

When the Crisis Hits, Will Your People Stay or Go?

Why your organization's real geopolitical readiness depends on how you treat your people—not just how you read the headlines

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R A P I D R E A D

Growth hides bad management. When markets are booming, organizational dysfunction is invisible. The moment external conditions deteriorate—through sanctions, trade wars, or sudden market closures—the accumulated damage surfaces all at once.

The real threat is silent. The friction that destroys organizations during a crisis is not operational chaos but broken trust. Employees who feel disposable will not sacrifice for an organization that never invested in them.

Leaders can act now. Specific governance commitments—from crisis-response promises to dignified transition policies—build the trust reserves that determine whether an organization survives the next shock.

In 2008, NVIDIA's revenue dropped 40%. Its stock lost more than 80% of its value. By any standard measure, the company was in serious trouble.

CEO Jensen Huang's response was unconventional. He cut his own salary to one dollar, implemented company-wide pay reductions — and refused to lay anyone off. The decision was expensive. It was also defining. It told every employee: when the crisis comes, we protect the team.

The workforce responded. Engineers accepted pay cuts voluntarily. Departures during the downturn were negligible. When the market recovered, NVIDIA had its entire experienced workforce intact—institutional knowledge preserved, customer relationships maintained, and team coordination unbroken. That workforce went on to make the long-term bet on CUDA, the computing platform that, fifteen years later, would make NVIDIA the most valuable company in the world.

Now contrast this with Intel. Between 2022 and 2024, Intel executed multiple rounds of layoffs totaling approximately 20,000 positions. Each round triggered waves of voluntary departures among the most experienced engineers—the very people whose deep expertise was hardest to replace. Intel's struggle to compete in AI computing today is not primarily a capital problem. It is a knowledge gap—one created by years of treating people as costs to be cut rather than capabilities to be preserved.

These two stories illustrate something that matters enormously in today's geopolitical environment: when the external shock arrives—whether through sanctions, trade wars, supply chain disruptions, or sudden market closures—the organizations that survive are

not necessarily the ones with the best scenario plans. They are the ones whose people choose to stay and fight.

The hidden cost nobody measures

Most executives are fluent in financial debt. Fewer recognize what I call **management debt**—the cumulative cost of decisions that trade long-term trust for short-term output.

Management debt accumulates every time a leader makes a promise during a crunch and fails to follow through. It grows when high performers are burned out and quietly replaced rather than developed. It compounds most dangerously when layoffs are executed without dignity—access cards deactivated mid-conversation, personal belongings boxed by security, and no acknowledgment of years of service.

Like financial debt, the borrowing is invisible and the interest accrues silently. The bill arrives at the worst possible moment: when the organization faces a genuine crisis and discovers that the people it needs to rally have no reason to do so. They have learned, through years of experience, that the employment relationship is purely transactional. When the transaction stops working in their favor, they do the rational thing. They leave.

My research across multiple organizations puts a number on this. I call it the **Mistrust Tax**: the total financial cost of operating in a low-trust environment. For a mid-size organization of 3,000 people, the Mistrust Tax—encompassing replacement costs, lost institutional knowledge, and reduced crisis resilience—can easily exceed tens of millions of dollars annually. Yet this cost appears on no balance sheet.

Two types of friction—and only one kills

Organizations experience two kinds of internal friction. Understanding the difference is critical for geopolitical readiness.

Structural friction—coordination failures, unclear roles, and process bottlenecks—is noisy, visible, and measurable. It is also survivable. A fast-growing company can power through these problems with organizational energy. When markets are strong, structural friction is annoying but not fatal.

Relational friction—eroded trust, disengagement, the lived experience of being treated as a disposable input—is silent, invisible, and compounding. Employees who feel exploited do not feel less exploited because the stock price is rising. Unlike structural friction, relational friction is not buffered by strong markets.

This asymmetry is what makes geopolitical shock so dangerous. When sanctions hit, markets close, or supply chains fracture, external conditions deteriorate rapidly. The structural friction that growth had been masking becomes visible. But the relational friction—the trust deficit that has been compounding for years—is what actually determines whether the organization holds together or falls apart.

Consider Huawei. For decades, the company’s “Wolf Culture” demanded extraordinary personal sacrifice in exchange for extraordinary financial rewards. The contract worked—as long as the rewards kept flowing. But when US sanctions intensified and dividend payouts declined, the equation changed. The most talented engineers began to leave. Not because they lacked commitment, but because loyalty had been built on financial incentives rather than genuine mutual care. When the incentives weakened, the loyalty evaporated.

AI is accelerating the reckoning

Artificial intelligence is reshaping the friction equation in opposite directions.

On the structural side, AI reduces friction by automating coordination, standardizing processes, and eliminating bottlenecks. It solves the “easy” problems more efficiently. On the relational side, AI creates massive new friction. By automating the tasks that define much of middle management’s identity—coordination, monitoring, reporting—it leaves many professionals feeling uniquely replaceable. The result is a spike in anxiety, guarded behavior, and disengagement.

As AI strips away the mechanical work of management, it leaves one irreducible capability: the **will premium**—a leader’s capacity to serve as an emotional anchor and moral decision-maker under extreme pressure. In an AI-enabled world, leading by example is no longer a platitude. It is the last non-automatable leadership capability.

Organizations that respond to AI by intensifying extraction—measuring more, monitoring more, optimizing more—accelerate the relational friction that will destroy them in the next crisis. Organizations that respond by investing in genuine human commitment harness AI’s structural benefits while protecting what matters most.

Contracts versus homes: what geopolitical shock reveals

Geopolitical shocks are stress tests that strip away every pretense. In these moments, the distinction between two types of organizational culture becomes strategically decisive.

In **contract-based cultures**—where the relationship between individuals and the organization is fundamentally transactional—geopolitical shock triggers rapid recalculation. “Is this deal still worth it for me?” When the answer turns negative, key people simply vanish. I call this the *evaporation effect*: the moment the risk–reward equation shifts, the talent you need most disappears first.

In **home-type cultures**—where people experience the organization as a professional community worth defending—the response is fundamentally different. Employees ask not, “What do I get?” but “What are we protecting together?” When supply chains fracture and assets are frozen, this kind of culture functions as an invisible supply line: core teams choose to hold their position, sustained by relational bonds that no contract clause can replicate.

The financial difference is not marginal. In my research comparing matched pairs of organizations facing identical revenue shocks, the firms that had built trust-based cultures resolved crises with full talent retention at contained costs. The firms operating under extraction governance—treating people primarily as costs to be optimized—incurred crisis costs up to 45 times higher and often never recovered.

What NVIDIA, Kyocera, and Costco teach us

Three organizations offer practical evidence that trust-based governance is not idealism—it is a competitive advantage.

NVIDIA: The cost of commitment

Huang's 2008 no-layoff decision was the single most consequential trust-building event in NVIDIA's history. That trust enabled the decade-long CUDA investment—an expensive bet on a computing platform with no immediate payoff, sustained by an engineering workforce stable enough to see it through. When the AI revolution arrived, NVIDIA had the institutional knowledge and organizational coherence to capitalize on it.

NVIDIA's annual turnover of 2.7% is not evidence of a comfortable workplace. It is evidence of an architecture that produces genuine loyalty—the kind that converts into strategic patience during stability and collective sacrifice during crisis. Intel's current struggle in AI, by contrast, reflects what happens when institutional knowledge is treated as a cost rather than a capability. The knowledge gap created by 20,000 departures cannot be filled by capital alone.

Kyocera: The longevity of trust

Founded by Kazuo Inamori in 1959, Kyocera has maintained trust-based governance for over six decades—through multiple economic crises, leadership transitions, and technological disruptions. The company has never conducted mass layoffs and has never posted an annual loss since its first decade.

When Inamori was asked to rescue bankrupt Japan Airlines in 2010, he applied the same philosophy. JAL employees voluntarily accepted pay cuts beyond what was required, because their identity was fused with the airline's survival. JAL returned to profitability in under two years—one of the most dramatic corporate turnarounds in history. The common thread: people sacrifice for organizations they experience as homes, not as contracts.

Costco: The economics of retention

Costco proves the economics work even in low-margin retail. By paying 40–45% above the industry median, providing comprehensive benefits, and promoting almost exclusively from within, Costco achieves a 94% retention rate after the first year—compared to roughly 40% across the retail sector. Revenue per employee runs approximately 28% higher than its closest competitor.

The “expensive” employees turn out to be the cheapest per dollar of revenue generated, because experience produces knowledge that compounds over time. None of these three

organizations achieved resilience through clever HR programs or engagement surveys. They achieved it through costly, visible commitments—actions that could not be faked—sustained over years. Trust is not built by what you say. It is built by what you do when doing the right thing is expensive.

The leadership test: example versus bureaucracy

In a geopolitical age, how leaders behave under pressure matters as much as what quarterly numbers show.

Exemplary leaders share sacrifice visibly, act decisively under ambiguity, and communicate honestly when the news is bad. They do not ask for burdens they are unwilling to shoulder themselves. That signal reinforces home-type culture and strengthens the organization’s will to endure.

Comfortable bureaucrats enjoy the privileges of hierarchy while insulating themselves from the costs of their decisions. Protective measures flow upward; cuts cascade downward. Employees read these signals instantly. If they conclude that leaders are fundamentally protecting themselves, their willingness to carry risk collapses.

Satya Nadella’s transformation of Microsoft illustrates what happens when a leader changes the signal. When Nadella eliminated the notorious “stack ranking” system in 2014—which had forced managers to rate a fixed percentage of employees as underperformers regardless of team quality—the effect was immediate. Engineers stopped hoarding information. Cross-functional collaboration surged. The cloud computing strategy that had always been available to Microsoft could finally be executed because the organizational trust had been unlocked. Microsoft’s market capitalization grew from roughly \$300 billion to over \$3 trillion in the following decade. The strategy was always there. The trust to execute it was not.

What leaders can do now

Building trust reserves before the next crisis is not a transformation project. It starts with four specific, practical commitments.

1. Monitor your inflection point

Track four early-warning indicators of management debt: Are talent acquisition costs exceeding what your market position can naturally attract? Is the ratio of voluntary departures shifting from growth-driven (“I found a great opportunity”) to distress-driven (“I can’t take it anymore”)? Are profit margins compressing despite strong demand? Is employee sentiment data surfacing relational concerns rather than functional complaints? When these signals converge, your internal governance quality matters more than your external market position.

2. Build micro-covenants before you need them

During growth phases, embed small but meaningful relational commitments: a policy of dignified departures with real notice and genuine support; transparency during difficult periods rather than sanitized corporate messaging; selective long-term investments in

core people that signal they are not disposable. These function as relational compound interest—small deposits that generate disproportionate returns when the crisis arrives.

3. Treat AI deployment as a governance question

Evaluate every AI initiative not only for efficiency gains but also for its relational friction cost. AI deployment that signals “you are replaceable” accelerates the governance crisis. AI deployment accompanied by retraining commitments, role redesign, and honest communication protects relational capital. The difference is not the technology. It is the message the technology sends about how the organization views its people.

4. Redefine leadership credibility around stress behavior

Add crisis behavior to how you select, develop, and evaluate leaders. Did this leader share sacrifice? Confront reality honestly? Maintain trust when the news was bad? These questions matter as much as what the quarterly numbers show—because in a geopolitical crisis, trust is the only currency that allows an organization to move.

From resilience to renewal

The organizations that will thrive in an age of geopolitical shock are not simply the most resilient. They are the ones that combine structural efficiency with a genuine will to endure—the capacity to bear hardship and sustain loyalty that purely transactional cultures cannot match.

This requires building three invisible architectures before the crisis arrives: an architecture of meaning, where people connect their sacrifice to something they believe in; an architecture of relationship, where they experience the organization as a home worth defending; and an architecture of example, where leaders embody the courage they ask of others.

In stable times, mediocrity hides behind process. In extreme times, only organizations with genuine governance and exemplary leadership hold the trust required to navigate through fire—and to build something better on the other side.

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