

AFP[®] Annual Conference



— November 7-10, 2010 | San Antonio —

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Women in the Finance Industry: Rebuilding Trust

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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

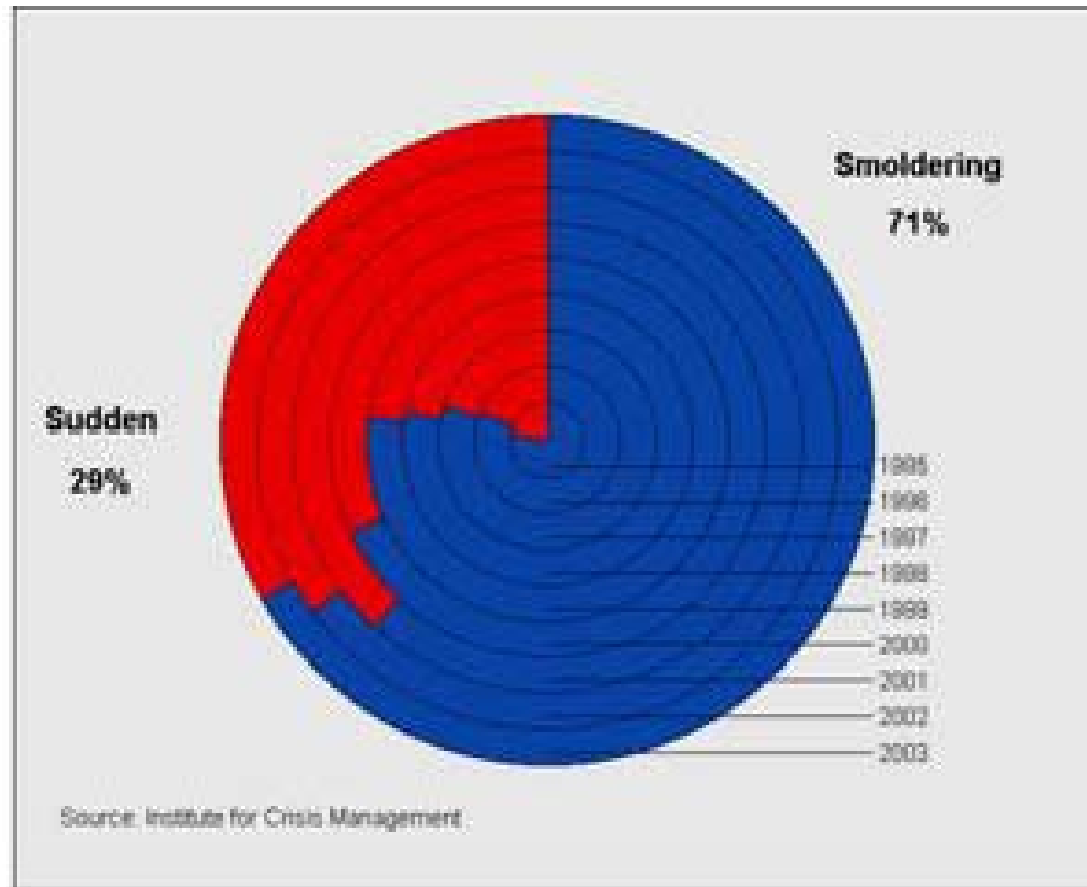
Class action lawsuits

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

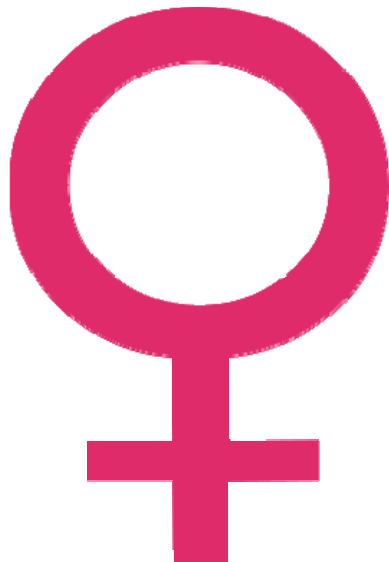
The Bad News

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

Emotional Reactions

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

Behavioral Reactions

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

Later Reactions to Crisis

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

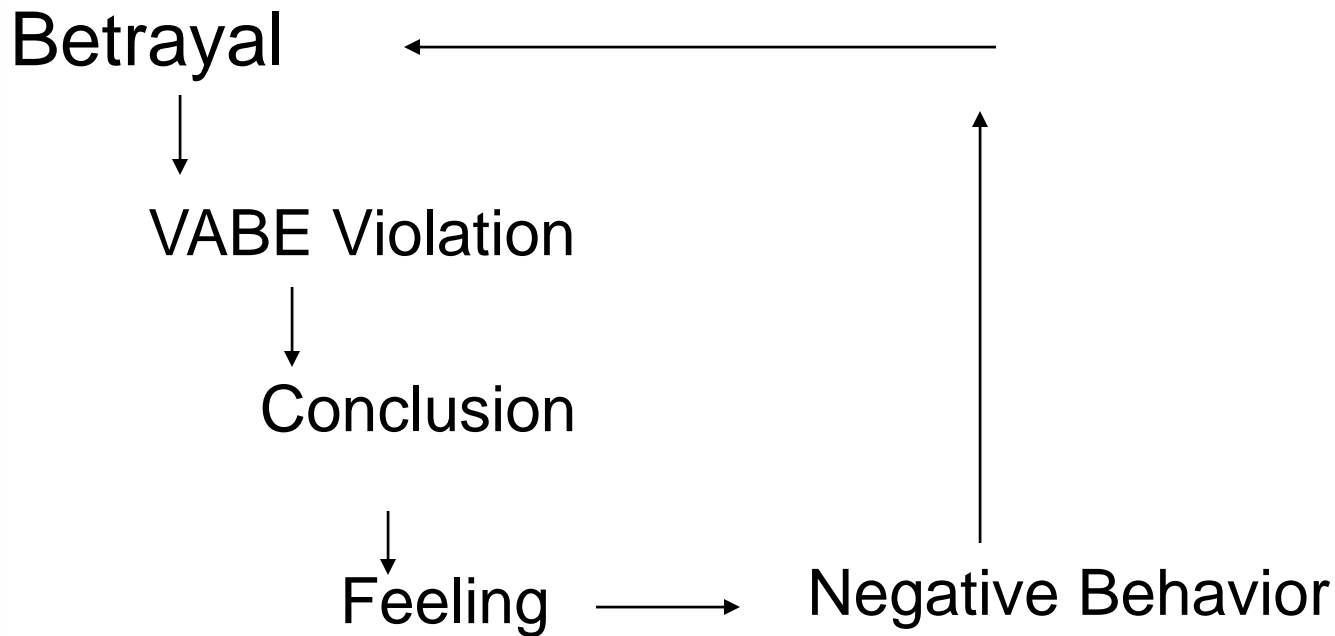
Betrayal

Betrayal

- An actual or perceived breach of trust

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

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



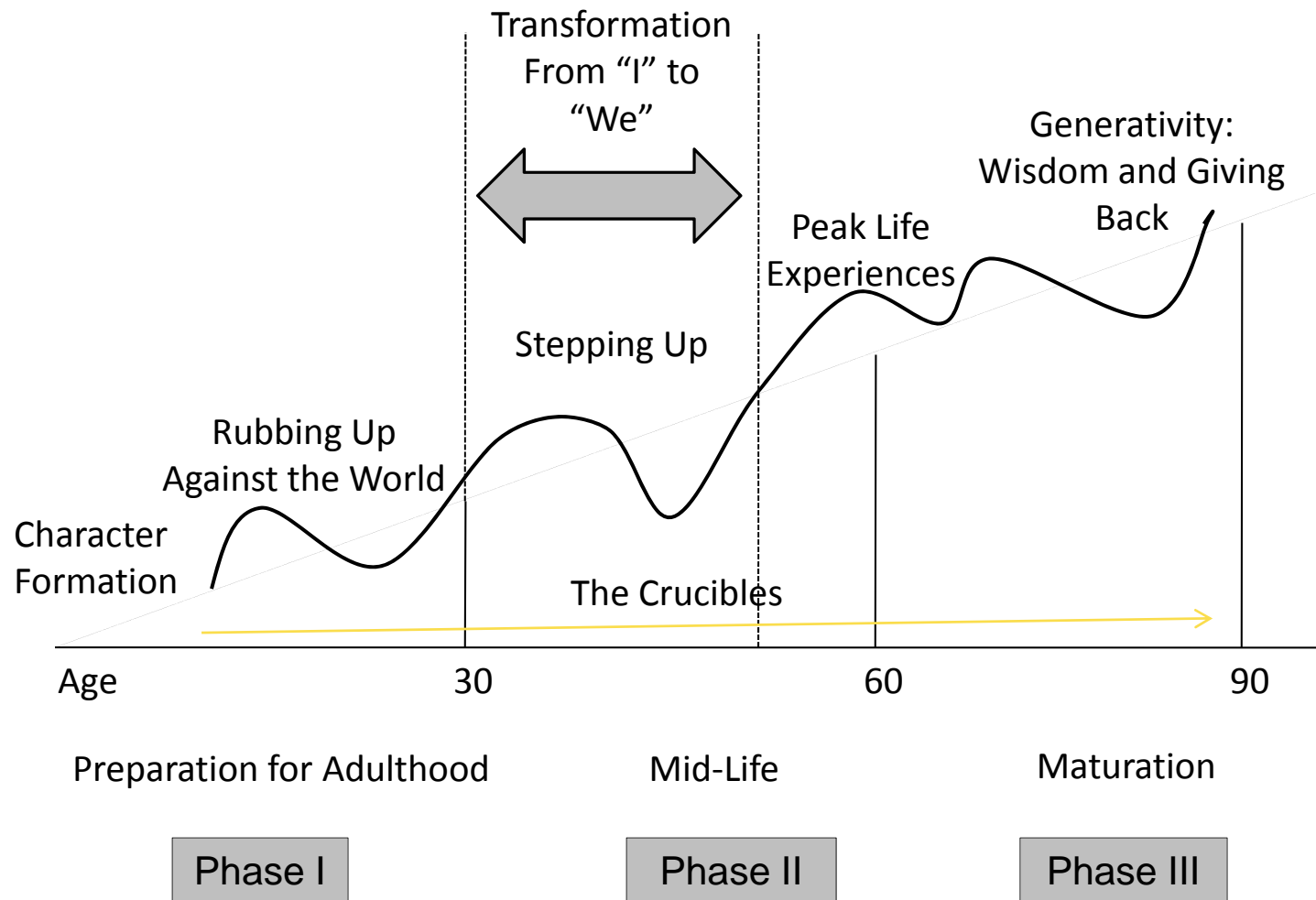
The Visionary

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



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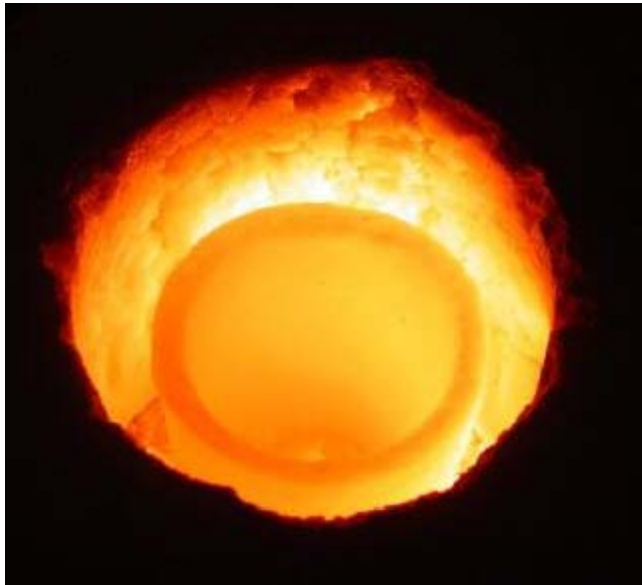
Life's Journey



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

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



Change Equation

Change occurs when...

D = Dissatisfaction with Status Quo

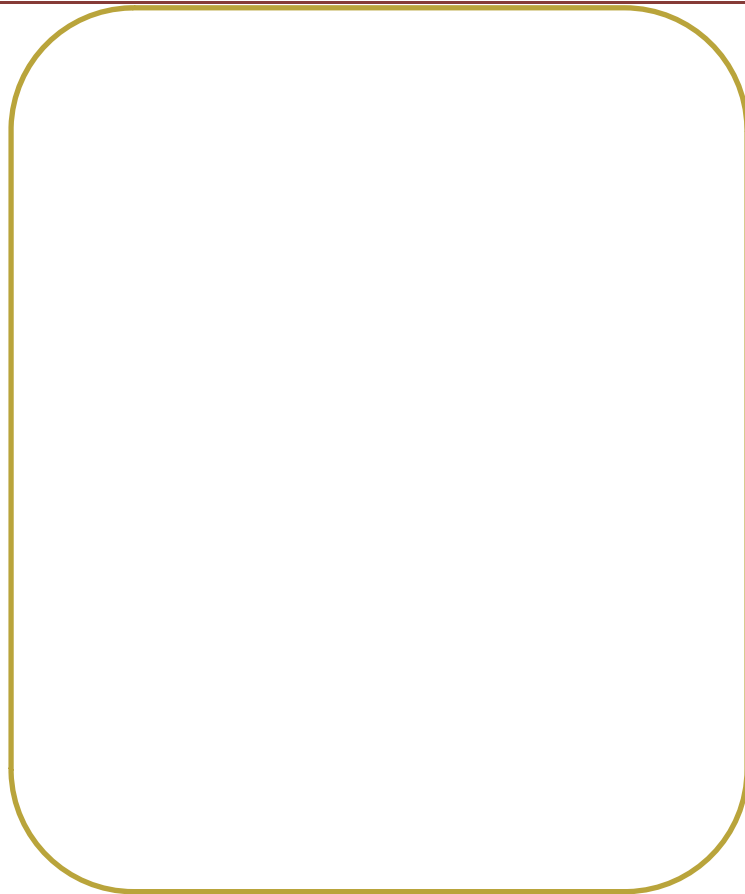
V = Vision (where we're going)

F = First (or next) steps

R = Resistance to change

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

What has to change?



Finding Your Energy Sources for Change

(Schwartz, 2010)



Physical

• Empty-----1/2-----Full



Emotional

• Empty-----1/2-----Full



Mental

• Empty-----1/2-----Full

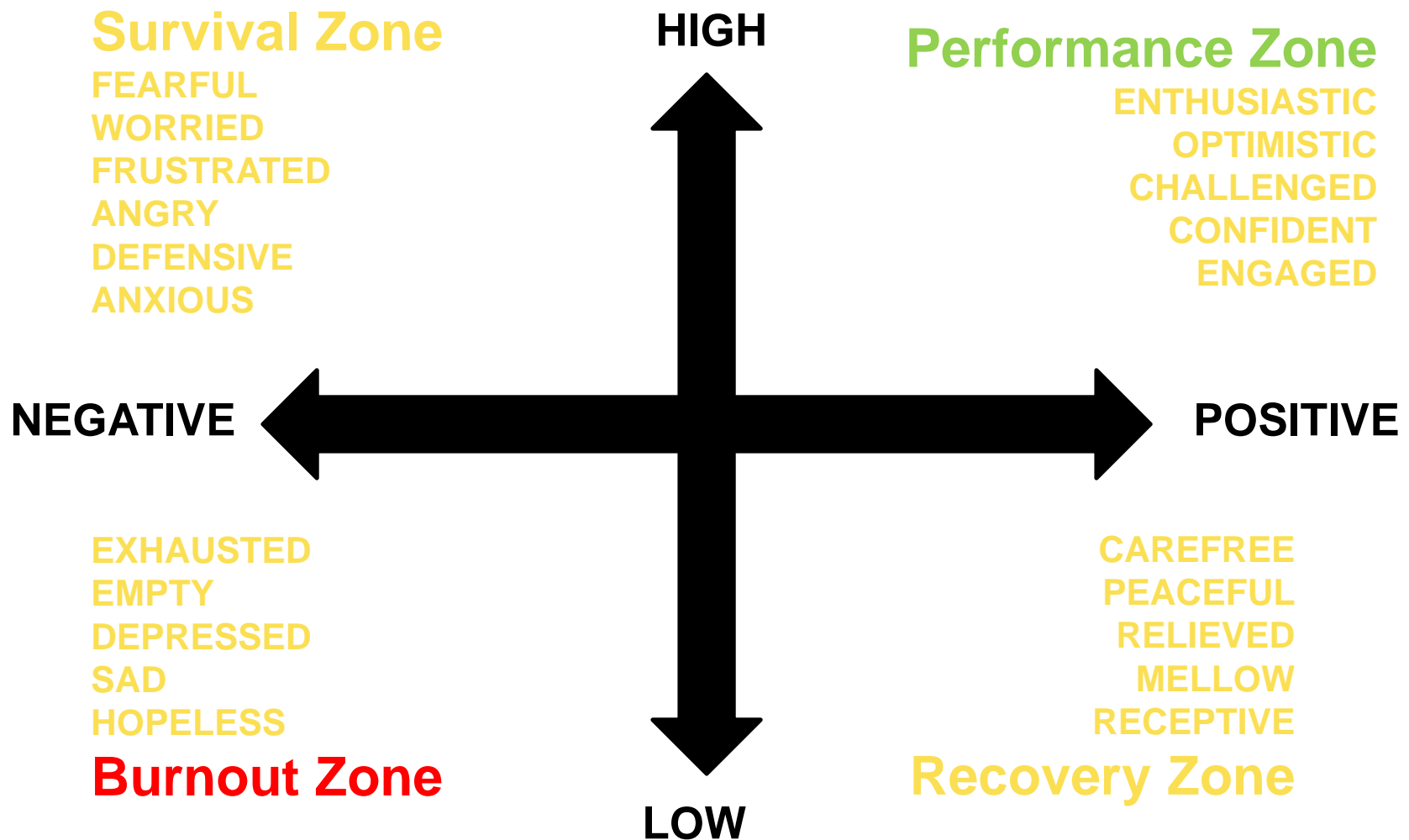


Spiritual

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

Opportunities

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
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