



The Evolving Crisis, Part III: The Great Shift

August 25, 2021
Thought Leadership Webinar



Tectonic Plates



THOUGHT LEADERSHIP SERIES

Part Three of a Continuum of Learning

Overarching Themes:

- Looking beyond conventional wisdom
- Establishing contextual awareness of the environment in which we operate.

Goal:

- Establish learning mediums and discussion groups via webinars, face-to-face meetings (sometime soon) or social media groups (LinkedIn) to allow thought leaders to discuss ideas on these tectonic changes re-shaping our society



ASHFORD CHANCELOR

CURRENTLY:

Dallas Practice Manager & Consulting CFO, vcfo

Board of Directors, Texas Association of Business Brokers –
State Treasurer

RECENT PAST:

30+ years' experience as a Chief Financial Officer in four sectors – for-profit, non-profit, Big 4 accounting and consulting

Big 4 experience in both audit and tax with clients in technology, banking, manufacturing, energy, and retail

For-profit experience in technology, energy, real estate

Non-profit experience with NPO's in life sciences research ((including pandemics), environmental protection and climate advocacy

Consulting experience with SAAS and technology companies, education, nonprofits, and assisting companies with capital raises and preparing for due diligence

vcfo offers an integrated suite of Finance, HR, and Recruiting support, including outsourcing and consulting solutions.

Since 1996, we have supported more than 5000 clients nationwide with offices in Austin, Dallas, Denver, and Houston.





JAMES SAVAGE

CURRENTLY:

CEO @Kingsbrae Global

RECENT PAST:

A trained economist and recognized communications leader, Jim built Kingsbrae after 6 years leading two major strategic firms in Dallas, Pierpont Communications and Edelman's corporate practice. Earlier, he led communications and marketing functions at Philips Electronics, Verizon, and the Federal Reserve Bank of Cleveland, among other organizations. His career also spans leadership at two international NGOs and policy analysis roles for the Government of Canada and Asia Pacific Economic Cooperation Council (APEC). Jim has a BA from the University of British Columbia and an MS in International Business economics from the London School of Economics. He is the author of *The Politics of International Telecommunications Regulations* and has edited six other books and two magazines. He serves on multiple non profit Boards including the Dallas Council on Foreign Relations, the Institute of Public Relations Research Conference and the Communications & Public Affairs Program at SMU.

The Storyline



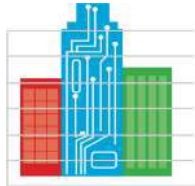
PART 1 –

ESTABLISHING CONTEXTUAL FRAMEWORK IN TERMS OF HISTORICAL CYCLES



PART 2 –

BUSINESS STRATEGIES - LOOKING BEYOND CONVENTIONAL WISDOM



PART 3 –

THE TECHNOLOGY / INNOVATION - CHANGING THE FABRIC OF OUR REALITY

Overview of Today's Webinar – More Detail

- Review of Historical Cycles with More Focus on The Crisis
- Enterprise Sustainability and Adaptability -navigating through instability
 - Corporate Management Readiness
 - Financial Resilience
 - Scenario Planning
- Risk

Topics Covered in Previous TLS Webinars

Overarching Themes:

- Moving beyond conventional wisdom
- Establishing contextual awareness

Historical Cycles

- The Fourth Turning
- Ray Dalio's Six Stage Internal Cycle

Situational Assessment

- High Risk of Continued Systemic Shocks

Corporate Readiness

- Situational Analysis
- Environmental Assessment
- PESTLE
- SWOT

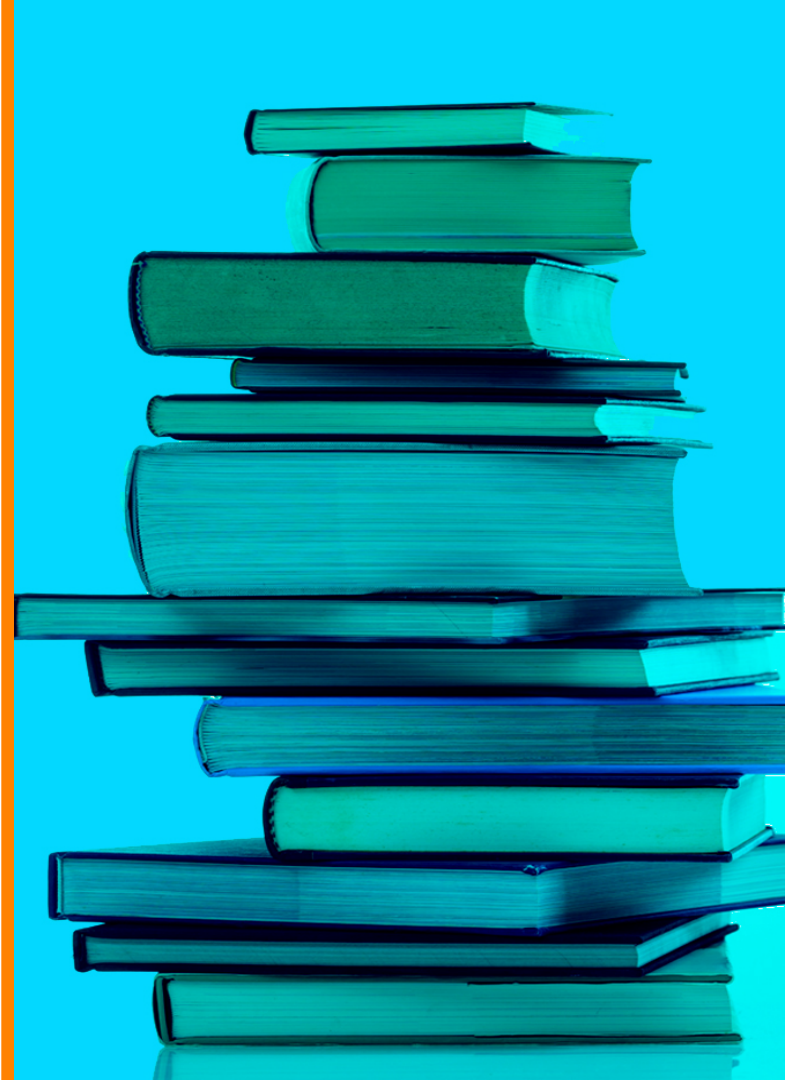
Corporate Resource Allocation

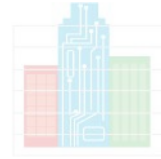
Reputational Risk

Corporate Leadership Styles

- Visionary, Transformational, Pacesetter

Enterprise Sustainability





PART I - REVIEW HISTORICAL CYCLES

ESTABLISHING CONTEXTUAL FRAMEWORK
IN TERMS OF HISTORICAL CYCLES

- THE FOURTH TURNING
- RAY DALIO'S SIX STAGES OF THE INTERNAL CYCLE

THE FOURTH TURNING:

An American Prophecy – What the Cycles of History Tell Us About America's Next Rendezvous with Destiny

By William Strauss and Neil Howe

Published in December 1997



Overview Of The Fourth Turning

It describes four turnings, or seasons, that occur sequentially over and over again just like the four seasons of winter, spring, summer and fall.

Each turning lasts 20-25 years

- **First Turning** – The High (1946-1964)
- **Second Turning** – The Awakening (1964-1984)
- **Third Turning** - The Unraveling (1984-2008)
- **Fourth Turning** – The Crisis (2009-????)

The three crises before the current one are the **American Revolution**, the **Civil War** and the twin crises of the **Great Depression** and **World War II**.

FIRST	SECOND	THIRD	FOURTH
HIGH, 1946-1964	AWAKENING, 1964-1984	UNRAVELING, 1984-2008	CRISIS, 2009-????
An Era of Building	The Social Revolution	The Harvest and Separation Last Unraveling: The Roaring 20's	An Era of Destruction Last Crisis: The Great Depression, WWII

POLITICS/INSTITUTIONS			
The nation reunites with a greater common purpose after the Crisis. Government and institutions are more trusted by the people.	Institutions start to come under attack; distrust against authority and institutions is seeded.	Institutions are weak and distrusted. Political polarity crests; warring ideological camps.	Institutions are discredited at the onset but regain credibility and power. This is an era in which America's institutional life is torn down and rebuilt from the ground up.

CULTURE			
Concerns and agenda of the majority dominates the focus of national discourse.	The incoming generation rebels against the cultural beliefs and morals of the majority.	Concerns of minority groups dominates the focus of national discourse.	Culture wars reach their peak and then are dissolved by the intensity of the Crisis.

ECONOMY			
The building blocks of a strong economy are in place.		Economics booms but with destructive underpinnings.	Significant resources are expended to resolve the crisis.

Signatures of the Early-Stage Crisis

- Frequency, intensity, duration of Systemic Shocks.
- An era in which America's institutional, social mores and life is torn down and rebuilt from the ground up.
- The societal constructs and business framework that have guided us for our entire adult lives are undergoing massive and systemic transformational change.



Stages of the Crisis

Catalyst(s) - terminates the mood of the Unraveling and unleashes the Crisis.

- Sparks ignite and intensify a heightened sense of conflict.



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Resolution – a triumphant or tragic conclusion that resolves the conflict and established the new order.



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TECHNOLOGY
Technology innovations makes people feel more interconnected than ever.

Fourth Turnings have eventually become new “founding moments” in America’s history, refreshing and redefining the national identity.

Source:

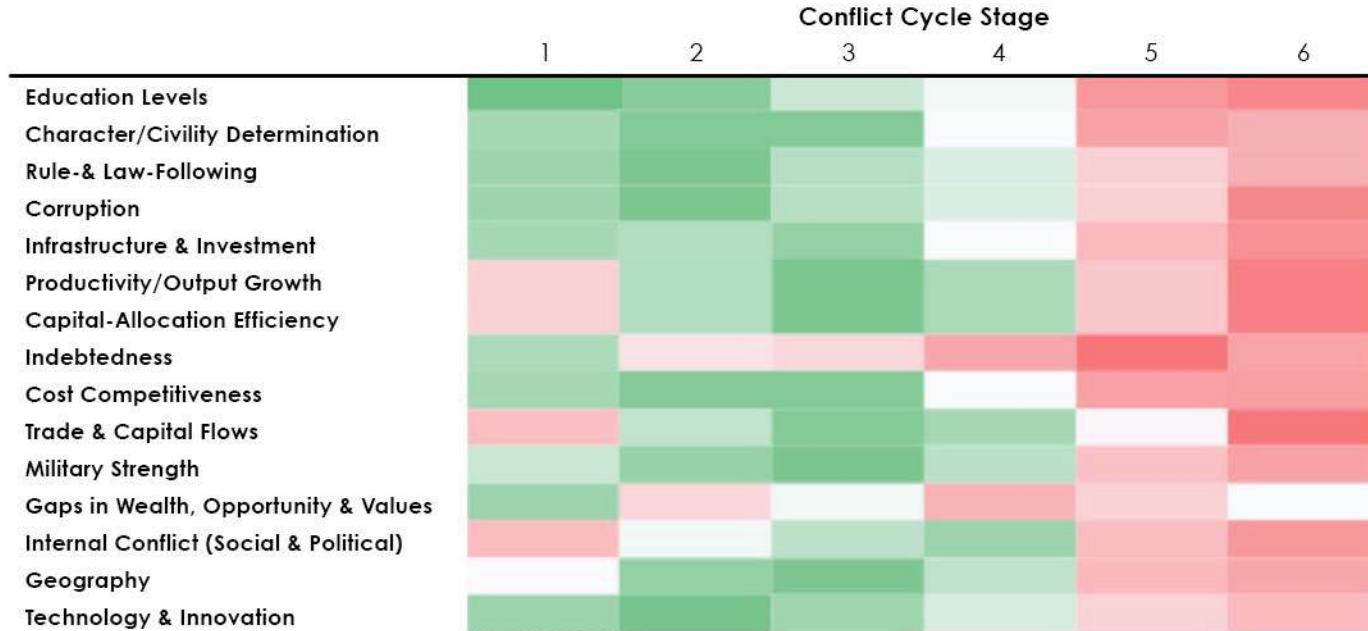
<https://www.lifecourse.com/about/method/the-four-turnings.html>

Ray Dalio's Six Stage Internal Cycle

- **Stage 1** when the new order begins and the new leadership consolidates power, which leads to...
- **Stage 2** when the resource-allocation systems and government bureaucracies are built and refined, which if done well leads to...
- **Stage 3** when there is peace and prosperity, which leads to...
- **Stage 4** when there are great excesses in spending and debt and the widening of wealth and political gaps, which leads to...
- **Stage 5** when there are very bad financial conditions and intense conflict, which leads to...
- **Stage 6** when there are civil wars/revolutions, which leads to...
- **Stage 1** which leads to Stage 2, etc., with the whole cycle happening over again.

Cycle Stages

Rough Quantitative Scoring of Measures by Stage in Cycle

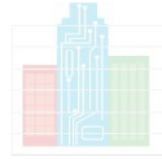


Source from Ray Dalio. <https://www.linkedin.com/pulse/delving-six-stages-internal-cycle-particular-focus-us-ray-dalio/>

Environmental Scan

- Economic Distress
- Social Distress
- Cultural Distress
- Technological Distress
- Environmental Distress
- Political Distress





PART II - BUSINESS STRATEGIES

BUSINESS STRATEGIES –
LOOKING BEYOND CONVENTIONAL WISDOM

Areas of Focus

Situational Assessment

- Environmental Risk Identification

Corporate Readiness

- Corporate Management Expertise – The right management team composition for this season
- Financial Preparedness – Managing your balance sheet and monitoring liquidity
- Risk
- Strategic Readiness
- Scenario Planning



SITUATIONAL ASSESSMENT

Environmental Scan

- Economic Distress
- Social Distress
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- Political Distress

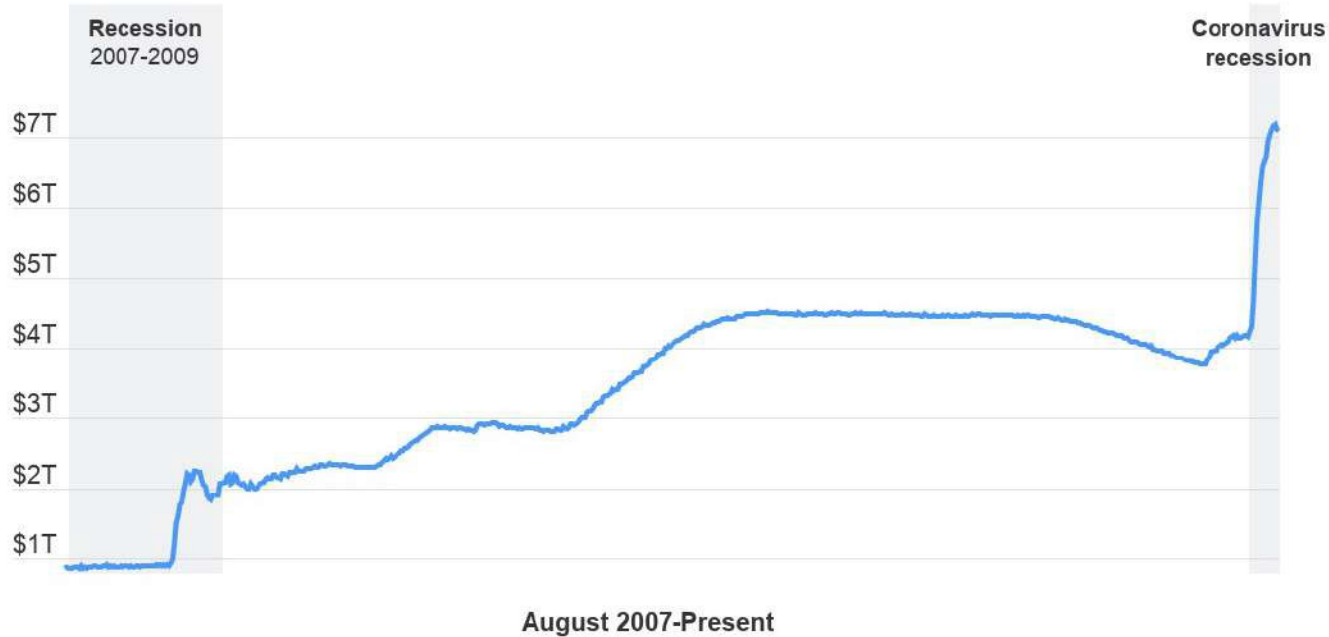


Current Headlines

- Signs of an economic boom are everywhere.
- Stock market valuations are at an all-time high.
- Home prices are surging.
- Economists are predicting healthy growth for the foreseeable future as supply chains issues are worked out.
- What could possibly go wrong? Or how will this end?

Fed's balance sheet balloons after Great Recession

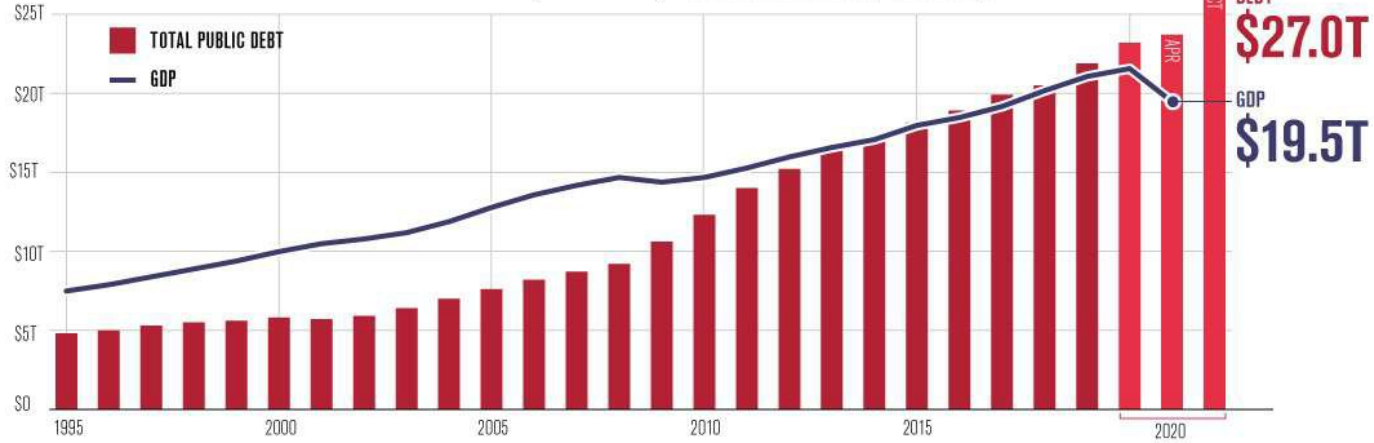
The Fed's balance sheet peaked at \$4.5 trillion after the financial crisis of 2008, and it's now soared past \$7 trillion in the wake of the coronavirus pandemic.



Source: Federal Reserve Board of Governors via FRED, July 2020

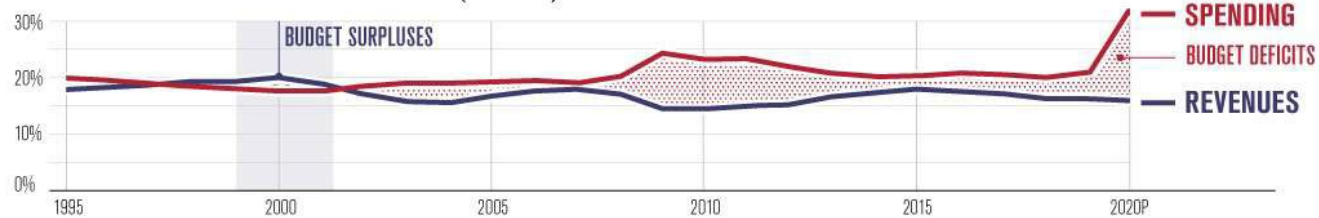
U.S. TOTAL PUBLIC DEBT VS GDP (TRILLION USD)

Source: Federal Reserve, U.S. Treasury



FEDERAL SPENDING AND REVENUES (% OF GDP)

Source: Peter G. Peterson Foundation



CORPORATE READINESS

We Live in a VUCA World

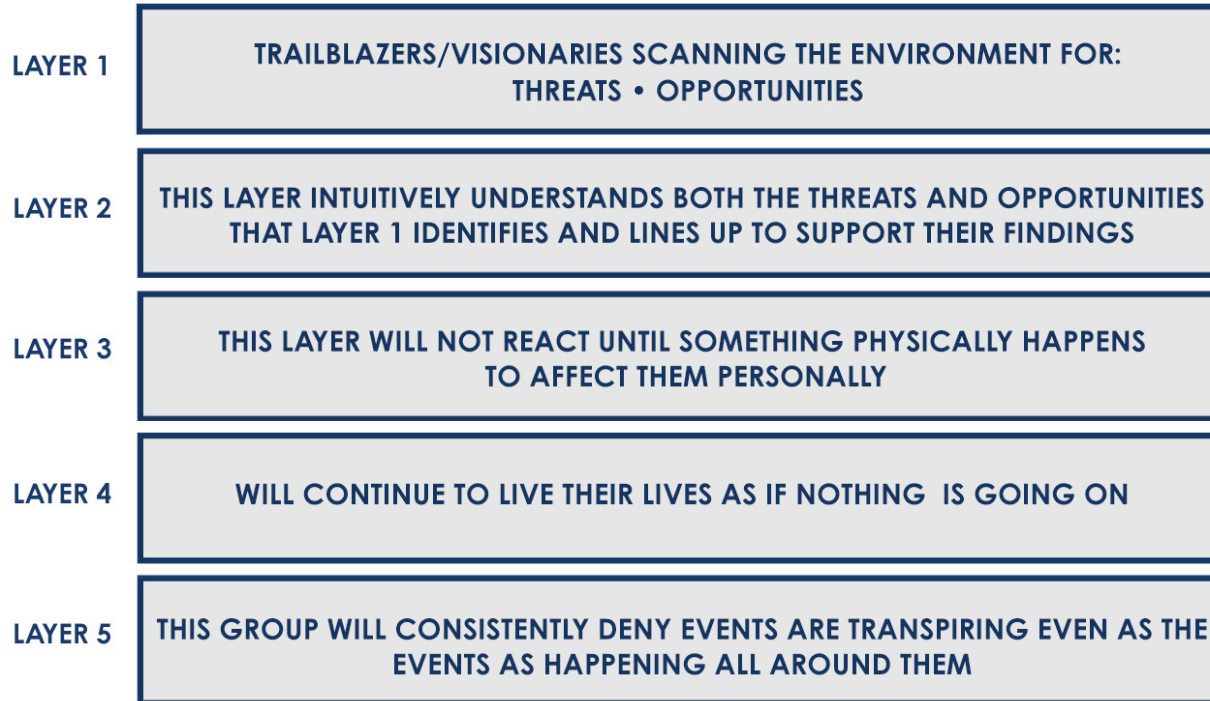
- **Volatile:** Change is rapid and unpredictable in its nature and extent
- **Uncertain:** the present is unclear and the future is uncertain
- **Complex:** many different, interconnected factors come into play, with the potential to cause chaos and confusion
- **Ambiguous:** there is a lack of clarity or awareness about situations

Slide provided Nevin Kamath of Kamath Coaching & Consulting



In a crisis the threat environment is heightened

ENVIRONMENTAL PERCEPTION / AWARENESS STACK



Note: In your management team, not every voice should have equal weight in this environment of systemic shocks and heightened threat levels

What About Me?

Risk and Entrepreneurship

Don't let the qualities that built your business become liabilities in a crisis

Why we tend to dismiss macro risks

- The world as we want it, not as it is
- Aversion to “analysis paralysis”
- We're used to uncertainty so dismiss risk (but they aren't the same)



Building a Risk-Aware Culture

Simple yet hard:

- Don't dismiss macro trends
- Have the right team
- Be willing to change
- Listen to the culture

Why doesn't this happen?

- Inability to listen
- The wrong team: loyalty > competence
- Micro 'task at hand' mindset
- Isolation/groupthink: us vs. the world

Can You Manage Today's Risks: Your Management Team Matters

- Understanding how your management team is wired.
 - Personalysis
 - Culture Index
 - DISC
 - Meyers Briggs
- The Premonition: A Pandemic Story by Michael Lewis (Author of The Big Short)



FINANCIAL READINESS

Balance Sheet Liquidity

ASSET HEAVY

BALANCE SHEET

CURRENT ASSETS	LIQUIDITY INDEX		CURRENT LIABILITIES
CASH			ACCOUNTS PAYABLE
ACCOUNTS RECEIVABLE			PAYROLL AND SALES TAXES
MARKETABLE SECURITIES			ACCRUED EXPENSES
PREPAID EXPENSE			SHORT TERM DEBT
STOCK INVENTORY			CURRENT PORTION - LONG TERM DEBT

LEGEND

DEGREE OF LIQUIDITY

TIME TO MATURITY

SIZE OF CELL = DOLLAR VALUE OF ASSET/LIABILITY

Balance Sheet Liquidity

LIABILITY HEAVY

BALANCE SHEET

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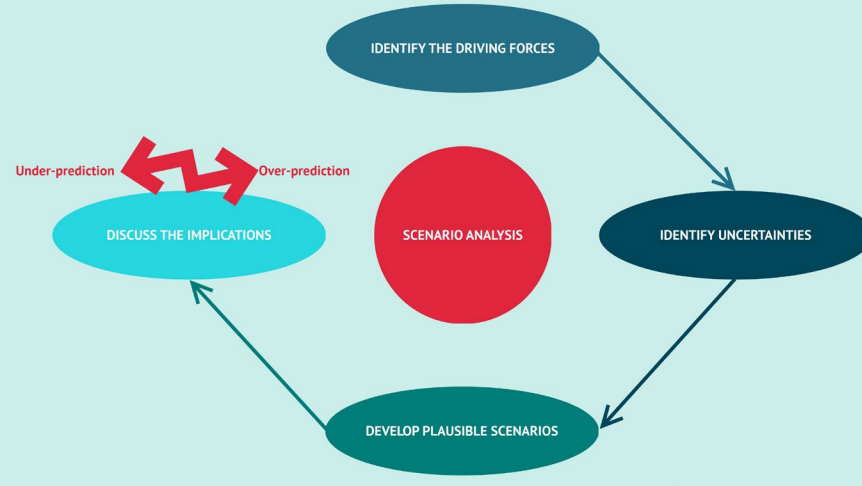
SIZE OF CELL = DOLLAR VALUE OF ASSET/LIABILITY

Basics of Scenario Planning

1. Identify the drivers that can impact your organization's mission.
2. Rank-order the drivers in terms of their impact.
3. Rank-order the drivers in terms of their uncertainty.
4. Assess the drivers against an impact/uncertainty matrix
5. Construct scenarios based on the high impact, high uncertainty drivers
6. Develop scenarios
7. Wind-tunnel your strategy against the scenarios

Scenario Planning In A Nutshell

Businesses use scenario planning to make assumptions on future events and how their respective business environments may change in response to those future events. Therefore, scenario planning identifies specific uncertainties – or different realities and how they might affect future business operations. Scenario planning attempts at better strategic decision making by avoiding two pitfalls: underprediction, and overprediction.



Slide provided Nevin Kamath of Kamath Coaching & Consulting

Final Thoughts

The goal of the **vcfo** Thought Leadership Series (TLS) is give you context and tools to assist you in navigating through all the turmoil and restructuring while positioning your business for success now and in the coming season, in which many incredible opportunities will emerge.

Next TLS webinars:

- November – Date TBD

We hope you'll join us for the final installment of this series



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