



## *ConvergenceCoaching, LLC*

### *Crisis Management:*

### *Turning Disaster Into Opportunity*

In the public accounting profession, many consider crisis management and disaster planning to be client issues. In fact, it isn't unusual to find firms who specialize in developing disaster recovery plans as an ongoing client service offering.

Few of us, however, plan for crisis to strike in our own practices. Probably because we don't want to contemplate the possibility that it can. But, crisis can take many forms in your practice including:

- Changes in leadership where a key member of your firm leaves as a result of death, departure to another firm or a merger. This can place your firm in a difficult situation, with limited time to transition critical roles. A crisis of this nature, if unanticipated, can leave your firm unable to maintain its focus and can cause a decline in morale due to uneasiness and uncertainty.
- Personnel issues, such as layoffs or other difficult employee departures. Managed improperly, these can sometimes lead to legal action and cause frustration or strain on those remaining behind. In addition, client and other external communications must be carefully managed to minimize disruption and concern among your outside stakeholders.
- Client concerns such as the loss of clients due to service delivery mishaps, legal troubles, scandal or mistakes made by the firm. These crises can result in the loss of potential revenue from that client and can also lead to other client issues as your staff is pulled away from their normal duties to spend time addressing the problem situation.
- Outside influences such as natural disasters, economic downturns, competition, government regulations or other environmental factors.

Because a crisis, by definition, is an unpredictable, unexpected, potentially damaging event, it is difficult to plan "perfectly" for it. But not all crises are necessarily "bad." Instead, underneath the unseemly aspects of each crisis situation, there lurks an opportunity. I believe that all crises are manageable, and that the manner in which you manage your next crisis situation will impact whether the outcome of that crisis is positive or negative.

Firms that create crisis recovery plans are able to prepare ahead for the "worst" and properly manage their crisis when the event occurs. I've seen firms who have these plans in place literally transform what would be a disaster into a genuine opportunity.

To building a disaster plan to properly manage potential crises in your practice will involve 6 critical factors:

- **Leadership** – where you’ll clearly define your role as a leader in the crisis; determining whether to lead the crisis resolution effort or support your specifically chosen staff in the process;
- **Culture** – where the level to which you currently foster openness, loyalty and core values in your practice will become even more important when crisis strikes because emotion, tension and stress levels will inevitably elevate;
- **Teamwork** – which will cause you to determine, ahead of time, who your allies are and how you would work together to resolve the crisis, as often times the resolution is larger than one person can handle;
- **Planning** – where you will develop plans for before, during and after your crisis and then you’ll regularly test your plans, revise them when necessary and learn from actual events that you experience around you;
- **Communication** – another activity you’ll undertake before, during and after a crisis -- maintaining communications throughout the process both internally and externally; and
- **Action** – which you’ll want to be decisive, consistent and thorough.

By acknowledging that your practice or company may encounter a crisis in the future, you can begin to begin to develop a plan to powerfully manage any difficult times ahead. And, even if you’re unable to “stomach” applying these ideas to your own firm – the concepts will translate beautifully to any disaster recovery or crisis planning you may be doing for clients. In the next section of this article, I will map a step-by-step approach to developing your own crisis management plan and we’ll conclude with a third section that offers insights into how to handle a crisis once it occurs.

### **Think Like a Scout and “Be Prepared”**

Crisis, by definition, is an unpredictable, unexpected and potentially damaging event. To be realistic, it is difficult to plan “perfectly” for one. Even so, preparing ahead is the first step in taking control of the unexpected and turning a potentially damaging situation to your advantage. There are 3 critical steps in planning for crises. With luck, you’ll be reading this with time to create a plan. If not, and you are in crisis, consider how you can structure an immediate plan for execution now:

1. **Establish a Crisis Management Team.** Begin your planning by developing a Crisis Management Team (CMT) that consists of leaders in your firm who represent the multiple disciplines and functions so that your entire CMT has visibility to all aspects of your firm. This way, in developing a crisis plan, your cross-functional CMT will clearly understand the impact certain crisis situations will have on different elements of your practice and can plan to address them. Select leaders

who have natural leadership capabilities, and are accountable, consistent, loyal and discrete. Once you have selected your crisis team, have them meet regularly to plan for potential crises, test the plans and update them when necessary. Be sure to communicate the purpose of the CMT and who its members are to your staff and key clients. Include information on how to reach them when necessary.

2. **Identify Your Vulnerabilities.** Your Crisis Management Team should begin by identifying your top areas of vulnerability. Hold a brainstorming session with your CMT to list all of the potential areas of vulnerability to crisis that you have in your practice. Be sure to consider events driven by those inside your firm, those outside your firm (clients, competitors and your community) and those crises created by forces far greater than you can control including those brought on by nature and world events.

When identifying your vulnerabilities, be sure to consider crises that will impact leadership, staffing, facilities, computer and telephone systems, client relationships, service delivery, the firm's reputation and/or legal standing, firm economics (for instance, embezzlement), your competitive environment and, your vendors or alliance partners. Once you have an exhaustive list of potential vulnerabilities, work with your CMT to prioritize the most critical events based on (a) the potential of the event to occur and (b) the impact to your practice if the event should occur. Once you have identified your top 3-5 potential scenarios, focus on those areas first and determine a resolution plan for each.

3. **Prepare for the Worst – Develop Your Resolution Plan.** Preparing for the “worst” begins by developing a detailed resolution plan to manage each scenario. When creating your resolution plans, be sure to:
  - *Establish a “chain of command” for the scenario* that details who will lead the CMT during that particular crisis and how communications should occur among the CMT and other firm members in the event of each particular crisis. Be clear on what role each person in the chain of command will play;
  - *Identify who will do what and in what order.* Detail the steps that the CMT thinks will be most important and prudent when the crisis hits and as it plays out in a step-by-step fashion, being sure to give consideration to what actions are taken within your practice and those taken with parties external to your practice;
  - *Outline who your internal and external “audiences” are in each particular crisis* and what level of communication will be required with each. Be sure someone on your CMT owns each audience and understands their responsibility to communicate with them and when that communication is expected to occur.

- Where possible, centralize communications to one person to ensure the most consistent message possible;
- *Commit the plan to writing* and share copies with all members of the CMT. Place the document in your external storage facility, safe deposit box or at the home of each CMT in the event of a crisis that impacts your ability to access your facility or systems;
  - *Practice or “test” the plan at least once per year.* This requires discipline and planning – it is not necessary to test the plan without warning (in fact, to reduce the fear factor, scheduling a test will work best). Play the scenario out as close to the way that it might occur when really happening and see how well your plan holds up;
  - *Update the plan frequently.* As your organization changes and grows, the composite of your CMT may change, which will drive changes to roles and responsibilities. In addition, your top 3-5 crisis potentials today may be far different from those you would identify and plan for two to three years from now. Re-assess your plans at least quarterly to be sure you’re genuinely prepared.

With the hectic pace of public accounting, it is easy to ignore the potential that “something bad will happen.” We all share this natural denial mechanism. It’s really not a question of if a crisis event will happen in your firm. Instead, it’s a matter of when. Be prepared.

Shake off your complacency and get into action. Start your crisis planning by undertaking these three steps in your practice today.

In the last section of this article, I’ll offer insights on how to put your plan into action and manage a crisis event when it occurs.

### **It Happened. Now What Do I Do?**

The crisis scenario, similar to one of those that your Crisis Management Team outlined in your crisis planning sessions, has occurred. The individual who is acting as project manager responsible for several large client engagements and the leader of your consulting team has become suddenly and gravely ill and will be unable to return to work for 6 months. Are you prepared to address the situation? Where do you begin?

Follow these 4 steps once the crisis event has occurred:

#### **1. Assert Leadership**

When a crisis finally strikes, it is vital that the leader in your organization immediately take charge by notifying the members of the Crisis Management Team. The team’s first course of action should be to assess the situation, compare it to the scenarios developed

during the planning process and agree to any changes in action based upon the differences in the “real” versus hypothetical situations.

Once the group has declared a clear plan of action, the leader of your firm should verbally state that the plan is “in action.” The actionable members should be given the authority to begin their tasks and be held accountable for performing their assigned tasks.

*Above all, the leader should remain calm, unemotional and should exude confidence that the situation will be managed positively. Breakdowns, recriminations and negativity are luxuries in which true leaders cannot afford to indulge.*

## **2. Communicate!**

Internal and external communication is critical during crisis times - especially at the onset of the event. Once your formal position has been defined, seek legal counsel if necessary, and then communicate your messages to the appropriate audiences using one spokesperson from your firm. Start first by informing the appropriate members of your firm’s staff so that they are aware of the crisis and to ensure that they understand and are prepared to support the firm’s position and plans. This step is often overlooked and can cause your organization to display a lack of unity or clarity due to a lack of information – which will not be comforting for those inside or outside your company. *Even if you cannot meet in person, you may be able to communicate by conference call or e-mail. Try to stay in touch with your team.*

As you communicate, your messages should reflect that the firm is taking responsibility for the resolution of the crisis, if appropriate, and reinforce the firm’s record and commitment relative to the situation. Your communications should express your confidence in and commitment to whatever plan is devised and the audiences affected should be updated frequently as the situation changes.

## **3. Stay In Touch**

As the leader of your firm, you should stay in close touch with the situation by continuing to meet with the Crisis Management team to re-assess the situation and identify any actions that need to be altered or added to address the current circumstances. It is important that you remain visible throughout the crisis and not hide in strategy sessions or behind a spokesperson. Also it is helpful to personally visit the site of the problem – in our example, the clients affected by the change in project leadership and meeting with the consulting team -- to assess the situation first-hand, if appropriate.

#### 4. **Know When It's Over**

Be prepared to declare that the event has passed, but only when it is truly over. Once the event has passed, meet with your Crisis Team to critique your efforts and identify opportunities that may have arisen as a result of the situation. Assess what worked, what you could have improved upon and adjust your crisis plan accordingly. Then, acknowledge that the event has passed and refocus your team on the business at hand!

If you haven't already begun the process, take copies of this article to your next firm leadership meeting and discuss how your firm can best implement a Crisis Management Plan. Do so and be prepared to turn your next crisis into a genuine opportunity for your firm.

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