



# The Evolving National Crisis and Its Impact on Business, Part II

**May 20, 2021**

Thought Leadership Webinar



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# THOUGHT LEADERSHIP SERIES

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## Part Two of a Four Part Continuum of Learning

### Overarching Themes:

- Moving beyond conventional wisdom
- Establishing contextual awareness

### Goal:

- Establish learning mediums and discussion groups via webinars, face-to-face meetings (sometime soon) or social media groups (LinkedIn) to allow thought leaders to discuss ideas on the tectonic changes re-shaping our society



# ASHFORD CHANCELOR

## **CURRENTLY:**

Dallas Practice Manager & Consulting CFO, vcfo

Board of Directors, Texas Association of Business Brokers –  
State Treasurer

## **RECENT PAST:**

30+ years' experience as a Chief Financial Officer in four sectors – for-profit, non-profit,  
Big 4 accounting and consulting

Big 4 experience in both audit and tax with clients in technology, banking,  
manufacturing, energy, and retail

For-profit experience in technology, energy, real estate

Non-profit experience with NPO's in life sciences research ((including pandemics),  
environmental protection and climate advocacy

Consulting experience with SAAS and technology companies, education, nonprofits,  
and assisting companies with capital raises and preparing for due diligence

vcfo offers an integrated suite of Finance, HR, and Recruiting support, including outsourcing and consulting solutions.

Since 1996, we have supported more than 5000 clients nationwide with offices in Austin, Dallas, Denver, and Houston.





# JAMES SAVAGE

## **CURRENTLY:**

CEO @Kingsbrae Global

## **RECENT PAST:**

A trained economist and recognized communications leader, Jim built Kingsbrae after 6 years leading two major strategic firms in Dallas, Pierpont Communications and Edelman's corporate practice. Earlier, he led communications and marketing functions at Philips Electronics, Verizon, and the Federal Reserve Bank of Cleveland, among other organizations. His career also spans leadership at two international NGOs and policy analysis roles for the Government of Canada and Asia Pacific Economic Cooperation Council (APEC). Jim has a BA from the University of British Columbia and an MS in International Business economics from the London School of Economics. He is the author of *The Politics of International Telecommunications Regulations* and has edited six other books and two magazines. He serves on multiple non profit Boards including the Dallas Council on Foreign Relations, the Institute of Public Relations Research Conference and the Communications & Public Affairs Program at SMU.

# The Storyline



## **PART 1 –**

ESTABLISHING CONTEXTUAL FRAMEWORK IN TERMS OF HISTORICAL CYCLES

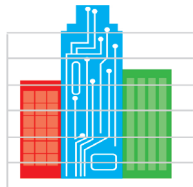
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## **PART 2 –**

BUSINESS STRATEGIES - LOOKING BEYOND CONVENTIONAL WISDOM

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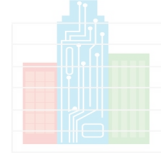


## **PART 3 –**

THE TECHNOLOGY / INNOVATION - CHANGING THE FABRIC OF OUR REALITY

# Overview

- Background
- Review of Historical Cycles
- Situational Assessment of the Current Cycle
  - Risk Identification and Mitigation
  - Corporate Management - navigating through instability
  - Financial Preparedness
- Epoch Changing Innovation



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## PART I – REVIEW HISTORICAL CYCLES

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ESTABLISHING CONTEXTUAL FRAMEWORK  
IN TERMS OF HISTORICAL CYCLES

- THE FOURTH TURNING
- RAY DALIO'S SIX STAGES OF THE INTERNAL CYCLE



# THE FOURTH TURNING:

## An American Prophecy – What the Cycles of History Tell Us About America's Next Rendezvous with Destiny

By William Strauss and Neil Howe

Published in December 1997



# Overview of The Fourth Turning

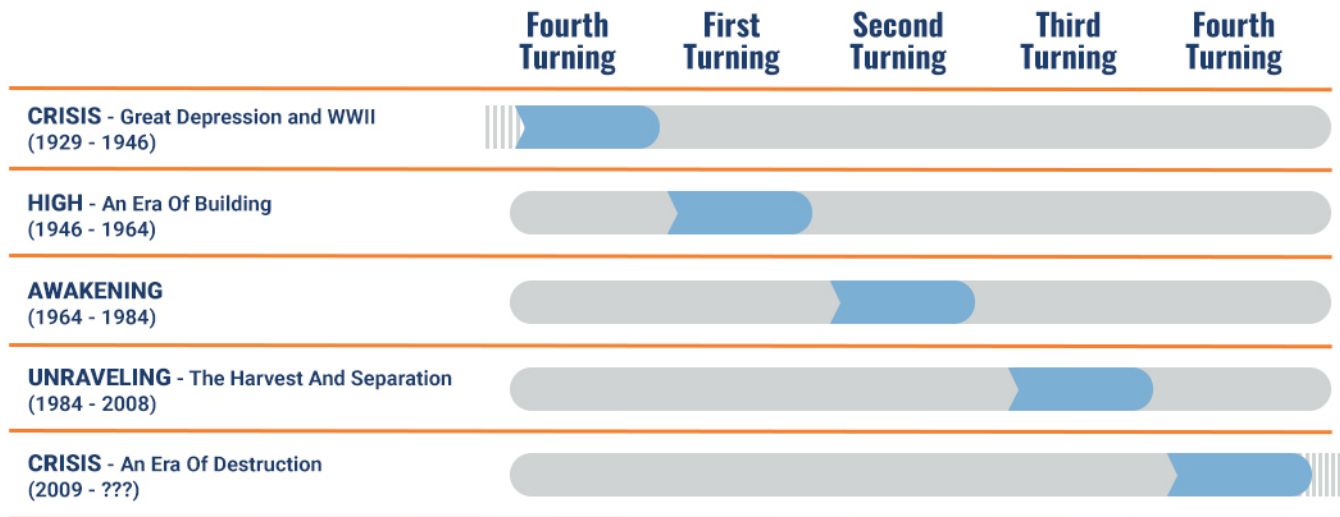
It describes four turnings, or seasons, that occur sequentially over and over again just like the four seasons of winter, spring, summer and fall.

Each turning lasts 20-25 years

- **First Turning** – The High
- **Second Turning** – The Awakening
- **Third Turning** – The Unraveling
- **Fourth Turning** – The Crisis

The three crises before the current one are the **American Revolution**, the **Civil War** and the twin crisis of the **Great Depression** and **World War II**.

# FOURTH TURNING TIMELINE

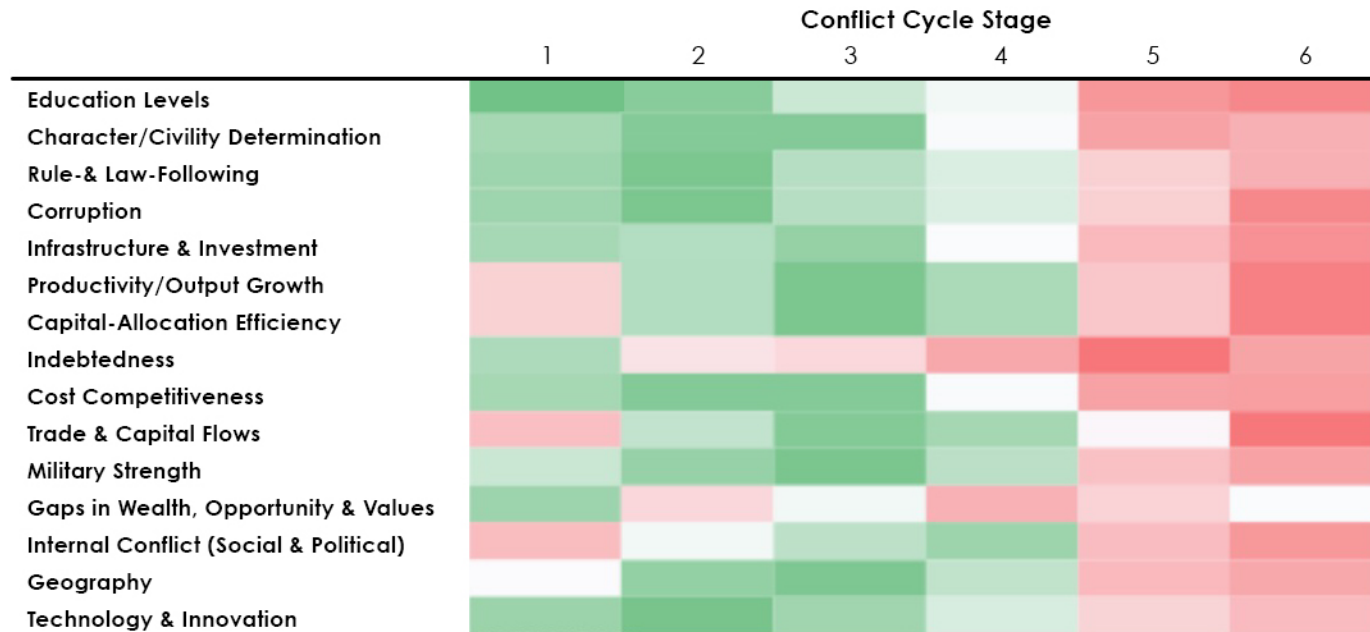


# Ray Dalio's Six Stage Internal Cycle

- **Stage 1** when the new order begins and the new leadership consolidates power, which leads to...
- **Stage 2** when the resource-allocation systems and government bureaucracies are built and refined, which if done well leads to...
- **Stage 3** when there is peace and prosperity, which leads to...
- **Stage 4** when there are great excesses in spending and debt and the widening of wealth and political gaps, which leads to...
- **Stage 5** when there are very bad financial conditions and intense conflict, which leads to...
- **Stage 6** when there are civil wars/revolutions, which leads to...
- **Stage 1** which leads to Stage 2, etc., with the whole cycle happening over again.

# Cycle Stages

## Rough Quantitative Scoring of Measures by Stage in Cycle



Source from Ray Dalio. <https://www.linkedin.com/pulse/delving-six-stages-internal-cycle-particular-focus-us-ray-dalio/>



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## **PART II – BUSINESS STRATEGIES**

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BUSINESS STRATEGIES –  
LOOKING BEYOND CONVENTIONAL WISDOM

# Areas of Focus

## Situational Assessment

- Environmental Scan
- Risk Identification and Mitigation

## Corporate Readiness

- Corporate Management Expertise –  
The right leadership style for this season
- Financial Preparedness – Managing your  
balance sheet and monitoring liquidity



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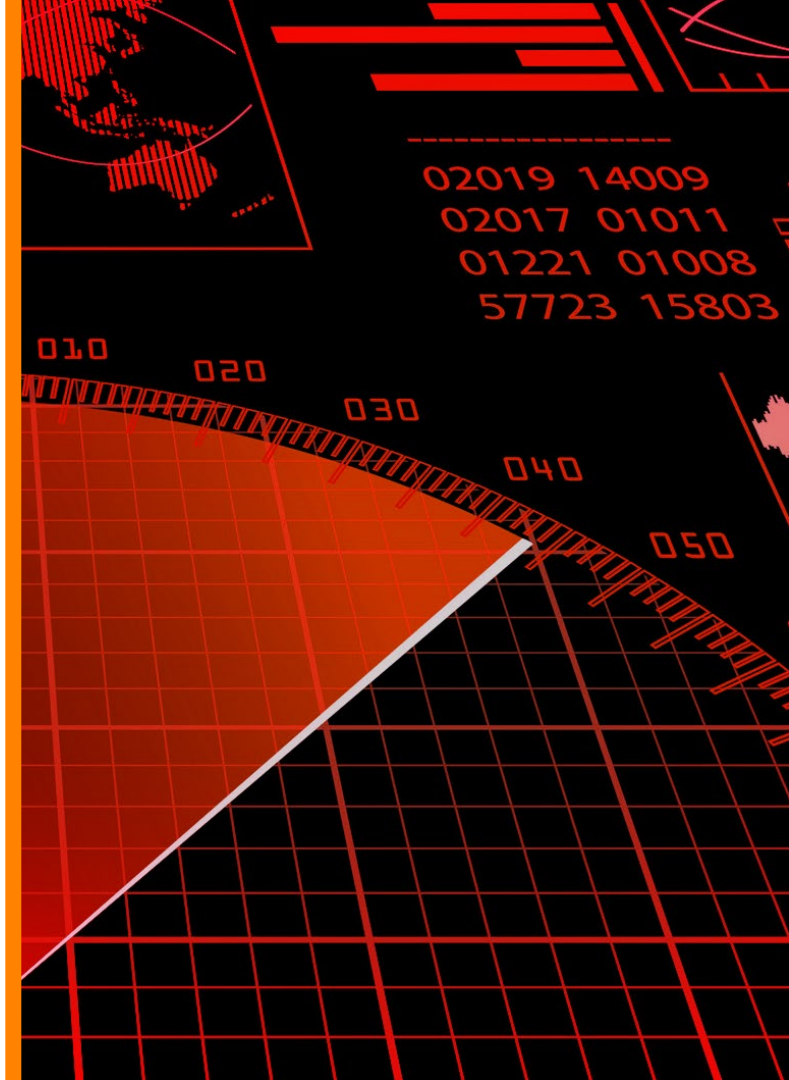
# **SITUATIONAL ASSESSMENT**

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# Environmental Scan

- Economic Distress
- Social Distress
- Cultural Distress
- Technological Distress
- Environmental Distress
- Political Distress



# Economic Dashboard – May 2021

## POSITIVE ECONOMIC SIGNS

- Economy recovering rapidly
- Unemployment dropping
- Interest rates are low
- Stock market valuations
- Consumer discretionary spending is recovering
- Savings rate has increased

## CAUTIONARY UNDERCURRENTS

- Federal Reserve monetary policy
- Ballooning U.S. Government debt levels
- Asset valuations
- Historically low interest rates

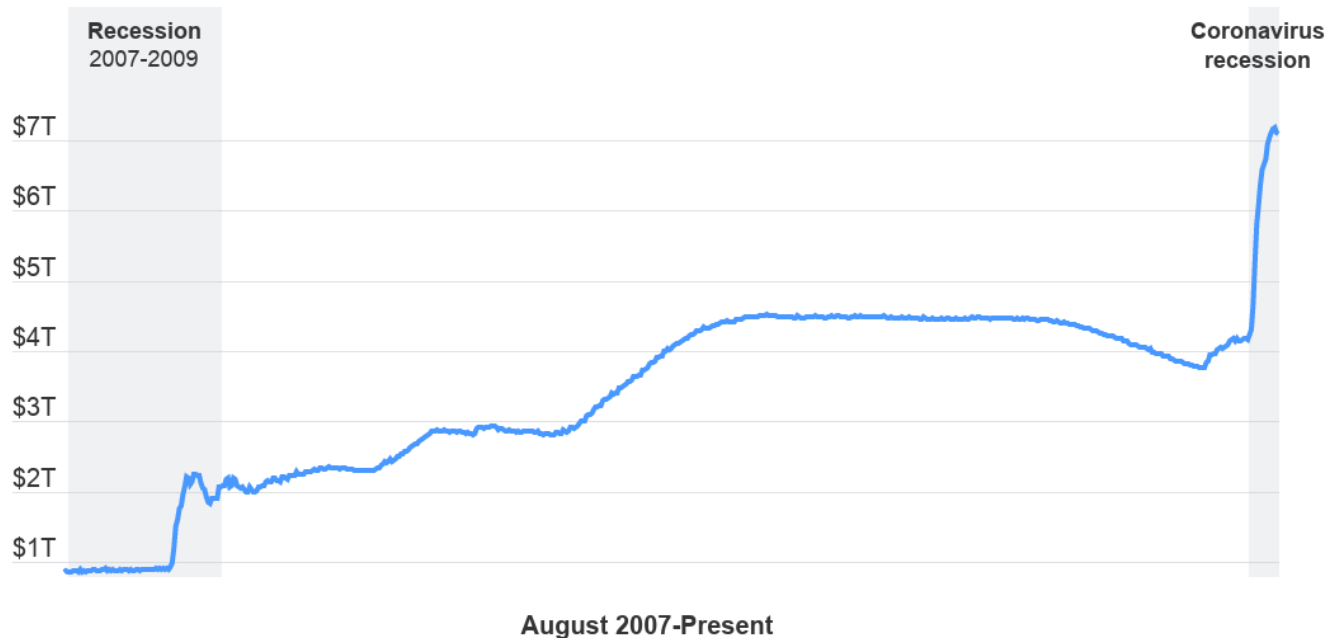
# Government Rescue Packages

- Coronavirus Preparedness and Response Supplemental Appropriations Act, March 6, 2020 - \$8.3 billion
- Families First Coronavirus Response Act, March 18, 2020 – \$192 billion (estimated)
- The Coronavirus Aid, Relief, and Economic Security (CARES) Act, March 27, 2020 - \$2.0 trillion (estimated)
- Paycheck Protection Program and Health Care Enhancement Act, Small Business Administration, April 24, 2020 - \$483 billion
- Consolidated Appropriations Act, December 27, 2021 - \$868 billion
- American Rescue Plan Act, March 11, 2021 (\$1.9 Trillion)



## Fed's balance sheet balloons after Great Recession

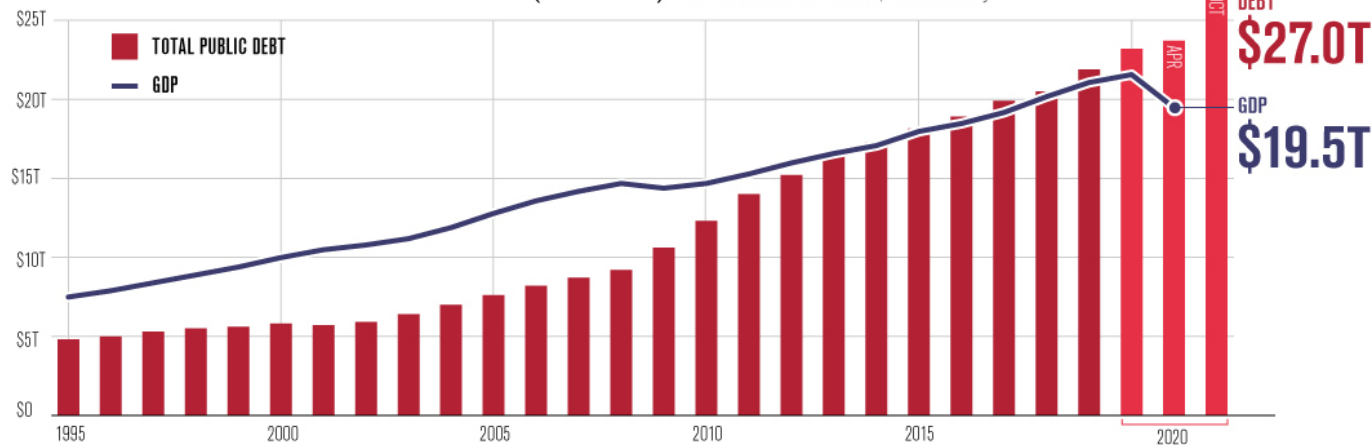
The Fed's balance sheet peaked at \$4.5 trillion after the financial crisis of 2008, and it's now soared past \$7 trillion in the wake of the coronavirus pandemic.



Source: Federal Reserve Board of Governors via FRED, July 2020

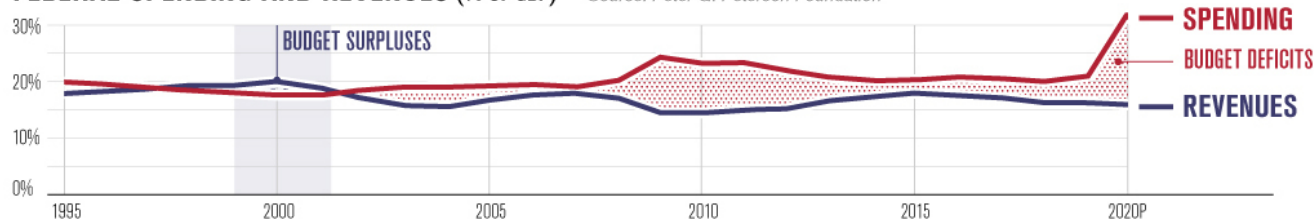
## U.S. TOTAL PUBLIC DEBT VS GDP (TRILLION USD)

Source: Federal Reserve, U.S. Treasury

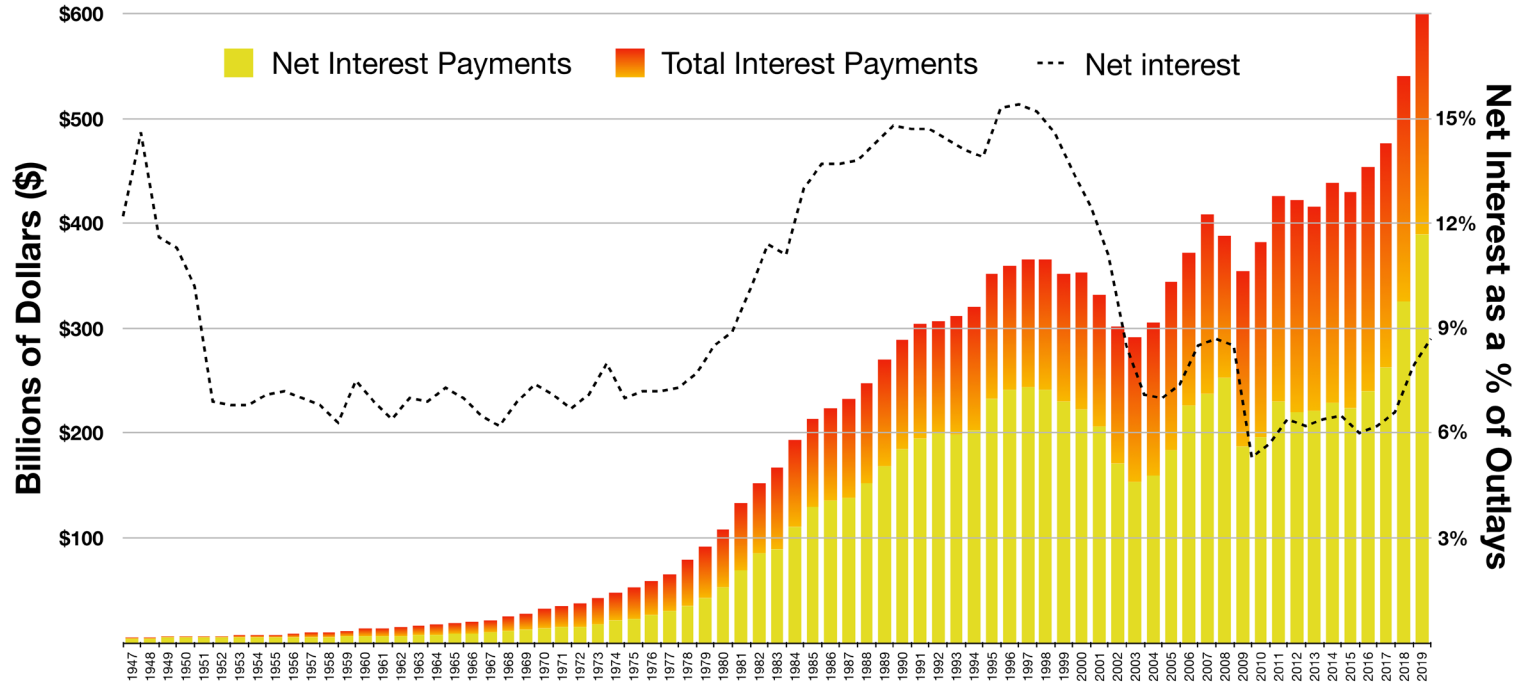


## FEDERAL SPENDING AND REVENUES (% OF GDP)

Source: Peter G. Peterson Foundation



# United States Interest Payments on the Federal Debt



Source: [https://en.wikipedia.org/wiki/National\\_debt\\_of\\_the\\_United\\_States](https://en.wikipedia.org/wiki/National_debt_of_the_United_States)

# Asset Valuation– The Creation of Bubbles

- Expansion of the supply of money and credit in an economy provides the necessary fuel for bubbles.
- Market psychology and emotions like greed and herding instincts are thought to magnify the bubble further.
- Root Cause – Massive amount of liquidity injected into the economy by the Federal Reserve



# Bubbles - Misalignments of Valuation and Fundamentals

## Types

- Commodity bubble
- Stock Market
- Economic
- Credit

## Causes

- Irrational exuberance
- Herding behavior
- Adaptive expectations
- Cognitive dissonance
- Financial instability hypothesis
- Monetary policy





# Signs of Asset Overvaluation

## Examples of Monetary Policy

- Overheated Housing Market
- Stock Market Valuation
- Interest Rate Risks

## Examples of Irrational Exuberance and Herding

- Special Purpose Asset Companies
- Non-Fungible Tokens (NFT)
- Dogecoin
- Robinhood and GameStop



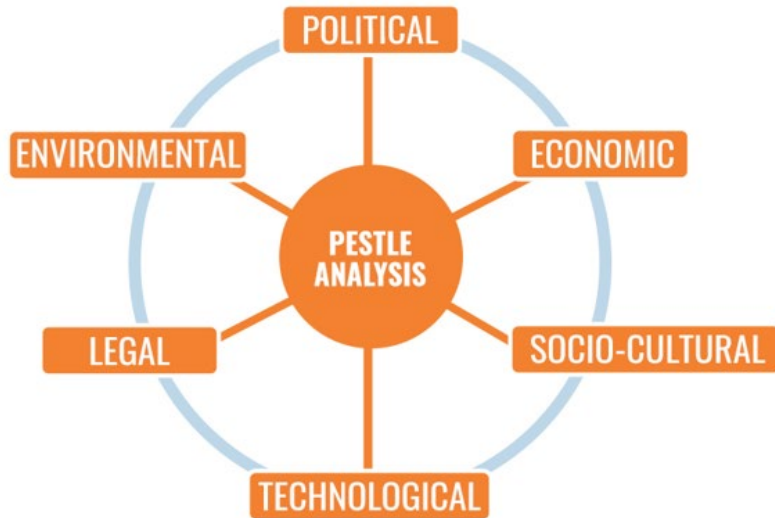
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# **CORPORATE READINESS**

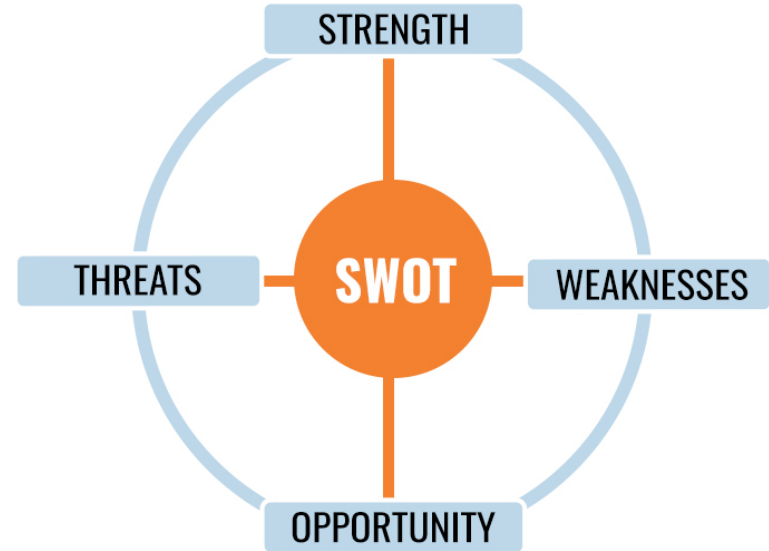
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# External and Internal Assessment Tools

Macro Level: “Outside-In”



Organization Level “Inside-Out”



# Corporate Assessment

- Holistic Approach to Risk & Reputation
- CEO Leadership Style
- Composition of Corporate Management Team

“Navigating a crisis environment requires a different blend of skills and expertise than the season from which we just emerged.”



# A Reputation-Centered Approach to Risk

- **Why:** Synthesizes the Outside-In and Inside-Out perspective
- Forces a holistic PESTLE approach to risk
- Reputation drives business viability/profitability
- Emphasizes values, integrity, purpose





# Why Not Focus on Risk?

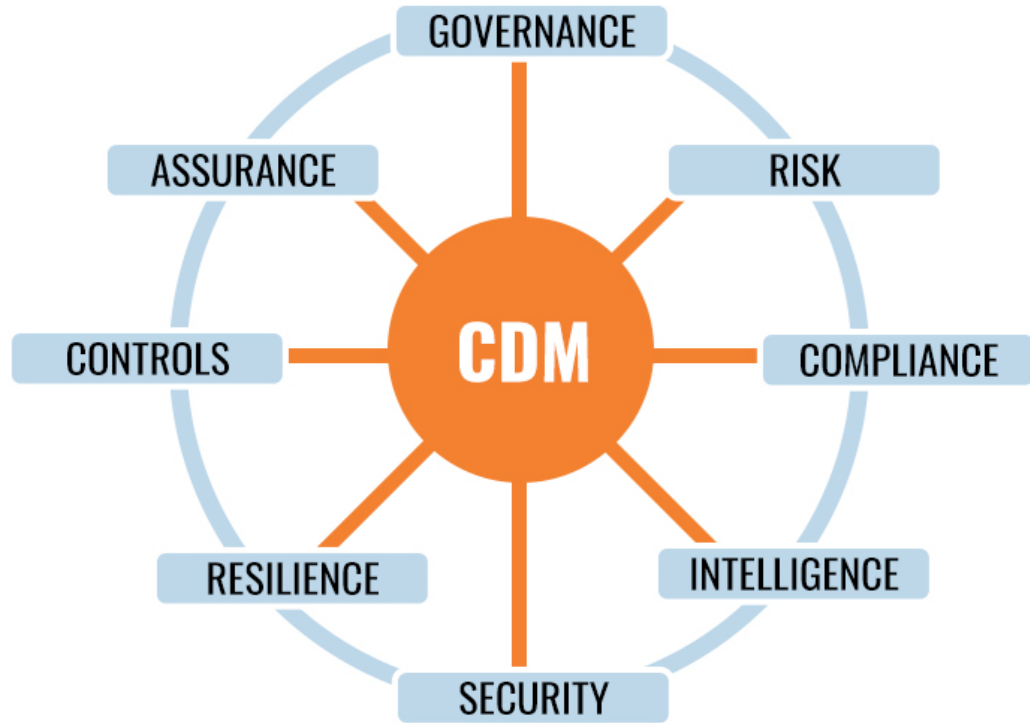
Too many intangibles, too easy to fall into the “myths” that blind us to reality:

1. Awareness = Reputation
2. My Reputation is What I Say It Is
3. If I Manage Risk, Reputation is Golden



# How Do You Build a Reputation/Risk-Aware Structure?

The power of  
Corporate Defense  
Management (CDM):



# So Why Don't Companies Do This?

- Because it is hard
- Actually, it isn't  
(compared to the alternatives)
- SMEs think it is a luxury/too costly
- Hubris

Risk is usually siloed in companies





# Leadership Style Stack

In an Era of Turbulence  
and Rapid Systemic Innovation

Best fit

- Visionary
- Transformational
- Pacesetter

Less effective

- Bureaucratic
- Transactional
- Laissez faire

In SMEs, risk management/awareness  
comes from the top.

Character matters.



Coach

Visionary

Servant

Autocratic

Democratic

Hands-Off

Pacesetter

Transformational

Transactional

Bureaucratic

## How to Become Reputation/Risk-Aware

- CEO must drive reputation-awareness
- Cross-functional committee with teeth
- Align incentives/performance measures to reputation and risk management
- Have a third party/outside advisor keep you honest
- The (inexpensive) QRHA process



# The Quarterly QRHA Stress Test

- Tests your business plan against macro risk
- Business environment, societal, geopolitical, behavioral
- Vulnerability assessment
- Market assessment
- Looking beyond compliance
- Mission and purpose alignment



# Can You Manage Today's Risks: Your Management Team Matters

- Understanding how your management team is wired.
- Personalysis
- Culture Index
- The Premonition: A Pandemic Story by Michael Lewis (Author of The Big Short)



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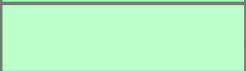

# **FINANCIAL READINESS**

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# Balance Sheet Liquidity

## ASSET HEAVY

### BALANCE SHEET

CURRENT ASSETS	LIQUIDITY INDEX		CURRENT LIABILITIES
CASH			ACCOUNTS PAYABLE
ACCOUNTS RECEIVABLE			PAYROLL AND SALES TAXES
MARKETABLE SECURITIES			ACCRUED EXPENSES
PREPAID EXPENSE			SHORT TERM DEBT
STOCK INVENTORY			CURRENT PORTION - LONG TERM DEBT

#### LEGEND

 DEGREE OF LIQUIDITY

 TIME TO MATURITY

SIZE OF CELL = DOLLAR VALUE OF ASSET/LIABILITY

# Balance Sheet Liquidity

## BALANCED

### BALANCE SHEET

CURRENT ASSETS	LIQUIDITY INDEX		CURRENT LIABILITIES
CASH			ACCOUNTS PAYABLE
ACCOUNTS RECEIVABLE			PAYROLL AND SALES TAXES
MARKETABLE SECURITIES			ACCRUED EXPENSES
PREPAID EXPENSE			SHORT TERM DEBT
STOCK INVENTORY			CURRENT PORTION - LONG TERM DEBT

#### LEGEND

 DEGREE OF LIQUIDITY

 TIME TO MATURITY

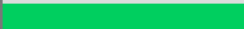





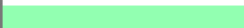

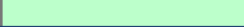

SIZE OF CELL = DOLLAR VALUE OF ASSET/LIABILITY



# Balance Sheet Liquidity

## LIABILITY HEAVY

BALANCE SHEET

CURRENT ASSETS	LIQUIDITY INDEX		CURRENT LIABILITIES
CASH			ACCOUNTS PAYABLE
ACCOUNTS RECEIVABLE			PAYROLL AND SALES TAXES
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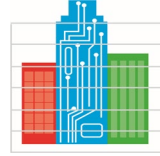
### LEGEND

 DEGREE OF LIQUIDITY

 TIME TO MATURITY

SIZE OF CELL = DOLLAR VALUE OF ASSET/LIABILITY





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## **PART III - AN AGE OF EPOCHAL CHANGING INNOVATION**

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THE TECHNOLOGY / INNOVATION –  
CHANGING THE FABRIC OF OUR REALITY

Innovation Synthesis is creating the emergence  
of a civilization changing megastructure

NANOTECHNOLOGY

QUANTUM COMPUTING

BIOTECHNOLOGY

ARTIFICIAL INTELLIGENCE

SYNTHETIC BIOLOGY

BRAIN COMPUTER INTERFACE (BCI) - DIRECT NEURAL INTERFACE

GENETIC ENGINEERING

VIRTUAL REALITY

GENE SPLICING

3D PRINTING

CRISPR

Synthesis happens in all phases  
of innovation, starting from the very  
beginning. It is a product of collecting  
trends and synthesizing or combining them  
to create new, alternative futures

## A New Brain Implant Translates Thoughts of Writing Into Text

In early experiments, a paralyzed man with implants in his premotor cortex typed 90 characters per minute—by envisioning he was writing by hand.

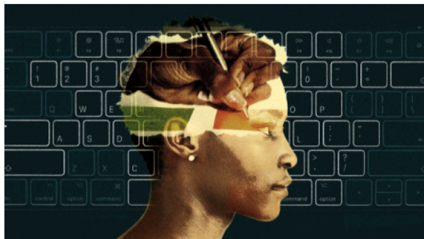


ILLUSTRATION: ELINA LUCIF, GETTY IMAGES

ELON MUSK'S NEURALINK has been making waves on the technology side of neural implants, but it hasn't yet shown how we might actually use implants. For now, demonstrating the promise of implants remains in the hands of the academic community.

### Ars Technica

This story originally appeared on [Ars Technica](#), a trusted source for technology news, tech policy analysis, reviews, and more. Ars is owned by WIRED's parent company, Condé Nast.

ADVERTISEMENT

Previous attempts at providing typing capabilities to paralyzed people via implants have involved giving subjects a virtual keyboard and letting them maneuver a cursor with their mind. The process is effective but slow, and it requires the user's full attention, as the subject has to track the progress of the cursor and determine when to perform the equivalent of a key press. It also requires the user to spend the time to learn how to control the system.

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## U.S. Navy controls inventions that claim to change "fabric of reality"

Inventions with revolutionary potential made by a mysterious aerospace engineer for the U.S. Navy come to light.

PAUL RATNER 06 February 2021



U.S. Navy ship  
Credit: Getty Images

- U.S. Navy holds patents for enigmatic inventions by aerospace engineer Dr. Salvatore Pais.
- Pais came up with technology that can "engineer" reality, devising an ultrafast craft, a fusion reactor, and more.
- While mostly theoretical at this point, the inventions could transform

by Insa Mohr

figures by Hannah Zucker

The past year has been momentous for **quantum computing**, a technology that applies the almost-mystical phenomena of quantum mechanics to build novel supercomputers, high performance computers used to solve large scale computational tasks. Google demonstrated that their quantum computers can **solve a problem** that no classical computer could ever solve. For the third year in a row, IBM managed to **double** its quantum computing power. Additionally, several web service providers, including Amazon, announced plans for **cloud-based** quantum computing services. Quantum computers can make **drug development**, **power storage**, **manufacturing**, and **agriculture** better, faster, and more **sustainable**. They may also unravel cybersecurity infrastructure around the world making them a potential threat to national security.

Despite these newsworthy headlines, the field of quantum computing is still in its infancy. The quantum computers we see today are relatively small-scale systems with up to 50 qubits, the building blocks of a quantum computer. For real-world applications, however, we would need quantum computers with thousands, if not millions, of qubits. Whoever cracks the difficult question of how to scale quantum computers may shape the future of technology and geopolitics. Cracking this question, therefore, is the holy grail of quantum computing.

## The paradox in building scalable quantum computers

Quantum computers can best be understood when compared to traditional computers. The building blocks of a traditional computer are binary bits, each of which stores one of two values: 0 or 1. These bits interact with each other through simple logic gates, such as NOT, AND, and OR. A traditional computer holds billions of bits on tiny transistors.

In contrast, a **quantum computer** is constructed from qubits. Unlike bits, qubits can hold states of 1 and 0 at the same time, like an atomic "Schrödinger's cat." This can be difficult to understand in detail—even most hardboiled computer scientists don't—but the most important takeaway is that quantum computers are both tremendously complex and far more powerful than the traditional

arxiv.org now.

# Final Thoughts

The goal of the **vcfo** Thought Leadership Series (TLS) is give you context and tools to assist you in navigating through all the turmoil and restructuring while positioning your business for success now and in the coming season, in which many incredible opportunities will emerge.

## Next TLS webinars:

- July/August
- October/November

**We hope you'll join us for this series and other spontaneous events through the year.**



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