
Executive Excellence

Edition 3, Volume I

July 2009

Charting a New Course in 2009-10

New Realities and Paradigm Shifts

The future doesn't look so great right now. The collapse of the global economy has everyone scrambling to figure what to do next. In Brady & Associates' training sessions and workshops we often show a graphic saying:

Opportunity is nowhere

We ask the audience to tell us what it says. The answers vary depending on their state of mind.

Some say, "Opportunity is no where."

Others say, "Opportunity is now here."

Same graphic, same group, same experience, but different perspectives. For this article we stand by the latter definition. We believe that the paradigm shift we're experiencing gives us the exceptional power to make significant changes in the way we operate.

Retrospective: How'd We Get Here?

It might be instructive to examine how we got into this financial train wreck. The "financial engineers" and architects of this disaster say they were *'helping people live the American Dream.'* Let's see how they did it:

1. Fed Chairman Alan Greenspan loosened credit too much.
2. Mortgage brokers went on a binge of selling sub-prime loans to people who couldn't pay them back if housing values dropped.
3. Banks promoted massive equity loans to people already in homes. They surmised that housing values would always go up so, "What's the risk?"
4. Wall Street investment banks scooped up mortgages with wild abandon; bundled the good ones with the bad ones.



The new bundled mortgages were converted to a new financial security called Collateralized Debt Obligations (CDO) and sold them worldwide as "safe, secure, long-term investments." Conservative government-sponsored enterprises (GSE) like Fannie Mae and Freddie Mack that operate in the U.S. secondary mortgage market jumped on the bandwagon, stuffing their loan portfolios with these Toxic Assets (TA).

5. The wizards of Wall Street started betting even more billions of dollars on residential mortgages and CDOs and money flowed in.
6. Rating agencies like Standard & Poor's, Moody's and Fitch (who get paid for impartially rating securities) were all too eager to jostle each other to be first in line to stamp these new wonder CDO securities with their highest, safe secure rating of AAA. Ah, everybody makes money.
7. To cover possible losses on CDOs investment banks bought Credit Default Swaps (CDF) from insurance companies like AIG.

Continued...



Brady & Associates provides senior leaders with proven, practical organizational solutions. We specialize in challenging and difficult leadership and organizational transitions. We design unique leadership coaching and training programs that improve your business goals, objectives and culture. Our motto is "We will find a way or we will make one." ✓ www.brady-associates.com

Executive Excellence

CDFs, while not technically called 'insurance,' effectively 'insured' Wall Street and investment banks against losses on CDOs. Insurance companies made huge profits.

8. The icing on the cake? Government and industry watch dog agencies like the Federal Reserve Bank (FED), Securities Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA) turned a blind eye to these practices.

The sad part is the 'experts' that created this financial daisy chain knew it would crash. In December 2006 a Wall Street banker wrote to one of his buddies saying, "Let's hope we're all wealthy and retired by the time this house of cards falters."ⁱ

Starting Over

You may recall the late Walter Cronkite saying, "Americans have always been able to rise above adversity." Things are what they are and we roll up our sleeves and begin anew.

Changing organizations to face the new realities and business paradigm we find ourselves in is going to be extremely difficult. There are not short cuts or silver bullets.

If there were a single recipe for successful change, we'd bottle and sell it. But there's not. Each corporate circumstance is different and each situation demands a unique solution. Following are some steps we recommend:

Building an Organization to Manage the Paradigm Shift and Beyond

1. **New Vision** – Develop and articulate a new era vision and values for your organization that supports your business strategy. Ensure that your vision and values are reinforced on a continuing basis with all levels of employees.
2. **Senior Leadership** – Define senior leadership and management responsibilities. Identify leadership, knowledge, management skills, and other strengths needed to lead your company in the new environment.
3. **Training** – Build or contract strengths in training and development of core competencies, teamwork and leadership skills, and critical

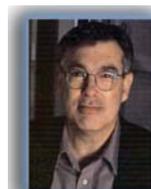
interpersonal and technology skills. Generally speaking the tougher the change the more you need outside assistance to deliver it.

4. **Structure** – Design a new structure to match your vision, values and strategy. Conduct a thorough needs appraisal and look at the structural changes needed, and sequence their priority. Build and execute a transition plan.
5. **Performance Standards** – Establish clear standards of performance throughout the organization, and manage a rigorous performance coaching system akin to a championship athletic team.
6. **Organizational Development (O D) and Change Management** – Hone the organization through a well oiled organizational development team. Training and organizational development is critical to staying ahead of the wave.

Establish a continuous change management process including envisioning, scoping, decision-making, planning, communication, building commitment, transition management, speed, implementation and integration.
7. **HR – Partner with human resources** to rapidly and effectively draw the right talent into the organization.

Get On With It!

If this sounds like a mammoth undertaking, it is but it's doable. Planned and executed with vision, discipline and commitment, organizations will make the paradigm shift and produce increasingly strong performance results year-on-year.



✓ John Brady is founder of Brady & Associates, a consulting firm specializing in leadership and organizational development. John came to consulting after over twenty years as a senior executive in Fortune 500 companies, and has been a close, trusted advisor and coach to top executives in major corporations internationally for two decades. Brady holds an MBA in organizational systems development and a PhD in organizational psychology. According to one client, "Brady is the Yoda of organizational change."

ⁱ CNBC, "House of Cards" is an original CNBC documentary reported by award-winning correspondent David Faber.