

# AFP<sup>®</sup> Annual Conference



— November 7-10, 2010 | San Antonio —

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**ORIGINAL**  
**ESSENTIAL**  
**UNBIASED**  
**INFORMATION**



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## Women in the Finance Industry: Rebuilding Trust

Erika Hayes James  
Darden Business School  
University of Virginia

# In the News -- Recent Crises



# Defining Crisis

A business crisis is any situation that threatens the financial well being, reputation, or survival of the organization.

Crises may be sudden or smoldering in nature.

# Sudden Crisis

Natural disasters

Product tampering

Terrorist attacks

Sabotage

Plant explosion

Technology

Executive death

Workplace violence

# Smoldering Crises

Product defects

Sexual harassment

Rumors

Consumer activism

Safety violations

Mismanagement

Labor disputes

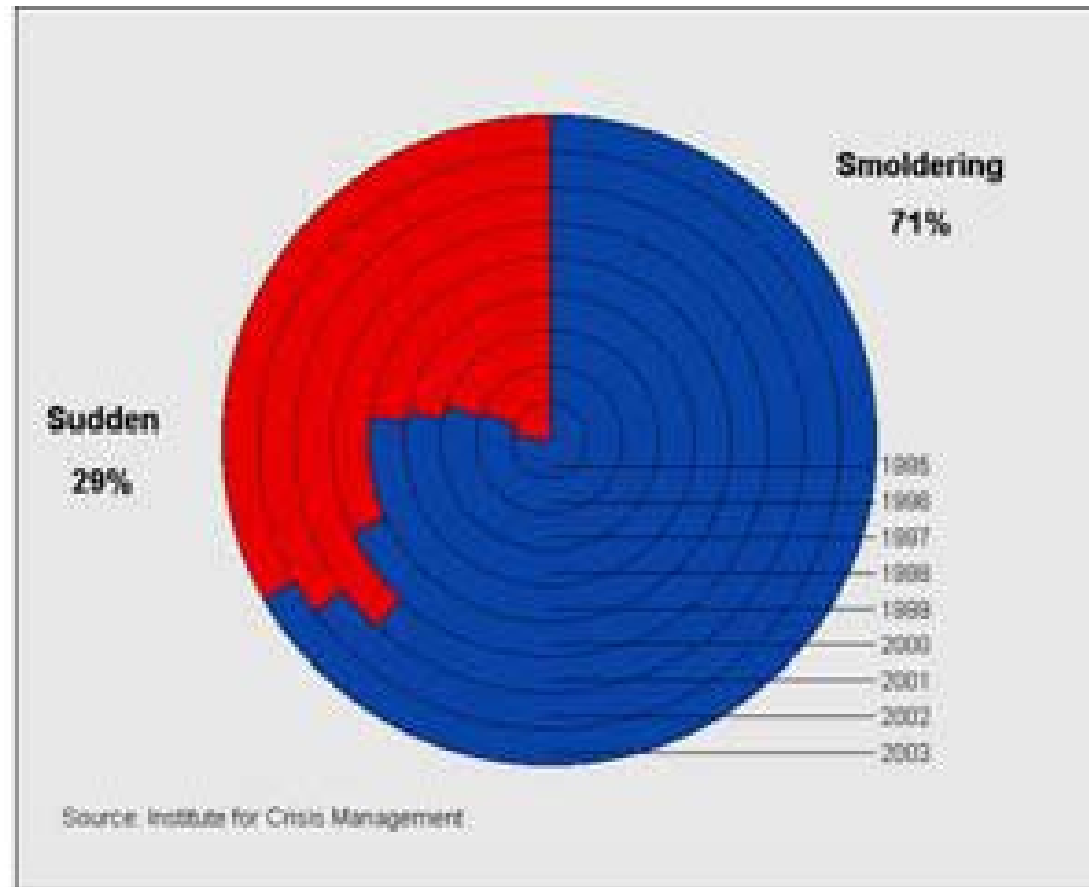
Class action lawsuits

# Characteristics of a Crisis

- Highly ambiguous situation
- +
- Low probability of occurrence
- +
- Offers little time to respond
- +
- Often takes organizational members by surprise
- +
- Requires decisive action to improve the situation
- =

**PRESSURE**

# Sudden vs. Smoldering Crises





# Origin of Crises



# Crisis Consequences

- Decline in available resources
- Job loss
- External intervention/ regulation
- Expense
- Employee morale
- Competitive strength
- Legal Action
- Loss of Reputational Capital
- Mistrust



# Key Concerns in the Finance Industry

Business Roundtable Institute for Corporate Ethics reported the following most important issues:

- 3) Effective management of investor expectations
- 2) Ensuring integrity of financial reporting
- 1) Regaining public trust

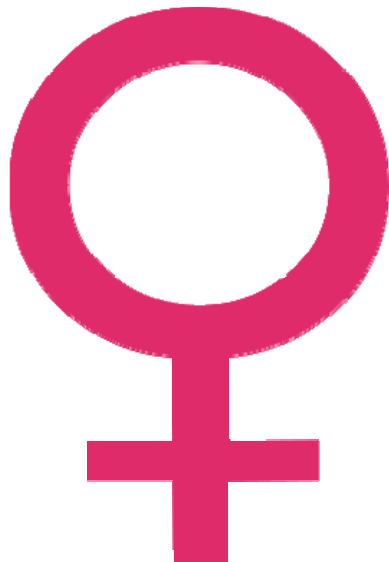
# The Bad News

Reputation and Trust are the two easiest forms of capital to lose and the hardest to earn or regain.

# The Good News

*“Feminization of management seems to protect against financial crisis”*

Michael Ferry, *Financial Times*, 2 March 2009



and financial mismanagement

Amanatullah, Shropshire, James, Lee, 2010

# Research

Study of French firms found...

- Firms with more women managers fared better in the global recession than firms with mostly male management

Study of Danish firms found...

- Proportion of women in top management is positively related to firm performance

Study of American firms found...

- During economic downturns, firms with a greater number of women holding top management and director positions outperformed firms with fewer women in top management.

# The Factor

Why women may outperform men:

- Women focus on others more, and self less
- Women make more conservative decisions when managing other's investments relative to men
- Women are more long-term focused than men

# The Leadership Factor

# LEAD UNDER PRESSURE



# LEADING UNDER PRESSURE

## Leadership Focus



# Early Reactions to Crisis

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## Emotional Reactions

- Fear
- Shock
- Disorientation
- Depression
- Anxiety
- Despair

## Behavioral Reactions

- Paralysis
- Non-response
- Denial
- Panic
- Defensiveness

# Later Reactions to Crisis

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## Emotional Reactions

- Anger
- Guilt
- Anxiety

## Behavioral Reactions

- Damage Control
- Impression Management
- Revenge

Typical Crisis Management Reaction to Crisis

# Consequences of Early Stage Crisis Management Responses

## Emotional and Behavioral Responses

- Fear
- Denial
- Anxiety
- Despair
- Anger
- Guilt
- Paralysis
- Denial
- Panic
- Damage Control
- Impression Management/PR

## Consequences

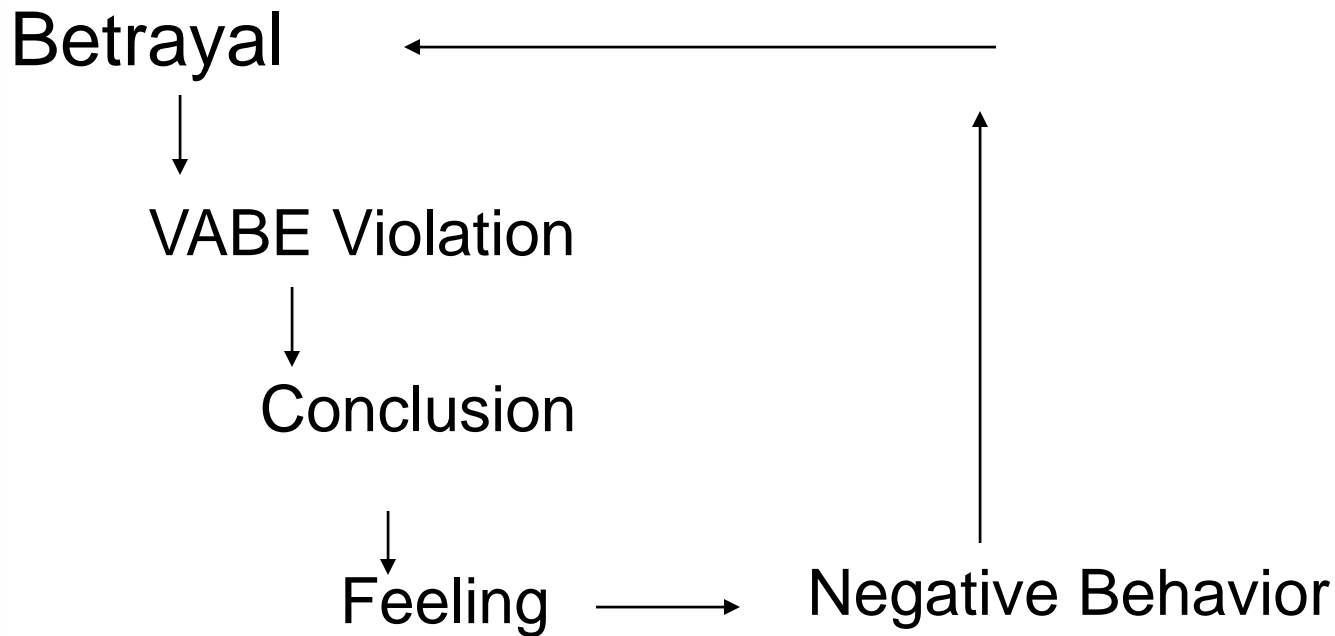
**Betrayal**

# Betrayal

- An actual or perceived breach of trust

	Intentional	Unintentional
Minor	<ul style="list-style-type: none"><li>•Gossip</li><li>•Secrets</li></ul>	<ul style="list-style-type: none"><li>•Tardiness</li><li>•Not honoring commitments</li></ul>
Major	<ul style="list-style-type: none"><li>• Disclosing confidential information</li><li>•Delegating without giving authority</li></ul>	<b>VABE Violation</b>

# Betrayal: A Continuing Engagement



# A Leadership Approach to Crisis

- Crisis Leadership is the:
  - Ability to scan and see possibilities from crisis
  - Ability to reflect, learn, and adapt from challenging situations
  - Ability to build trust and respect across stakeholders
  - Ability to recognize and manifest opportunities
  - Ability to engage in quick and ethical decision making

# Surviving & Thriving in a Crisis



- Alien just landed in your neighborhood. How would you respond:
  - Run in horror?
  - Celebrate and rush forward with open arms?
  - Do nothing and ignore the Aliens?
- What is your leadership style for managing this crisis?



# Typical Leadership Styles under Pressure

## The Warrior

- Assertive, active, decisive
- Likes to determine course of events and be in control



## The Healer

- Build relationships to accomplish tasks
- Integrates others input in determining direction



## The Teacher

- Provides planning and resources
- Uses data analysis, procedures and logic to make decisions



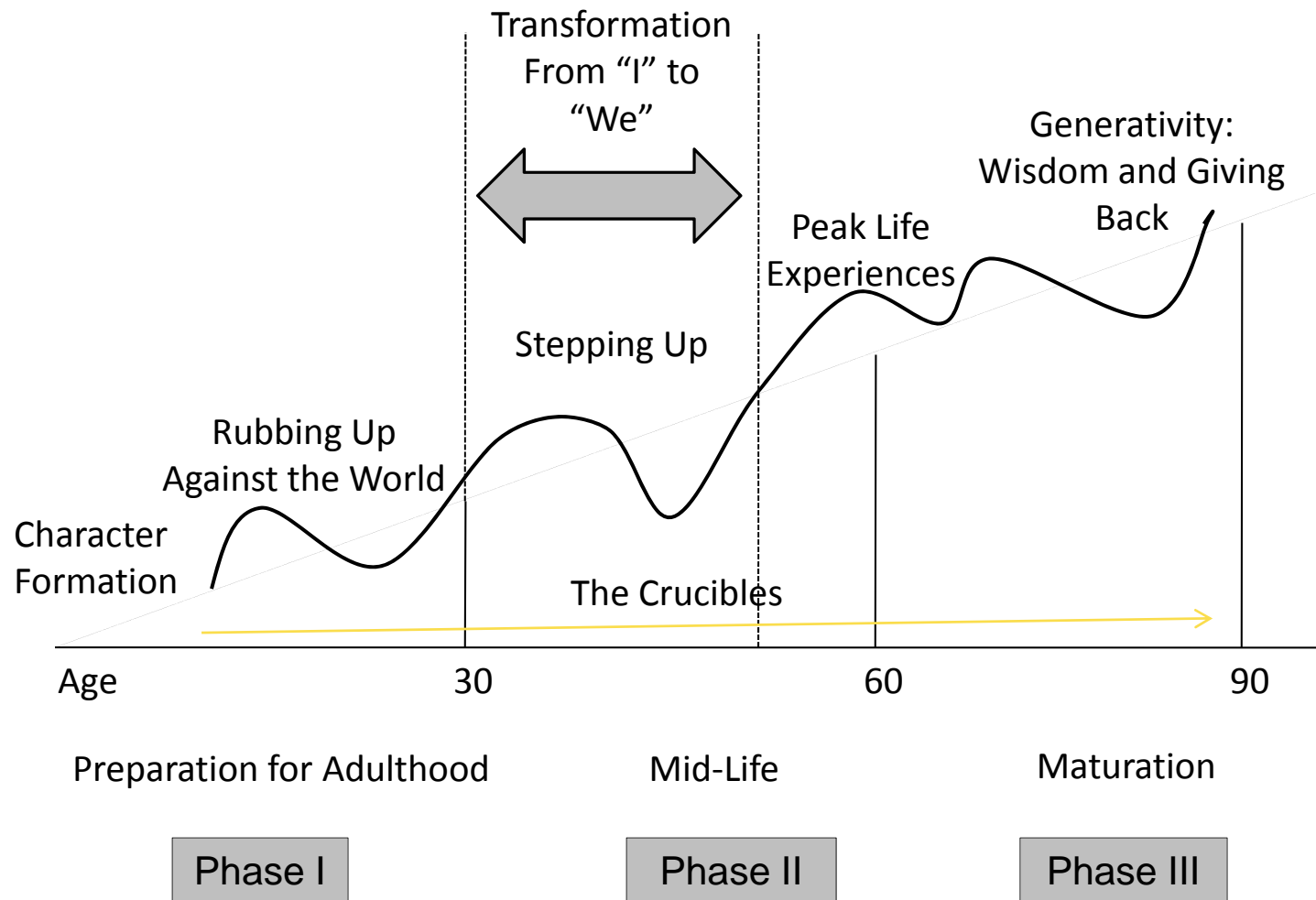
## The Visionary

- Generative and creative thinker, able to think outside the box
- Very idea-oriented; focuses on future thought



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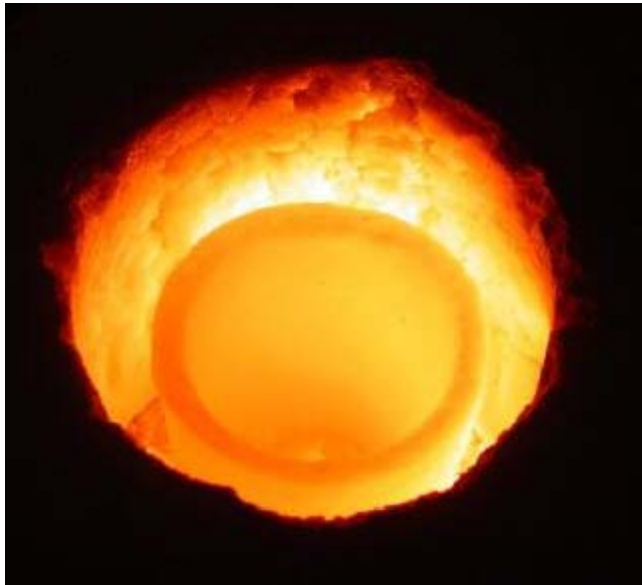
# Life's Journey



George & Sims, 2007

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# Crises as Crucibles – Periods of Intense Heat



- All individuals go through crucible moments in their lives -- periods of intense heat.
- A crucible is a bowl that is highly resistant to heat and is used to burn off the impurities from a compound. For instance, when you melt silver ore, the stuff that isn't silver will float to the top allowing the silversmith to easily skim it off leaving only the pure silver.
- Periods of intense heat bring that which is undesirable to the top of our lives. We have a choice, deal with it or burn up.

## Crisis: Being Between a Rock & a Hard Place...

*“The brick walls are not there to keep us out. The brick walls are there to give us a chance to show how badly we want something. Because the brick walls are there to stop the people who don’t want it badly enough.” –*

*Randy Pausch*



# Your Crucible Story

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Tell the story of a crisis that is testing your core being. It is forcing you to examine your character and values in a new light, and come to grips with who you are.



## Crucible Story

# Role of Balance When under Pressure

Life Wellbeing Factor	Balanced	Imbalanced
<b>Career</b> - How you occupy your time – simply liking what you do	X	
<b>Social</b> – Having strong relationships with friends and colleagues	X	
<b>Financial</b> – Effectively managing your economic life	X	
<b>Physical Health</b> – Having good health & energy to get things done	X	
<b>Community</b> - The sense of engagement you have with the area where you live		X
<b>Family</b> – Having strong and balanced relationships with significant others and family members		X
<b>Living Space</b> – A physical/geographical space that supports and enhances your lifestyle	X	



# Change Equation

Change occurs when...

**D** = Dissatisfaction with Status Quo

**V** = Vision (where we're going)

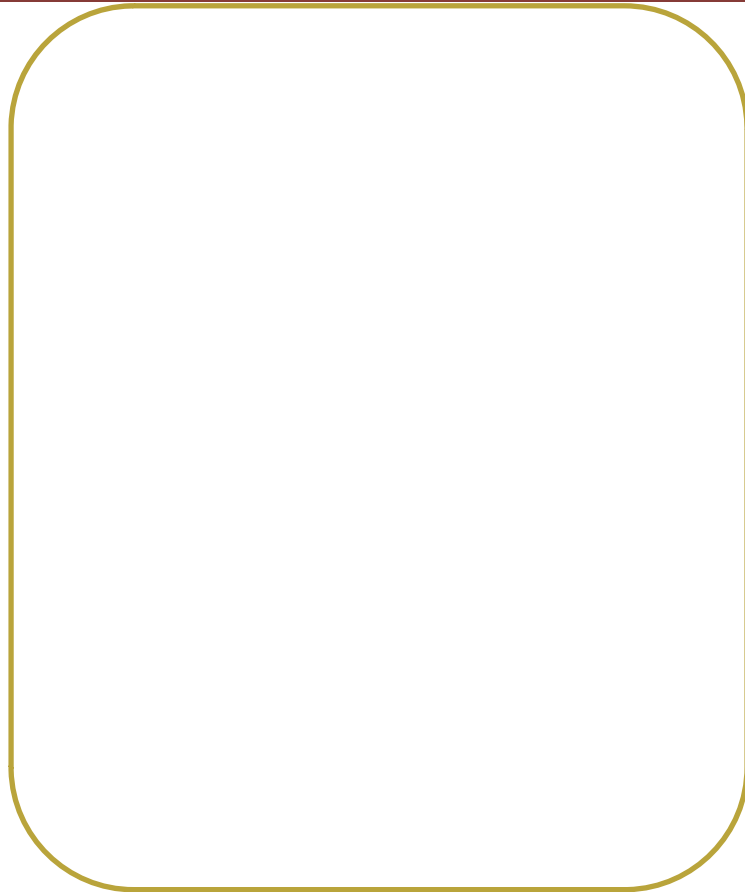
**F** = First (or next) steps

**R** = Resistance to change

$$D \times V \times F > R$$

# What has to change?

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# Finding Your Energy Sources for Change

(Schwartz, 2010)



Physical

• Empty-----1/2-----Full



Emotional

• Empty-----1/2-----Full



Mental

• Empty-----1/2-----Full

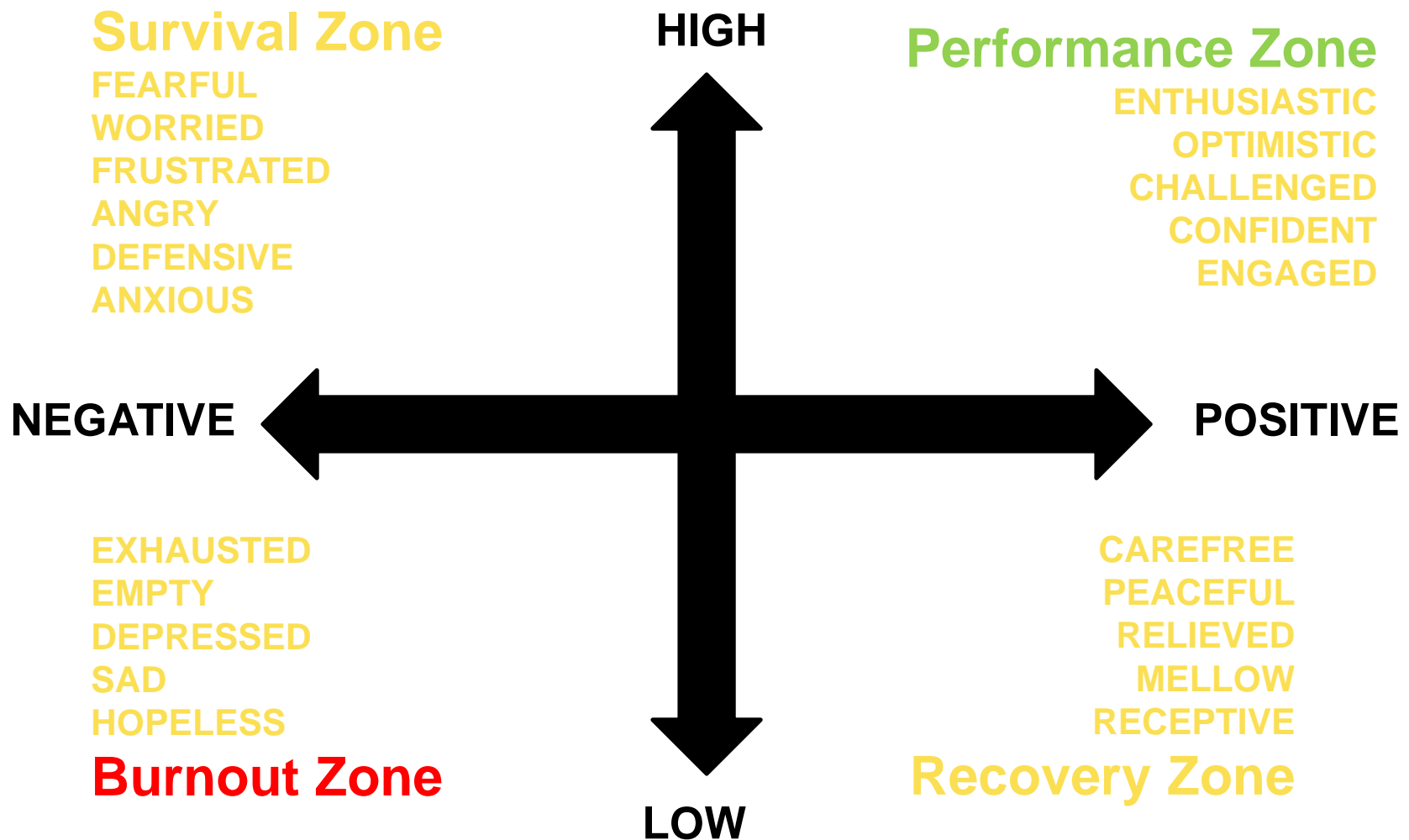


Spiritual

Empty-----1/2-----Full

# THE EMOTIONS THAT FUEL YOU

from the Energy Project workbook by Tony Schwartz



# Resilience

## Ultimate Goal:

- Become better than you were before the crisis by striving for **POSITIVE DEVIANCE**



*Resilience*

The Courage to Come Back

# A Continuum Illustrating Positive Deviance



Individual:

Physiological	Illness	Health	Vitality
Psychological	Illness	Health	Flow

Organizational:

Economics	Unprofitable	Profitable	Generous
Effectiveness	Ineffective	Effective	Excellent
Efficiency	Inefficient	Efficient	Extraordinary
Quality	Error-prone	Reliable	Perfect
Ethics	Unethical	Ethical	Benevolent
Relationships	Harmful	Helpful	Honoring
Adaptation	Threat-rigidity	Coping	Creating/Inviting



Deficit gaps

Abundance gaps

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# Opportunities

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# Opportunities to be Realized

1. Decrease the frequency, likelihood, or impact of future negative events
2. Increase the frequency, likelihood, or impact of future positive events.

# Organizational Opportunities

- **O**rganizational learning
- **P**rofitability increases
- **P**roduct improvement
- **O**perational enhancements
- **R**eputation improved
- **T**echnological advances
- **U**nifying vision
- **N**ew market opportunities
- **I**ndividual leadership development
- **T**eam bonding and development
- **I**nnovative culture
- **E**mployee morale
- **S**takeholder support increases

# Opportunity for Trust

- **O**rganizational learning
- **P**rofitability increases
- **P**roduct improvement
- **O**perational enhancements
- **R**eputation improved
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# TRUST



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