

Making Quick Tough Decisions



Overview

The growing coronavirus uncertainty is requiring business leaders to make tough decisions in a hurry. Here is a process for guiding companies through significant downturns. I have found that it helped make the appropriate adjustments to the crisis while also preparing organizations to come through in a stronger position than before:

- **First, take care of your employees.** Make sure everyone is following the steps for staying healthy and preventing community spread. Keep people informed so they are not wondering what is going on. The way you treat your people in a crisis will have a big impact on the future culture of your company. In the current pandemic, it is important to clarify the purpose of social distancing practices, which is to protect the healthcare system from being overwhelmed.
- **Get the Leadership Team meeting daily (at least).** Whether meeting in person (if safe) or online, the purpose is to monitor and adjust as quickly as possible. The first meeting topic is health and safety, followed by a review of current data that clearly shows the level of business activity. This should be compared to what would normally be expected (same period last year or recent trends prior to the crisis) by location or department. Leaders of each business segment should come prepared with the data, the resulting issues, and recommended actions.
- **Make decisions using the best data you have.** One of the hardest parts of a downturn is figuring out where the bottom is. Do not wait for precise numbers. Look for trends and levels of difference from the past, as well as always looking for new or unexpected opportunities. Determine the adjustments needed and communicate the decisions and the reasons for them broadly throughout the organization. Let your employees know that the decisions and adjustments might change as the situation evolves. Be transparent in that

“Adjust to the crisis while preparing to come through stronger.”



you do not have all the answers but are working to keep the employees and the business as healthy as possible.

- **Once decisions are made – act.** Do not wait to redeploy people, send them home to work, or lay them off. Clearly communicate the decision and the rationale. Implement any adjustments in a fair, non-discriminatory manner as quickly as practical. Make sure the employees know their company and government support options. It is normal to be sensitive to the circumstances of those being impacted. However, the Leadership Team needs to stay focused on those employees that remain and the future of the company.
- **As the crisis begins to ease, seize the opportunity to start re-shaping the business.** Make changes that may have been needed for some time. Redesigning the organization to better match the post-crisis business gives you a chance to strengthen your team. Do not assume that everything and everyone will just return to the previous pattern of activity. Some roles will change or be consolidated, requiring new sets of skills and behavior traits. In jobs that are unchanged, this can be a time to find people who better match those roles. Hopefully, you can also find a better fit for the previous incumbents. If not, help them make a good transition to another organization.

Keep in mind that the responsibility of the Leadership Team is to preserve and improve the sustainability of the business. Obviously, there are a lot of factors in each step above. The key is adopting a process and quickly adapting to a volatile situation.

Frank McShane is a former CEO, now President of Square Peg Consulting. Learn more about him on the final page.

1. Employees

Earlier I shared a high-level process that has been successful in guiding large and small companies through significant disruptions:

1. **First, take care of your employees.**
2. **Get the Leadership Team meeting daily (at least).**
3. **Make decisions using the best data you have.**
4. **Once decisions are made – act.**
5. **As the crisis begins to ease, seize the opportunity to start re-shaping the business.**

This article will take a more detailed look at **First, take care of your employees.** It will focus on two groups – those that are impacted by loss of work and those that remain. In both cases, it is important to communicate in a truthful, respectful, and timely manner.

The virus is already causing feelings of lost control, do not let your employees feel like they are learning about everything after the fact. Always reinforce the purpose of your decisions:

- protecting lives
- the healthcare system
- the long-term health of the business.

Impacted Employees:

Before making any workforce reductions, calculate how much loss, if any, you can tolerate. Remember that the primary goal is to preserve the long-term health of the business. This will provide the most benefits to the highest number of stakeholders.

Make sure you can measure your status compared to your financial limit clearly and frequently. Develop all the options available to help you reduce cost such as curtailing any current discretionary external spending. When you decide to reduce your own labor costs, develop a complete list of the company

“First, take care of your employees. Focus on two groups – those that are impacted by loss of work and those that remain.”



benefits and governmental support options available. Please note that the way you treat employees will be seen by everyone and will have a lasting positive or negative imprint on your company culture.

Try to see through their eyes

In order to develop the communication to the impacted employees, try to see through their eyes. They are going to be very anxious and only able to take in small bits of information. Keep it simple. Try to avoid group announcements about furloughs. You, or the area Manager, and your HR or equivalent resource will meet with each employee in private, in person if safe, or online.

Start with the overall company purpose followed by the action that is affecting them. Clarify if it is for a specific time period, open-ended, or permanent. Provide a clear reason for the action and let them know who will be working with them to sort out their benefits and support options. Ask if they have any questions at this point, then listen. Take notes on the questions, as others will have those too.

Manage their departure

Since it is hard to predict how people will react to the news, it is recommended that, if they are at work, they leave as close to the notification as possible.

Work with your HR resource to develop a consistent procedure for escorting the employee to gather

1. Employees (Continued)

their belongings and travel home safely. If remote, have your HR resource stay online with them to gauge their reaction. In both cases, have the HR person follow-up with them no later than the next day.

Remaining Employees:

The employees who continue with the company will be more valuable than ever. Unfortunately, they often get overlooked in leadership's preoccupation and guilt associated with letting people go. However, their relative role in sustaining the business increases dramatically. They are impacted too. They may feel emotional from losing coworkers and guilty for still having a job. Their workload and productivity requirements may increase significantly. These employees need your attention as soon as practical.

Plan to meet with each of them, in person or online, along with their supervisor. Clarify the purpose of the meeting which is to discuss their role going forward. Ask if they have any questions or concerns, then listen and take notes. Acknowledge the difficulty of the situation and the likely emotional impacts on all employees.

Clarify why you're keeping them on and your expectations

This discussion provides you with an opportunity to clarify the reasons why the employee is staying. Hopefully, those reasons include their performance, fit for the role, and their potential to excel. If they are changing roles, or changing supervisors, let them know what your expectations are for getting through the transition.

Make sure to get the Supervisors concurrence with the plan. If there is training required, get that clarified between the



employee and their supervisor. Before concluding the meeting, ask again if for any questions and concerns, then listen and take notes. Thank the employee for their willingness to step up for the good of the business.

Going Forward:

As the organization begins to adjust to new roles and lower numbers of people, share success stories with everyone. These could be good news about former employees or exceptional performance examples of remaining employees. Tie the stories back to the purpose of the actions you have taken for the company.

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2. Leadership Team

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This is a more detailed look at **Get the Leadership Team meeting daily**. Do it in person if safe or remotely if necessary. Focus on the purpose, timing, content, and outcomes.

Purpose of the Daily Leadership Team Meeting:

The coronavirus crisis hit fast and continues to change rapidly. The primary purpose of a daily Leadership Team meeting is to help:

- protect lives
- shield the healthcare system
- preserve the long-term health of the business.

This is accomplished when the Leadership Team stays as close as possible to the changes occurring and makes decisive adjustments. It is important to get everyone on the same page as events occur. Having a common understanding of the facts of the evolving safety and business conditions is critical. The daily meeting speeds up implementing the necessary adjustments and communicating those throughout the organization.

Timing:

The team should meet at least daily, more frequently if changes are accelerating. The time of day should be the earliest opportunity to meet with a full update

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available from each part of the business. Each member needs to come with a status update for their area. This may mean pulling forward some traditional reporting processes and timing. Work to get the meeting down to 30 minutes. Meet daily until the crisis subsides and the business is stabilized.

Agenda:

A suggested agenda for the daily meeting is:

- Health and Safety Update (HR or equivalent)
- Review of Business Condition Data (Sales)
- Potential New Opportunities (CEO facilitates)
- Discussion, Decisions, and Adjustments (CEO)
- Brief Individual Area Updates (as needed - CEO facilitates)
- Summary of Decisions and Action Items (CEO)
- Cascading Messages for the organization (CEO)

Get the full picture in the first two agenda items before diving into any details. Let the responsible individual complete their update before any questions or discussions. This way you will avoid getting bogged down in an item when a higher priority may still be coming.

2. Leadership Team (Continued)

Outcomes:

The desired outcomes from these meetings are clear decisions, effective actions, and engaging messages for the organization. There are also benefits for both the CEO and the members of the Leadership Team:

CEO Benefits

- Improving and maintaining Leadership Team alignment with evolving strategies and tactics
- Increased control over a fast-moving situation
- Quickly getting the full picture of what is going on across the company
- Opportunity to evaluate your Leadership Team, individually and collectively, under pressure and in real time
- Improved ability to shape communication out through the organization and reinforce the purpose of any decisions and adjustments

Leadership Team Benefits

- Provides quick and timely communication of issues and decisions
- Serves as a focal point to anchor the team in a rapidly shifting situation
- Gets them thinking proactively by looking for trends and developing issues
- Improves cross-functional coordination and collaboration
- Increases the ownership and accountability for the agreed upon actions

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3. Your Best Data

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This is a more detailed look at **Making decisions using the best data you have**. Do not wait for precise data or the perfect report format. Also, do not wait for any involved software solution.

The Data:

The data that the Leadership Team should use in the Daily Meeting should support the overall purposes of the team:

- protect lives
- shield the healthcare system
- preserve the long-term health of the business.

If you are meeting remotely, make sure you have adequate network security.

The first data reviewed will cover Safety and Health.

This includes standard items such as Near Misses and Safety Incidents. In the case of the coronavirus pandemic, this should also include any reported exposures, test results, and isolations implemented. Make sure to protect employee privacy in these reports.

The second critical data category is called **Key Volume Indicators (KVI)**. This is data available that best reflects current and near-term levels of business activity. It may be one simple measure such as gallons

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or tons ordered. In the case of businesses with a more complex product or service mix, each key business line may need a specific KVI. The KVI should be linked to a ratio of labor required to deliver the product or service. This allows the Leadership Team to calculate the labor hours required to meet demand.

Format:

Some companies report Key Volume Indicators regularly and the data is readily available. For some, the focus of reporting is more on revenue and expenses expressed in dollars. While these are important, dollars do not necessarily indicate a level of business activity. This is particularly true in a downturn when prices may be falling dramatically. Measures such as Units Ordered and Hours Worked are more useful in determining ratios and making business adjustments.

The other important aspect is to have the KVI's reported graphically as daily trends, with the current data compared to forecast or previous period. This will make the impacts clearly visible and enable rapid adjustments by the team.

More

3. Your Best Data (Continued)



Here is an example showing a 50% cumulative drop in Gallons Ordered Year-over-Year in the first eight days of the month:

What to look for:

Making tough decisions requires a “close counts” mentality. Look for the trends in the KVI data. Do not worry if the reporting is not exact. Only delve into reporting issues if it would make a material difference in the information.

The key questions are:

- How does the business activity level compare to the benchmark forecast or past period?
- Do we believe the trend will continue?
- What is the Direct labor impact (the hourly production or service delivery labor)?
- What are the options for adjusting the Direct labor?
- What are the appropriate Indirect labor adjustments (supervisors, sales, admin, maintenance, management)?



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4. Act

“Once decisions are made, act!”



Crises put us in a reactive posture. To be more proactive, change that dynamic early by making decisions and implementing adjustments as fast as possible.”

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This article is a more detailed look at #4 - **Once decisions are made, act!**. Crises put us in a reactive posture. To be more proactive, change that dynamic early by making decisions and implementing adjustments as fast as possible.

Next Steps Following a Decision:

Once the Leadership Team has made or agreed to a decision for change, quickly validate that the decision supports one or more of the overall purposes of the team:

- protect lives
- shield the healthcare system
- preserve the long-term health of the business.

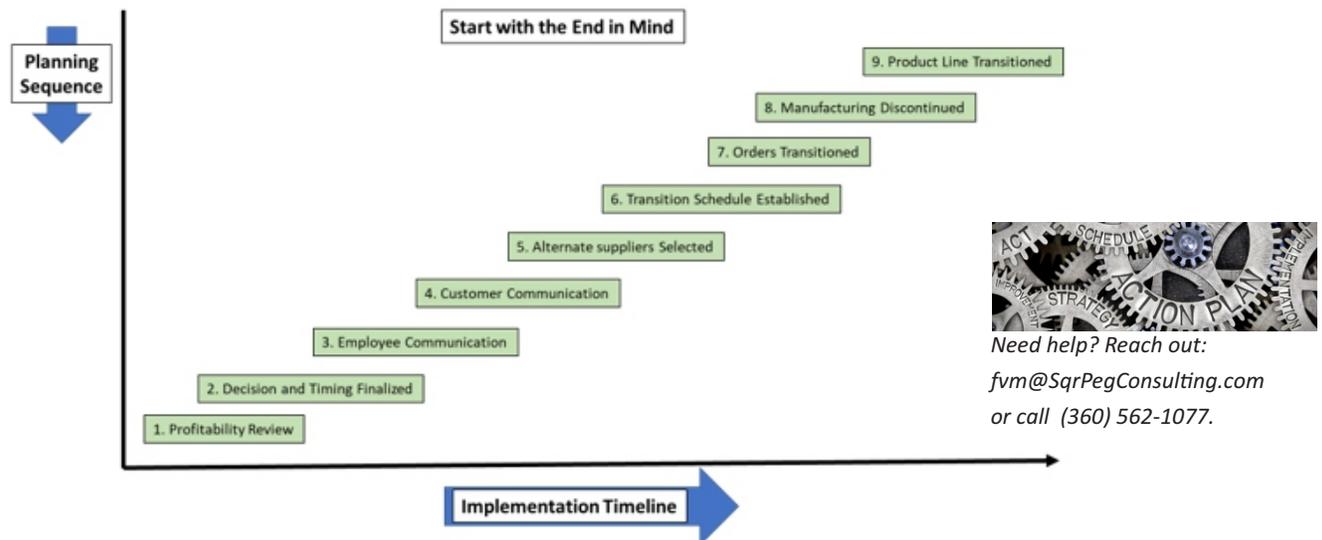
Assuming the decision does support the purposes, turn the plan into action.

Start with the end in mind then work backwards to

the decision. Too often, we start planning implementation with step 1, 2, and 3. This takes time and can cause rework as you discover unforeseen issues. Start with a clear view of the end you have in mind. Then work backwards by identifying each previous step. Ask “what would have had to happen for the following step to be successful”. This will surface potential problems in advance. Here is an example involving the decision to discontinue a product line, from the final result back to the decision:

- The final result is a successful discontinuation of manufacturing and delivering the product line. Customers have been transferred to an alternate supplier of their choice.
- Manufacturing and delivery discontinued. Impacted employees are transitioned to new roles or out of the company.
- Order processing and delivery is transitioned to alternate suppliers.
- Transition timing is established with the customers and alternate suppliers. Inventory is transferred. Product line manufacturing and

4. Act (Continued)



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fvm@SqrPegConsulting.com
or call (360) 562-1077.

Establish a clear short time frame and accountability.

Determine if the final result has a time limit. If so, this sets the time frame for the implementation plan. If not, establish as short a time frame as possible. Acting in a crisis requires speed and agility. Help your teams develop this capability by reducing any requested time frames by 25-50%.

Finally, make sure the accountability for the successful implementation of a change is clearly assigned to one person. While others in the organization will have responsibilities during implementation, the overall accountability should rest with one Leadership Team member.

Communicate the decisions and rationale widely.

Be transparent with the rest of the organization regarding Leadership Team decisions and implementation plans. Always start with the Purpose, “the Why”, of each decision. Include the timing and who will be impacted as well as how those people being impacted will be treated by the company. The benefits of following this approach will apply to each group of stakeholders.

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Benefits of Acting Quickly on a Decision:

The Employees benefit by seeing the organization and especially the leadership Team acting clearly and decisively in a period of uncertainty. Even if they disagree or are impacted by a decision, the sense of clarity and action will increase their confidence in the capability of the Leadership Team to guide the company through the crisis.

The Leadership Team benefits by increasing their capacity for quickly evaluating a situation, deciding a course of action, and getting the decision successfully implemented.

The CEO benefits by helping strengthen the Leadership Team, allowing them to take on more of the work of crisis management. This allows the CEO to focus on the future direction and success of the company.

Customers and Suppliers benefit by understanding the company decision and implementation plan. This allows them to better choose their alternative actions.

Finally, the communities in which the organization operates benefit by seeing an employer taking decisive action to assure the long-term survival of the company. They will continue contributing to the welfare and economy of the community.

5. Reshape

Recently, I shared a high-level process that has been successful in guiding large and small companies through significant disruptions:

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This article is a more detailed look at #5 – **Seize the opportunity to reshape the business.**

Do not assume that, following the crisis, you will just go back to business as usual. Many things about our economy, society, and culture will have changed. Some of those changes will be related to your company and may even present opportunities for growth.

As You Stabilize the Business, Set Up a Parallel Focus on New Opportunities

Once the Leadership Team has put in place practices for supporting the first two purposes below, they need to shift to the third purpose:

- protect lives
- shield the healthcare system
- preserve the long-term health of the business.

The first four steps outlined above and in the previous articles are focused on helping stabilize and preserve the existing business in the face of sudden change. The fifth step has to do with what the business might look like beyond the current crisis well into the future.

Initiate an intentional focus on innovation. As a crisis unfolds, the Leadership Team will primarily be concerned with adjusting and stabilizing the business. The focus will be on retaining existing customers, managing cash, and adjusting the cost structure. This work can seem all-consuming without an intentional

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plan for innovation. Build the topic of new opportunities into the Daily Leadership Team Meeting. These may be short-term, such as wineries and breweries shifting to produce hand sanitizer. They could also be longer-term growth targets or even fundamental shifts in company direction. Imagine GM developing a line of ventilators or plastic manufacturers starting new lines of Personal Protective Equipment for the front-line responders and medical professionals.

What Got You Here May Not Get You There!

Be intentional about how you resource this new focus. Think about the skills and strengths that made you successful prior to the crisis. In many companies, those involve process and execution. Consistency and efficiency in meeting customer demands were highly valued. These traits will be valuable going forward, both through and after the crisis.

Innovation needs leadership.

Innovation requires a different set of behavioral tendencies that may not have been fully appreciated in the past. Non-conformance, big-picture thinking, and risk-taking are the types of behavior that will enable seeing and exploring new ways of looking at data, trends, and customer needs. These behavioral tendencies can be identified and measured in

5. Reshape (Continued)

people. My tool of choice for this is The Predictive Index®, which helps companies identify the behavioral requirements of specific roles and then measures people's fit to those roles.



About our founder Frank McShane



Be careful what you ask for!

The roles of innovator, explorer, and risk-taker require a combination of traits such as a high degree of independence combined with a low need for approval and compliance.

Under previous conditions, these behaviors might be unwelcome and be considered difficult to manage. These people do not fit in naturally with a team. They require a lot of latitude. They do not respond well to close supervision. Yet, they are the ones best equipped to find new ideas or innovate old ones.

Resourcing a focused effort for this purpose may require an adjustment in your leadership approach. Your focus will need to change to what ideas the innovation team puts forward, and the potential outcomes, rather than on the process used. The results will tell you if the shift in management approach was worth it.

Keep in mind that the responsibility of the Leadership Team is to preserve and improve the sustainability of the business.

Frank has been in executive mentoring and consulting roles for over 30 years. His initiatives have resulted in cumulative benefits of over one billion dollars for his clients. With Square Peg Consultants you can have those kinds of results, too.

He led Ernst and Young's NW Supply Chain and Operations practice for the Pacific Northwest. One engagement involved preparing a large nuclear generating plant for open market competition. He led the redesign of their engineering and maintenance functions while keeping industry leading nuclear safety performance.

After 80 years, a paper company needed Frank's help. As President, he rationalized their product offerings and equipment configurations taking them from a cash consumer to industry leading EBITDA levels.

Earlier in his career, Frank created security networks for Airports, Seaports and Municipal Police Departments by combining network construction and broadband equipment expertise. As COO, and CFO he was able to transform a traditional Internet Service Supplier by creating this new division to add to their portfolio of services.

Frank is experienced in Manufacturing, Utilities, Distribution, Broadband, Forest Products and Food Industries.

Need help? Contact him at 360 262-1077 or via e-mail at: fvm@SqrPegConsulting.com