

Q&A: Communication kept Crossmark together in Hurricane Harvey's wake

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In conversation with Michael Kern, CEO, Crossmark Global Investments

Hurricane Harvey made landfall in Texas in late August, affecting over 300,000 people and taking many lives along the way, according to multiple reports. **Crossmark Global Investments**, a Houston-based investment manager, was one of many organizations in the eye of the storm.

Asset managers are required to have business continuity plans (BCP) in place to deal with, among other things, natural disasters. *Fund Operations* spoke to CEO **Michael Kern** of Crossmark about his experience with the storm and what it was like balancing personal issues of friends and family with that of the business. The firm's BCP executed without issue thanks to practice beforehand, but Kern detailed some items he still would have done differently.

Fund Operations (FO): Can you walk me through what it was like in the days leading up to and preparing for Hurricane Harvey?



Michael Kern (MK): Our executive team met that week to review our business continuity plan (BCP), and we made sure we knew what our process was. It was geared towards two things: people and systems.

Personally, this was my first hurricane. I've been in Houston for 2 1/2 years. So, of course, I did what everyone else did. Get water, flashlights, moved my outside furniture to the garage, etc.

FO: Tell me about your firm's BCP and how your executive team handled the hurricane?

MK: With respect to people, it came down to understanding where our employees were going to be located physically. We had a number of people that were going to be out of town, so we told them to stay out of town. It gave them a little more arm's length perspective than what we had here in Houston.

Our head of distribution stayed in St. Louis, our head of back-office operations stayed in Chicago, and our local IT leader stayed in Lubbock, Texas. We made sure these people had the tools they needed to work remotely.

With respect to our systems, IT is the biggest risk. We decided to move our servers to our backup systems in Missouri. Because we did that several days before the storm actually hit, we were able to give ourselves extra time in the event we needed to troubleshoot issues. Fortunately, everything worked seamlessly.

FO: How did your operations fare once the storm hit?

MK: Because we moved our servers, we were never down or inoperable. But after the storm hit, we focused more on mission-critical items such as making sure we could open new accounts, trade, handle client reporting, and handle client requests. Things like insurance renewals, continuing discussions with a couple of acquisition candidates, and negotiating a new office lease got pushed back a couple of weeks.

In terms of our physical space, we are on the second floor of a mid-rise building, so we weren't worried about flooding.

FO: How did you balance BCP concerns with what was going on at home? How did you try to be sensitive to what employees were going through?

MK: Well at home, our street flooded. It looked like a river. In fact, at one point after the rain stopped, I looked out my front door and saw a neighbor paddling down the street in kayak. We had water in our garage, but no water came into our house, so we were fortunate.

Our first order of business, both during the actual storm and after, was to understand how each of our employees was affected. We had several employees who had been evacuated from their homes, some lost power, and others couldn't leave because the roads were impassable.

In order to keep track of everyone, we have a calling tree. This starts with me where I call 5 people, then those five people each call five more people, and so on. That's how we communicated in disaster mode. It was an operational process that was really important.

My entire executive team knew on a real-time basis the status of our employees and who was fully functional, who was without power, who was preparing to evacuate, etc. You have to know where people are in order to determine what adjustments are needed in your firm's operations.

FO: How long did you have to close Crossmark's doors?

MK: We decided to keep the office closed for that first week.

When you think about it, people are at work 8-10 hours a day, but not all of that time is mission critical. Our firm has five core values, one of which is commitment. Because I knew we were well-positioned to provide uninterrupted service to our clients, we could afford to dedicate more resources and time to serving our community that desperately needed help.

I sent out an email titled "Victim or Volunteer." If you were a victim, I told my employees to let me know what they needed and we would rally as a firm. If you were not a victim, I told them they should be volunteers and help out another co-worker or neighbor. For example, one of my friends has twin infants. They had six feet of water in their house and had to be rescued from their roof. Our efforts needed to be directed towards those situations.

FO: How did giving your employees time to volunteer impact teamwork and overall moral?

MK: Of course teamwork is important everywhere, no matter your industry. For asset managers, the decisions we make impact our clients and they pay us to make [the best] decisions. Investment decisions are better when multiple viewpoints are expressed and vetted in the process.

We still have people displaced by the hurricane. I told my employees I'm not going to shave my beard — I'm normally clean-shaven — until everyone is back in suitable housing. This way, my employee could visibly see and be reminded every day that we have co-workers that still need help. Again, it goes back to our core value of commitment.

FO: What advice would you give to other firms that find themselves in a similar situation?

MK: The biggest thing is being prepared and practicing. For example, that calling tree — we practiced that. We also write down and document the process to review how it worked after the fact. Our cut over to our backup server worked flawlessly because we've done it several times. We know our staff is able to work remotely because we force them to do so periodically to test our BCP.

It's not easy to do. It takes time away from other important activities and it feels like you are wasting time. But in the heat of the moment, having that prior experience enables you to get through the chaos easier.

FO: Is there anything you would have done differently?

MK: Yes. First, I felt we were slow to disclose our response plan to our clients from a philanthropic standpoint. We had everything in place, we but didn't do a good job of communicating it.

Secondly, we are looking at a texting system. The calling tree works really well, but if a we had texting blast that could go out, that would be a good way to communicate.

Lastly, I did notice other asset managers put announcements on their websites acknowledging reopening their doors or how they were affected. For us, since we were running the whole time, we didn't do anything like that, but I think next time we would.

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