Decision Making During Chaos: The Role of Leadership in Times of Novel Coronavirus (COVID-19) Crisis

Center for Supply Chain Research®, Penn State University
Agenda

- Introduction
- Guest expert
- Breakouts
- Breakouts recap
- Q&A / Open forum
Overview of Key Supply Chain (SC) Developments

Supply shock easing up

Chinese manufacturing activity rebounded strongly in March, signaling that the world’s second-largest economy is restarting. However, output remains below normal.


China Gets Back to Work
Economic output as a percentage of normal rate, by week

- Output range
  - 40–50%
  - 50–60%
  - 60–70%
  - 70–80%
  - 80–85%
  - 85%+

Source: Bloomberg Economics
Overview of Key SC Developments (continued)

Challenges shifting from supply shock to demand decline

Given the near-shutdown of many economies, global economy is sliding into recession. US international trade is experiencing sharp decline.
Overview of Key SC Developments (continued)

OPERATION PANGEA

Police, customs and health regulatory authorities from 90 countries take part in collective action coordinated by the Interpol against the illicit online sale of medicines and medical products.

During the week of action March 3–10*:

- The operation resulted in 121 arrests worldwide and the seizure of potentially dangerous pharmaceuticals worth more than USD 14 million.

- Of the 2,000 online links advertising items related to COVID-19 found, counterfeit surgical masks were the medical device most commonly sold online, accounting for around 600 cases.

*NOTE: Latest available data (source: Interpol 2020)
Overview of Key SC Developments (continued)

**Sharp reversal of imported freight volume**
- Cargo owners are increasingly reducing and postponing ocean shipments from China to North America, a trend that suggests the anticipated surge of inbound cargoes will be short-lived.
- The cancellations and postponements are uneven across commodity groups, with products tied to the coronavirus disease 2019 (COVID-19) emergency response seeing strong demand, while orders for discretionary merchandise increasingly canceled or postponed.

**Airlines turning passenger to cargo-only flights**
- More airlines—including e.g. Delta, Lufthansa, Air New Zealand, Etihad Airways, China Eastern Airlines—have turned to cargo-only flights to make money and add to global cargo capacity.
- **Emerging creative practices.** Some carriers are putting cargo in the seats of the passenger compartment, secured by netting and other restraints, to maximize efficiency. Few are offering multi-party, less-than-full aircraft charters for importers and exporters that don’t have enough volume to rent an entire plane.

**Land borders**
- **Canada–US border.** Team drivers have largely chosen social distancing, greatly minimizing team capacity; Driver reports of challenges to find food, parking, sleeping and bathing facilities; Carriers shift from non-essential to essential goods clients; Customs Entry are slowing to 4-5 hours.
- **Mexico–US border.** Slight delays experienced on the northbound border crossing, as every driver required to have temperature taken prior to authorizing import to the US.
Taking the Scene of Business Chaos in 3Ps

PEOPLE-RELATED
- Employee disruption across all industries due to sickness, travel restrictions, and shelter-in-place orders
- More stringent measures to protect essential employees
- Infrastructural and procedural supports for remote workers
- Layoff dilemmas

PRODUCT-RELATED
- International product movements constrained by more cancellations of ocean shipping services from China and reductions in passenger flights in all markets globally
- Non-essential cargo piling up at port as retailers and manufacturers fail to pick up containers because warehouses are full or closed.
- Managing critical supply of healthcare and sanitary products, PPEs, and pharmaceutical products; while mitigating counterfeits.

PROFIT-RELATED
- Shutdowns and coordinated global health initiatives around containment measures are imposing substantial economic costs, affecting growth, corporate cash flows, and profits.
Our Guest Expert

James Thomas, Ph.D.

Elliott Professor of Risk and Management
Smeal College of Business, Penn State University
Lessons from the Field

EVENT 1
Lightening strike in the mountains of Arizona starts as a < .5 acre brush fire that grows to 8300 acres, threatens multiple towns, kills 19 wildfire fighters.

EVENT 2
Medium size community hospital sees its first COVID-19 case March 27th. Expects thousands by the end of April. Beds, PPE, ventilators, staffing needs all unknown.
### What They Have in Common (Descriptive)

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<th>These organizations face “messes”</th>
<th>They must put a new emphasis on “sensemaking”</th>
<th>The nature of learning shifts</th>
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<td>- A theme defined by many intertwined sub-problems</td>
<td>- “What the heck is going on here?”</td>
<td>- Learning from the past may not fit</td>
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<td>- Solving one problem may negatively impact another</td>
<td>- Must transform the disorganization of the mess into a framework of action</td>
<td>- New problems constantly added creating a temporal nightmare of change</td>
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<td>- The problem(s) changes over time</td>
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<td>- Unique in many ways (see: “Black Swan”)</td>
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What Leadership Could Do/Should Have Done (Prescriptive)

- Invoke leadership that:
  - Is **flexible** (even improvisational…but not MacGiver, rather jazz)
  - Questions **biases** (e.g., “This is how I was trained to think about this problem”)
  - Goes beyond the quantifiable (e.g., a start but not the goal)
  - Seeks non-discipline insight (e.g., USFS brings in a hospital CEO to learn about chaos?)

- Encourages different perspectives that questions the norm/status quo
  - Establishes a “safe” environment that prizes debate without threat
  - Takes time to question the “real” problem (i.e., Don’t want to solve the wrong problem well)

- Invokes the future tense; captures present learning (e.g., “What happens after?”)
- Understands the roles of strategy, structure, culture as “senseblockers”
- Helps the organization look for the unexpected
“...the same event means different things to different people, and more information will not help them. What will help them is a setting where they can argue, using rich data pulled from a variety of media, to construct fresh frameworks that include their multiple interpretations.”

~ Karl Weick, Professor Emeritus of Organizational Behavior and Psychology, University of Michigan
Breakouts
STEVE TRACEY
Professor of Practice, SC&IS
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