Head-long into the global economic storm

Jamie Fitzgerald

It’s rough! The most significant global economic downturn of our life-time...

Global share markets have lost **US$30 trillion** since late 2007!!!!

- **Scale** – is equal to the ‘Great Depression’ (at the same stage), but ‘unlikely’ to get as bad
- **Widespread** – all countries are now affected
- **Pace of down-turn** - faster than usual
- **Underlying problem** - banking system still has some risk
The global financial crisis stemmed from the bursting of a ‘bubble’

From bubble ...
- Cheap and easy money
- Increased appetite for risk
- Increased capacity for leverage
- Rising asset prices and a buoyant economy

New forms of ‘financial engineering’

To bust ....
- Reduced appetite for risk
- Reduced capacity for leverage
- Falling asset prices
- Slowing economy/recession
- Distrust of new forms of finance

The Global Spread of Liquidity

- Derivatives: 800% of world GDP, 75% of liquidity
- Securitised Debt: 142% of world GDP, 13% of liquidity
- Broad Money: 122% of world GDP, 11% of liquidity
- Power Money: 10% of world GDP, 1% of liquidity

Source: Bank of International Settlement and Independent Strategy, first depicted by Brian Gaynor, NZ Herald
Fear in financial markets translates to consumer confidence.

"Fear has a way of building on itself. When fear takes over it builds negative momentum. This is all emotional. ...But fear rarely fosters rational behaviour"

Dennis Jacobe, - Gallup Chief Economist
“As we set out on the biggest adventure of my life, racing 5000km across the Atlantic Ocean, everything was going to plan…

Within 24 hours, we faced unexpected adversity. We had gone straight into a major storm – headwinds, waves and currents. With our progress stalled we faced a choice. Put out a sea anchor, which would reduce the rate at which we would be pushed backwards, but at least we would conserve precious energy.

Or, keep rowing.

We took the tough decision and kept rowing, adapting our shift pattern and working together. For 40 hours we made no progress, moving less than a mile across the ocean. Tired and disheartened, finally the storm passed over us, and we made the call to our support team by satellite phone. “Whatever you’ve been doing, keep doing it” they said. “Everyone else has gone backwards [they all put out their sea anchor], and you are now 30 miles in front!” Forty days later, we crossed the finish line, winning in world record time. Our winning margin? Just over 30 miles!

How we cope with times of adversity and deal with ambiguity can create an ultimate and sustainable competitive edge.

It isn’t just bloody-mindedness. Rather, success is the result of stretching ourselves – thinking the options through analytically, backing our judgement, adapting our processes, and believing in our ability.

- Jamie Fitzgerald

“Sometimes when you think you are making the least progress, you are actually making the most.” Jamie Fitzgerald
Sometimes it seems as though there are only two states of being: Boom or Bust....

When things are down, it seems as if they will always be down. That’s how depressed people feel; that’s why recession-dominated economies find recovery elusive; that’s why teams or businesses or schools can stay in decade-long slumps.

Any company, any group, any person can be swept along by one of these fortunate or unfortunate cycles. *What causes them to rise or fall is often a matter of confidence.*

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**Rosabeth Moss-Kanter,**

Confidence – leadership and psychology of turn-arounds

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Typical psychological response to ‘shock’ or ‘grief’...

...can also be applied to organisations, and nations!
Appreciative Inquiry - assumptions

- In every society, organisation or group, something works
- What we focus on becomes our reality
- The act of asking questions of an organisation, group or individual influences in some way
- People have more confidence and comfort to go forward into the future (the unknown) when they carry forward parts of the past (the known)
- If we carry parts of the past forward, they should be what was good about the past
- It is important to value differences
Risk Management: Control, Influence or Monitor?

- STRATEGIC
- OPERATIONAL
- FINANCIAL

Business Connection Model
Can you answer these questions?

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<th>LOGICAL CONNECTION</th>
<th>BRAND CONNECTION</th>
<th>EMOTIONAL CONNECTION</th>
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Cynefin Framework
How are you interpreting challenges?

Keep rowing!

ON-Brand partners

www.onbrandpartners.com

+64 (0)21 825516
JamieF@onbrandpartners.com