

Mystique of Crisis Control, or An Action Plan for Trouble Times

The Mystique of Crisis Control, or An Action Plan for Troubled Times

By James McTevia

This article originally appeared in the March 1991 issue of Business Credit.

It is always enlightening to revisit the past and examine the business plans that companies' management teams made during good economic times. It seems like only yesterday that the challenges facing many business decision-makers involved how to finance, manage, and control continued growth and expansion. For nearly a decade, most economic signs were favorable, and businesses experienced prosperous times in an expanding economy.

How quickly circumstances change. In just a short time, the Persian Gulf War placed the world on the brink of chaos, shifting an already fragile United States economy to a stage of economic recession.

Having advised businesses for more than 30 years, a period of time which included many peaks and valleys in the economy, I have learned that while a serious downturn can spell big trouble for many companies, business failures can be averted if business owners practice what I call the "mystique of crisis control."

Over the years, I have consulted with hundreds of businesses with serious financial problems. I recall several situations where the owners and CEOs of companies in total chaos unknowingly practiced a "mystique of control," projecting what appeared to be total control despite their own doubts about their firms' ability to survive tough times. This image was conveyed so effectively that associates, vendors, customers, lenders, and outsiders helped provide the companies with the narrow margin required to overcome their difficulties.

In times of crisis, people throughout the country look to the nation's business heads and top management for leadership. Most individuals feel more comfortable if there is an identified goal or position that is sponsored, promoted, and championed by business leaders. I believe that business owners can effectively control the direction of their companies, and ultimately the economy, by projecting an aura of total control in coming months, a critical juncture that will determine the business climate of the coming years.

Play up the good news; play down the bad. Most of us are weary of negative news, which often dominates both print and electronic media. People appreciate hearing some good news, particularly when it deals with their own companies, their jobs, and their families. If there is good news, by all means, let your constituencies know about it.

Remember, it is important that business owners be honest and forthright with employees, who will fear the worst if they are left in the dark. There is enough economic "bad news" as a result of the oil and budget crisis that employees already fear their jobs may be eliminated. Further complications can arise if your customers learn of internal problems through inaccurate information from company sales, purchasing, and even shipping personnel. By all means, keep your employees informed, even if the company may not yet actually be experiencing problems. And emphasize the positive, when possible.

Take the initiative with your lenders. The savings and loan crisis is prompting most lenders to subject their loan portfolios to much closer scrutiny and often more stringent controls. The general downturn in the economy and the resulting wariness among American consumers are making lenders uneasy. In such a climate, an unsolicited personal visit to your lenders to outline the steps you have taken to maintain control of your company will be viewed positively and confidently.

Keep your customers and suppliers informed through face-to-face visits. "No news is good news" is poor policy. Let key suppliers know that while you're concerned about the adverse economic reports, you are in control of your own situation. Do not send advance warnings to suppliers about possible reductions in deliveries and materials. You can broach this subject if and when the situation requires.

Long-range crisis planning is best kept internal. Inform your suppliers that while you are watching the economic indicators carefully, your backlog does not require a cutback in production at this time. A sense of guarded optimism should be conveyed to customers as well. If you have been forthright with your employees and have shared with them that you are in control of events, this mood should already permeate all levels of your organization.

Enlist the support of your families. Be frank with family members on the state of your business. Project an image of control, even if you are personally very concerned about the company's future. Your family certainly cannot resolve the company's problems but you can, and you will need your family's support.

Involve your department heads in drafting a plan of action and enlist their support in selling it to your organization. Prepare an outline for the next 30 days and stick to it. Allow at least 25 percent of this time for your personal analysis of the company and its future. Gather input during this period from your department heads, developing a business plan using three scenarios: worst, better, and best. Explore these alternatives in private meetings with your managers and financial personnel and incorporate their input into the final plan. Remember to build in some degree of flexibility in the final plan, providing careful consideration to all possible scenarios.

Prepared with the "mystique of crisis control," you are ready to outline your strategy and enlist the support of your managers, who will convey the message to employees. Of equal importance in maintaining control of events is non-verbal communication, including gestures, facial expressions other subtle cues which can reveal distress.

Winning the support and confidence of your employees and other constituencies can be the key factor in determining whether your company sinks or swims.