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EXERCISING LEADERSHIP

Opportunities Are There— for Firm Leaders Who Pursue Them

Pessimists are fearful of the worst recession in recent memory. Optimists see the realities and are working to turn those into benefits for their firms and their clients. Which type of owner are you?

If you are embracing the latter approach to the economy, you will find the insights of four senior owners enlightening and encouraging. The four spoke during a senior leaders' panel discussion at the AICPA Practitioners Symposium in Las Vegas and shared some of their coping mechanisms for surviving the current economy. With strategies like these, their firms will emerge from the recession as more powerful and value-driven than before.

Adapting to the new economic reality. The four firms represented on the panel are strong firms, so it was no surprise to learn that the effects of the economy to date have been minimal.

Staying upbeat, continuing to emphasize a great firm culture, and shaping services to meet client needs now are the focus now at Heinfeld Meech & Co., which has three offices in Arizona, 80 employees, and a niche in government audits.

Nancy Meech, co-founder, noted that the firm has trimmed its expected growth rate for

the year and probably will reduce hiring somewhat. However, the firm will not eliminate entry-level hiring. In fact, the firm already has hired someone from a competing firm and a second person with business-development experience in the firm's key niche.

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"It's a great opportunity to get high-quality people out there," she noted. The firm is balancing this with a closer look at performance issues, which is something all the other partners on the panel noted as well. Not being willing to "afford" poor performance is a good approach no matter what the economy, Meech pointed out.

Her firm is keeping raises stable with prior years for now; it may reduce fees but hopes to increase market share at the same time.

Even when the economy is especially challenging, a good firm can surmount many obstacles that would topple a weak one. William Pirolli, partner in charge of firm administration at DiSanto Priest & Co. in Rhode Island, faces an especially difficult economic situation in his firm's home state. Despite this, the 80-person firm has not yet seen a lot of consequences from the economy. Why? "It's a great firm with good people" and has good

management practices to allow the firm to be efficient and to adapt.

For instance, the firm's five-year-old "grow-our-own" staff program has borne fruit with talent in the middle years that provided efficiencies in the last busy season. There have been some performance-based layoffs, but the firm is trying to hold the line on benefits and culture-related initiatives, Pirolli said. "We're trying to not have a big reaction to anything but also trying to be realistic."

Pirolli sees the challenges facing his firm's clients as an opportunity and a way to re-emphasize the message about the firm's value. "This is a real opportunity to get back in front of clients and interview them like it's the first time you met them," he said. Services are being adapted to help clients be more efficient and have the client participate more in the work to help with fees.

"The conversations have been received well right now since it is about the fee," he explained. While some clients are genuinely in trouble and need fee relief, "Others are using the economy as a way to beat us up." A number of other speakers at the conference noted a trend of slow payments post-busy season, so collections will continue to challenge even carefully run firms like Pirolli's.

Not much changed in this busy season compared to last year for 20-employee Marsh & McConnell PC, based in Alpharetta, Ga. The general-service firm focuses on tax work, noted Margaret McConnell, managing partner. While the firm anticipates that things will hold fairly steady, it has been proactive in focusing on performance issues. Specifically, the firm let go some poor performers and has committed to a performance-development initiative for its remaining staff.

"We must be more efficient and document what our people are doing, and they need to learn to keep clients happy," she explained. The firm is using the AICPA's PCPS competency models and performance management plan to help staff to identify and develop skills. This has been well-received, McConnell reports, since young staff want guidance on how to improve.

Larger firms are tending to feel the economic pinch more than smaller ones, acknowledged David Morgan, co-managing partner of Lattimore Black Morgan & Cain PC. His firm has a total of 400 employees in three offices and has both a general services accounting firm plus a number of specialty practice businesses.

Unlike many larger firms, Morgan's firm is not seeing a major effect from the economy. Like the other panelists, his firm has carefully trimmed some staff for performance reasons and gave an across-the-board 2 percent compensation increase instead of a higher range and the individual compensation reviews of past years. This was done to control expenses, he said. The firm is seeking out staff to replace those who were eliminated for performance reasons.

Creating opportunities. All four firms have worked to adapt to the market by focusing on how they can better serve clients now. Client needs are changing as client companies struggle to cope with their own industries' changes as well as credit challenges and other business issues.

"We are trying to do more client contact in response to the economy," Meech said. "We are trying to work smarter: Just because we have been doing something for five to 10 years, it doesn't mean you have to do it the same way now." Her firm is emphasizing work-smarter initiatives such as workflow reviews, cost containment, and fraud prevention and detection services. Moving client training classes to webinar format is another cost-control step. Inside the firm, the partners are focusing on maintaining the firm culture for which Meech's firm is known and recognized.

"It's an amazing time if you are a good firm with great people and good services," Pirolli said. "A lot of firms aren't." This puts Pirolli's firm in an excellent competitive position. Clients are indeed on the move, but his firm is obtaining better opportunities now. "There's little growth in our area, so we are competing against others" for the existing business, he noted.

Internal staff development is a focus at McConnell's firm now. "We are a home-away-from-home-type firm. The young people want to know what they need to do to become a partner," she explained, and the PCPS program is helping to accomplish this.

The program features goal-setting and identifies the role that each currently plays. "Some did not like their role, but now they understand why and what they need to do to change." Managers are helping with internal firm operations by assisting in trimming costs where possible, helping with in-house CPE, and looking for new engagements.

Sharpening cost control is a theme for Morgan's firm, including smarter IT spending and cutting back marketing initiatives that were not working well for the firm. Internal training also is a focus at his firm, now that a training director has been hired. A program to debut this year will enhance training and will control those costs.

The firm also is being increasingly creative in pursuing new niches. For example, Morgan said the firm recently hired a Japanese-speaking staff person. Since there is a lot of business from Japan-based companies in Nashville, his firm's home location, the firm put the staffer to work on marketing to that niche. It is too early to tell if this will help to create a new niche though the outlook is good.

Recommended best practices. In addition to the ideas above, the panel recommended a range of best practices that are working for them, including:

- *Emphasize training.* If you have extra time now, use it to train people, Pirolli urged. And training is about more than CPE: He emphasizes training at all levels to help partners and staff participate in providing information for reengineered practices. The changes that Pirolli has instituted since taking over administration two years ago have raised realization about eight points already, he said. "Show how small changes add up," Pirolli said. Just an extra half-hour per billing profes-

sional can add up to impressive revenue gains, for example.

McConnell agrees that training is of utmost importance to develop your staff. She recommends the PCPS program, noting, "Any size firm can do it: You just need young people who want to know what they need to do."

- *Keep seeking staff feedback.* Bad times or good, make sure to keep the lines of communication open. Several of the panelists' firms have staff advisory groups that meet regularly with the managing partner. Staff surveys bring input to help the partners understand staff concerns (Meech recommends the survey in the AICPA's *MAP Handbook*).

- *Continue relationships with colleges and universities.* This has been a hallmark of Meech's firm. Schools know the firm is happy to provide a speaker for various events. The firm also has an extern/intern program that brings in a group of 20 to 25 students for a week-long taste of CPA firm practice. A handful are chosen at the end of the week and offered semester-long internships.

- *Pay attention to collections.* Morgan's firm hired a full-time collections person who follows up and identifies service issues and lets him know about this and related activities. Small firms could try to devote some time by an administration person to collections or the work could be outsourced.

- *Be a leader.* Your firm needs leadership most of all during difficult times. What, exactly, is a leader? Morgan's definition: "A leader is a person with vision, a person who says, 'I know where we're going. C'mon and go with me.'"

The panel agreed that the best way to do this may be to learn from your peers. "You just steal ideas—you need to be around good people to steal them!" Morgan quipped. "Get away from the office and go listen to some new ideas."

Pirolli added that being active in the community and with the AICPA and state societies

will bring you into contact with the people who have those ideas, what he termed "the best and the brightest."

McConnell agreed that associating with good leaders is a great way to learn, but don't be intimidated by the profession's stars. "Everyone is a little dysfunctional," she observed. You will develop your own leadership style in time.

When it comes to creating future leaders, Pi-

rolli acknowledged, "We don't do a good job as a profession in developing leaders." His firm, like the others on the panel, is working on this.

Morgan's firm has started some leadership programs that will be taken over by the new trainer. Partners' leadership skills can be honed by giving them a niche practice or service line to run. "We're training on the job. It's helpful and holds them accountable." □

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