The financial crisis

Xavier Guilhou and Dr Patrick Lagadec discuss the recent worldwide financial turmoil and how we can prevent the next crisis from escalating.

The second imperative is to identify the main pitfalls that must be avoided; whether that is capitalisation pure and simple, or the notion that what we are facing is simply exceptional, or ill-advised measures to recover.

In the financial world, crises have spilled over to acquire economic, social, even geo-strategic implications. With respect to weather disruptions, Katrina, in August 2005, was not in fact a ‘hurricane’ but, as an Admiral Thad Allen, Commandant, United States Coast Guard, put it: ‘...the equivalent of a weapon of mass destruction being used on the city without criminality.’

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It is necessary to embrace a global and local dimension immediately – public as well as private participants – most notably, critical infrastructure providers, field response teams, NGOs, civil society and so on.

For all its claims to coherence, centralisation is the norm. Those who fared best through Katrina were those who proved capable of empowering their teams and family networks through a relationship of trust. Today’s crises arise from the bottom up; we cannot expect to prevail upon them through bureaucratic top-down plans.

The fourth imperative once a crisis hits is to launch shared initiatives which will truly rebuild the foundations of trust. This is the most challenging imperative as we confront today’s confusing and blurred environments.

To sum up – what are the pitfalls? Who are the stakeholders? What would the game-changing initiatives be? These questions are the first pillars of the approach that we advocate in order to enable early detection of unconventional warning signals (often the harbinger of mass manipulation), and to assist the strategic management of severe disruptions.

In concrete terms, this framework has now been fleshed out with the setting up of Rapid Reflection Forces: groups that combine a wide array of backgrounds, and assist leadership structures by scanning and challenging the most challenging questions on the horizon. As businesses agree on the logical that this example is followed by other national and international organisations.

Within France, EDF has been a pioneer in systemising recourse to this approach. The challenge is now to take the next step and ensure that this example is followed by other national and international organisations.

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