loud messages; looking backwards to decisions taken by the Italian Government since the early days… they are definitely not a successful practice.

Leadership is also about making effective risk assessment, size the threat, and allocate resources to build sustainable and lasting solutions against a challenge.

World leadership, European leadership and Italian leadership, these days, are all up against the challenge.

Time will judge.

Second: crisis management is, above all, about "discipline"; improvisation does not work. That is why such a precious competence has become a critical topic for business leaders in all business schools.

No one can tackle a crisis unless clear rules of engagement are set; you must appoint a competent team, delegate and empower them; must identify clear and visible goals: how will success look like?; gather facts & figures: start somewhere, ask, call, interview. Build a data set; and, finally, design metrics (KPI) to measure your progress and, finally, celebrate success.

None of these critical steps can be overlooked.

Discipline may not prevent us from making mistakes, but will give us confidence to experiment, fail fast, learn from it, reboot and try again.

This is where learning comes from.

Someone may argue that discipline is a machine skill; to fight a complex social threat, like Covid-19, however, I would argue it only takes "human-centric" discipline.

Technology must help us gather insights, correlations, answers… but resilient people, human committed beings, individuals who will not give up their call when things will go south, when results will not come suit and frustration will spread… will be those leading others onto their way out.

My lesson learned on the battlefield: <u>pick the right soldiers for your battle</u>.

Third: crisis management needs sense of urgency.

When a crisis is in the making and we have spot it, it is critical to render it visible, to call for help, and to form a coalition.

This is important. When people do not see or perceive a threat, they do not act according to your expectations; they underestimate the challenge and do not team up for the solution. Worse, they may undermine your greatest efforts.

What we are witnessing, isn't it the case?

Fourth: "what gets measured gets done".

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Metrics are a polar star.

Metric design is not an easy task when we have a vague idea what to look for.

In the early stages of a crisis, when information is vague and not reliable, reading facts will not be easy, as pressure will continue to increase and our sense of impotence will go higher and higher. This is normal.

In the absence of clear understanding what to measure, we must listen to people, to anyone who has some first-hand experience in the subject.

Listen to detect insights is a critical skill. Intuition often comes from the most unexpected of your team members. Outsiders can also help us see solutions out of the box; we must be wise enough to ask beyond the boundaries of our domain.

Plotting insights and data, however, is the most important skill. You need to make a sense of your observation and devise from good and bad information.

Being restless in establishing metrics will get us to the bone of the issue; will get us ahold of the route cause; will tell us where the crisis starts… and how it propagates.

We will probably miss important information in phase one, but we must carry on plotting data, until they make some sense.

Fifth: no matter how good you are as a leader, how expert are you of change management, a new crisis will always make you feel out of your comfort zone. Moreover, if you are the man in command, you will feel very lonely.

Never believe to those who tell you they were fully in control from day one… They were not.

A crisis is an emotionally significant event; it shocks the regular progress of our day-to-day life and puts us at the forefront of people's fear and anger. Some people will support your endeavor and will carry the burden with you. Most people, however, do not have the strengths to overcome a crisis by themselves; they will be fearful and will need you to help them. They will pull you down. In the absence of positive developments, moreover, when things will seem out of our control, crises will lead to panic and some unrest.

This is when your leadership skills will matter the most.

No one will be there for you. It will take a lot of faith in yourself.

<u>Conclusions</u>

Let's do them together…