

# **Core Crisis Challenges and Facing the Unknown**

Applying Lessons from the 2008 Financial Crisis to COVID-19





## Introduction

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The Coronavirus (COVID-19) pandemic is testing both businesses and the human beings who anchor these businesses. As companies and workers adjust to the new norm, leaders should be hyper focused on business continuity plans and how they will keep the organization resilient and viable in this disruptive environment.

Organizations must evaluate operational impact holistically, determining how individual issues can cascade to other areas, potentially causing greater impact. While this pandemic is unlike anything the world has seen, there are many lessons that can be learned from the 2008 financial crisis.

How can organizations bolster resiliency in this uncertain environment? What lessons can be applied from the most recent financial crisis to inform leadership decision-making now and chart a pathway forward?

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## Core Challenges

While the ultimate implications and impact of COVID-19 are not yet known, agencies can and should think proactively to address perceived challenges with respect to lending, credit exposure, liquidity, and securitizations.

Specifically, organizations should be thinking through these challenges:



Challenge 1:  
**Navigating the Unknown**



Challenge 2:  
**Establishing Governance, Risk, and Compliance for New Operations**



Challenge 3:  
**Meeting Surge Demand and Staying Agile in a Rapidly Changing Environment**

While the implications and impact of COVID-19 are vast, there have been many previous crises from which we can learn. By applying these historical insights, federal agencies can help prioritize changes that have the most impact.

Following are examples of Guidehouse's expertise in solving issues stemming from the 2008 financial crisis and how these lessons might offer solutions to agencies in dealing with the core challenges of the pandemic.

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“While the world has never seen a pandemic of this magnitude, by applying lessons from past crises and focusing attention on the most critical areas, we will come through this stronger than ever. Guidehouse is sensitive to the needs of all financial market participants and is at the forefront of delivering holistic solutions that will help your agency meet surging demands, while complying with regulations and serving customers compassionately.”

**William J. Lewis**

Partner and Practice Leader  
Financial Services, Guidehouse

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## Challenge 1: Navigating the Unknown



In the face of unknown circumstances, federal agencies must balance thought and action in their crisis operations. When these unknown circumstances stem directly from an immediate crisis, this balance becomes more critical and more stressful for agencies. Facing this COVID-19 outbreak, a large-scale crisis, how should federal agencies navigate the unknown?

Below are a few tips for facing uncertainty, as well as a case study from the 2008 financial crisis.

1. **Don't let technology rush you into action.** With unprecedented numbers of employees working from home, it can be easy for digitization of our days to make decision-making overly reactive, acting at hyper speed. Use technology to your team's benefit, but ensure plans are still carefully considered before taking major action.
2. **Focus on agility.** Adopt a more agile project management structure, in which work is iterative, incremental, and highly engaged with users. This approach can lower risks associated with user adoption, organizational issues, and more.
3. **Accept necessary nervousness.** In the case of a crisis, federal agencies will be missing crucial information about causes and potential consequences while they make decisions, but the time-pressure inherent in crises necessitates acting regardless of gaps in understanding and knowledge.

## Case Study

### National Credit Union Administration Structural Organization

**Challenge** ► The National Credit Union Administration (NCUA) supervises the corporate credit unions (CCUs) that act as "bankers' banks" for over 8,000 natural person credit unions across the U.S. In 2008, the Federal Reserve allowed continued access to the discount window, conditioned on the development and implementation of a plan to restructure the CCUs. The NCUA Board engaged Guidehouse to review recommendations and potential restructuring options submitted by both NCUA staff and CCUs.

**Solution** ► Guidehouse assessed multiple restructuring options presented to NCUA by various stakeholders and provided expert guidance in helping the agency navigate this structural reorganization. Guidehouse reviewed best practices from the industry, conducted interviews with stakeholders, and reviewed reports provided by the NCUA staff and CCUs. Based on this information, the team built a gap analysis that assisted NCUA in identifying the best restructuring option.

**Impact** ► Guidehouse's support enabled NCUA to 1) strengthen its structural, information technology, and procedural infrastructure; and 2) develop an agile strategic platform to oversee its mission as insurer, supervisor, and regulator of federal credit unions.

**Potential Implications for COVID-19** ► If an immediate restructuring is needed, performing a gap analysis before making final decisions can save time and money in the long-run.

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## Challenge 2: Establishing Governance, Risk, and Compliance for New Operations



Establishing new operational structures and guidelines might be a comfortable scenario, but what must change in the agency mindset when completing these typical tasks during less-than-typical circumstances? Here are some of our recommendations:

1. **Use a widely accepted framework**, such as the Committee of Sponsoring Organizations of the Treadway Commission Enterprise Risk Management Integrated Framework, as your project's base.
2. **Define clear objectives and a business model** upfront to ensure the breadth and depth of all activities for the new operational process.
3. **Carefully outline the “Target State” and governance, risk, and compliance strategy** before shifting your focus to a detailed implementation plan identifying key phases, workstreams, resources, etc. A robust audit trail and real-time monitoring can reassure leadership that execution will stand up to the heightened scrutiny that often accompanies crises.

## Case Study

### U.S. Department of the Treasury (Treasury) Troubled Asset Relief Program (TARP)

**Challenge** ► Treasury's policy goals for the portfolio of troubled mortgage-related assets included: 1) provide stability and prevent further disruption to the financial markets and banking system, 2) ensure mortgage availability, and 3) protect the interests of taxpayers. To achieve these goals, Treasury needed to develop a strong governance, risk, and compliance model, together with a pragmatic implementation approach.

**Solution** ► Guidehouse built the Troubled Asset Relief Program governance, risk, and compliance model upon a popular and widely accepted framework, the *Committee of Sponsoring Organizations* — Enterprise Risk Management — Integrated Framework. This framework was developed based on leading Governance Risk and Compliance (GRC) practices and went through a public due diligence process.

**Impact** ► The model allowed the team to approach each area according to its specific needs, maintain compliance with applicable regulations, and withstand the scrutiny and oversight of multiple organizations. In addition, the client received an unqualified audit opinion, one without any exceptions and in compliance with Generally Accepted Accounting Principles, for the first four fiscal years.

**Potential Implications for COVID-19** ► Agencies needing to quickly implement entirely new programs due to the COVID-19 crisis can benefit from using a strong GRC framework to increase confidence as they build structure rapidly.

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### Challenge 3: Meeting Surge Demand and Staying Agile in a Rapidly Changing Environment



An agency engaging in agile project management focuses on work being iterative, incremental, and highly engaged with users. This approach can improve the efficacy of tax dollars and the quality of services, among other benefits. During a crisis such as COVID-19, there will likely be several surges in work for federal agencies, and teams may be balancing competing priorities. How should agencies design project management and governance processes that enable flexibility while improving accountability?

We recommend the following tenets:

1. **Communicate.** Hold regular meetings focused on project and task prioritizations, ensure key stakeholders are abreast of any delays, roadblocks, or budget issues.
2. **Brainstorm.** Use an empty office wall to map backlog, priorities, progress, and stakeholders with sticky notes. These collective discussions can unlock unforeseen solutions and opportunities, propelling the project forward.
3. **Adapt.** Effective governance enables the flexibility to respond to unexpected roadblocks and shifting priorities. Building smaller tasks fosters the agility needed to quickly address project changes and challenges.

## Case Study

### Federal Deposit Insurance Corporation Resolutions and Receiverships

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**Challenge** ► The Federal Deposit Insurance Corporation (FDIC) Division of Resolutions and Receiverships required assistance with the closing and resolution of multiple failed financial institutions and supporting activities as part of the receivership process.

**Solution** ► Guidehouse played an integral role in closing and resolving failed financial institutions in an efficient and cost-effective manner. Guidehouse assisted with closing the failed institutions and delivered comprehensive advisory services to FDIC throughout the receivership life cycle. This included conducting investigations, developing and executing asset disposition strategies, handling a wide variety of non-loan payment-related checks (e.g., tax refunds, vendor refunds, and rent), and performing interim servicing roles such as evaluating transaction reports for proper postings.

**Impact** ► Leveraging guidance, support, and expertise from Guidehouse, the FDIC successfully closed several failed financial institutions, executed receivership activities, and disposed of billions of dollars of assets.

**Potential Implications for COVID-19** ► Temporarily expanding your agency's expert contracting pool can quickly set your crisis operations up for success. Dynamic consulting firms have special disaster or crisis management branches, with an expertise in banking and financial institutions, and these groups can ramp up full operations in a tight time frame.

In these uncertain times, Guidehouse is here to help. While the anxiety your agency and workforce feel may seem insurmountable, many of these issues have been faced in some form during previous crises. By applying these lessons, agencies can weather this storm and thrive when the business environment improves.

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## About Guidehouse

Guidehouse is a leading global provider of consulting services to the public and commercial markets with broad capabilities in management, technology, and risk consulting. We help clients address their toughest challenges with a focus on markets and clients facing transformational change, technology-driven innovation and significant regulatory pressure. Across a range of advisory, consulting, outsourcing, and technology/analytics services, we help clients create scalable, innovative solutions that prepare them for future growth and success. Headquartered in Washington DC, the company has more than 7,000 professionals in more than 50 locations. Guidehouse is a Veritas Capital portfolio company, led by seasoned professionals with proven and diverse expertise in traditional and emerging technologies, markets and agenda-setting issues driving national and global economies. For more information, please visit: [www.guidehouse.com](http://www.guidehouse.com).





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