

Don't wait until it is too late – Director's need to take action sooner

By Kevin Cotter

People often ask me how I ended up in accounting after being a constable in the NSW Police Force. For me it has not been that much of a change. Granted it is no gang and drug war on the streets of Cabramatta in the late 90's but there are a lot of similarities which I am willing to chat about to anyone that cares to listen. Basically it all relates to helping others in their time of need. With this background I bring a fresh approach which is different to the typical insolvency specialist when dealing with minimising loss and recovering efficiently from unforeseen challenges they face.

Ask yourself: what would you do if there is a fire in your home or office? Would you ignore it and hope it goes away? Of course you wouldn't. You would do something about it be it fighting the fire or getting out and calling in the professionals to help. You might be wondering why I am even asking you this. Well, believe it or not, managing a business is pretty much the same. However, I and every other insolvency practitioner have witnessed time and time again directors and business managers ignoring their house burning down around them until it is too late. They ignore the signs and wait until it is too late to save their business. Crisis management goes out the window because they refuse to acknowledge the events occurring around them.

One thing I learnt during my time in the Police is that when faced with a crisis there appeared to be three common responses people were prone to take. These were to panic, to deny or to take action. Regardless of the crisis being faced these three responses could regularly be seen. This is the same in business. Let's face it, panicking gets you nowhere and ignoring a problem does not make it go away. So we should focus on taking action but how you may ask. You need to create a plan which recognizes, contains and resolves the issue. That is how you take action.

Every business should have some form of basic crisis management plan or procedure in place as a starting point to respond to any adverse event. Even if it is a list of advisers or those that can help in your time of need. If you don't then it is not the end of the world. An accountant or business advisory can help you prepare one in advance or in response.

Firstly, with any crisis you start with working out the issues. By recognising it you have a starting point. This brings back the old adage: 'you can't fix what you don't acknowledge.'

The next step is to contain the issue and minimise the damage. If it can be stopped, stop it. Once you have contained the fallout it is easier to minimise its impact on your business.

Finally, you take action to resolve the issue. If you don't have the experience or knowledge you should consider calling in the experts as soon as possible. If the crisis you face has financial consequences you should consider consulting with an accountant or business advisory.

When you're faced with a crisis help is available. All you need to do is ask. For me, seeking help is not a sign of weakness but a show of strength that one is willing to take on the problem head on. So seek the help early and improve your business' chances of survival.