



Responding to a Crisis: How Accountants Help Lead the Charge During Difficult Times

Throughout our lives, we will all face crises. Whether it's recovering from a natural disaster, or seeing a parent unexpectedly lose their job, how you respond will often shape your life.

Businesses also face crises from time to time that disrupt to their day-to-day objectives. These situations can threaten a company's health and success by tarnishing its reputation, damaging its business operations, negatively impacting its finances, or even harming its employees.

An organizational crisis can be caused by both internal and external factors and can last a couple days to a few years. The business impact can often last even longer. While some organizations are more vulnerable to risks than others, all face the possibility of the following:

- **Financial crisis:** When an organization experiences a loss in demand for their goods and services or faces unexpected supply chain disruptions. The reduced cash flow can impact their ability to pay employees, debts, and overhead expenses.
- **Personnel crisis:** When an employee or someone associated with the organization is involved in unethical or illegal activity or conduct, either inside or outside of the work environment, and it is seen as a reflection on the company. A lack of access to qualified employees or the unexpected loss of key personnel (e.g. CEO) without a succession plan are also examples.

- **Organizational crisis:** When an organization negatively impacts its reputation with their stakeholders by not operating in their best interests or produces a defective product. Examples can include suppressing important information or exploiting its customers.
- **Technological crisis:** When an organization's technological systems stop functioning properly. This could look like downed servers, software crashes, or personal data theft and may cause an organization to lose large amounts of revenue, stakeholder trust and public credibility.
- **Natural crisis:** When natural disasters such as hurricanes, tornados, floods, and infectious diseases physically damage an organization's property or disrupt operations. A company's geographic location can greatly impact their risk of exposure.

When organizations face these situations, they often move into crisis management mode to lessen the impact on their business, stakeholders, employees, customers, and revenue.

Based on other organizations' successful recovery, companies facing a crisis can follow these general guidelines:

- **Identify your strongest leaders** to manage public relations and employee morale. They should be personable, values-driven and have a track record of building strong corporate cultures.
- **Assemble a crisis management team** that supports the different areas within your organization. Depending on the issue, it could include legal, communications, human resources, and financial executives.
- **Develop a crisis management plan** that is rooted in the philosophy and values of the organization. The plan should outline possible scenarios and solutions for each.
- **Train employees** on how to identify potential issues and respond accordingly. Providing staff with the knowledge and resources they need to quickly assess the problem and take a corrective course of action will help reduce the overall negative impact.
- **Communicate with your stakeholders** promptly and consistently. The best approach is to acknowledge the problem and share specific actions your organization is taking.
- **Implement team agility** as situations can often move and change quickly, and organizations need to be prepared to pivot and respond fast.
- **Update the crisis management plan** often as variables tend to evolve over time. A successful plan requires consistent review to maintain its effectiveness.

Leaders often call upon specific teams for support in times of crisis. Accountants are typically at the top of their list because of their strong business acumen and understanding of potential accounting and financial implications. A well-rounded CPA will have the analytical skills to identify root causes, the strategic intelligence to prioritize action items, the communication

skills to clearly articulate information to the organization's leadership team, and the management skills to assist with non-traditional accounting duties as needed.

A Presenting Crisis

Accountants have helped several high-profile companies come back from crises in recent years. Examples include [BP's Deepwater Horizon oil spill](#), [Chipotle's E. coli outbreak](#), and [Volkswagen's cheating pollution emissions test scandal](#). In each situation, the businesses quickly rebounded and continued making a profit.

Today, the world is facing a global crisis with the novel Coronavirus (COVID-19) pandemic. As nations take unprecedented actions to stop the spread of this disease, organizations are being forced to find ways to stay afloat while ensuring the wellbeing of all parties.

At the same time, business leaders and accountants continue to work together to identify which operations are mission-critical, present forward-looking budgets and forecasts, and maneuver payroll issues.

Accounting associations have also taken a leading role to help organizations navigate during this crisis. For instance, the [Association of International Certified Professional Accountants](#) successfully partnered with the U.S. Congress to [extend the Federal tax filing and payment deadline](#) to July 15 and with the U.S. Department of Treasury to label the accounting profession as an essential service based on the vital work provided to the financial markets and taxpayers. The Association is also currently pushing Congress to [expedite funding for small businesses](#) that will provide relief for payroll processing.

While the economic impacts in response to COVID-19 are changing daily, we can be sure that CPAs will be on the front lines, helping to shape strategic and responsible decisions for organizations across the globe.

Questions for Reflection

1. What are some ways organizations can financially prepare for a crisis?
2. What are some of the immediate disruptions accountants are facing today because of the coronavirus?