

## **FINANCIAL CRISIS MANAGEMENT**

Everything that goes up comes down. Every business entity will go through a crisis of one type or the other. The challenge is how to manage it. Crisis management is the process by which an organization deals with a major event that threatens to impact negatively on the organization and its stakeholders.

The experience of any crisis calls for a well-crafted strategy to nip it in the bud and turn the organisation around. Crisis management means having a plan in place when the event occurs. Any attempt to deny the existence of crises could lead to business collapse.

### **Planning**

Crisis can strike an entity at anytime and anywhere. However, the fundamental key to handling any crisis is planning. If you fail to plan then you are planning to fail. The plan should have clear objectives for resolving the challenge. The objectives during any crisis should protect the interest of the people endangered by the event and the survival of the organisation.

### **Centralise Communication**

It is important during crisis periods to nominate a focus person who communicates and coordinates all information regarding the crisis. This is necessary for sending the right message across and thereby curtail misinformation. It is important to tell the truth and tell it quickly.

### **Quality Information**

Quality information is the bedrock of quality decision making. Access to quality information about the crisis situation ensures a better understanding of the event. This enables management of the entity to formulate the right solution to improve the state of affairs.

### **Accurate Financial Information**

Most crises would have financial implications. It is therefore prudent to have a full and total understanding of the financial position and capacity of the organisation and the financial implication of the event. This should help to galvanise resources to ameliorate the impact of the crisis both in the short and long term.

### **Establish Credibility with Stakeholders**

Bad news creates panic unless the situation is well understood and managed. Every member of the Organisation should be well informed of the state of affairs. There should be **honesty and transparency** in all communications to the public. This will stifle rumours and diffuse media frenzy and sensational headlines.

### **Evaluate the Business Entity**

An evaluation calls for an in-depth analysis of every facet of the business. This would include the external and internal forces. It would be necessary to keep employees well informed of the causes of the crisis and the efforts to resolve them. This should motivate them to put in their bit to salvage the situation.

### **Organisational Change**

It might be necessary during crisis period to effect changes at the different layers of management. There should be a swift and calm release of management and staff who are found culpable of the situation. This should send a signal to all stakeholders including the public of management intention to deal with the situation.

### **Take Control**

It is pertinent during crisis management to gain control of all the activities necessary for the immediate stability of the situation. Top management should be seen to act by responding to all the issues involved. They should address the stakeholders and indicate their intention to resolve the crisis in the short and long term. This should engender confidence.

### **Debt Restructuring**

Cash flow is at the core of financial crisis. When the entity is cash strapped, debt structuring becomes the obvious choice. It would be necessary during such occasions to negotiate for time to put things in order. An accurate and transparent state of finance report would allow a fair arrangement of resources to satisfy the stakeholders, especially the creditors.

### **Disposal of Non-Performing Assets**

Financial crisis calls for financial solutions. It is prudent during such occasions to take stock of all assets and determine those which are not yielding adequate returns. Institutions and programmes which are cash users should be disposed of. This exercise would be successful if done at arm's length. There should be efforts to reduce waste in every sector of the business.

### **Downsize/Restructure**

In the face of serious threat to the entity, it may be necessary to reduce excesses at every level of the business operation. It may include cost cutting at all levels. This should reduce the financial burden of the entity.

In crisis management, experience is invaluable. It calls for deep understanding of the challenge, the ramification of all actions or inactions. Crisis that is poorly managed can collapse a hitherto successful company.

Johnny Quarshie (cushayx119@gmail.com)  
Cushay & Associates  
P. O. Box MB216  
Accra

(The writer is a financial and management consultant & Good corporate governance advocate. We also offer institutional and public training in all financial disciplines)