

A mistake leaders make in preparing for the coronavirus pandemic



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According to the US Center for Disease Control and Prevention (CDC), the Covid-19 coronavirus will definitely develop into a widespread pandemic: it's more a question of when, not if, it will happen.



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With growing outbreaks of diagnosed cases in 12 states, and vastly larger numbers of undiagnosed cases, there's a serious cause for concern. Yet leaders who follow the official advice on Covid-19 coronavirus prepare really hurting themselves and their organisations.

Current Covid-19 preparation guidance

Mainstream media, following official health organisations such as the CDC, have published tons of articles on how to prepare for the Covid-19 coronavirus pandemic for companies.

It seems to make common sense:

- Cross-train employees in case some get sick
- Prepare for event cancellations
- Encourage sick employees to stay home
- Perform additional cleaning
- Make a disease outbreak response plan in case there's an outbreak in your area

In other words, all of these preparations are for disruptions that might last for a couple of weeks at most resulting from a local outbreak.

Covid-19: The Facts and Possibilities

While it seems reasonable and fits our intuitions, is it really good advice? Let's consider the facts about Covid-19:

- Covid-19 is highly contagious, with each infected person on average infecting 3-5 others, and the infection doubling every 4-6 days.
- It's much more deadly than the flu, especially for older people. Those over 50 have a fatality rate of over 6%.
- We won't have a vaccine until late 2021 if things go perfectly, and more realistically not until 2023-24. If we're moderately unlucky, the Covid-19 vaccine will be only as effective as the flu vaccine, reducing the chance of illness by 50%.
- If we're very lucky, the virus will burn out by the end of the year; with moderate luck, it will be a seasonal affliction and come back like the flu every year; with somewhat worse luck, it will just keep going, unaffected by seasons.

With that in mind, let's reassess the Covid-19 preparation guidance.

The current guidance for both assumes a highly optimistic scenario, where we get very lucky. That's not good advice, at all. We need to prepare for a moderately pessimistic scenario.

Why our brain causes us to be underprepared for major disruptions

We suffer from many dangerous judgment errors that researchers in cognitive neuroscience and behavioural economics like myself call them cognitive biases. These mental blindspots result from a combination of our evolutionary background and specific structural features in how our brains are wired.

Our brain's main way of dealing with threats is the fight-or-flight response. A great fit for the kind of short-term intense risks we faced as hunter-gatherers, the fight-or-flight response is terrible at defending us from major disruptions caused by the slow-moving train wrecks we face in the modern environment, such as the Covid-19 pandemic.

More specifically, you need to watch out for three cognitive biases.

1. The normalcy bias causes our brains to assume things will keep going as they have been - normally - and evaluate the near-term future based on our short-term past experience. As a result, we underestimate drastically both the likelihood of a serious disruption occurring and the impact of one if it does occur.
2. When we make plans, we naturally believe that the future will go according to plan. That wrong-headed mental blindspot, the planning fallacy, results in us not preparing for contingencies and problems, both predictable ones and unknown unknowns.
3. Last but not least, we suffer from the tendency to prioritize the short term, and undercount the importance of medium and long-term outcomes. Known as hyperbolic discounting, this cognitive bias is especially bad for evaluating the potential long-term impacts of the Covid-19 pandemic.

It's inherently uncomfortable to prepare for the realistic pessimist scenario. That feeling of discomfort is you going against your gut reactions, which is what research shows is needed for you to defeat these mental blind spots in your business and career.

Preparing for the realistic pessimistic scenario

Envision a future where Covid-19 isn't eradicated but keeps on going. Let's say it becomes like the flu, a seasonal affliction that comes every September and lasts through March, with a weakly effective vaccine that decreases the likelihood of infection by 50%.

To prepare for this moderately unlucky scenario, you need to make major changes to the way you do business, not simply make emergency plans:

- The most important changes will be in human-to-human contact. Does your business model rely on it? Explore creative ways of changing your business model to be more virtual in serving your customers.
- Can your employees work from home? Forward-looking companies are already encouraging their workers to do so as a result of the Covid-19 pandemic. You should, too.
- So much business relies on relationships and networking. How can you switch your relationship cultivation and management to virtual venues?
- Can you shift your team meetings and even bigger corporate events to virtual forums? Instead of in-person conferences, consider doing virtual ones.
- Prepare for major disruptions to your supply chains, and especially to your service providers.
- Anticipate a variety of travel disruptions and event cancellations.
- Society will undergo a wide variety of social norm changes. Evaluate the extent to which your business model and staff will be impacted by such changes.
- Help your employees prepare much better at home than the current guidelines from the CDC and other health organisations suggest.
- Be ready for unknown unknowns, also known as black swans, by reserving extra capital and other resources for unanticipated threats and disruptions associated with Covid-19.
- By taking all of these steps early, you will have a major competitive advantage. Be ready to use the consequences of this competitive advantage to seize market share from your competitors who are inadequately prepared for these transitions. Be ready to hire highly-qualified employees who will be let go in this environment by companies that trust too much the highly optimistic official guidelines on how to prepare.

Conclusion

Of course, you'll want to adapt these broad guidelines to your own needs. Right now, you need to sit down and revise your

strategic plans in a way that accounts for the cognitive biases associated with Covid-19. Do the same revision with major project plans.

By taking these steps, you'll protect your business from the way-too-optimistic preparation guidelines of official health organisations and from our deeply inadequate gut reactions in the face of slow-moving train wrecks.

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