

FINANCIAL CRISIS MANAGEMENT

Financial crisis is here again. The banking sector of the Ghanaian economy has been jolted once more. Every business entity will have its highs and lows. Crisis may come in the lifetime of any business but the challenge is how to manage it. Crisis management is the process by which an organization deals with a major event that threatens to harm the organization, its stakeholders, or the general public.

The onset of any form of crisis calls for an immediate strategy to stifle its impact and turn the organisation around. Any attempt to water down the crisis or deny its existence could lead to business disintegration and possible collapse.

Whatever the crisis, managing it effectively is crucial to minimising the damage to the organisation. Crisis management means having a plan in place when the event occurs.

Planning

Crisis can hit 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. 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 person who speaks and coordinates all information regarding the crisis. At this point information dissemination is critical since there is the tendency for misrepresentations and different version coming from unsolicited sources. The caveat is to tell the truth and tell it quickly. Never lie!

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 craft appropriate solutions to deal with the challenge. This information encompasses the state of affairs with regards to the entity and the economy at large.

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. 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 culminating in 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 the financials together. This should enable management to review and understand the state of affairs. An accurate and transparent state of affairs 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 to private ownership. This exercise would be successful if done at arm's length. There should be efforts to reduce waste in every sector of the business and economy.

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 the operational levels and the reduction of staff numbers. This should reduce the financial burden of the entity.

In crisis management, experience is invaluable. It calls for deep understanding of the challenge, the implications and ramification of all actions or inactions. Crisis that is poorly managed can wipe out decades of hard work and company value in a matter of hours. Warren Buffet, renowned investor stipulates that “it takes 20 years to build a reputation and 5 minutes to ruin it.” If you think about that you will do things differently and well.

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)