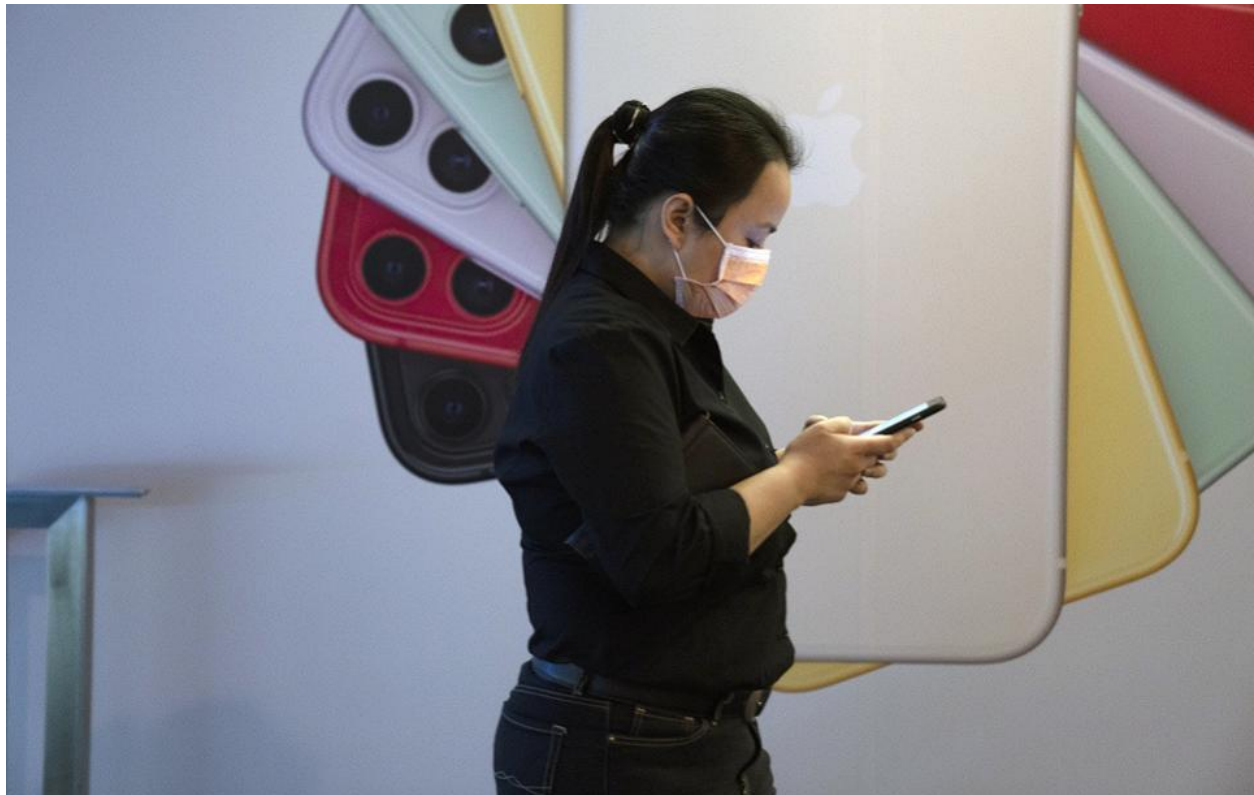


Stop Lying to Yourself About The Coronavirus

This week, Apple Inc. became one of the first major corporations to [issue a warning](#) to investors about the negative impact of the coronavirus, demonstrating again the sort of transparency and responsiveness that has made it one of the most admired companies in the world. Meanwhile, the fact that so few other companies have followed Apple's lead highlights one of the biggest challenges facing corporations today: telling the truth.

When I say companies have a hard time telling the truth, I don't mean they are lying to their customers, to regulators or to investors; I mean they are lying to themselves.

While it is still too early just how big an impact the coronavirus will have on either the global economy or individual companies, it is already clear that it will not be negligible. Supply chains are already being disrupted. Consumer activity in China is already slowing. And Apple is not the only company that is going to feel the impact.



A pedestrian wearing a protective mask uses her mobile phone while walking past an Apple Inc. iPhone ... [+]

“It’s consequential,” Diane Swonk, chief economist at Grant Thornton, [told USA Today](#) Thursday, adding that shipping delays and shortages are now inevitable. “We’re standing on quicksand.”

But too many companies are still taking a wait-and-see attitude to the coronavirus.

Maybe this will all blow over by March, a lot of CEOs are telling themselves right now. *Let’s not overreact. Let’s not get everybody worried for nothing.*

That’s to be expected, of course, because it’s human nature. It is easier to take refuge in comforting lies than it is to embrace hard truths. But leadership – real leadership, effective leadership – is about doing just that, because confronting challenges is the only way to overcome them.

Supply-chain expert Yossi Sheffi – author of *The Resilient Enterprise* and *The Power of Resilience* – is urging business leaders to take coronavirus threat seriously.

“(T)he coronavirus could cause supply-chain disruptions that are unlike anything we have seen in the past 70 years,” he wrote in an [op-ed in the Wall Street Journal](#). “For now, the best course of action for companies is to analyze possible outcomes in the context of known supply-chain risks based on historical precedents, and to take precautionary measures that minimize exposure to future disruptions.”

Sheffi makes five specific recommendations:

- 1. Set up a central emergency management center. At this point it can be virtual but should include a clear roster of participants with clear decision-making rules in case of a pandemic.*
- 2. Review the company’s product portfolio and the customer base in order to set priorities. If capacity is reduced, there will need to be rules for which products should be built and which customers should be supplied first.*
- 3. Review suppliers. Who makes critical parts? Are there alternate sources? What is the suppliers’ inventory status?*
- 4. Plan for operating to maximize cash flow rather than profits.*
- 5. Maintain communications with federal and local authorities, as well as Chinese and other Southeast Asian friends and colleagues on the ground.*

While this advice is aimed specifically at manufacturers, any company that relies on goods from China or which sells its goods or services in China can take similar steps to mitigate the risks posed by this potential pandemic. But, again, you have to be honest with yourself to do this. You cannot consider only best-case scenarios.

Another thing you can do is use Red Team Thinking to make sure that your strategies and plans are resilient enough to weather this storm. One of the best tools for doing that is “Alternative Futures Analysis,” which looks at the different ways in which a plan could unfold based on different external variables.

This is a powerful technique that I describe in detail in my book [Red Teaming](#), but you can do a quick and dirty Alternative Futures Analysis by drawing two columns on a whiteboard. In the left-hand column, describe how your strategy or plan would unfold in a world in which the coronavirus threat is contained and business continues as usual. In the right-hand column, describe how your strategy or plan would unfold in a world in which the number of new cases continues to grow exponentially and there is significant disruption to global supply-chains and serious consequences for the macroeconomy.

This is something every business should be thinking about, because even if your business has no direct ties to China, more and more economists are warning that the impact of the coronavirus could be significant enough to push several economies – including the United States’ – into a recession.

Mark Zandi, chief economist at Moody’s Analytics, [told USA Today](#) that while the coronavirus will only deal “a modest hit to the (U.S.) economy” if it is contained soon, the ongoing trade war with China, Boeing’s woes and other factors already mean “we’re teetering on the edge of falling off the rails.”

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