



Chile's recovery points to a host of tools for decision makers in governments and businesses alike to be better able to face the kinds of crises that many have confronted in recent years.

# Leadership Dispatches: Business Lessons From A President Taking Charge

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**This article discusses the leadership of President Sebastián Piñera following the Chilean earthquake of 2010. The authors argue that Chile's recovery from that disaster points to a host of tools for decision makers in governments and businesses alike to be better able to face the kinds of crises that many have confronted in recent years and conclude that Chile's experience offers a tangible tutorial on the leadership actions required by those facing large-scale risks anywhere.**

*"What we saw was just incredible!"*

– Chile's President – Elect Sebastián Piñera

*"The reality of my life has changed."*

– Interior Minister – Designate Rodrigo Hinzpeter

It had been another sunny day. Millions were enjoying their summer vacation. It was Friday night, and those not already on holiday were happily at the start of a seemingly carefree weekend. Little did they know that what was about to happen would bring a severe test of their nation's resilience, challenging the effectiveness of the country's institutions and the determination of its national leaders, the president above all.

Deep below the earth's surface, some twenty miles down, two large tectonic plates had been slowly converging for more than a century, and the gathering strain had finally become untenable. The plates snapped at 3:34 a.m., violently rocking the earth's surface for nearly two minutes. The released energy was so great, NASA later estimated that it moved the country eleven inches to the west and even tilted the Earth's axis by three inches.

Although it might seem like a nightmare or the script of a Hollywood blockbuster, it was all too real. Chile woke up facing one of the most devastating natural disasters that a country would ever experience.

## Living on the Ring of Fire

With a population of 17 million, Chile extends 2,600 miles from tip to toe, and its great vertical extension comes with a near perfect but very unwelcome alignment along the world's "ring of fire." Rimming the Pacific Ocean, this great semicircle is one of the most earthquake-prone zones in the world, running up California, across Alaska, and down Japan and Indonesia. What happened in Chile that day could one day occur again almost anywhere along the ring.

The February 27, 2010 event, widely abbreviated in Chile as F27, was not just another earthquake. It released five hundred times more energy than the earthquake in Haiti six weeks earlier. The sixth greatest earthquake ever recorded, F27 devastated schools, hospitals, roads, homes, and businesses across a huge swath of the country's midsection, paralyzing the country for weeks.

The economic damage was extensive: recovery would cost 18 percent of the country's gross domestic product, nearly a fifth of what the entire country produced in a year. This was equivalent to a \$2.7 trillion economic loss in the United States, or more than twenty times greater than that inflicted by Hurricane Katrina in 2005, America's most costly disaster to date.

The F27 earthquake came just days before a change in national government, with Sebastián Piñera soon to take the presidential sash. The president-elect was awakened the night of F27 like so many others in Chile: "All the communications were gone," he told us, "but I understood immediately that it has been a very huge earthquake."

Several few hours later, the incoming president met with his cabinet-to-be at campaign headquarters to map out a path to recovery. "We immediately realised that we had a huge task," recalled his interior-minister designate, Rodrigo Hinzpeter. Since the election of January 17, 2010 the president and his new ministers had been focusing on plans to revive the economy.

Now, just twelve days before inauguration, they faced a gigantic and unanticipated calamity.

For most countries, it could take years, if not decades, to recover from such massive devastation. Some might have stalled or gone into reverse after a disaster of this scale, but Chile shifted into high gear.

### Leadership for Comeback

Inaugurated shortly after the earthquake, Sebastián Piñera, mobilised his cabinet to help the injured and bury the dead, and then to repair hospitals and rebuild homes. He instructed his ministers to fully restore damaged buildings and infrastructure on a demanding timeline – while saying little about how they should do so. He insisted, for instance, that his education minister arrange for all of the country's school children to be back in school within six weeks – yet offered little guidance on how to do so.

The six-week schooling goal was no small stretch since a third of country's schoolhouses had been destroyed or severely damaged and a million students were without facilities. But within the president's unambiguous marching orders, it was now up to the minister of education to devise a solution.

Just six weeks later, the education minister had arranged for all of the country's million school-less children to be back in a classroom, albeit some in community centers, private homes, or even school buses. But the president's

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Chilean President Sebastián Piñera (photo credit: Michael Useem)

leadership had proven potent: Having set forward his strategic intent, he left his education minister to develop and execute a plan to achieve that goal on short notice, resulting in a complex blueprint that the president had neither the time nor the temperament to create.

Similarly, at the president's insistence, the finance minister was to jumpstart the economy without plunging the company into debt. And, just a year later, Chile's economy was fully back on track, its stock market and credit rating unfazed, and its annual GDP growth-rate reaching six percent at a time when the world economy was still reeling from the 2008-9 financial crisis.

The president did not stop with Chile's immediate recovery. He insisted that his ministers think longer term, that the national comeback go well beyond what the country had in place prior to the earthquake, including stronger early warning

systems, more resilient buildings, and better tsunami barriers. The president set forward his general intent for national improvement, and then required each of his cabinet ministers to lay out and achieve a host of long-term goals for making the country more resilient in the face of future calamities.

The president's intent made clear, he again left it largely up to his subordinates to execute, though his delegation of responsibility did not stop there. He followed-up as relentless taskmaster, holding his cabinet ministers accountable for achieving their goals in detail and on time. He insisted that they develop evidence-based options, take data-driven actions, and achieve targets on schedule.

In leading Chile's comeback through those reporting to him, the president depended much upon their leadership skills for executing under his direction.

## Chile's experience offers a tangible tutorial on the leadership actions required by those facing large-scale risks anywhere.

Mindful of that challenge, he had pre-selected his nearly two dozen cabinet ministers for their proven leadership records regardless of political experience, and he expected the same of them as they in turn staffed the leadership of their own agencies.

The power of this downward cascading of strategic intent through well-appointed lower tiers became evident when still another disaster struck Chile just five months after the F27 earthquake. A cave-in trapped 33 miners on August 5, 2010 in a shaft nearly a half mile below Chile's northern Atacama desert.

On taking office, Chile's president had designated Laurence Golborne as his Minister of Mines. Golborne was chosen by the president not because Golborne was well familiar with either mining or politics – he was in fact experienced in neither – but because Golborne had run Chile's largest retail chain. As company chief executive, he had overseen a workforce of more than 100,000 and an annual budget of more than \$10 billion. Golborne had a proven record of strategising and leading large enterprise, and it was those capacities – rather than his technical expertise or political experience – that the president had decided would prove vital in his own lieutenants.

The day after the miners' entrapment, Sebastián Piñera instructed Laurence Golborne that he should do everything feasible to rescue the miners even though they were trapped in a private mine over which the government exercised no direct authority. His intent made unequivocal, the president left the hundreds of technical decisions for doing so

largely in Golborne's hands. Golborne was as prepared to execute the president's intent about as well anybody in Chile, and ten weeks later, he and his rescue team lifted the last of the 33 miners safely to the surface.

### Leading for the Extreme


Chile's recovery points to a host of tools for decision makers in governments and businesses alike to be better able to face the kinds of crises that many have confronted in recent years – from technological meltdowns and environmental disasters to financial crises, disease pandemics, international terrorism, and cyber-attacks. Chile's experience offers a tangible tutorial on the leadership actions required by those facing large-scale risks anywhere.

Among the most vital leadership principles are two: Setting strategic objectives and then holding well-appointed lower tiers responsible for their execution; and thinking and acting deliberately, for not only rebuilding the enterprise but also better preparing it for the next calamity.

Some might think Chile's experience cannot readily be applied elsewhere. But having worked with a number of government and business leaders around the world, we believe that Chile's lessons are broadly applicable to a range of organisations and national settings. To illustrate, the World Health Organisation and West African governments would have been well advised by Chile's experience to more aggressively mobilise a global response to the Ebola outbreak in 2014, an epidemic that had killed more than 11,000. Similarly, Nepal would have been well informed by Chile's experience to strengthen and enforce its building codes in the wake of its devastating 7.8-magnitude earthquake in 2015, an event that left more than 8,000 dead.

Chile has already learned well from its own earthquake experience. President Sebastián Piñera passed the presidential

sash to incoming president Michelle Bachelet on March 11, 2014. Just three weeks later Chile suffered another massive earthquake, and with better warning systems and building practices in place, this time the loss of life was just a fraction of the nation's toll from F27. The *New York Times* headlined a story, "Responding to Quake, Chile Uses Lessons of the Past."

Now is a good moment for other countries to look to the leadership lessons of Chile's comeback from disaster. Imagine a backyard barbecue hosted by a future governor-elect of California. Her administration is just days from taking office when the most powerful earthquake in the state's history strikes, severing power, destroying schools, and producing a tsunami. As the incoming governor pulled herself up from the ground, she knew her leadership for the extreme was going to be tested in the months ahead. With little personal experience from which to fashion a strategy for a swift and full comeback, she remembered how a Latin American president had taken charge in a similar situation and brought his country back. 

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