Crisis Management

Phil Andrews
Updated July 7, 2011

Handling Crises

- Identify its nature
- Initiate the Action Team
- Develop a quick but methodical plan for action
- Take action
- Quickly analyze/measure results
- Adjust action plan
- Continue working the plan

What Crisis Are We Facing?

○ Financial Crisis

○ Business Crisis

○ Leadership Crisis

- Management Crisis
- Morale Crisis
- "Quality" Crisis
- Client Retention Crisis

It's only partially addressed in this document

Action Team

Initiating The Action Team

- <u>A Crisis Manager/Commander/Czar</u> --- not a committee or a board

- <u>A Crisis Center</u> --- a command post or crisis headquarters where all the tasks are outlined, planned, assigned, handled, and checked off

- <u>A Team</u> --- that will handle the crisis --- members can include anyone, even people from the outside

The Crisis Manager's Role

○ The Crisis Manager (CM) is responsible for front-line management of the incident, for tactical planning and execution, for determining whether outside assistance is needed and for relaying requests for internal resources or outside assistance

The CM can be any employee, preferably a senior member of management with the authority to make decisions and the clout to lead

The CM Must Have The Capability And Authority To:

- Assume command
- Assess the situation
- Implement the emergency management plan
- Determine response strategies
- Activate resources
- Order an evacuation
- Oversee all crisis response activities
- Declare that the crisis is "over"

A Proposal

- The Crisis Czar is _____
- The team includes:
  - _____
  - _____
  - _____
  - _____

The Team Needs To Know:

- The nature of the crisis
- The causes of the crisis
- The immediate actions to "stop the bleeding"
- Who is doing what (roles and responsibilities --- coupled with authorities)
- The steps and projects needed to get out of the crisis
- The priorities

Other Considerations

- Chain of command, in case the Crisis Manager becomes "unavailable"
- Explicit procedures that the team members can follow and execute
- Definition of what is an acceptable outcome for each crisis item/incident
- Definition of what brings closure to the whole crisis

Other Considerations

- Prepare contingency plans
- Put in place a great communications plan, network, and mechanism --- need to tell employees and some times investors as to what is going on
- Arrange for support services, if needed
- Evaluate the results of the crisis plan and its execution (for future reference --- a continuous improvement approach)
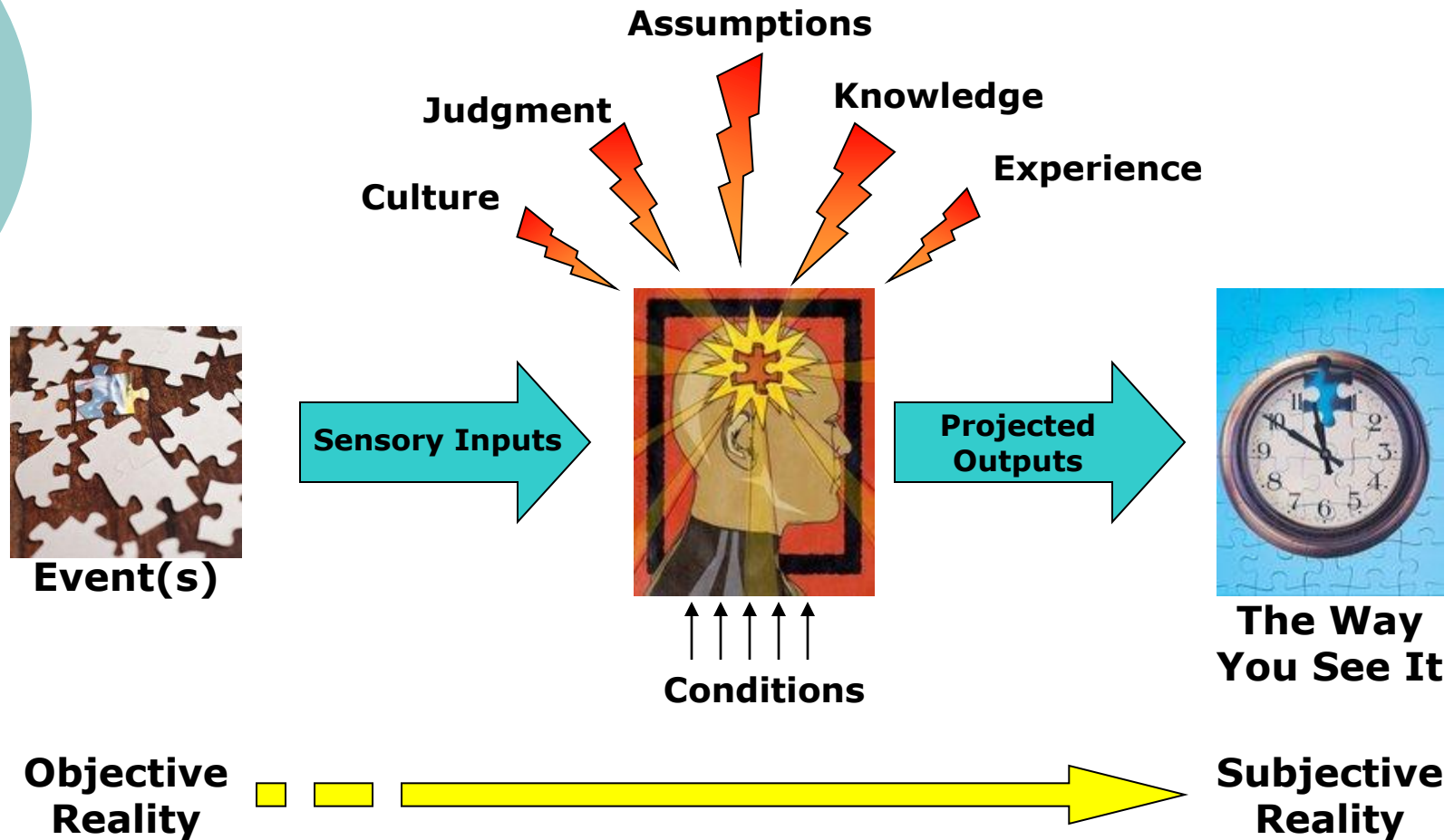
Key Realization

- Crisis Management is the same as Project Management and Change Management
  - Same team structure
  - Same mentality and approach
  - Same tools, methodologies, and checklists
  - Same communications mechanism
  - Same controls and reporting mechanism
  - Same consensus management

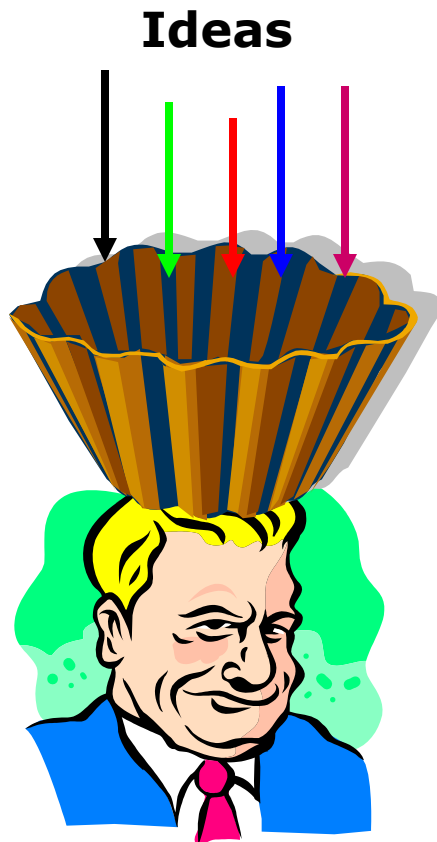# Helping With The Planning and Execution of Crisis Management

We All Are A Perceptual Filter Headset

Assumptions

Judgment

Knowledge

Culture

Experience

Event(s)

Sensory Inputs

Projected Outputs

Conditions

The Way You See It

Objective Reality

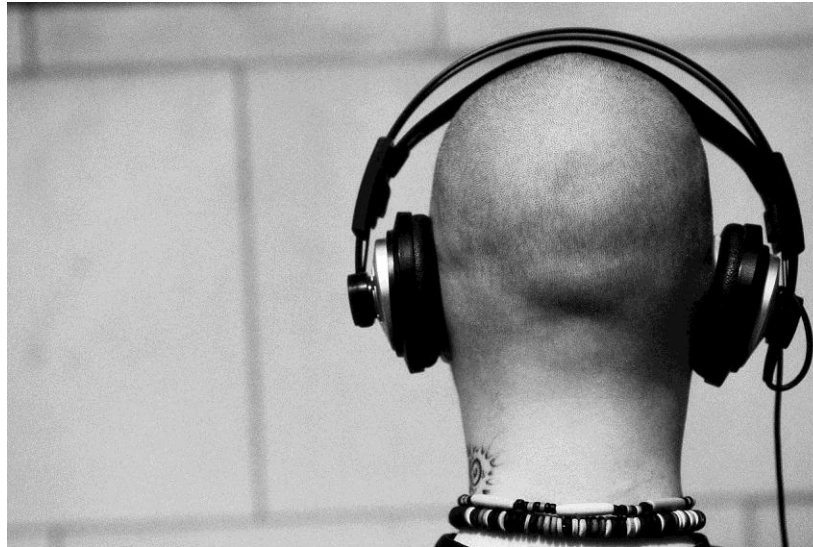**Subjective Reality**

Another Way To See It

Ideas

"I have hard time seeing it your way"

It Is Difficult To Communicate, Under Such Conditions

"I cant' hear You!"

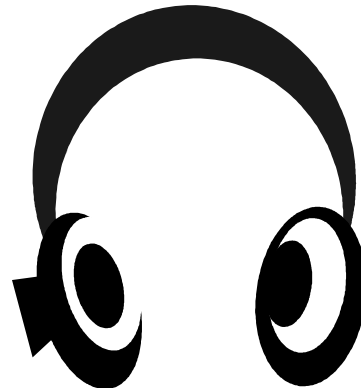It Does Not Matter What You Say!

The Power Of Strategic Story Telling

○ Speak with the intention of creating a new listening approach for the future. So, please"

- Listen generously
- Listen with no judgment
- Listen for possibilities
- Listen for commitment
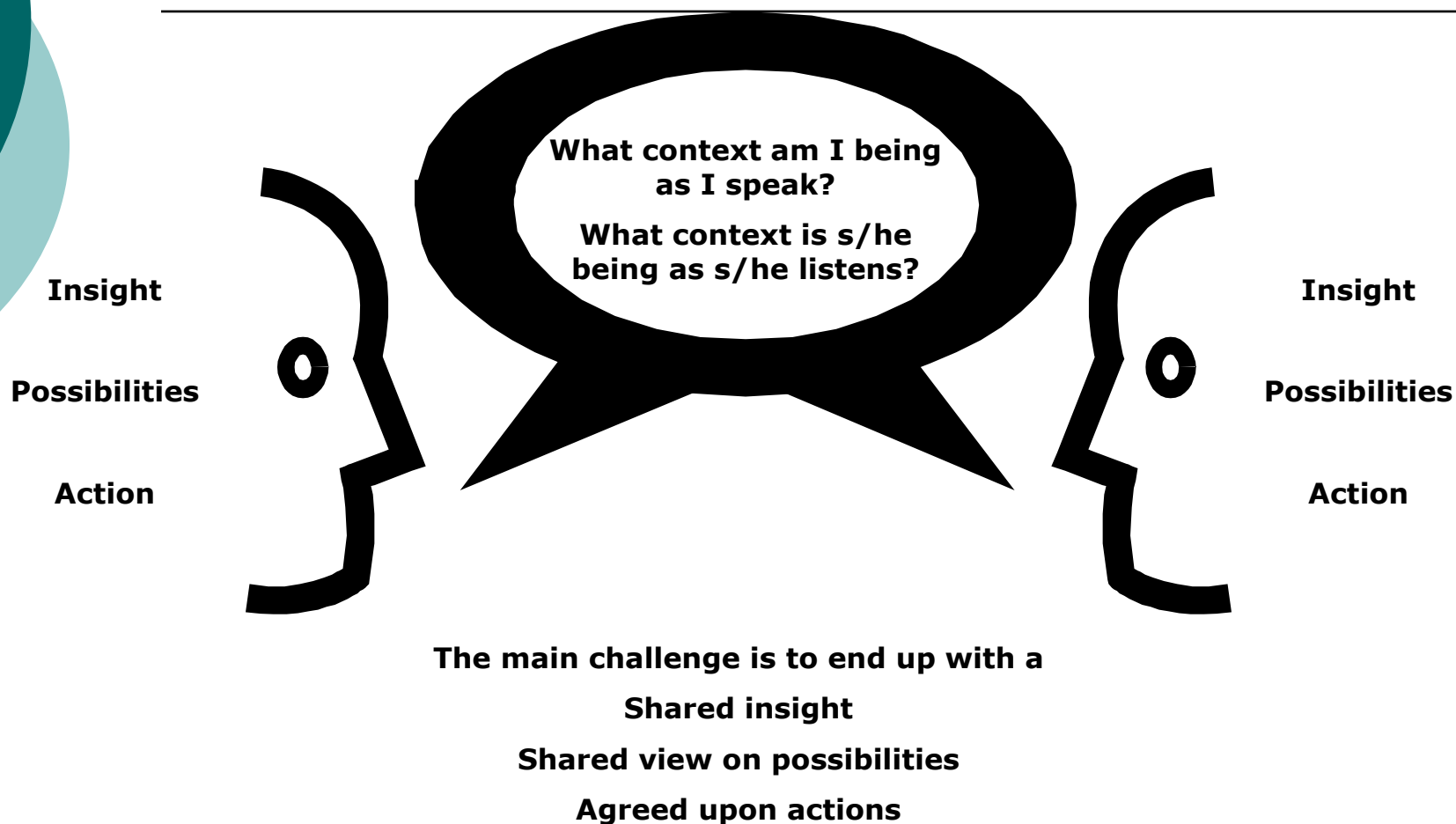
First, get rid of these:

And tone down all your filters. Become a good listener!

Frame The Intention Of Your Conversation/Presentation

What context am I being as I speak?

What context is s/he being as s/he listens?

Insight

Possibilities

Action

Insight

Possibilities

Action

The main challenge is to end up with a

Shared insight

Shared view on possibilities

Agreed upon actions

Initiate A Client Inquiry Regarding Future Intentions

○ Listen to underlying commitments

○ Listen for what is missing

○ Offer distinctions that generate new possibilities

○ Maintain a commitment for individual players to play a bigger game over their head

What Context Creates The Possibility Of An Inquiry

Asking?　　　　　　or　　　**Telling?**

Bringing out more insights　　　　Stifling insights

Empowering action takers　　　　Disempowering

Creating excitement　　　　　　Causing resentment

or

Ask Questions	Make Suggestions	Demonstrate	Give Prescriptive Advice	Tell What, How, When, and Where

Do as required in different situations

Framework For Conversation Management

Past-based

Concepts

Opinions

Experiences

Knowledge

Education

Present-based

Actions

Requests

Promises

Factors/Forces

Conditions

Future-based

Declarations

Possibilities

Intentions

Dreams

Vision

They all matter!

Language Of Inaction

- I guess
- I hope
- I would like
- I think
- In my opinion
- I'll do my best
- I would suggest
- To be perfectly honest
- Etc.

Non-Committal
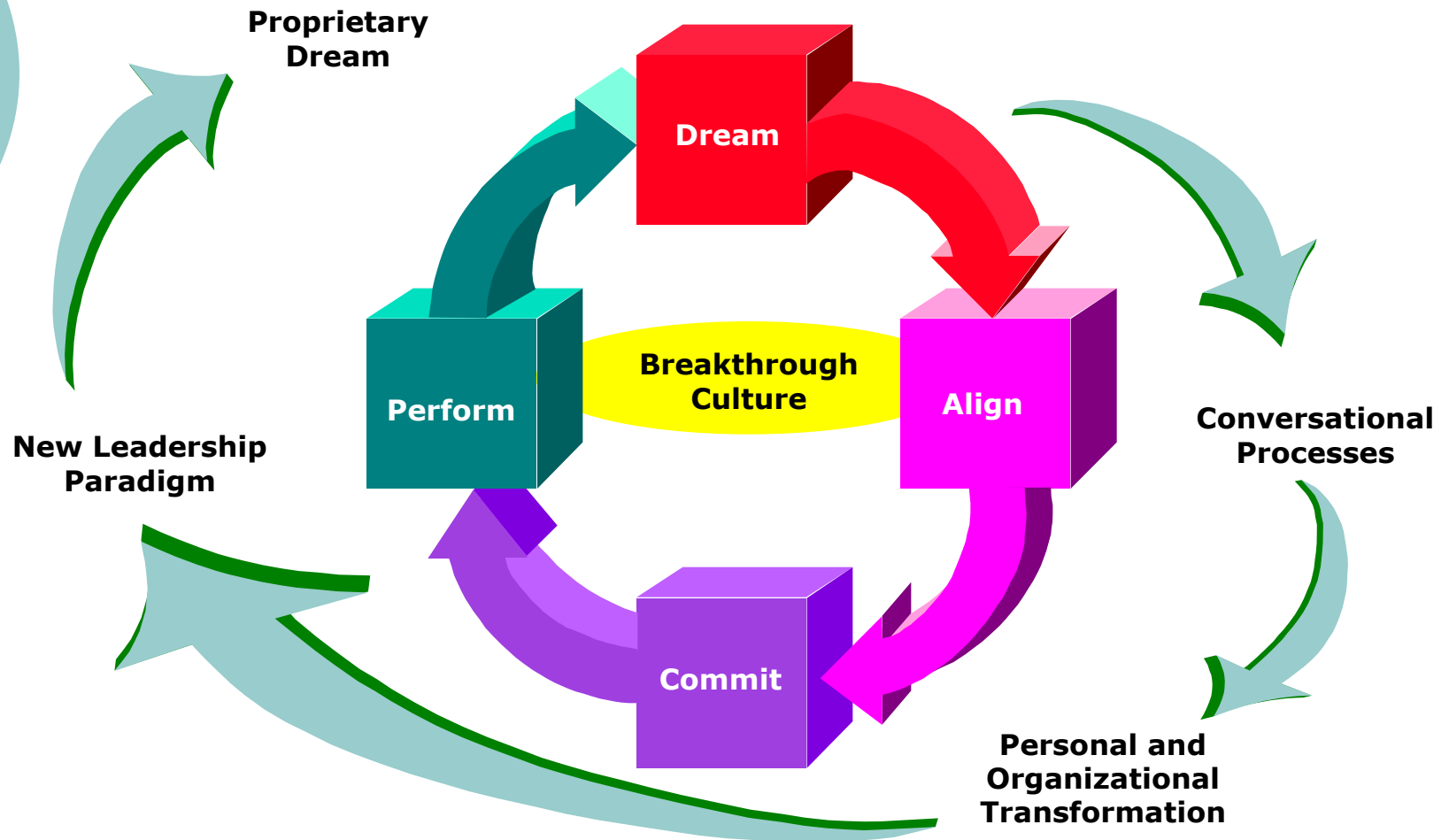
Language Of Action

- I promise
- I request
- I stand for
- I am committed
- You can count on me
- I will do it
- Consider it done
- Who, what, when, how, where

Clarity & Commitment

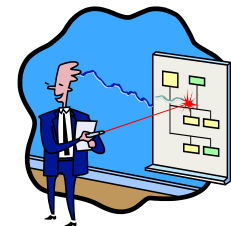# Achieving Authentic, Accelerated and Sustainable Movement Forward

Proprietary Dream

Dream

Breakthrough Culture

Perform

Align

New Leadership Paradigm

Conversational Processes

Commit

Personal and Organizational Transformation
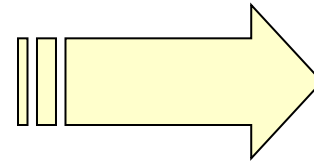
Key Objectives

- Produce Possibilities

- Direct Alignment

- Script Commitment

- Stage Performance

Key Requirements

- Willingness to tell others your dream and bring them "into the woods" with you
- Willingness to become accountable
- Willingness to translate the vision into action
- Willingness to learn
- Willingness to transform at all levels
- Willingness to speak the language of the leader

Creating Breakthrough Conversations

- Start with this question:
  - "If anything were possible, and there are no constraints, what are you committed to accomplishing, that would represent a personal breakthrough for you, in the following domains:"
    - Thrust of future business?
    - Scope of solutions and/or offerings?
    - Market niches?
    - Capabilities and competencies?
    - Risk and growth?

Why Ask These Questions?

○ Because taken collectively these questions will lead us to our unique vision, our authentic proprietary dream story, which will define the future of the firm

Vision Creates New Possibilities That Are Interesting To:

- Current customers and prospects
- Bankers (current) and subordinate debenture (new)
- Stakeholders and investors
- Employees
- Management
- Partners

The Context For Owners

- You are the dream story

- Have the confidence to delegate and improve the total business environment for empowering managers and achieving breakthroughs in operational and financial performance

What Is A Breakthrough Culture?

○ A culture that promotes:

- Dreaming
- Breakthrough/Outside-The-Box Thinking
- Entrepreneurial Thinking
- Daring; Risk Taking; Continuous Experimentation
- Continuous Learning
- Continuous Dialogue

Key Questions For All Leaders

- What are you trying to accomplish?
- What do you need to achieve your objectives?
- What are you missing?
- What present circumstances hinder and/or help you visualize possibilities, make commitments, create alignment, and impact performance?
- How do you express your commitment?
- Is your commitment real or a facade?

Key Questions For All Leaders

- What is the future you are committed to creating, despite what you or others thinks or feel about it?

- What constraints impede your ability to deliver the dream story?

- What would happen if you stopped being the dream story?

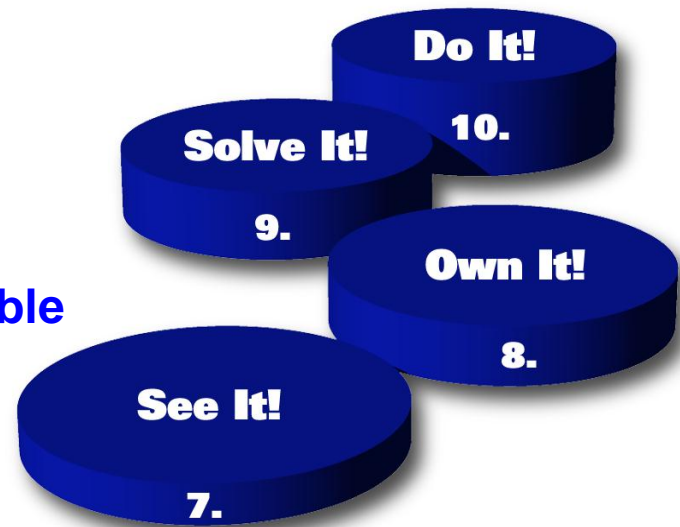- Are you accountable for what happens to the dream story?

The Best And Most Important Word Is Accountability

○ Accountability. It implies:
- Understanding that there is a problem
- Owning the problem --- regardless of who created the problem
- Offering solutions and alternatives
- Doing something about the problem; Stepping up to do the right thing
- Owning the solution --- regardless of whose solution it is
- Assuming responsibility for the results
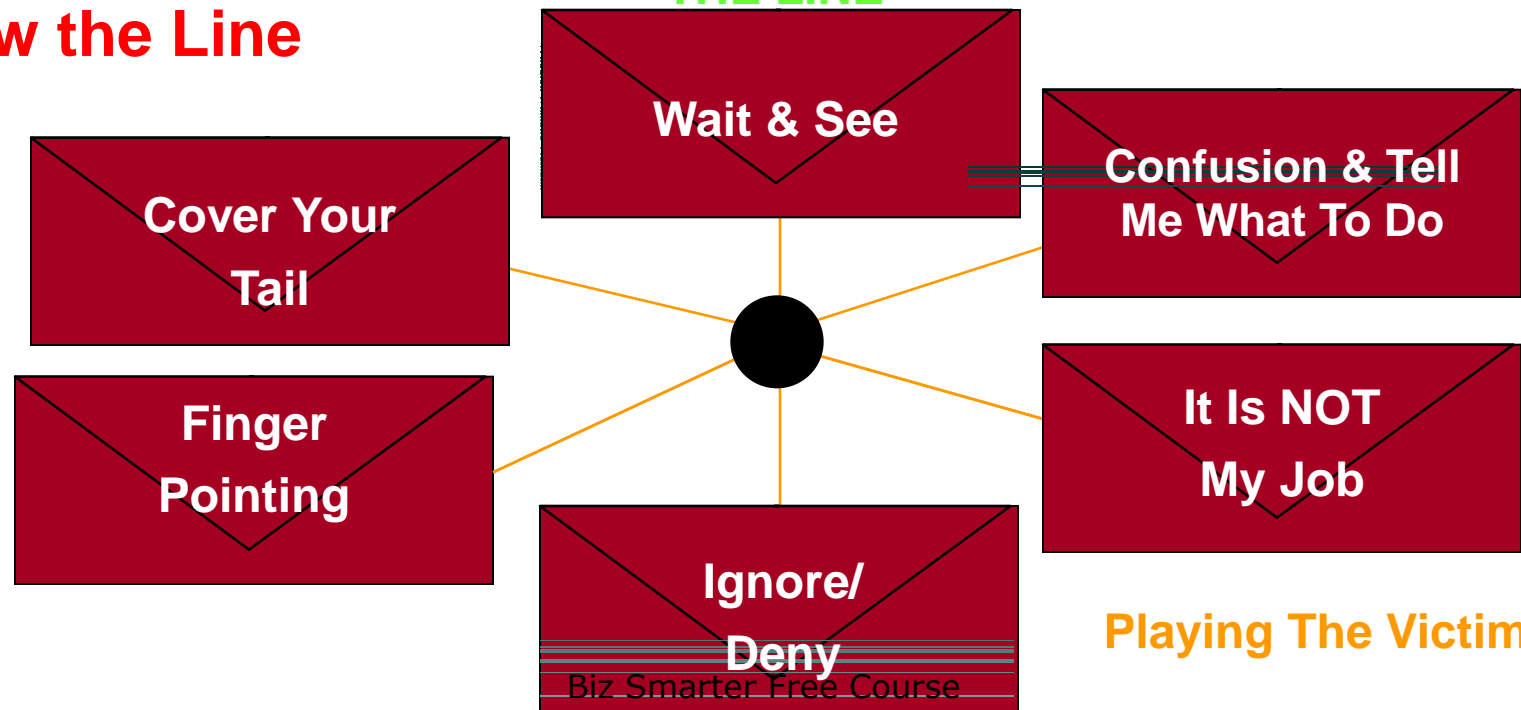
Adapted From: *The OZ Principle*

Being Accountable

Do It!

10.

Solve It!

9.

Own It!

8.

See It!

7.

Above the Line

THE LINE

Below the Line

Wait & See

Cover Your Tail

Confusion & Tell Me What To Do

Finger Pointing

It Is NOT My Job

Ignore/ Deny

Playing The Victim

Biz Smarter Free Course

Accountability Starts With:

- Me!
- I am accountable for what is presented and proposed here
- I am accountable to solve all I can solve
- I am accountable for the performance of my colleagues and the whole enterprise

However ...

- Accountability is of limited value or is totally useless if every one else in the company is apathetic and aloof. Accountability works well only when there is an overall culture of caring and being conscientious
- Individual heroics will turn a few things around but will not save the day or the company

Moreover …

- The reaction of one's boss makes a difference because some leaders when they see direct reports take charge they feel threatened. Good leaders on the other hand, encourage and promote accountability because it invites participation and involvement which are the key ingredients to empowerment. Thus:

Accountability = Good leadership

Questions

○ Are we all prepared to put new "skin in the game" in a visible and declarative way?

○ Given the possibility that we are close to achieving breakthrough what requests and promises do we choose to make of ourselves and our employees at this time?

Suggestion
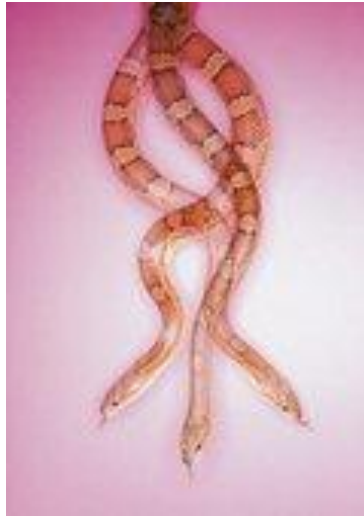
- When you see a "snake", get it right there and then!

Be action and results oriented. No time for meetings and committees and all the other nonsense that big corporations suffer from!

Because …

The one snake become many and the danger multiplies

Financial Crisis

Our Crisis Is About Money/Cash Flow

○ To pay for the Leads we need --- because Leads are the fuel of our revenue engine

- Without leads we can bring the revenue, we cannot keep our employees happy, and we cannot drive any of our strategies and plans

- Thus, the question is how and where do we find more money?

There Are Four Proven Ways

Raise Money	Increase Sales	Increase Productivity	Lower Costs

**Which one is the easiest and best
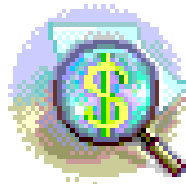one to go after first?**

Lower Costs!

**However, we must do all four of them in parallel
because we cannot wait to do things serially**

They All Require The Same Thing

- ○ Study and analyze the Financials because without this understanding it is difficult to make the right decisions

Addressing The Financials

What Is Important In Managing A Business Crisis

- Need to know:
  - The current strength of the company
    - Accounts Receivable
      - Current
      - Projected for the next few months and whole year
    - Sales
      - YTD
      - Projected fro the next few months and whole year
    - Assets
      - Equipment
      - Intellectual property (that can be translated into dollars)
      - Patents, inventions, etc.

What Is Important In Managing A Business Crisis

- Need to know:
  - The current liabilities of the company
    - Loans/Microloans
    - Credit card debt
    - Obligations to current investors
    - Outstanding promises and commitments
  - The operating cost
    - Current
    - Projected for the next 12 months
    - Differentiate variable from fixed costs
    - Analyze what the vulnerable areas are --- where costs can escalate out of control

Lowering Costs and Stop the Bleeding

What Is Important In Managing A Business Crisis

- What we need to analyze and do next:
  - Reduce all operating variable costs --- differentiate between the low hanging fruit from the high one
  - Reduce fixed costs, if possible
- Make the tough decisions:
  - Layoffs; Firings
  - Move back to the low rent district
  - Other programs that help reduce head count, including attrition
  - Salary reductions; Benefits reductions
  - Other downsizing --- outsourcing, cutting off overtime, cutting off programs/projects, trimming down the offering and/or partner network

… And Then Put A Nice Ribbon Around It

Moreover …

- We need to determine whether or not we have any intangible costs that we need to worry about

  Note: Intangible costs are usually higher than what most people realize

Key Advice

- Look beyond the current month or period. The financials must be looked at, at least 12 months out

- Cannot move debt around hoping that it will be reduced or forgiven – it needs to be tackled head on. After all, we need to apply the same principles to ourselves that we are telling our own clients

Key Advice

- Avoid assuming more debt
- Avoid missing payments or paying late
- Avoid any moves that can hurt the individual and/or collective credit rating
- Avoid deals that can hurt the company long term

Side Note

- At this stage, we do not differentiate between operating cost and overhead cost, but we need to do this as it will help us to further understand our costs and try to contain them

    - Note: Overhead costs should be the very first ones to be addressed and reduced

Addressing Additional Investment Needed

Raise Investment

○ Look at these sources:

- Banks
- Other Lending Institutions
- Factoring Lenders
- Friends and Relatives
- Angel Funders
- Venture Capitalists; Corporate VCs
- Government Grants

Key Things To Worry About

- ○ Lack of collateral (machines, equipment, buildings, etc.)
  - Personal collateral may offset this
- ○ Credit score for company and/or founders
  - It can be explained as starting the company on personal credit cards
- ○ Overall financial health company
  - High debt and lackluster performance can be explained as well

Addressing The Sales/Revenue Side

Raising Revenue

- Find new sources of revenue
- Create new channels to reach more customers
- Piggyback on the coattails of a strategic partner or two
- Get more leads
- Raise productivity --- through a variety of means, except of cracking the whip

Look At Creating A Breakthrough Advantage

Breakthrough ideas:

- ✓ A great website
- ✓ PPC
- ✓ SEO
- ⊠ Blog
- ⊠ Special Promotions

A Promotions Idea

○ Have a landing page that rewards prospects to call instead of filling out the form

- Monetary discount/rebate
- Monetary reward --- check or reward card
- Gift or gift card

Addressing Productivity

Increasing Productivity

○ Productivity is a very complex issue because it goes well beyond motivational speeches, coaching, mentoring, and other managerial skills. It may involve:

- The Business Model
- Business Issues
- Business Risks
- The Corporate Culture
- The very approach of handling Crisis Management

Addressing The Business Model And Business Issues
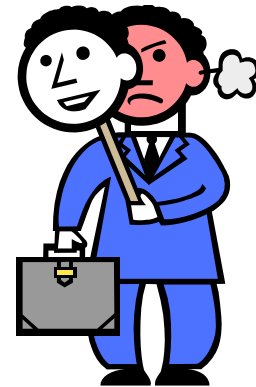
Rethink/Reevaluate The Following

- Revenue Engine
  - Website Effectiveness
  - Lead Generation mechanisms
- Cancellations and their real reasons
- Individual leader effectiveness
  - Span of control
  - Employee performance and motivation level
- Roles and Responsibilities (& Authorities)
- Work load and work balance

Rethink/Reevaluate The Following

- Our posture of not giving up equity in the company
- Spending patterns and habits
  - Paying the owners --- drawing an income upfront in the first year of operation
  - Paying generous benefits
  - Having perks (toll tags, cell phones, meal and entertainment budget, club dues, etc.)
- What is presented to investors
  - Need to improve/fix/remove the irrelevant points, incomplete spreadsheets, and flaws in the business model

Rethink/Reevaluate The Following

- Why we are behaving like a dysfunctional family
  - Lack of trust?
  - Afraid to ask the tough questions?
  - Afraid to challenge dull ideas?
  - Unable to communicate right?
  - Unwilling to face reality?
  - Unwilling to ask others for help and advice?
  - Suffering from many learning disabilities (see Learning Organization presentation)?

More Importantly We Need To Rethink Our Approach and Mentality

Our current way

- Buried in minutia, routine, and detail work
- Tactical Thinking
- Solution De Jour
- Attached to what we knew
- Defend old beliefs
- Control
- Black and white
- No sense of urgency

The way it should be

- Tackling what matters the most --- "Vital few, trivial many"
- Strategic Thinking
- Long-term Strategy
- Eager to learn mew things
- Open to possibilities
- Delegate and Empower
- Learn to accept grey
- Huge sense of urgency

The Problem Is:

Our Perception	**Reality**
○ We think that we have a sense of urgency	○ Not!
○ We think we are leading	○ Not!
○ We think we are solving problems	○ Not!
○ We think we are making progress	○ Not!

Why Not? … Because:

- We lack the discipline to execute what we put on our plate
- We lack the skills to handle specific problems the right way and the guts to admit that we don't have the right skills and/or knowledge
- We have egos that cannot fit inside the Empire State Building
- We pretend that we know it all

Proof

- It takes 3 weeks to schedule a Crisis Management meeting and even then we do it reluctantly because one executive got really mad
- The employee handbook and whole bunch of other materials are waiting for months to be approved
- The joint executive project list gets longer with every passing month and things are not checked off as completed
- We have lost at least two investors by dragging our feet

… And That's Not All Of It!!!

- However, there is no need to go any further than this … because our feelings are now hurt and we need to take time to heal our feelings
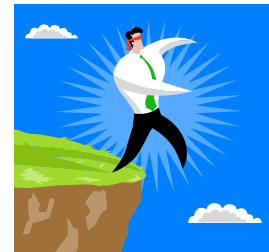
  (very long pause … some sobbing)

  In the meantime, the world and our competitors are moving on

So, What Will It Be?

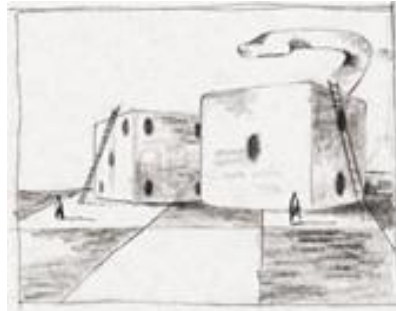Are we going to get our act together, or are we going to self-destruct?

Addressing Risk

High Risk, High Danger

Risk Analysis And Management

- **Customer, partner and employee confidence.** Will this affect current or new business? New hiring? Partner relationships? Will we lose clients and market share?

- **Company's credibility.** Will there be negative media coverage? Will our competitors jump on the opportunity to badmouth us?

- **Company's viability.** Will the company's value be affected? Will it hurt our credit rating?

- **Regulatory or legal compliance.** Are the proposed changes going to affect our compliance with SEC and other requirements?

Risk Analysis And Management

- **Capabilities.** Will we lose our best employees? Will we lose critical skills? Will we lose core competencies?

- **Vulnerabilities.** What are they and how many? How do we address each vulnerability? Is there a way to turn any or all vulnerabilities into positive factors?

- **Strategy.** What are our SWOTs (Strengths, Weaknesses, Opportunities, and Threats)? What is the impact of all these on our strategy?

Move Into Action

- Get to the "So what?" quickly; translate the "so what" into actions and projects
- Identify actions and projects; prioritize
- Create and enable project teams
- .
- .
- .
- Make it happen

972-672-6657

Contact Us

For an in-house presentation to thrill and motivate your team or organization.

We will customize our courses to fit your needs.