

Managing Through a Crisis

Written by Steve Marr

Wednesday, 09 March 2005 01:00

The devastation of hurricanes Katrina and Rita demonstrates the need for businesses large and small to understand how to weather a crisis situation without being sunk. Whether we are hit by a hurricane, lose our best customer, or incur a huge, unexpected liability, the principles of survival are the same.

First, we must avoid denial. Some business owners have a tendency to ignore the danger signals, put their heads in the sand, or otherwise pretend a major problem won't happen. King Solomon advised, "A prudent man sees evil and hides himself, the naïve precede and pay the penalty" (Proverbs 27:12, NASB). Many in Katrina's path ignored the warnings and paid the price.

In another situation, Mark knew that his biggest customer, which accounted for 45 percent of Mark's volume, was in financial trouble. For six months, Mark continued to extend additional credit and failed to take any steps to land new clients to diversify his customer base. When his customer filed for bankruptcy, Mark lost \$400,000 in accounts receivable, which was double what his exposure had been just six months earlier. The loss pushed Mark's business into bankruptcy four months later. If he had reacted at the first hint of trouble, he would have reduced his losses and might have been able to survive the major hit.

Second, we must face issues straight on, rather than trying to suppress them. Immediately after Katrina struck, some government officials downplayed the situation. As New Orleans filled with water, people needed to be told to take urgent action. In Mark's situation, when he learned of his customer's problems, he became numb. When his staff asked him about the losses, he said, "We can get through this." He did not assess the situation quickly. What Mark should have done was explain the dire situation to his staff and develop steps that each person could take to immediately address the problem.

When faced with the daunting task of rebuilding Jerusalem, Nehemiah said to the people, "You see the bad situation we are in, that Jerusalem is desolate and its gates burned with fire . . ."

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(Nehemiah 2:17, NASB). He did not try to sugar-coat the situation. If all we say to our staff is "we can get through this," we communicate complacency rather than the need for action. In Mark's case, he should have initiated a big push to attract new business, and strengthened efforts to collect other outstanding receivables to help raise cash. Further, he should have met with his accountant to work out a possible financial plan of survival.

Third, in times of crisis, everyone on the team must work together rather than pointing fingers. Jesus said, "Any kingdom divided against itself is laid to waste" (Luke 11:17, NASB). In Mark's company, blame was cast onto Mark himself, and onto the accounting department for creating the mess. Other fingers were pointed at the sales department for failing to diversify earlier and attract new customers. The salespeople blamed the production department for high costs that priced them out of new contracts. But the bottom line was that all the finger pointing failed to get to the central issue: How do we survive as a company?

All the time and energy spent pointing fingers could-and should-have been used to fix the problem. What was needed was a plan for how to remain solvent. Likewise, in New Orleans, what was needed was a specific disaster relief plan. Instead, after the hurricane hit, Congress immediately held hearings to investigate why the disaster response had not been swifter. They summoned officials from FEMA, other government offices, and key first responders to Washington, DC. The very same people who were needed in New Orleans to fix the problem were the ones pulled out of the front lines and brought to the Capitol to testify. In times of crisis, focus first on defining and solving the problem, and sort out blame after the battle is over.

Fourth, we need to establish proper accountability. In Alice in Wonderland, the Queen of Hearts was fond of saying, "Off with their heads!" Chopping people's head off may make us feel better, but it fixes nothing. Unless there has been clear negligence, step carefully when enforcing accountability.

Finally, remember that a better tomorrow will come. David wrote, "The Lord will deliver him in the day of trouble" (Psalm 41:1, NASB). Just like the two hurricanes, all crises eventually will pass. Though some will leave devastation behind, we can hold on to God's promise of deliverance. For Mark, even though he went through a personal and business crisis, he was always able to meet his family's needs. Keep your eyes on the better tomorrow to help you walk the tough path today.

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