

RESEARCH IN ACTION:

Wharton's Dean Erika James on How to Be Prepared for the Next Crisis

THE PROBLEM:

Anyone who lived through the COVID-19 pandemic will probably agree: crises always seem to strike out of the blue. And whatever form a crisis takes—from global health scare to financial meltdown, from fraud to IT failure to any kind of fall from grace, be they man-made or acts of God—human beings are very rarely, if ever, fully prepared to manage the fallout. As you read this, the next crisis is already on the horizon. So the question you need to ask yourself is this: Are you prepared?

In this dynamic landscape of crisis, the potential for diversity-related crises emerging from unexpected quarters cannot be ignored. Consider, for instance, the disparities in healthcare access that the COVID-19 pandemic laid bare, disproportionately affecting marginalized communities. Instances of gender bias and discrimination can exacerbate crises within organizations, leading to a breakdown in trust and productivity.

Wharton's Dean Erika James and longtime academic collaborator, Lynn Perry Wooten, President of Simmons University, have created a framework for crisis detection, management, and resolution in their 2022 book, "The Prepared Leader." In their view, leaders have both the responsibility and the agency to brace for crises and to chart their resolution, creating better outcomes for people and organizations. James and Wooten accomplish something critical: they effectively demystify crises and reframe them as challenges that can be managed.



THE RESEARCH:

THE FIVE PHASES OF CRISIS MANAGEMENT AND NINE LEADERSHIP SKILLS

1. Signal Detection

If you are able to detect and interpret the warning signs that a crisis is about to land, you are in a good position to be able to mitigate or even avert disaster. This is contingent on doing two things: scanning your horizon as a routine function of your leadership practice; and instituting scenario-planning protocols within your teams and organization in order to anticipate issues before they happen.

Leadership Competencies Needed: Sense-making and Perspective-taking

You alone cannot foresee what, when or how a crisis will strike or unfold. As a Prepared Leader, you will need to be able to solicit, hear, analyze and incorporate other people's viewpoints and understanding into your thinking at this phase.

2. Preparation and Prevention

Once you have seen the signs on the horizon, you will need to do everything in your power to brace for impact. Some crises will be unavoidable, but there is still plenty you can do to prepare such as assembling the right crisis response team, and instituting crisis drills in your operations.

Leadership Competencies Needed: Influence and Creativity

In this phase of the crisis you will need to influence people to take action by communicating ideas and requests effectively, and across different work groups or functions. You will also need to be open-minded and creative in analyzing and solving problems as you plan for multiple contingencies.

3. Damage Containment

Crises can be contained by limiting the reputational, financial, safety, and other threats to survival. This phase is what most people think of when they think of a crisis.

Leadership Competencies Needed: Communication, Agility and Risk-taking

To mitigate damage, you will need to broaden your communication abilities to include multiple stakeholders, keeping the firm's reputation and long-term viability in mind at all times. Phase three also requires you to develop agility in responding to new situations, so that you can change course and take risks as necessary and as events evolve.

4. Recovery

Business recovery is your North Star. But making it happen takes commitment. You need to see the crisis in all its dimensions, access as much information as possible, and take decisive actions with transparency. You also need to determine the right short- and long-term goals and initiatives to drive recovery as fully as possible.

Leadership Competencies Needed: Promoting Resilience

Phase four is about rapid recovery. It is about building the individual and organizational resilience to creatively manage both the consequences of the crisis and the day-to-day business of the company. To drive this kind of resilience you need to empower your people. You need to give them the autonomy, support and the opportunity to experiment, to make decisions and take up the reins to manage the ongoing crisis, even as you turn your attention to the strategic needs of your organization going forward.

5. Learning and Reflection

During this phase, the ability to reflect and to see opportunities is critical in preventing or mitigating future crises, and in finding ways to improve the situation so that your organization is in better shape for having successfully weathered adversity. Investing time in a post-crisis review can be a really critical tool for capturing the learning and building back into your organizational resilience.

Leadership Competencies Needed: Individual and Systemic Learning

Learning is such a critical skill that it is in many ways the lynchpin of Prepared Leadership. Without learning, you will be vulnerable to future crises. You will be unable to leverage the critical shifts in attitude and skills, process and systems that will bolster your resilience to threats.

THE SCHOLARS



[Dean Erika H. James](#) is the Dean of the Wharton School and Reliance Professor of Management and Private Enterprise. Trained as an organizational psychologist, Dean James is a leading expert on crisis leadership, workplace diversity, and management strategy. Dean James is a sought-after thought leader whose expertise has been quoted by The Wall Street Journal, MSNBC, Bloomberg, The Washington Post, and numerous other media outlets. She has been widely recognized as one of the most powerful and influential women in business and education by Barron's, Black Enterprise, and Ebony.



[Lynn Perry Wooten](#) is the president of Simmons University. Specializing in crisis leadership, diversity and inclusion, and positive leadership—organizational behavior that reveals and nurtures the highest level of human potential—Dr. Wooten is an innovative leader and prolific author and presenter whose research has informed her work in the classroom and as an administrator. Dr. Wooten also has had a robust clinical practice, providing leadership development, education, and training for a wide variety of companies and institutions, from the Kellogg Foundation to Harvard University's Kennedy School to Google.

The Wharton Coalition for Equity and Opportunity (CEO) creates research-driven solutions to help current and future leaders ensure equity in business relationships and leadership. Dean Erika James, who is Wharton's first Black and first female dean, is emblematic of a paradigm shift in executive leadership. She has launched the Wharton Coalition for Equity and Opportunity as the hallmark of her leadership commitment to diversity, equity, and inclusion. The initiative is being led by Kenneth L. Shropshire, Wharton emeritus professor of legal studies and business ethics. Shropshire is the former director of the Wharton Sports Business Initiative and former CEO of the Global Sport Institute.