

The Issue

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Crises and Risks

How Antifragile is Your Company?

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I don't know a better time than now to ask how to strengthen managing crises and risks. While both competencies are important, the skills needed differ because a crisis is not the same as a risk.

GUARDRAILS OR AMBULANCES

Risk management is about laying out guardrails. For this, business leaders identify potential risks, analyze their threats and take precautionary actions to minimize or avoid risks. Historically, this has been an audit discipline that addresses risk assessment, reporting of financial consequences and contingency planning.

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More current are systems-oriented methods where planners look at systems – with all their shades and nuances -- to understand, evaluate and address *probable* risks that could block an organization from achieving its goals. The operational word is probable, as it is not realistic to create contingencies for every possible risk. We don't create risk plans for an elephant stampede down main street or for the morning we wake up and all people older than 40 suddenly had two thumbs on their left hands.

Risk management is proactive in addressing probable threats, as it creates the means for continuity with contingency solutions in the face of an unwelcomed obstacle or dilemma.

Crisis management is about rolling out the ambulances. This means putting in place a set of processes and actions to deal with an unexpected event that threatens an organization's operations. It is a reactive process to address a surprise, a threat without much prior warning. Done well, it reduces tension during the incident by implementing practical steps well-coordinated and understood by those in the organization.

THE COVID VIRUS: A RISK OR A CRISIS FOR YOUR ORGANIZATION?

Both risk and crisis management skills and plans are intrinsic to good management. While many boards and management teams work on risk management, many do not develop crisis management capabilities.

Here's an exception: HEB Grocery.

San Antonio-headquartered, HEB is an impressive example of crisis management leadership in the face of crisis. They have taken on a unique role in meeting the needs of their Texas customers and suppliers as a steady and reliable team during this trying time. Consider the steps they took.

Early in January, they....

- Reached out to Chinese grocers and suppliers in January to understand the impact and consequences underway in China;
- They got in close contact with their Italian retailers and suppliers to understand the pace and rate of change in those ahead of the US;
- Ran tabletop simulations for similar transmission and impact a few weeks later. The simulations were thorough (they do not consider the toilet paper rush, but did anyone?);

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- They spoke with Chinese retailers to learn how they addresses sanitation, distancing, effects on their supply chain, shopping behavior, how they served customer during total lockdowns, and what actions they wished they had done to get ahead of it;
- Their full-time Director of emergency preparedness went into action. He had been working on a pandemic and influenza plan since 2005, after the H5N1 threat from China. They had used that plan in 2009 when the swine flu hit and have been revising it since. They stocked emergency supplies in every warehouse and had water and supplies stage and ready to go. The director is key to their commitment to be a strong emergency responder to take care of their Texas community.

A couple weeks later, they...

Began limiting amounts of key products customers were able to purchase at the end of February;

- Extended their sick leave policy and implemented physical distancing measures immediately;
- Limited it hours to keep up with the needs of their stockers and employees;
- Created an “All Hands on Deck” call. asking employees in office roles to serve as relief detail for the store roles, and volunteers came forward for 350, 400 shifts in the stores and warehouses.
- Added a hotline for employees needing assistance and information;
- Gave employees a \$2 an hour raise on March 16th in respect for the fact workers would be interacting with the public during the pandemic, which is clearly a hazard.
- Activated their Emergency Operations Center and brought leaders together to make streamlined decisions and to collaborate daily.
- They reached out to help businesses under pressure. They partnered with a local food distributor who served schools, institution and restaurants to deliver foods and products for them. They partnered with a beer distributor to deliver eggs to their stores. Businesses supporting businesses in times of need!

In the face of all this, they still focus on their customer experience. A bride-to-be customer needed a flower bouquet for her wedding and emailed the HEB Blooms department at 5:59 on Saturday night. On Sunday morning, an employee went to the wholesaler, found flowers, made and delivered a bouquet and boutonniere (which she did not order) and got them to her in time for her ceremony. Another customer sent over a mariachis band to play in one of their stores to say thank you. A sign outside of a local church reads: Thank a HEB checker!”

Hats off to HEB!

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THREAT OR CHALLENGE?

Managing the unexpected well requires a mind shift in perception about what looms ahead. Both biological and psychological research shows that groups who see the stress of a situation as a *challenge to be overcome* outperform those who see it as a threat stress. The human body --- as well as organizational bodies -- process threat stress differently from challenge stress.

If your organization is experiencing threat stress, it is time to transform it into challenge stress. At the heart of feeling threatened is the feeling you are outmatched and the problem seems insurmountable. Combat this fear by reminding your teams about the resources they possess. Remind your team about the specific assets they have, their deep wells of knowledge, adaptability and “we got this and can do it” opportunity to learn.

Important changes are not always easy. This shift of lens from threat to challenge will help people to focus on solving the issues instead of being overwhelmed by them.

WHAT TO DO FOR THE FUTURE

At a time of massive upheaval, it's important to know crisis management is possible. If your company has not focused on both risk management AND crisis management, it's time.

Assess your organization's capability.

Do you address risk management, crisis management or both? If your approach is too narrow, address how to upgrade to a system-oriented and inclusive approach.

Do you have a crisis/emergency professional in management? Adding a certified, trained executive to the management team is a valuable asset for organizational continuity.

Is your company philosophy and culture clear about the values that ensure effective crisis management is possible? Review the company values, policies and practices to ensure there is a frame of reference for what the brand stands for in times of crisis. Companies that make it through count on exemplary collaboration, practical ways to share resources, reaching out to help beyond their own organization, caring for the employees who step up to a challenge, take initiative to learn from others with experience in addressing a similar challenge and stay open to solutions.

Does your company have – and invest in – developing the competencies needed for effective crisis management? Crisis management skills differ in emphasis from those for analyzing risk. Robust research about the vital competencies and behavioral anchors is available to use to: 1) identify individuals with the skills or the potential for development in key roles for crisis management and 2) include training for employees to broaden the capability across the organization.

- Lead people in demanding situations: ability to direct, control and help them;

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- Ability to solve unexpected problems swiftly;
- Communication skills, ability to listen, understand the information and signals, know how to negotiate, influence, persuade, take feedback, clearly and briefly formulate decisions and orders
- Can stand up to long-lasting physical and mental stress;
- Ability to decide in non-standard situations, recognizing what is most suitable in specific situations;
- Exhibit independence, decisiveness and responsibility;
- Professional competence and knowledge of specific problems of crisis management.
- Ability to organize and coordinate tasks and activities of members of crisis crew, executives and cooperating and helping service teams.
- Knowledge of working information systems for crisis management, including database systems and ability to use them.
- Knowledge of laws, regulations and other norms which restrict responsibility, tasks, activities and their relations in case of crisis ability to use them by coordination of particular subjects of crisis management.
- Experience with solving non-standard situations using mock exercises and real events.

Identify candidates with the right psychological make-up for managing emergencies. People have different orientations to problem-solving. Not all people have the psychological mindset for this work.

Need Help

We support clients through times of challenge and beyond to create new ways forward for the future. We can help with immediate concerns, such as securing loans, managing cash flow, ways to minimize customer loss, help employees with benefits, implementing work from home practices and use of software tools to manage information across virtual teams. For the long term, we can offer ways to reintegrate teams returning to work, identify potential future crisis managers and offer training to develop skills for dealing with unexpected change.

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CFOs 2GO Partners is a hand-picked team of leading practicing CFO consultants who customize and provide financial management solutions for client companies. The company was founded and is still managed by a former CFO. Each of the consultants have, in addition to themselves and the other consultants, access to specialty financial management executive search and placement services to assist in quickly fulfilling on client company requests both in the U.S. and abroad.

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