

PERSONAL THOUGHTS OF A CEO

Leadership in times of Corona

Munich / Germany, 23 March 2020 – In the last few days I received more and more emails from companies who assured me that they would do everything to ensure the health of their customers and at the same time did everything possible to maintain their service at the best. I too was tempted to formulate and send out such a letter. But I got stuck on the question of whether these are really the two essential tasks of a CEO in these times of crisis that I should focus on. Do we just have to concentrate on somehow getting our company through this difficult time and then picking up where we were taken by surprise? Or doesn't the current situation pose a much deeper challenge for leadership, namely to perceive what we can learn from it for the future and how we can support this process.

When the first Corona cases occurred in China, our Asian offices already gave us a taste of the effects on employees and our supply chain - and we quickly felt the powerlessness with which we are largely at the mercy of the consequences. That's why we have put the focus on the health of our employees - because they are the ones who are currently trying to make everything possible for our customers in some way, to provide answers and ensure deliveries - while supporting the company's economic future wherever possible. Providing them as much as possible with the necessary protection and resources is a priority management task. However, the real leadership task is now a completely different one: to open up the space for worries, doubts, help, but also thoughtfulness in the crisis and to strengthen it with transparency and confidence - and at the same time to prepare the organization for the "post-Corona" period, which will certainly be different after this experience.

For while many may still think that we just have to muddle through these crises somehow in order to be able to continue as before, they are seriously mistaken. In a few years we will look back and it will become clear that through Corona, beyond all the suffering and all the challenges, the world has learned a few lessons that are essential for our coexistence in a globalized world: that it is we who are responsible for protecting the major economic, but also social and ecological systems from overloading - and that we can only meet the major challenges of the future in a collaborative way. At least that is my deepest hope.

Currently, all previous mental models of successful leadership are collapsing. While "outsourcing" to new countries with low wages was considered an undisputed strategy for success in a global world, today the necessary regional measures to contain the infection are shaking each of these networks in an unpredictable way. We hope that suppliers, from whom

we wrested hard-to-reach price concessions yesterday with the arrogance of the stronger, will now continue to supply us despite all the local challenges. And we expect employees whom we were still meticulously monitoring until yesterday instead of trusting them, to walk several extra miles for the company today in their home offices. And while we have always tried to take the biggest piece of cake off the plate through aggressive competition, we painfully realize how dependent we are on the help of others; for example, when the country we tried to bring to its knees yesterday with a customs dispute turns out to be the supplier of 90% of the now essential medicines.

As managers, we have been taught over decades that we can only manage what we actually measure. We have constantly strived to keep everything under control and in every situation we have used our past experience to find the right strategy to win the future. But now we must realize that this does not work in a crisis. And it will not be the last crisis we have to face. This one was certainly not foreseeable in this form, so that initially the evaluations of "right" or "wrong" are not adequate, when afterwards we judge among the surviving companies that had prepared best for it.

However, it was predictable that a crisis would come (and others will follow), and thus "right" and "wrong" leadership gets a new context. If one compares the effects of the "dotcom" bubble and the last financial crisis with the Corona crisis, a pattern emerges which applies to a whole series of other cases: actions or events in which the cumulative effect of all players can no longer be borne by the system affected inevitably lead to a system collapse sooner or later. This applied to the illusion that a website already represents an economic value as well as the ludicrous idea that a sack full of subprime loans can be transformed into a valuable asset just by sticking the label "AAA" on it - and this applies to the now very concrete health hazard posed by Corona: if our social, economic or ecological systems are overstretched, the rude awakening inevitably comes.

Now probably no one could have prevented the development and spread of the corona virus. And so there will continue to be crises in the future that we will not foresee.

But there is currently a whole range of man-made effects which, taken together, have long since brought social and ecological systems close to their stress limit. They are easier to ignore because they spread more slowly than the corona pandemic. But they exist and are generally strongly driven by our economic behavior - and it is in our hands to prevent them.

In my view, the Corona crisis teaches us two lessons for leadership:

1. We must be more careful in our decisions so that we do not overburden the economic, social and ecological systems surrounding us with our collective actions. Whether it is global

warming, the littering of the planet, social disparities or the creeping poisoning of the environment - we can no longer ignore these issues or deny their reality, because they have an immense crisis potential. We must recognize our share of them and start to take countermeasures.

2. In addition we have to understand that there will be further crises. In order to cope with these, we must learn to support each other, because we are now intensively interconnected and thus directly or indirectly dependent on each other. If we continue to focus on maximizing our own interests in the short term, we will be left alone in the next crisis. And we should start here with our employees.

The Chinese word for crisis consists of two signs: one for danger and one for opportunity. This wisdom should be the orientation for us now in this challenging time. We must try to avert the immediate dangers for our employees, our economy and our society - but at the same time we must seize the opportunity to take the step into a new form of leadership.

Almost four years ago, in the company we decided to do our utmost to promote sustainability in the clothing industry and to strive for a circular textile industry. Along the way, we not only incurred additional costs, but also repeatedly foregone sales - potential liquidity that we may lack today. Nine months ago we started to realign our organization according to agile principles and to build decision-making processes on trust and cooperation instead of control and power. This, too, has required a lot of strength and learning.

Both processes have costed energy and we still have some way to go. But from today's perspective, of all the management decisions made in recent years, these two were the most important ones, because they have already brought us a step forward on the path we will all be able to learn for the time after the Corona crisis.

It is a challenging time to be a leader, because there is no blueprint for our actions. But we should use the time to reflect in quiet moments on what we want to do differently in the future. And it is best to write it down so that we do not forget it later (#NewLeadership).

A handwritten signature in blue ink, appearing to read 'Rüdiger Fox', is written over the printed name.

Dr. Rüdiger Fox

CEO Sympatex Technologies GmbH



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PR Contact:

Sympatex Technologies GmbH

Sonja Zajontz

Mail sonja.zajontz@sympatex.com

T +49 (0)89 940058 439