

LESSONS IN LEADERSHIP

THE THREE-MINUTE MANAGER

By Jia Lynn Yang

What do you do if you discover a huge loss at your company?



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ASSESS
What's your first move?

Get everyone who may be involved and **get all the information on the table**. The biggest danger: You're seeing only the tip of the iceberg. Notify your board and work with your PR and investor relations [people] to figure out how to announce it.

FIX
How do you clean up the mess?

You need the best people from your organization to get in there; get some fresh eyes involved too. Often the best people don't want to clean up messes. Say to them, "I need you to go there. It's your job." **Don't bring in outside hotshots** who don't understand the culture.

TAKE RESPONSIBILITY
Don't pass the buck.

Do everything you can to **avoid denial**. There's a tendency in many organizations to not want to hear bad news. I used to say at Medtronic, "You will never get fired for making a mistake here, but you will get fired for covering it up."

STUDY OTHERS
Who's done it right—and who hasn't?

It's been done right at Goldman Sachs. [George sits on the board.] Management discovered modest subprime problems last winter and **realized they had to make a change, and they did**. Management did it themselves with instant communication, telling the board what was happening.

Use common sense and say, "Who are the cleanest people who can help me do what's right for shareholders?" **Rally that team immediately, and keep the board fully engaged**. You'd better have a trustworthy and aligned team, or you'll end up like Stan O'Neal.

Take control and get to the root of the problem. **Speed is incredibly important**. The minute something smells bad, your job as a leader is to take responsibility and own the judgment process yourself.

Don't delegate or pass the blame. In every bad example of crisis management, take FEMA or Exxon Valdez, the leader tried to distance himself from the crisis. Do the opposite.

Jack Welch was a master of crisis management. In the 1980s a GE engineer was caught bribing an Israeli general, and Welch himself fired 20 other GE managers because they should have smelled it. They weren't the ones stealing, but they got fired for it. Welch personally owned that.

First you want to figure out the entirety of the problem so you **don't lose credibility coming out with more and more bad news**. Determine how much time you have to analyze the extent of the situation before you release information to the public.

Embrace the setback. Say to everyone, "This is a wonderful opportunity to learn something. Here's what we've learned." Then try to put a process in place to make sure it doesn't happen again.

We've seen people like Carly Fiorina **finding somebody else to take the criticism**. When CEOs act that way, organizations become paralyzed.

UPS took major losses internationally in the early '90s. But now the company is hugely profitable in that area. Management had to learn what wasn't working well with some of the international arrangements it had. **But the company was candid about confronting disappointments**.

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