

Strategy & Corporate Finance Practice

Lessons from the generals: Decisive action amid the chaos of crisis

Inspiration drawn from crisis-management professionals can help decision makers in the COVID-19 pandemic.

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In the midst of chaos, there is also opportunity
—Sun Tzu

The world today can make us feel like we are living under occupation. The coronavirus pandemic has resulted in lockdowns in many communities, taking away our freedom of movement and assembly. It threatens our lives and is destroying our economies. In these warlike conditions, the battlefield is moving fast from safeguarding our lives to safeguarding our livelihoods. These are two massive fronts, evolving at exponential speed, and no one has more experience in responding to such conditions than professional military leaders do. Military commanders are accustomed to operating under a fog of uncertainty and great time pressure and to making myriad decisions with fateful consequences—some tactical, for winning a battle, and some strategic, for winning a war.

In a time of crisis, there is a premium on bold leadership and decisive action. Military-command structure—the management system used by armed forces during major conflicts—is a framework explicitly set up to handle issues that represent true danger and that escalate at an enormous and unpredictable pace. Developed over millennia to handle the most demanding emergencies in human history, it is a system of response that goes well beyond the crisis team you have likely already established in your organization. The current pandemic, with its unparalleled scale, complexity, and severity, requires a unique playbook and new operating models. At the same time, you need to plan ahead for the structural changes it will trigger in many industries, which will present both significant challenges and opportunities.

If there is one big takeaway from the world's response to the COVID-19 outbreak so far, it is that we have been too slow: too slow in preparing for the virus, too slow in reacting to its spread, and too slow in putting in place lockdowns. The one exception has been the economic-policy response—many countries moved with unprecedented speed to

approve funds to cushion the grave impact of the lockdowns on communities and businesses.

Nevertheless, the number of issues hitting companies today is escalating rapidly as the economic impact spreads. After overwhelming healthcare systems, the pandemic is overwhelming businesses. We are heading for an economic shock bigger than any since World War II—and business leaders struggling to respond can learn a great deal from military generals.

There are three main insights we can draw from military crisis management:

- *A military-command structure* can help reduce confusion and enable faster, better decision making in your organization.
- Managing simultaneously *across all time horizons* based on an integrated, strategic crisis-action plan is fundamental to reducing chaos and accelerating decisions.
- Age-old *principles of war* can help keep your organization focused and motivated, improving its chances of achieving objectives.

Many business leaders have already taken decisive actions in responding to the current crisis with speed and resourcefulness. Now they are increasingly shifting their attention to planning not just for the days ahead but also for an extended period of uncertainty—and potentially a very different world—after COVID-19. We have interviewed a number of generals on the subject and learned that the practices and mindsets of military organizations can provide valuable guidance for all those time horizons.

Military-command structure: Divide and conquer

Military organizations are obsessed with achieving clarity on who does what and who makes which

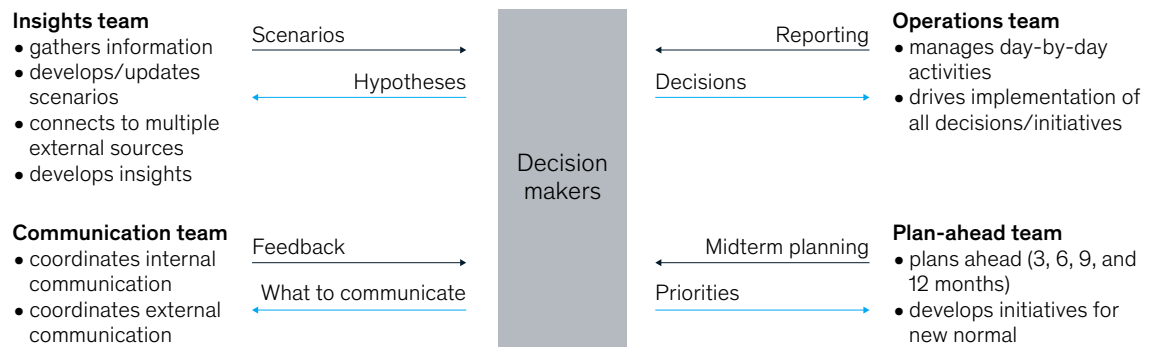
decisions. The reason is simple: in chaotic situations, it is essential to focus everybody on what they do best and delineate their fields of responsibility clearly.

Unlike businesses, which tend to assign crisis response to a single war room or management group, a wartime command establishes several teams charged with distinct tasks (Exhibit 1). While the specific names and roles differ among military organizations, they usually cover four areas:

- **Insights team.** This team focuses on *finding the truth* by collecting intelligence, analyzing internal and external conditions, and testing hypotheses.
- **Operations team.** This team concentrates on *delivering results* by coordinating urgent activities and driving the execution of command orders.
- **Plan-ahead team.** This team is responsible for *creating scenarios and recommending strategies and actions*. It often operates as multiple subteams, each of which addresses a different time frame or challenge. Together with the relevant decision-making groups, these teams facilitate analysis and debate and then make decisions that become orders for the operations team to execute.
- **Communication team.** This team focuses on *providing timely information* to a broad set of external and internal stakeholders in a cohesive way.

Exhibit 1

In times of crisis, businesses can establish teams with specific assigned tasks to support the decision makers acting as wartime command.



Source: Interviews with select high-ranking generals

In dealing with uncertainty, military organizations develop plans across several time horizons and separate the thinking from the doing.

Although military organizations are inherently hierarchical, their decision-making structure is very flat. Subordinate commanders always have a direct line to their chains of command, and while they make numerous decisions themselves, the command structure is there to support one ultimate decision maker with the information needed to move quickly. The commander sets a direction, transmits their intent to the organization, and then relies on subordinates to make the right judgments based on the information they have. This level of delegation goes beyond most corporate leaders' usual comfort level, but in a crisis, they have to be willing to act based on incomplete information. They also must accept that some of the decisions (both theirs and their subordinates') will be wrong but that acting is less risky than inertia.

As former US secretary of defense General James Mattis has said, "Operate at the speed of relevance" by encouraging simpler approval chains and higher willingness to adapt quickly. Especially during crises, the type and frequency of reporting must be managed in an agile way. Understanding what information is relevant, for whom and by when (as facts are constantly changing), is a big part of winning the battle.

Accordingly, the structure of military-command teams is modular and scalable. As new issues arise, fresh teams are formed to focus on solving the emerging problems. For instance, each plan-ahead

team is charged with addressing a specific task or requirement on a single event horizon, such as how to ensure a continuous supply of equipment, ammunition, fuel, and food under a given scenario that presents unique logistical challenges. Each team brings together the cross-functional expertise needed to map and stress-test options rapidly and is dissolved once that task is complete.

Make no mistake: while this structure provides an effective division of labor and improves clarity about accountability, it is constructed in a lean and efficient way, with a vigorous bias for action. These teams conduct analyses rapidly. They reserve significant time for regular, high-quality updates and dialogue with top leaders to build and maintain organizational trust and to support a shared understanding of evolving conditions.

Integrated planning across time horizons

Napoleon's second military maxim states, "In forming the plan of a campaign, it is requisite to foresee everything [the enemy may do] and to be prepared with the necessary means to counteract it. Plans of campaign may be modified, ad infinitum, according to circumstances." Some 150 years later, Dwight Eisenhower captured a similar idea more succinctly: "Plans are useless, but planning is indispensable."

In dealing with uncertainty, military organizations develop plans across several time horizons and separate the thinking from the doing. Consider the approach of the US military (Exhibit 2). There is clear separation between running current operations and planning future ones. Whereas planning teams are assigned ad hoc to support specific tasks, working groups are embedded in the permanent organization to develop, maintain, and leverage expertise and to provide analysis and recommendations on more enduring challenges.

Within current operations, there is almost no interaction among these teams. Working groups execute actions based on their expertise, and planning teams help the command with urgent tasks. In future operations and planning, the role of the planning team is to coordinate and pull expertise from the working groups in a much more integrated way. The US military's doctrine additionally divides the work between near- and long-term planning.

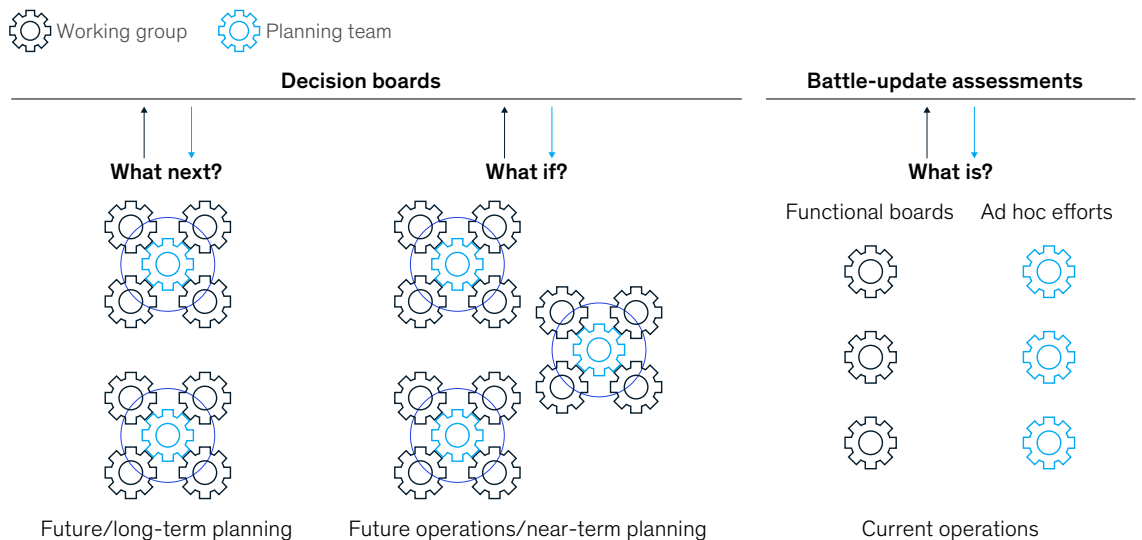
In our article "Getting ahead of the next stage of the coronavirus crisis," on McKinsey.com, we provide more detailed guidance on how to structure plan-ahead efforts in a nonmilitary context. Different issues are at stake within each time horizon, which is why we suggest organizing planning efforts not just in near-term and long-term intervals but in very specific time windows (Exhibit 3).

Consider, for example, the challenges facing grocery retailers today. Along with heroic healthcare workers, food retailers' field teams provide vital services on which we all rely. They work under enormous pressure at high personal risk and often for low wages. Keeping employees (and customers) safe, maintaining high staff morale, and creatively addressing immediate supply and capacity issues can easily be all-consuming tasks for retail management—pressures that will only rise as more staff (and family members) are affected by the pandemic.

Exhibit 2

When managing under uncertainty, separating the running of current operations and the planning of future ones is helpful.

Management of multiple time horizons, US military example



Source: Joint publication 3-33, US Joint Task Force Headquarters, January 31, 2018

Exhibit 3

A strategic crisis-action plan guides responses to a crisis's unfolding stages.

Starting position (baseline and crisis context)

This week	2-4 weeks	1-2 quarters	1-2 years	Next normal
Zoom will run out of capacity Need to increase ventilator production 4-fold Exports 40% down Government bailouts offered	Capacity running out Supply-chain instability	Liquidity position	Growth likely to return	Business challenged postcrisis (eg, cruise ship) Business demand greater postcrisis (eg, home delivery)

Scenarios (issues and opportunities)

This week	2-4 weeks	1-2 quarters	1-2 years	Next normal
All exports shut down Share buyback unwise Need for/consequences of accepting government bailout	Access and nonaccess Claims on production Collaboration across players	Nationalization M&A wave Market rebound ahead of fundamentals No revenues Price controls	Still not recovered Quarantine still needed Surveillance government	Business returns to normal because of testing (eg, hotels) Drug approvals much faster Pace of all delivery expected to stay at crisis-level pace

Posture and broad direction of travel

This week	2-4 weeks	1-2 quarters	1-2 years	Next normal
Back to normal in 8 weeks Back to normal in 6 months Independence	Lean into government crisis response to get access	Through cycle, with good balance sheet Mothballing	Back to business as normal or reset	Will now be model of 21st-century cooperation Resilience over profit; more working capital

Strategic moves (options, safety nets, and no-regrets moves)

This week	2-4 weeks	1-2 quarters	1-2 years	Next normal
Scale capacity now Ship last supplies Split workforce Accept partial bailout	Push for critical-product funding Work to reopen exports safely to get supply Support clients and suppliers in critical areas	Test tourism to get back to work Massive testing 50-50 workforce quarantine	Keep certain projects; stop others	Prioritize investments now based on what what will be necessary in future

Trigger points

This week	2-4 weeks	1-2 quarters	1-2 years	Next normal
Availability of machines Government-bailout deadline	Analyze tier ≥3 suppliers to reveal critical-supplier exposure/extended shutdowns because of crisis	Analyze 13-week cash flow for liquidity challenges across scenarios	50% of geographic market regions facing demand drawdowns after Q4 2019	Significantly lower number of new-project opportunities because of market-segment shift

To achieve an objective in a complex situation, you need a goal simple and clear enough for everybody to understand. Activities that do not promote the goal should be paused.

Yet grocery retailers must also think a few weeks ahead, using detailed models to understand the likely shifts in demand and supply-chain breakages and to ramp up temporary labor. They need to consider how the lifting of lockdowns will affect demand and how they will need to adapt their offerings and workforces as life starts to return to normal.

Then there is a longer horizon still. The retail industry, already facing massive disruption by a number of forces that are likely to accelerate (e-commerce being a prime example), will see the emergence of new challenges. Even as some grocery retailers struggle to fulfill skyrocketing levels of demand today, they need to prepare for the possibility that the current crisis will erode their long-term competitive position relative to leading e-commerce rivals. To mitigate that risk (or, in some cases, to benefit fully from the opportunity), they will need to act boldly to transform their business models and reshape their ecosystems, including through M&A.

Applying the principles of war to business leadership

From Sun Tzu's *The Art of War* in 500 BC to Napoleon Bonaparte's *Military Maxims of Napoleon* and Carl Von Clausewitz's influential *Principles of War*, there are many time-tested tenets that military leaders around the world have internalized.

Foundational to leading large-scale organizations in times of chaos and enormous challenge, those doctrines cover themes central to strategy and leadership today:

— *Strategic principles:*

- Select and focus on an *overarching goal*. To achieve an objective in a complex situation, you need a goal simple and clear enough for everybody to understand. Activities that do not promote the main goal should be paused to conserve resources.
- Maintain *resilience* as the crisis unfolds. That entails balancing the likelihood of losses against accomplishing critical objectives. It demands managing risk, protecting high-value assets, and focusing resources on achievable goals.
- Embrace *offensive action*. Such action implies a vigorous, incisive approach to making use of opportunities.
- Inject *elements of surprise and innovation*. They can enable you to seize the initiative, which may be a critical precondition for success. For example, during the current crisis, new ways of thinking (including breaking some rules) can increase healthcare providers' treatment capacity and enable businesses

to get people back to work faster or serve customers in need better.

- Accept that *concentration on the main effort* may demand economy elsewhere. It may not require the physical massing of resources, but you need to deliver sufficient fighting power to do the job at critical points and times.
- Conserve effort to *sustain* the fight. Leaders must prioritize economizing resources as they allocate them among different activities and actions.

— **Leadership principles:**

- Maintain *morale*. Under challenging conditions, this is crucial to success. High morale is characterized by steadfastness, courage, confidence, and sustained hope.
- Retain *flexibility*. To leverage the strength of an organization fully, a certain level of flexibility is needed to encourage people to think creatively and be resourceful. This can be measured by individuals' speed of action and reaction or how quickly a commander seizes the initiative.
- Foster *cooperation*. Team spirit and training are fundamental in achieving objectives. Cooperation relies on three interrelated

elements: mutual trust and goodwill, a common aim (or unity of purpose), and clearly divided responsibilities.

Times of crisis are the most profound occasions for leadership. As the United States entered World War I, former president Theodore Roosevelt pleaded with then-president Woodrow Wilson to let him coordinate the American response. Roosevelt was bitterly disappointed to be turned down, missing his chance to leave an enduring leadership legacy. "If there is not the war, you don't get the great general; if there is not a great occasion, you don't get a great statesman," he said. "If Lincoln had lived in a time of peace, no one would have known his name."

This is a time to show that, like great generals, business leaders can empower their organizations to rise to the occasion collectively. Urgently launching a plan-ahead team, staffed by some of companies' best people moved out of their day-to-day jobs to work closely with top executives, will enable leaders to make timely decisions across multiple planning horizons. As the current crisis continues to evolve, CEOs have an opportunity to reshape their organizations to be leaner and stronger. By adapting the way in which they operate and adopting the lessons of military command, they can help assure their leadership legacy.

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