

# Be the 'fool' that crisis leadership needs

By DAVID DE CREMER

The Business Times

Friday 1st May 2020

1318 words

Page 19 | Section: Leadership & Management

748cm on the page



## Be the 'fool' that crisis leadership needs

The world needs those who will act effectively ahead of a crisis rather than wait till the consequences have already surfaced. BY DAVID DE CREMER

A PERSON walks into a restaurant and notices that the electrical wiring near the kitchen may catch fire. He tries to alert everyone inside, saying it would be better for their survival to leave immediately. Instead of the leader he is unconsciously trying to be, most think of him as a crazy fool who is disrupting their nice evening, because there is no actual fire in sight.

Now imagine the same scenario with the only difference being that the fire has broken out. The same person who was considered a fool will now be hailed as the hero.

In these unprecedented times, the important message that emerges is clear: we need more observant fools to lead us through a rapidly spreading pandemic.

### The first responses

Shortly after China was forced to take drastic measures to lock down entire cities to stem the virus' tide, its Asian neighbours had to confront the threat. Places such as Hong Kong, Singapore and Taiwan responded in very effective ways, making them poster children for how the rest of the world should react.

With the ease of international travel, the virus soon moved beyond Asia's borders to impact the rest of the world. By the time it reached Europe, its status also changed from being an unexpected event to one that was a matter of time. In spite of all the warning signs, Europe initially acted as if the coronavirus crisis came out of the blue.

Many articles exist about how important leaders are in managing crises; and today these insights are eagerly being translated into the context of the present coronavirus outbreak. The main conclusion of all these pieces is that this crisis requires effective leadership.

So, what happened to leadership when the coronavirus hit the European continent?

In mid-March, Europe became the epicentre of the coronavirus with Italy and Spain being the most affected. The world witnessed Italy become overwhelmed by a coronavirus tsunami that resulted in a complete lockdown.

Although it was right at their doorsteps, the EU kept the Schengen Area, a zone consisting of 26 European countries, open to free and unrestricted movement of people from those nations without any proper screening procedures. It seemed like no sense of urgency existed to take hard measures like Singapore, Hong Kong and Taiwan did.

For example, although many European countries knew that many of their people would soon return from skiing resorts in Northern Italy, no precautions were taken to avoid this influx of people mingling with the rest of the population. They fell prey to an initial inertia where the risk of a quick and escalating virus spread was underestimated.

Why did this happen and what were the consequences?

### Financial inertia in times of crisis

In my view, this first response, or rather, lack of response, created the perfect conditions for what I call the phenomenon of "financial inertia" in times of crisis.

This phenomenon refers to the tendency of leaders to avoid spending money in the early stages of the crisis, only to be forced into overspending and creating economic turmoil later on. Initially, Europe was complacent; the number of cases was limited and governments did not want to spend to screen and test travellers for a virus whose severity was not yet known.

It is at this juncture where leadership in Europe took a different approach and the outcome was chaos and a consensus that Covid-19 is a "once in a lifetime" health crisis. To control the damage, governments decided to implement harsh measures and decide on (semi-)lockdowns.

Even more interesting, at this point in time, the minds were ready to spend and support the unemployed, companies suspending work, and the healthcare system in almost unlimited ways. As the tweet of ECB President Christine Lagarde illustrated when she said: "Extraordinary times require extraordinary action. There are no limits."

Could the necessity of these drastic measures be avoided? Absolutely. Rationally speaking, if one knows a crisis is about to happen, we would not wait to experience the consequences, but try to do as much as possible to minimise the experience of those consequences. But this is not how human leaders are wired.

Rather than investing upfront to slow down a crisis and make it manageable in both financial and humane ways, they seem destined to wait for the consequences to reveal themselves and then spend in unlimited ways. The lack of preventive abilities is further demonstrated in failing to learn from history and seek advice from those who have experienced similar crises before.

### On the irrational nature of crisis leadership

Our brain works in the most efficient way possible and this implies that it will cut corners. These short-cuts are useful because they allow us to deal with the massive amount of information that we receive each day. At the same time, however, these mental short cuts are influenced by the following biases that let leaders make such irrational decisions.



Leaders tend to refrain from making decisions until they cannot avoid it anymore and by then, any decision will be much more costly than the ones that could have been taken earlier. PHOTO: BLOOMBERG

**Normalcy bias:** Even though the coronavirus crisis was an announced event, it was initially perceived as not being disruptive. We knew it was coming, but what exactly it was, we were less clear. Under such ambiguous and uncertain situations, our default thinking is to rely on a belief that not too much will change. As a result, leaders underestimated the true impact of the virus and refrained from taking more impactful measures in the initial stages.

**Confirmation bias:** As the virus crisis was announced, why did the Western leaders not look more carefully at what was happening in Asia? One reason is that stereotypical expectations and ideas about the Asian countries may have played a role. With different laws and authoritarian systems, they are deemed not akin to the European nations and hence not relevant to disprove their existing be-

liefs and ways of working – something humans are programmed to avoid as much as possible anyway.

**Illusory superiority:** Many European leaders likely overestimated their capability to deal with the virus, neglecting their systems' vulnerabilities when it came to dealing with such a health threat. Such illusion of superiority does not motivate people to look for information, let alone accept advice given by countries.

We can recognise that it is relatively easy to be a hero and be seen as a leader when you save one life when the house is already on fire. Whereas when you save the same life when the fire is not visible yet, people think of you as a fool. As a result, leaders refrain from making decisions until they cannot avoid it anymore, and by then any decision will be so much more costly than the ones that could have been taken in the earlier stages of a crisis.

We see now that leaders – after initially failing to react forcefully – are actually perceived overall as effective leaders. However, it is those leaders who can already act and decide in effective ways when the crisis is about to unfold rather than waiting until the consequences have already surfaced that the world needs most. What this teaches us is that the truly effective leaders in dealing with crisis are those who are not afraid to be labelled as a fool.

|| The writer is Provost's Chair and Professor in Management and Organisation at National University of Singapore (NUS) Business School. He is the founder and director of the Centre on AI Technology for Humankind. The opinions expressed are those of the writer and do not represent the views and opinions of NUS.