

Plenary Session 6

**Restructuring Process and the Role of Accounting System after
the Devastating Tsunami**



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ABSTRACT

Over the past decade, there has been an increased focus on risk management research topics such as crisis management, enterprise risk management, and business continuity plan. Mitroff (1988) identifies five essential phases of crisis management: signal detection, probing and prevention, damage containment, recovery, and learning. The purpose of the containment/damage limitation phase is to prevent the damage from spreading and engulfing other parts of the corporation. The recovery phase entails having in place, tested, short-term and long-term recovery mechanisms (Mitroff, 1988). However, the relationship between the decision-making process in recovery phase and accounting system is relatively uncharted because it is difficult to access cases of companies that have experienced a crisis.

This study has dual objectives. First, based on previous studies on crisis management, we examine the decision-making process of companies that experienced a disaster. Second, we investigate the relationship between the decision-making process and the role of accounting system. Interviews were conducted with several key players of a company that lost its head office and a main factory in the massive tsunami. The company recovered and returned to profitability within a period of two months though it suffered capital depletion in the following fiscal year.

This study reveals significant findings. First, a company is motivated by social responsibility and the objective to continue supply and service in each phase after the disaster. Shortly after the disaster, in the containment/damage limitation phase, the company focuses

on current running costs and a responsibility to ensure supply for its customers. On the other hand, in the recovery phase, the company places a strong emphasis on management stability and redefines the businesses. In the recovery phase, the company needs to act quickly as it faces considerable competitive pressure, and therefore shifts its behavior from sales scale to profit base.