

How Practitioners Can Be Trusted Partners During and After a Crisis

Most organizations worldwide are small by size, but their importance to both developed and developing economies and societies is indisputable. According to the World Trade Organization, small-and medium-sized enterprises (SMEs) represent over 90 per cent of the business population, 60-70% of employment and 55% of GDP in developed economies. SMEs therefore do not just significantly contribute to the economy – they ARE the economy. Read on... .

A crisis can cause significant disruption. As Covid-19 has spread throughout the world, our ways of living and working have changed drastically—often in a matter of days or even hours. In this kind of environment, a month can feel like an eternity. But for SMEs, a month goes by in a flash. SMEs have less cash reserves than larger businesses and often may just have a couple of weeks' worth of cash to keep operating. Covid-19 containment measures



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have severely impacted cash flows, disrupted supply chains and put small business survival at risk on an unprecedented scale. Governments worldwide moved quickly to deploy supportive measures for small businesses and entrepreneurs to help them maintain short-term liquidity. However, many are still struggling.

The Importance of Accessing Professional Advice

For many small businesses, having a trusted advisor that they can turn to for help and guidance through a crisis is incredibly important. Research findings show that, irrespective of jurisdiction, accountants, and especially small- and medium-

sized practices (SMPs), continue to be the preferred advisors to SMEs.

Small businesses are extremely heterogeneous in their size, age, sector, ownership, business models and aspirations. Poor financial management is a leading reason why businesses fail. Research indicates the business advice provided to small businesses from their professional accountant is associated with improved rates of survival, growth, decision-making procedures, and superior financial performance.

The nature and extent of the advice needed during a crisis will depend on a variety of factors. In the early stages



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of Covid-19, guidance was needed to access government grants and subsidies. More recently, the indications are that the pandemic accelerated digitization and transformed small businesses responding to drastic consumer behavior shifts. However, many businesses now face a prolonged period of changing circumstances (i.e. the “next normal”) and continue to require assistance and sound advice.

SMPs have in-depth knowledge of their clients and can provide vital guidance for navigating uncertain times. They can help effectively manage and reduce risk, explain how to take appropriate actions, and fortify the business for the medium to long-term.

IFAC recently published a ‘*Small Business Continuity Checklist – How to Survive and Thrive Post*

Covid-19’, which is a diagnostic tool to navigate times of disruption. The checklist covers key financial management and strategic management tasks, helping businesses to proactively identify and consider essential and timely information. In addition, IFAC launched a ‘*Practice Transformation Action Plan – A Road Map to the Future*’, which identified key focus areas for SMPs.

For SMPs to help clients navigate a crisis and disruption, I have identified three guiding principles.

1. Focus on Staff

Staff are a firm’s greatest asset and an integral part of their competitive advantage. In a crisis, keeping employees safe and healthy is paramount. Strong, visible, and positive leadership is critical, together with clear, balanced, and regular communication as staff can be exposed to multiple sources of often conflicting information and messages.

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It is important that firms consider the emotional and psychological impact on staff. Consideration will need to be given to how individuals can manage the significant changes to their daily routine and life structure, as well as to their mental health. I strongly believe that how SMPs manage their employees during a crisis will have a long-term impact on their loyalty and retention.

2. Build on Trusted Relationships

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the firm cares about them and their businesses - this can be as simple as a phone call or an e-mail. During a crisis, it is a matter of listening – about clients' fears, challenges, and possible visions for the future. Empathy is in high demand. Recognizing that people are under extreme stress, both personally and in business, should open the door for authentic and candid conversations that will engender even more trust with clients over the long-term.

Identifying needs and providing relevant, timely advice is critical. Many accountants are perfectionists; it is part of what enables financial reporting to be done well. But in a crisis environment, where information is fluid and everything is changing daily, SMPs must stay out in front of clients' needs. Sometimes that will mean SMPs communicating what they know although it might be subject to change.

For SMPs and for their SME clients, fostering authentic

relationships and making fast but smart decisions during a crisis will say a lot about how businesses are perceived well into the future.

3. Diversify Service Offerings and Embrace Adaptability

SMPs have a significant opportunity to demonstrate their relevance. Starting now, firms need to think about how to evolve their operating model. SMPs need to be able to pivot to the areas that they can assist their SME clients on and consider providing more business advisory consulting services.

The Covid-19 crisis has accelerated the adoption and application of technology in many organizations. Technology tools enable an opportunity to provide information to clients in real-time, improve efficiencies, quality, and productivity. This may involve a shift from hindsight to foresight using data-drive insights. For example, advice could be provided on different

sensitivity scenarios and options explored (best and worst case) for the operation and financial position in the next three, six or twelve months.

During a crisis, SMEs need the counsel of trusted accountants who can offer real-time updates, while also helping them map out a completely different course for the next year and beyond. Practitioners must offer perspective on the financial information (e.g. cash-flow forecasts) that is available in clear, plain language, so that business owners understand the critical nature of their decisions. If an organization does not have a comprehensive risk management program in place, it is time to quickly act. The plans and approach will need to be regularly reviewed - in the current environment this could be daily.

Conclusion

Any crisis will undoubtedly be challenging for all businesses, including SMPs. However, the uncertain and unpredictable environment provides an opportunity for practitioners to elevate their role as the strategic, trusted, business adviser. Their knowledge and experience places them in a unique position to help businesses effectively manage the circumstances and be able to take the lead in the recovery efforts of both organizations and communities.

Now is the time for practitioners to adapt, embrace innovation and become part of the solution for their clients, and for their own future, as we enter a whole new world.

