

OUT *of the* CRISIS



**Reflections on
Leadership and Change
in the Shadow of Covid-19**

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The Road Ahead...

A crisis, the old bromide goes, is a terrible thing to waste. One way not to waste the brutal crisis of the past year is to reflect on all it has taught us about leadership and change, and then try to do better. What do we understand today, that we didn't understand a year ago, about the most powerful ways to engage customers, the best ways to motivate colleagues, the smartest ways to innovate?

This past year, executives, entrepreneurs, and change agents have wrestled more than ever with the worries and stresses that “keep us up at night.” Now at last, we have a chance to focus on “what gets us up in the morning”—the opportunities and possibilities that can remake our organizations and make progress on the work that matters most.

What follows are seven lessons I've learned that I hope can help you emerge from the shadow of the past year and into a more prosperous future.

Everybody Needs a Reason to Believe

One of the many casualties of Covid-19 was the spirit of optimism required for organizations and their people to innovate. John Gardner, the fabled scholar of leadership whose insights have influenced generations of executives, argued that positive change rarely starts from blind faith or naïveté, but it also doesn't start from despair or defeatism. “The first and last task of a leader is to keep hope alive,” he wrote in 1968, another period of turmoil and struggle. “We need to believe in ourselves and our future but not to believe that life is easy.”

Indeed, as I think about the most impressive organizations and leaders I've studied over the past year, the ones that performed brilliantly in difficult times, I'm struck by the fierce sense of purpose and confidence—*optimism*—that pervades them. Not wide-eyed optimism, unthinking confidence in the inevitability of success, but what Gardner calls “tough-minded optimism”—a blend of original ideas, deep convictions, and resilience in the face of setbacks and disappointments.

“The future is not shaped by people who don't really believe in the future,” he famously noted. “It is created by highly motivated people, by enthusiasts, by men and women who want something very much or believe very much.” The best executives call on all sorts of skills, but there is no substitute “for the lift of spirit and heightened performance that comes from strong motivation.”

So the first job of leadership is to give colleagues a reason to believe, a cause to which they can commit. John Venhuizen, CEO of Ace Hardware, the humble Main Street retailer that has delivered record results in this most difficult year, put it to me this way: “Leaders have to paint a picture of the future that creates passion and rallies people to go somewhere that is better than today. In our case, we exist to serve people. We help the least, the little, and the lonely in our neighborhoods. If people every wondered if their work mattered, they don't have to wonder anymore.” To give people a renewed sense of optimism, first give them a fresh sense of purpose.



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Tough Times Can Bring Out the Best in People

The past year has certainly brought out the worst in some people, but that's more the exception than the rule. Time and again, organizations have shown that the worst situations tend to bring out the *best* in their people. So a crisis is more than just a business test, it's a character test—an opportunity for organizations to demonstrate who they are and what really matters to them.

I discovered one instructive example when I was searching for leadership lessons from past crises. It happened during the depths of Hurricane Katrina. For weeks and months, everyday life in Louisiana and Mississippi was a struggle — not just finding food and clothes, but finding ways to pay for them. There was no electricity, so credit-card systems didn't work. Bank branches were flooded and ATM machines wrecked, so there was no cash.

From this desperate situation emerged an inspired response by Hancock Bank, based in Gulfport, Mississippi. Bank employees scavenged

the floors, drawers, and vaults in the branches that had been obliterated by the storm. They scooped up all the muddy, filthy cash they could find, and stuffed it into bags. They hooked up washers and dryers to generators, set up rows of ironing boards, and literally laundered money! Then they distributed the cash to anyone who asked for it, even though hardly anyone had an ID, since their possessions had been washed away. Employees recorded the “withdrawals” on scraps of paper and hoped for the best.

This grassroots expression of compassion was deeply human. It was also good business. Hancock got back more than 99.5% of the cash it distributed. And when customers went to a branch to repay the money, or non-customers did the same, they were so grateful that they opened a new account, added to an existing account, or used the bank for their next car loan or mortgage. In the year after the storm, deposits grew by \$1.5 billion. The moral of this uplifting story: Don't be afraid to let bad times bring out the best in your company—and in you.



In hard times, organizations **show who they are** and what matters to them.

To Solve Big Problems, Focus on Small Wins

It is tempting for leaders to respond to a big crisis with bold solutions—a radical shift to reinvent a struggling business, a no-going-back commitment to virtual teams and remote work. I'd argue for a different response: The best way for leaders to face huge problems is to embrace a gradual, improvisational, quietly persistent approach to change that organizational theorist Karl E Weick called “small wins.”

Weick is an intellectual giant whose ideas have shaped our understanding of organizational life. Perhaps his most powerful insight is to remind us that when it comes to leading change, less is usually more. Weick worried that leaders often define problems “in ways that overwhelm their ability to do anything about them.” Why? Because big problems create great stress, and stress makes it difficult for people to concentrate, brainstorm, and experiment. His conclusion: “People can't solve problems unless they think they aren't problems.”

Hence the power of small wins. Weick defines a small win as “a concrete, complete, implemented

outcome of moderate importance.” On its own, one win “may seem unimportant.” But “a series of wins” begins to reveal “a pattern that may attract allies, deter opponents, and lower resistance to subsequent proposals.”

Change built on small wins has another virtue: When things go bad, it leads to modest disappointments rather than catastrophic setbacks. That's why Duke professor Sim B. Sitkin makes the case for a “small losses.” The problem for leaders who shoot for too much change much too quickly, he argues, is that their front-line colleagues worry about the fallout if things go wrong. So people often fail to act, rather than act and fail, since they are less likely to suffer the consequences of bold moves they did not make. A more sustainable model of change, Sitkin argues, is to embrace opportunities for “intelligent failures”—missteps and mistakes that provide “small doses of experience to discover uncertainties unpredictable in advance.” In other words, the road to big change is paved with small wins and manageable losses.



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Don't Just Champion New Ideas, Strengthen Personal Relationships

The business culture's enthusiasm for “disruption” has convinced many leaders, even in good times, to bet the future on radical, brash, game-changing ideas: digital transformation, product reinvention, organizational redesign. All too often, though, leaders who champion big bets overlook the emotional connections that keep their colleagues confident, connected, and engaged. Sure, successful change leaders think differently from everyone else. But they also *care more* than everyone else. In a world being utterly reshaped (and often disfigured) by technology, people are hungry for a deeper and more authentic sense of humanity.

That's why I encourage leaders who are excited about blue-sky thinking to also focus on their “three feet of influence.” The term originated in the meditation community to express the proposition that even if you aspire to vast structural change, progress begins by convincing

flesh-and-blood individuals closest to you of the virtues of your cause and persuading them to take steps towards solutions.

The term was coined by Sharon Salzberg, who has spent more than 35 years as a celebrated meditation instructor, and who now works extensively with social-change activists who want to make a positive difference. One of her core messages is that few leaders “are powerful enough, persuasive, persistent, and charismatic enough to change the world all at once,” even if they are desperate to do so. So “the world we can most try to affect is the one immediately around us”— the people, places, and experiences we can see and shape for ourselves.

It is a vital insight, one that is supported by both spiritual advisors and mountains of social-science research: Big change calls for big ideas, but lasting change is built on real-world relationships.



People are hungry for a **deeper and more authentic** sense of humanity.

Don't Pretend You Have all the Answers

A management column from the days before Covid-19 offered this intriguing headline: “The Best Bosses Are Humble Bosses.” The column noted that that humble leaders “inspire close teamwork, rapid learning and high performance in their teams.” It sounds great, but it flies in the face of how so many of our best-known leaders in Silicon Valley, Washington D.C., and Wall Street have conducted themselves—especially over the past year. Which raises an obvious question: If humility is so important, why are so many leaders so arrogant?

With all due modesty, I'd suggest a few answers. First, many leaders think they can't be humble and ambitious at the same time. One of the great benefits of becoming CEO of a company or business-unit head is that you're finally responsible for results. Edgar Schein, an expert on leadership and culture at MIT Sloan School of Management, once asked a group of students what it means to be promoted to manager. Their

answer: “It means I can now tell others what to do.” In reality, of course, humility and ambition need not be at odds. Indeed, humility *in the service of ambition* is the most effective mindset for leaders who aspire to do big things in a world filled with huge unknowns.

There's another big reason why it's so hard for leaders to be humble, especially this past year. Humility can feel soft at a time when problems are hard; it can make leaders appear vulnerable when people are looking for strength. Of course, that's its virtue: The most effective leaders embody the values of their organization without pretending they alone can chart its future.

Edgar Schein call this mindset “here-and-now humility,” the recognition that when it comes to solving a tough problem or embracing a big opportunity, nobody alone is as smart as everybody together. The best leaders are confident enough to stay humble and strong enough to admit they don't have all the answers.



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Give Everyone a Reason to Feel Proud of What They Do

In just about every field, the competitive environment gets more grueling every day, so people have to be at their most determined every day. Lucrative stock options and generous bonuses can coax people to raise their game and embrace change. But the last year has reminded us that people are more likely to do things in exceptional ways if they believe deeply in what they do. In other words, leaders who hope to elevate their people's performance have to build up their pride.

The consultant Jon R. Katzenbach made this case in a book whose title summarizes its core message. In *Why Pride Matters More Than Money*, Katzenbach argued that pride grows out of "the relentless pursuit of worthwhile endeavors." It's not about how much people are paid or how much money an organization makes. It involves "our work product and what it does for others;" the "people who respect us for what we do rather than how much we earn;" and "the accomplishments of others that can legitimately be attributed to our support or sponsorship."

As pressures to perform have become even more intense, a second word has emerged to describe a missing ingredient in the workplace, one linked to pride. That word is joy. In so many fields, especially over the past year, organizational life is plagued by low morale and off-the-charts stress. That's why the Institute for Healthcare Improvement (IHI), in many ways the conscience of the medical profession, has created a sweeping program, called "Joy in Work," that aims to uncover how even the most intense and relentless jobs can become more sustainable and joyful.

Two of the most important questions the Joy in Work project asks are also the most simple, "What does a good day look like?" and "What helps make a good day?" The obvious companion questions are, "What does a bad day look like?" and "What makes for a bad day?" IHI leaders like to say these questions guide the search for "the pebbles in our shoes," the irritants and indignities that sap energy and enjoyment, pride and joy. To me, they also set the stage to address more deep-seated questions: If we're all so smart, why are we so unhappy? And if people are unhappy, how can they possibly unleash positive change?



If people are unhappy, how can they **unleash positive change?**

To Overcome Bad News, Revel in Good News

Experts on human psychology don't agree on much, but nearly all agree that people respond more viscerally to bad news than good. Hard times may bring out the best in organizations, but when it comes to the individual heart and mind, "Bad Is Stronger than Good." That's the title of a landmark paper published by social psychologist Roy F. Baumeister and three colleagues some twenty years ago. Their conclusion: Bad events have "longer lasting and more intense consequences than good events."

In 2019, Baumeister and a colleague expanded the research into a book with an equally ominous title, *The Power of Bad*. Humans are wired in such a way, they argued, that we are "devastated by a word of criticism" but "unmoved by a shower of praise." We "see the hostile face in the crowd" but "miss all the friendly smiles." We "pay so much attention to bad things—reliving them, imagining them, avoiding them—that we let fear run our lives and become irrationally cautious."

This built-in "negativity bias" has huge implications for leaders and change agents—not just because it exists, but because it can be overcome. "Bad is universally powerful," Baumeister argues, "but it is not invincible." The way to defeat the power of bad is to emphasize—indeed, to *over-emphasize*—the promise of good. Baumeister calls it the Rule of Four: "It takes four good things to overcome one bad thing." So pop a (virtual) cork whenever a team hits an important milestone. Hold a department-wide Zoom bash when you land a new client. Distribute a newsletter that highlights what's going well, to help people compensate for what's gone poorly.

Bad news, of which there has been plenty in the past year, doesn't have to drag down your company or your team. But it does require all of us to infuse even the best-designed strategies with a healthy dose of psychology. In business, as in life, it's hard to get to the good unless you overcome the power of bad.



"It takes **four good things** to overcome one bad thing."

Change for the Better...

It will take a long time for leaders in business and society to fully understand the economic, organizational, and social impacts of the hard times occasioned by Covid-19, and to prepare for better times ahead. I hope these seven lessons shed some light on what we've been through and where we go from here, and help summon the energy, confidence, and "tough-minded optimism" that fuels progress. "The renewal of societies and organizations can go forward only if someone cares," John Gardner explained. "Apathetic men and women accomplish nothing. Those who believe in nothing change nothing for the better."

Let's go about the business of changing things for the better.

ABOUT THE AUTHOR

Bill Taylor is a best-selling author, award-winning entrepreneur, and influential thinker. As cofounder of *Fast Company*, he launched a magazine that has earned a passionate following around the world. Since starting *Fast Company*, Bill has written three books on creativity, leadership and change. His most recent is *Simply Brilliant: How Great Organizations Do Ordinary Things in Extraordinary Ways*. He has published numerous essays and CEO interviews in the *Harvard Business Review*, and writes frequently for HBR.org. A graduate of Princeton University and MIT's Sloan School of Management, Bill lives in Wellesley MA with his wife and two daughters.



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