PREVENTING CRISIS

By Mark H. Fowler, CMC, CPA (Inactive)

Helping Clients in Spite of Themselves
Part I

GETTING PREPARED

As accountants and other financial advisors, one of the most important imperatives of our practices is client well-being. This part of our mission is not written out in our engagement letters but resides in the best practices of firm goals. Not only does this approach come from an altruistic mindset, but it is simply common sense: the healthier our clients are, the healthier our practices can be.

Clients whose businesses fall into crisis or failure are slow pay or no pay. In addition, the opportunity costs of non-chargeable hours trying to help resolve client crisis situations can be very expensive, siphoning time away from serving other clients and their needs, as well as from seeking out new business.

Clients often become close to us—they are "business friends"—and their well-being is often not just financially important to us but personally important as well. That sword can cut both ways, however. It is sometimes difficult to be as objective and as forthright as we should be when a close client is not considering sensible and custodial options for his or her company's future. This is especially true if, historically, the client has rejected advice that has been offered. Having long-term and close client relationships, though often beneficial, can be a detriment to being as confrontational as may be necessary.

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One example of this difficulty is struggling to help clients to do the "right thing," to at least consider options, or to contemplate the "unintended consequences" of actions or inaction. Our profession frequently experiences how often we humans do not embrace the recommendations of those close to us, be they life partners, business partners, or our closest friends. For whatever reason, the "tellee" often can't embrace the reality pointed out by those in his or her inner circle.

As a result, "telling" gradually became a thing of the past for us. But we needed something to take its place. Engagement and collaboration came to the rescue. These two powerful activities have helped us create environments for more successful and meaningful interaction—with more positive change and more accomplished. In our book Revolutionary Conversations™®, we stress the importance of several types of healthy interactions. One key concept that we write about is the idea of "coming alongside" others as a way to help shift from telling to doing together.

You might be thinking: what does all of this have to do with preventing crisis? The answer: everything. Telling can be effective and helpful in accomplishing positive goals in the more traditional parts of our practices—say, in taxes, accounting, and auditing. This is true because each of those disciplines has technical, legal, and regulatory support that underscores the importance of what's being said: "It's the law."

In consulting, however, especially in change management of any kind, there really isn't a set of defined rules detailing what the client/business needs are and what must be done. Therefore, persuasion, education, collaboration, analytics, conversation, mentoring, leadership, project management technologies, skills, and experience are the necessary tools for success. In order to be most successful in helping clients prevent crisis in the near or far future, it is our interpersonal skills that make the difference, while our technical talents ride shotgun to the situation and the solutions. In this series, we will be exploring how these and other interactive processes, combined with analytics, truly can help make it all work.

HOW DOES CRISIS MANIFEST ITSELF?

A crisis can occur at any time and in any number of ways, but the underlying causes almost always lie in a structural lack of operational control, strategic oversight, or both. In other words, we are not prepared for changes in the future, be it next year or tomorrow. We sometimes only see what is in front of us rather than learning from history or asking what challenges lie ahead.

Yes, it is hard to predict where and when a crisis may occur. But history shows that there are some key areas where crisis can evolve, and paying attention to them can help us better assist our clients. In Part I, we will focus on three universal or global influences that can create challenges and most often crisis unless they are understood and appreciated for what can be done to use them for the betterment of the company:

Philosophical Discontinuity. Philosophical discontinuity happens when people are not on the same page. In companies, it happens when key company personnel are not on the same page about essential operational or strategic imperatives. The absence of common ground for owners, owner/managers, and managers is one of the most deadly causes of crisis. It comes from a lack of connection and collaboration. Here again, the slippage may be hard to spot, because it can happen in many small ways across the organization—we might call them hidden crises. But sooner or later, the little problems add up and then show up on the bottom line. Or there is one major crisis that finally brings to light a long-standing dissonance no one could see.

Company stakeholders can experience difference and dissonance on many points that affect many aspects of company life.

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For example:

- How to get work done—planning vs. waiting until the last minute
- How to motivate employees—the carrot or the stick
- Communication styles—telling vs. dialoguing and listening
- Management style—delegation vs. 'I have all the answers'
- Future vision for the business—growth vs. status quo
- Pricing—value vs. low ball*

*This list excerpted from "On the Same Page" by Mark H. Fowler, *California CPA Magazine*, December 2002.

Philosophical discontinuity is such an important ingredient in successfully re-engineering a troubled business that we always pay attention to and try to identify any and all points where owners are not on the same page early on. For instance, if you attempt to establish an incentive plan for the team members without first finding out whether the owners are synchronized on how to foster motivation, the entire project could end in failure and actually be a disincentive to the teams rather than getting them excited about what they can do.

My experience of working with accountants and their clients is that the accountants often instinctively know what these differences are for their clients—but most don't realize the magnitude of the importance of these philosophical misalignments, which are almost guaranteed to bring crisis and disaster if not attended to. Spending time with and dialoguing with clients can often bring these patterns to light so they can be addressed.

For additional information that complements the concepts outlined above, please consider reviewing the article, "What's Your Early Warning System?" *Main Street Practitioner*, September/October 2012.

We mentioned above that in our book Revolutionary Conversations®, we discussed several major interactive conventions that can increase effectiveness and engagement. One important principle that might at first seem counterintuitive is not focusing on being right. We wrote of the importance of "understanding that what makes us successful is not what we know but what we need to know." In advisory work, this simple reminder can make a world of difference and can often help navigate the bridge between failure and success. Coming in with the attitude and expectation that we have the answers or gathering data in order to be "right" can marginalize true success for all. All of this information can

help direct us, but consulting is most importantly a guiding process—it is about working with clients to explore and learn together about the situation(s) that matter most.

Developmental Crisis. All companies go through predictable stages of development as they grow. Each stage or cycle has its own characteristics and needs. Business owners and/or management who do not pay attention to the challenges within these stages are often destined to repeat them, as opposed to advancing to more success.

There are many schools of thought on the subject, but an article entitled "Five Stages of Small Business Growth" by Neil C. Churchill and Virginia L. Lewis in Harvard Business Review, May 1, 1983, could be an informative first start. A typical example is the entrepreneurial company struggling to create a management team that can co-exist and thrive with the entrepreneur, who normally wants to run everything as opposed to being a collaborative part of the team.

Environmental Crisis. While external crises can be highly unpredictable, there are some dynamics that, while not predictive, can help businesses be better prepared, if paid attention to. Examples include weather (hurricanes, tornados, et cetera), governmental changes (political, legal, or regulatory changes that we have no control over but that can be, at least, anticipated and dealt with), global changes (wars, economic influences of other countries or our own country), and major technological shifts in our industries or in related industries where having our ears, eyes, and noses close to the fray can us help plan for what lies ahead. Being aware of environmental influences can help us to better know what changes may be on the horizon and enable us to prepare, rather than avoiding or denying that such things could not happen to us.

Looking Ahead

In Part II, we will outline the contributions of crisis that come from within the organization and the people helping to manifest and reinforce these challenges.

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