



## Leadership in Crisis: What They Can Do

Who could have guessed or predicted what we are seeing in the world economy in 2020? With the Covid-19 pandemic, the US economy has been literally shut down within a month. Most industry's trade has declined or ceased altogether resulting in the first intentionally caused recession in our history. There are almost no businesses that will achieve their original goals and objectives for 2020. Entire markets have been disrupted. Supplies and costs have been radically affected and all this uncertainty has come upon us at lightning speed. While we all hope for a quick resolution and recovery, the need and importance of solid, strong and effective business leadership has never been more important. Leadership is the key to business survival, recovery and success. It will be the difference in many organizations as to their outcomes for 2020.

**Lean** leadership practices, systems and tools can make a huge and immediate impact on how businesses weather this storm. Here are a few of the key aspects and characteristics that can make a difference in the leadership effectiveness.

1. **Leaders are expected to provide information and direction for the organization.** They must make certain that factors outside the business are understood and properly accounted for in the operating plans. Communication by the leader to the stakeholders (Owners, Employees, Customers, Suppliers and Communities) is critical and must be done quickly and often. The leaders must be the face of communication as all these stakeholders are looking for information.
2. **Both long term and short-term goals, targets and objectives need to be re-assessed** to respond to the current environment. People within the organization need to be able to see a clear path to success, even if its short term and may change rapidly. The leader must engage his workforce in the tactics and actions needed to achieve the objectives. Wins may be very difficult and rare, but progress in the right direction can be a positive motivator for the entire organization.
3. A Lean leader will always be very engaged in the process of solving problems and challenges, but they **need to be a supporter of the team** who can help with priority decisions and resource allocations. Don't try to do it all by yourself. Lean systems and tools as well as solid problem-solving methodology can also go a long way toward making progress. The leader's role is to set the bar as high as (s)he believes can be achieved and keep the teams motivated toward that success.

Here is one example of how effective leadership can impact whether a company survives and thrives or doesn't. During the 2008 economic downturn the leadership team of a large automobile components parts company took a rough look at their spending by category for the business in the 6 months prior to the downturn. GM was 35% of their business. This company went from 150 plant employees to 22.

Once they started evaluating their spending, they identified that 85% of their costs were in raw materials, direct and fixed labor, supplies, utilities and outside contracted services. Each leader took a category and dove deeper into the details of those costs.

Opportunities were identified quickly, action plans developed, and individuals assigned to implement changes. This team met twice per week and efficiently implemented many of the ideas that were brought to them. They decreased costs by 15 to 20% at 3 months.

This was an extremely valuable process led by the executive team in the short-term as it generated significant cost savings and it became even more valuable when it generated even greater returns as business volumes returned in 2009-2010. Most importantly, they did not have to reduce any hourly wages or benefits. This leadership team identified those savings using Lean methodologies to implement flow and productivity improvements. In addition to the cost savings, two key metrics improved as a result of the leadership interventions during these difficult times. Productivity went up by 25% and inventory was reduced by 20%.

**Takeaway:** Effective leadership with the right tools can not only shepherd a company through tough times but set them up to thrive when the economy recovers, and opportunities arise. If you have any questions or would like additional information please contact us at [www.opsinc.com](http://www.opsinc.com) or 410-871-0995.

Thomas Hecksel MBA, BS-ChE  
Lean and Leadership Consultant  
Operations Performance Solutions