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BOARD: If Not In The Hurricane's Eye ...

By Kathleen Graham



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The safest place to be is in the eye of a hurricane as it's a region of mostly calm weather, clear skies, and with the lowest air pressure within the storm. To figuratively “stay in the eye of the hurricane” requires the Board to be agile enough to move the company—in sync and in real time—with the hurricane until that storm fades away.

Boards that are most likely to succeed in this task are those with Board Chairs and Directors who are already adept experts in dealing with strategy and risk development for fast-paced complex situations; already utilizing benchmarks, compliance policies/processes, and risk management information and reporting systems (preferably in or close to real-time); and are comfortable with effective decision-making during high levels of uncertainty.

If above doesn't sound like your company, there are 3 enterprise risk management strategies that a board can employ to pass through the eyewall (a ring surrounding the eye of the hurricane, which is composed of towering thunderstorms and is where the most severe weather and highest winds exist) to reach and survive the backside of the hurricane:

1. **QUICKLY IDENTIFY WHAT'S OF MOST VALUE.** Because companies serve different purposes and have different cultures, the answer for each corporation—what's most important, most of value—can be quite different. So what's most of value to your organization: is it a product? a perspective? your customer base? a sustainable competitive advantage? earnings? reputation? scope?—the list of possibilities is long and quite important to know and be loyal to its continuing prominence.

EXAMPLE OF WHY KNOWING WHAT IS “MOST VALUED” IS SO IMPORTANT. Hammacher Schlemmer—one of America's oldest retailers, in existence for 77 years—recently announced that it's going out of business. Traditionally renowned for their lifetime guarantee and innovative well-made products, I can personally tell you that both these factors have been missing for awhile, leading to my family (and perhaps many others in their customer base) to continue to look at their catalogue but not to purchase anything.

WHAT NOT TO DO: Josh Morgerman, a top hurricane chaser/survivor, sees as the #1 most dangerous mistake people make in a storm is to think “I've been in this situation before” because doing so (i.e., overestimating past encounters

relevance to current developing situations) demonstrates anchoring and conservatism biases, which are proven faulty heuristics. Morgerman considers the #3 most dangerous mistake people make in a storm is believing that distance equals safety (i.e., inaccurately seeing a relationship between two events that are actually related only by coincidence—also known as “illusory correlation”).

2. **QUICKLY SECURE/PROTECT WHAT’S OF MOST VALUE.** In a hurricane environment, speed is of the essence. Therefore, brainstorm/define protecting what’s most important to your company: how could it be done today, next week, short-term? What if everything blows up, what are the possible exit ramps—i.e., where could the company quickly switch to another already defined strategy? How would the company’s most important facets reach those exit ramps? What profile—high visibility, low visibility, nearly invisible—would keep what’s most important safe and viable during and once the storm has faded? Then confirm that those communication, logistics, and other crisis management strategies are established, ready to initiate with a moment’s notice.
3. **“BACK BURNER” ALL ELSE ON USUAL AGENDA.** The #2 mistake Morgerman sees people make is “getting into a car during a storm” as “you really don’t want to be in a car during a hurricane as the wind could flip it, a falling tree could crush it, or a collapsing building could squash it like a little tuna fish can.”

By focusing your board meeting agenda to first formulating/updating what’s of most corporate value, then securing/protecting it, your company won’t be in the situation of trying to “drive out of town” when the hurricane hits, which unfortunately is what human nature has a tendency to do—to put off until tomorrow what should be done now.

Once the Board has an updated emergency plan for today’s world conditions, a great concluding next step would be to read and adapt NACD’s *The Future of the American Board: A Framework for Governing Into The Future* to your company’s profile as “make no mistake, the intensity and accelerating pace of change is real”...and it’s not going away, it’s going to move/change faster because of—and with—technology. Truly, numerous “disruptions are reshaping society and business, transforming how companies are governed.”

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