

Alliance of Chief Executives Roundtable

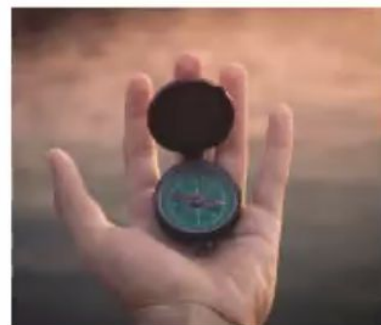
The Silicon Valley Bank Closure and How Leaders Deal With Crises

With **Jim Cook**



What We Know
(and *Don't* Know)
Today

Recommended
Action Steps
Based on Risk-Based
Decision Criteria



How Leaders Deal
with Crises and
Prepare for Future
Unanticipated Events

Intro:

Jim's passion is sharing 30+ years of his "Best Of's" experiences in scaling some of Silicon Valley's most iconic brands from their earliest foundations (**Intuit, Netflix, Mozilla/Firefox**). Jim has been mentored and coached by some of the best in the industry (Bill Campbell/Reid Hoffman) and is deeply networked into the venture capital community.

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Jim is the author of several public presentations and is portrayed in a few books ("That Will Never Work" (Marc Randolph) and "Netfixed" (Gina Keating)), podcasts, and now an award winning film documentary (**Netflix vs the World**). You can learn more about Jim at [linkedin.com/in/cookflix](https://www.linkedin.com/in/cookflix) and his blog www.cookflix.net, Twitter ([@cookflix](https://twitter.com/cookflix)) and other web scatterings.

BenchBoard



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Today's Session



Topics We'll Cover

1. The SVB Situation - Guest - Chris Stedman - Head of Technology Banking
2. 3 Key Banking/Finance Lessons Learned
3. Crisis Leadership "Best Of's"
4. Q&A (30-45 Minutes)

Discussion Frameworks

- Context - Background - ***How Did We Get Here? ("Perfect Storm")***
- Current Situation - ***Where Are We Now?***
- Scenario Analysis - ***Where Are We Likely to Go?***

3 Key Banking/Finance Lessons Learned

1) DIVERSIFY

- Multiple Operating Bank Accounts (e.g. A/R Only Bank Account?)
- Mix of Big 4 Bank and smaller Regional/FinTech Banks
- Sweep Accounts Matter (leaving min. Required in Operating Accts)

2) TIME MATTERS

- Duration Matching; Long Term Fixed Income/Assets vs Short Term Liabilities (Customer Deposits; Cash Requirements)
- Liquidity DOES NOT EQUAL Solvency

3) 3 C's: CONFIDENCE IS CRITICAL; COMMUNICATION; CALMNESS

- Any Bank or National Banking System is only as valuable as the Confidence in that Bank or Bank System (Note: this "Confidence theory" applies to Equity Markets, and to the Private Equity/Startup/VC Markets.
- Over Communicate; 7 Times; 7 Different Ways (e.g. Tim M - SVBB/FDIC)
- Transparency; What We Know; Don't Yet Know; When We Will Know More

The “Perfect Storm” for Banking

1) Banking Regulations and Stress Testing (2008 vs 2017 to Today)

- 2017 Reduced the Stress Testing Requirements for \$50B-\$250B Banks (SVB)
- HTM (Hold to Maturity) vs MTM (Mark to Market)
- As Interest Rates rise more banks are reclassifying their MTM (AFS) to HTM and potentially creating hidden liquidity problems as rates continue to rise
- <https://corporatefinanceinstitute.com/resources/accounting/held-to-maturity-securities/>
- <https://www.stlouisfed.org/on-the-economy/2023/feb/rising-rates-complicate-banks-investment-portfolios>

2) 40 Years of “US T-Bills are the Safest Investment”

- The Fed’s fastest and highest interest rate increases
- After 15+ yrs of interest rates declining to 0% and threatening negative.....

3) Social Media and Technology Impact on Psychology/Bank Runs

- Twitter, Facebook, all others barely existed in 2008 (the last financial crisis)
- The “Risk” / Probability of a “Bank Run” and the impact of the speed of social media was significantly underestimated.
- Electronic Banking was <50% of all Banking. Today >90%; Transfer speeds +2-3X

Investor Psychology:

“Crashes Take The Elevator Down and Recoveries Take Stairs Back Up” (Doug Leone - Sequoia)

“The Market Can Remain Irrational Longer Than You Can Remain Solvent”

“Risk On Happens Slowly.....Risk Off Happens Overnight”.

Bill Gurley Benchmark

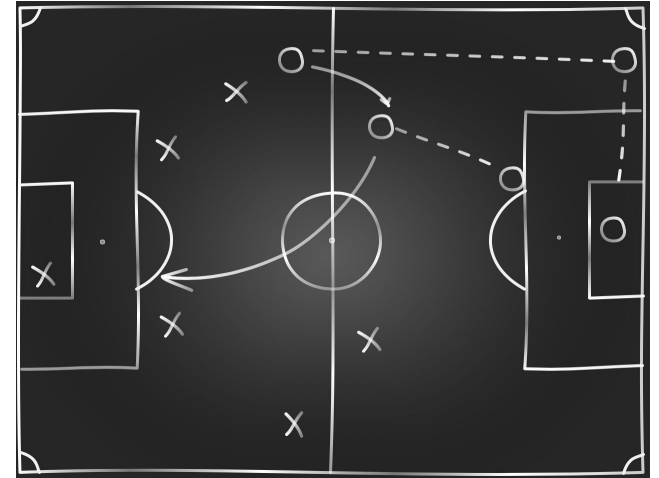


“My Best Of” - Crisis Leadership Principles

- 1) Safety First (Both Physical but especially Mental Safety)
- 2) Deeply Analyze “Reality” (Fact vs Psychology) and Course Correct/Adapt Quickly
- 3) Balance Optimism with Realism
- 3) Assess Your Risk Properly; Your 1st Principles; Your Mission/Vision
- 4) Show Leadership; Over Communicate; Confidence; Calmness; Transparency
- 5) Be Authentic and Be Human

Situational Leadership

1. In Crisis There Are Always More Questions Than Answers
2. Original Plan and Forecasting is out the Window
 - Exploring brand new territory few if any have seen before.
 - We have gone “Off Road” without a 4x4.
 - A new Game Plan is Required
3. No Clear Playbooks; But There Are “Plays”
 - The Game is On
 - Plays Need To Be Called;
 - Sitting on Sidelines as armchair QB
4. Your Leadership is Required
 - Everyone Is Looking Around Looking For Somebody – to lead them through
 - This is Your Time to Shine as and provide that Leadership
5. Decision Making Frameworks and Scenario Based Contingency Plans



Required Crisis Framing

1. Pattern Match the Key Questions and Key Assumptions:

- Validate or Challenge Assumptions
- Most bad decisions are made using bad Assumptions

2. One Size Does Not Fit All; Define Your Position In the Crisis

- Not All People/Companies have the same level of Risk in each Crisis.
- YMMV - Your Mileage May Vary
- **Their Risk is not necessarily your Risk...**
- Clearly Define Your Own Risk in the Current Situation...don't be a headless chicken running around with other headless chickens...that's just chaos



3. The Objects In Mirror Are Closer Than They Appear.

- **How Fast Should You Act?**
- Depends On Your "Position" and your particular "Risk" in the Situation.
- COVID EXAMPLE?
 - If You were in Travel, Cruise Line, Corp Conference Industries - **FAST!**
 - If you were Enterprise SaaS Subscription Company - **SLOWER**
 - If you were Zoom or Telehealth or Slack - You Actually **GREW!**
- **Your Action Plan depends on What You See In the Mirror.**



You are now being asked to **RESPOND** to the **CRISIS**

- What To Do?
- When To Do It;
 - Notice the Pre-Planned Sequence Pattern....
 - Your Oxygen first (Cash?)
 - Flotation devices second
 - Brace for Impact third
 - Know the Exit Route - stay calm
- Create Specific Instructions On HOW to Perform the Tasks

In Case of Emergency:



KEY ACTIONS: Call These Plays

1. Lead your Exec/Team With Wake Up Call – this is Top Priority - Somebody has to Lead - make it YOU!
2. Align Exec/Team with Crisis Severity Assumptions
 - Worst Case; Best Case; Base Case
 - Build Action Blueprints Together
3. What Are Your 1st Principles In This Situation? Aligned 1st Principles Create Simplicity and Avoid 2nd Guessing

DO NOT Wait. You don't need all the answers

DO NEED Exec Team/Board Engagement/Alignment

In Case of Emergency:



COMMUNICATION IS CRITICAL

Exec/Board Team “Stand Up Sessions”

- Agile / “War Room” Leadership
- Zoom and Email and Slack Updates

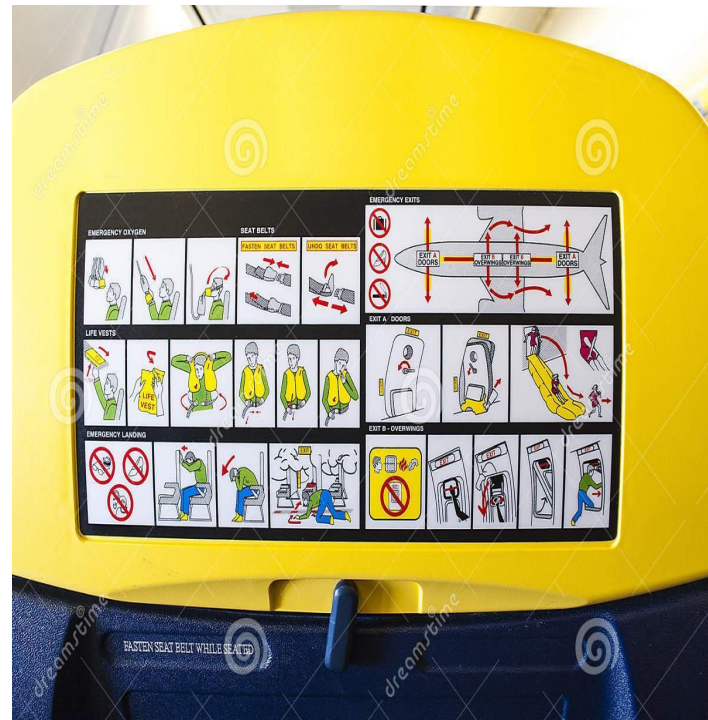
Confidence and Calmness

- Scenarios w/ Assumptions vs Precise Actions
- Course Correct By Stress Testing Assumptions Daily, Weekly, Monthly
- Balance Confident Optimism with Realism

Transparency is Critical; Accuracy is Not;

- Create Exec Team/Board/Investor Feedback Loops
- The Best Ideas Win
- “7 Times; 7 Different Ways

In Case of Emergency:



What IF's, When, and How

Define Future Crisis Milestones (Scenarios)

WHEN Will You Break the Glass?

WHAT Will You Specifically Do When You Break It?

Define Triggers For Progressive Corrective Actions:

- Take Opportunity to Re-Align Everything?
- No Ideas Are Too Extreme when you Need to Break the Glass



A Final Word on Operating Values – Trust - Transparency - “Safety”

1. People need “**Safety**” during Crisis...**both physical and mental**
2. **Transparency** builds Trust. Trust creates Safety
3. True Character Show Up In Times of Crisis. People Don’t Forget. **Your Reputation is Cemented During Crisis.**
4. Listen intently; **Don’t be Tone Deaf.** People First.
5. When you have to take the Hard Decisions, **Make Them With Dignity**
6. Be as **Generous** as you can given the **Constraints you have.**

“How you lead right now is likely to be a career defining moment/opportunity for many of you. Lean into the uncertainty and fear and provide leadership”.

(Jim Cook – 2001 “Dot Bombs”, 2008-10 Housing/Banking/Great Recession, 2020-21 (Covid)-, 2023 (“Banking Crisis?”))

Jim's BIO and BenchBoard Strategic Advisory

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Want to Book Some Time? [Calendly.com/BenchBoard](https://calendly.com/BenchBoard) or 650-575-1421

BenchBoard



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