
Decision-Making and Leading Through Crisis

One of the greatest challenges we face in cultivating leadership competence is being centered and skillful in the midst of difficult and upsetting situations, or during times of crisis. Each of the three vignettes in this case offers an opportunity to practice decision-making in challenging situations.

Please read these instructions before turning the page.

The following vignettes were developed to facilitate a discussion on developing decision-making skills. In reading these vignettes, please keep the following questions in mind:

1. Who is affected?
2. What does each constituent group want or need in this situation?
3. What information do you have, and what information do you need?
4. What decision(s) need to be made?
5. What options are available to you?
6. What are the implications for the decision-maker and the various stakeholders in each situation?

These vignettes have been developed from several sources. Some are accounts of actual situations that have been reported in public domains. Others are disguised accounts based on the personal experience of managers and executives from around the world who wish to remain anonymous. Finally, the vignettes also reflect the general business experiences of the authors.

This case was written by Gerry Yemen, Senior Case Writer and Erika H. James, Bank of America Research Associate Professor of Business Administration. It was written as a basis for class discussion rather than to illustrate effective or ineffective handling of an administrative situation. Copyright © 2007 by the University of Virginia Darden School Foundation, Charlottesville, VA. All rights reserved. To order copies, send an e-mail to sales@dardenbusinesspublishing.com. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of the Darden School Foundation.

Scenario One**HealthSouth: a whole lot of pain**

Chief executive officer (CEO) Richard M. Scrushy founded HealthSouth Corporation and incorporated the firm in Delaware and Maryland in 1984. Two years later, the company went public and set its path to become one of the largest integrated health-services providers in the United States. Within 10 years, the company grew from 50 to 1,900 centers spread across the country and continued to hire more employees topping out at 40,000 full- and part-time employees. HealthSouth offered several services including: outpatient surgery, diagnostic imaging, rehabilitative health-care services, and employer health-benefit services. As a *Fortune 500* company under Scrushy's leadership, revenues skyrocketed to well over the \$4 billion mark in 2001.

Then things started to change. On September 17, 2002, company executives were informed that the U.S. Securities and Exchange Commission's (SEC) division of enforcement was conducting an investigation into the trading of HealthSouth's securities. At issue were the stock options that CEO Scrushy exercised on May 14, 2002, which he then sold immediately for a \$52 million profit.¹ He repaid a \$25 million loan he owed the company by trading 2.5 million shares back to HealthSouth on July 31, 2002. On September 19, 2002, HealthSouth hired a Houston law firm, Fulbright & Jaworski LLP, whose spokesperson said there was no wrongdoing. The board also appointed a special committee to review the matter.

The company's problems continued to build. The SEC questioned the "fantastic" numbers the company reported on its financial statements. On February 5, 2003, the United States District Court for the Northern District of Alabama issued a subpoena requiring HealthSouth to provide various documents in connection with a criminal investigation of the company and several directors, officers, and employees. A press release included a message that executives at HealthSouth refused to believe that the firm or anyone associated with it violated any securities' laws.² On February 26, 2003, William W. Horton, HealthSouth corporate counsel restated the message: "HealthSouth still believed that no one associated with the company nor the company had done anything wrong."³ The following month FBI agents executed a search warrant to gain access to financial records and to serve grand jury subpoenas to several employees. The SEC ordered a two-day halt in trading HealthSouth securities on March 19, 2003, and its common stock was delisted from the New York Stock Exchange (NYSE).

Others started to question the validity of their relationships with the company. For example, the U.S. Department of Health and Human Services launched an investigation into medical billing at HealthSouth on April 10, 2003. There was evidence that some executives participated in a scheme to manipulate Medicare reimbursements. Medical doctors started disassociating themselves with the firm, and shareholders took steps to initiate a class action lawsuit. Groups of HealthSouth Corporation employees filed a lawsuit against the company's employee stock ownership program.

Scrushy was a wealthy man, and the crisis played out against the backdrop of his lavish lifestyle. Company responses started with "no comment" policies when Scrushy was investigated for insider-trading violations. HealthSouth's spokesperson, Ernie Knewitz declined to comment on the company's struggles, and said: "The

¹ Bob Cook, "Going South: How One Hospital Company Crashed and Burned," *amednews.com*, <http://www.ama-assn.org/amednews/2002/12/02/bisa1202.htm>, (accessed April 30, 2007).

² PR Newswire Association, "Prosecutors Seek HealthSouth Documents, FBI Questions Employees," February 6, 2003, <http://web.lexis-nexis.com/universe/printdoc>, (accessed April 30, 2007).

³ PR Newswire Association, "HealthSouth Responds to Media Inquiries on SEC Investigation," February 26, 2003, <http://web.lexis-nexis.com/universe/printdoc>, (accessed April 30, 2007).

company had a policy of not commenting on SEC investigations.”⁴ Eventually, the company hired a global health consultancy, Euro RSCG; and Lanny Davis, legal crisis communications expert.

You are the senior manager of one of HealthSouth’s medical billing units in Baltimore, Maryland. Under your supervision are 160 full- and part-time employees, whose work includes:

- Registering patient information
- Performing insurance verification
- Preauthorization
- Referral task
- Charging tickets
- Patient accounts
- Coding and billing insurance claims
- Collecting patient payments
- Performing collection activities
- Preparing and posting transactions on day sheets

This means your unit is now under investigation. You have angry employees concerned for their future and disappointed in the company’s leadership. And through no fault of your own, your career may be at stake. How do you manage this issue?

⁴ Kurt Eichenwald, “HealthSouth Inquiry Expands to Medicare,” New York Times, March 28, 2003, <http://query.nytimes.com/gst/fullpage.html?res=9E02E6D61F30F93BA15750C0A9659C8B63&sec=health&spon=&pagewanted=2> (accessed July 12, 2016).

Scenario Two

Severe acute respiratory syndrome (SARS): something to sneeze about

The outbreak started in a major city 45 minutes away from McMaster University Medical Center (MUMC) located in Hamilton, Ontario, Canada. A Toronto, Canada, doctor probably caught the disease when she looked after sick family members who had recently returned from Hong Kong, China.⁵ The disease was highly contagious. One nurse went home with the disease and sadly, she and her husband both died from the virus. On March 27, 2003, Ontario Health Minister Tony Clement declared a “health emergency”—in only three days, the number of probable cases tripled. By the end of the month, public health officials estimated nearly 100 cases of the disease called SARS—42 probable and 39 suspected in Ontario.

The hospitals in Toronto shut down all outpatient services, except for cancer treatments. All traumas were diverted to other cities. No visitors were allowed in to see the remaining patients. The disease took its toll on people and revenues. Empty beds deprived hospitals of income and meant extending patient-waiting lists even further.

All entrances into the facilities were streamlined into one. People were hired to screen everyone coming into the hospital. A registered nurse was assigned to monitor the procedure. Picture identification had to be shown. Each time hospital employees entered, they had to fill out a three-part form:

1. Do you have a fever or symptoms?
2. Did you have contact with anyone with SARS?
3. Have you been to another hospital?

Employees had to wash their hands on the spot with a special rinse. Once they reached their workplace area, most had to don a yellow gown, gloves, and an orange “duckbill” mask. It looked like everyone worked in the operating room. The mask had to be replaced every four hours (three times on a regular shift). Resources were stretched to keep the stacks of gloves, gowns, and masks in supply. And there were long employee lines to get in the hospital close to the beginning of each shift.

In an effort to contain the disease, Toronto’s Emergency Operations Center sent guidelines to hospitals and health care providers in the greater Toronto area, which included Hamilton. It also provided fact sheets noting the symptoms. Hamilton public-health officials tried to keep on top of preparations should the disease spread. Five Hamilton people were voluntarily quarantined in their homes, because they had visited patients in the Toronto hospital where the first case of SARS had occurred.

The spread pattern seemed to indicate that those who had traveled recently to southern China, Hong Kong, Vietnam, or Singapore were more likely to carry SARS. And until all the facts were sorted out, health care providers were on the front lines and very susceptible. Nurses seemed to be taking the brunt of the outbreak. Indeed, one of your assistants just said that the day before, she had taken the bus to the funeral of one of the nurses she knew who died from SARS. The disease had everyone nervous. Two nurses from the recovery room called in unable to show up to work, because their babysitters refused to come to the nurses’ houses anymore for fear those households were infected.

⁵ Rob Faulkner, “Asian Pneumonia Spreads in Toronto; No Cases Reported near Hamilton so Far,” *The Hamilton Spectator*, May 8, 2006, <http://web.lexis-nexis.com/universe/printdoc>, (accessed on 7 May 2007).

You are a manager in the MUMC hospital administration headed to a meeting. MUMC already banned visitors and implemented a single-entrance policy with the same questionnaire used by the Toronto hospital. In a memo, you were asked to think about whether MUMC should take any of these steps:

- Discontinue any transfer patients for shared services between other area Hamilton area hospitals.
- Screen those who entered the hospital, and require them to don isolation gear, including gowns, masks, and gloves.
- Clear an entire ward (30 beds) as an isolation area.
- Stop sharing resources, such as copiers, between departments within the hospital.

What would you recommend? What are the implications of your decisions? What contingencies would you put into place? What other decision or concerns, if any, do you need to address?

Scenario Three**Legal Tender Bank: significant snafu**

For several days during March 2007, one of the largest banks in the United States was unable to process any customer transactions—its national computer system hit a snag. While trying to update its computers, all on-line, in-branch, debit card, and automatic teller transactions were interrupted. This meant that none of the transactions for two entire days—Monday March 5 and Tuesday March 6—were recorded. The Legal Tender Bank (LTB) had more than 12 million personal, business, and public-sector customers. Most of them were affected by the disruption.

Apparently, the entire national system failed to register deposits and withdrawals against customer balances on Monday and Tuesday. So by Wednesday the system stalled as a result of the overload from the backlog of data. Data restoration was taking time, and there did not appear to be much relief in sight.

On Wednesday, the bank issued a statement through its spokesperson. The statement indicated that the problem was expected to have been resolved and told customers to, “call LTB Direct at 1-800-937-3862 or speak with local branch managers or customer service agents about any concerns.” Following the release of that statement your phone, as a branch manager, started ringing, and the lines outside your door began to coil toward the back of the outer office. Your customers were upset. They wanted to know what exactly the problem was, and if the service fees and overdraft interest charges incurred would be recovered. You had been informed that all charges would be removed, but had little information on how and when that would happen.

Despite a lot of work and much wishful hoping, the problem continued and by day four the media coverage was widespread and unrelenting. Clients were fuming. Company spokespersons seemed to be fueling the exposure. While they kept relaying the message that no one’s money was at risk, customers wanted to know what had gone wrong. Instead of explaining the technical glitch, a LTB bank media-relations officer said:

We have 165 people on the day shift working just on this alone, and then we have another 90 people who are in doing night and graveyard shifts, whose duties include trying to describe the origins of the problem. All I’m saying was it had to do with computer software and something to do with sequencing. Our technical people are too busy working on getting everything corrected to discuss the cause at the moment.⁶

New consequences stemming from the snafu seemed to appear almost hourly. Several state payrolls were affected. Paydays for public employees across several states were delayed. Teachers in Massachusetts waited for their paychecks when automatic deposits failed to appear. Other banks waited for transfers due from LTB. Bank cards were deactivated. And then not surprisingly, someone, or some organization, started sending out an e-mail claiming to be from LTB. The e-mail was a scam. The e-mail asked for customers’ personal and account information warning that their account would be blocked, if they failed to enter the information.

Managing the situation became increasingly more difficult. A media-relations officer publicly told people to go into their branch, bring along their pay stubs, and bank tellers would be able to pull up past transactions on a computer. If they could verify that the customer usually had a deposit made every other week, the bank would work with them to cover needed expenses.

⁶ John Saunders, “Five Days of Computer Chaos Leave Bank’s Clients in Limbo,” *Toronto Globe and Mail*, June 4, 2004, <http://www.theglobeandmail.com/news/national/five-days-of-computer-chaos-leave-banks-clients-in-limbo/article1000003/> (accessed July 12, 2016).

You thought your headaches were large on the first day this unfolded. Now you will probably need an off-duty police officer to monitor the lines outside your bank branch. What should you do about the service interruptions? What is your plan to help the other folks on the front line in your bank branch manage the crowds on day four?