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Creating Opportunities From a Downturn: How Four CPA Firms Are Coping

While the recession is presenting challenges to many CPA firms, others are making the recession work for them by reaching for opportunities to make changes in their firms and in the kinds of work they are doing.

Senior owners of four CPA firms that are taking the latter approach shared their stories during a panel discussion at the AICPA Practitioners Symposium in Las Vegas.

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

Nancy Meech noted that the firm has trimmed its expected growth rate for the year, and will probably reduce hiring somewhat. However, the firm will not eliminate entry-level hiring. And the firm has already been able to find someone from a competing firm and also a business development person with experience in the firm's key niche.

"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, she pointed out.

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

Great firms can succeed, even in a challenging economy. 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 impact from the economy. *Why?*

"It's a great firm with good people," and also 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 talented members in their middle years that provided efficiency during 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, he 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-empha-

size 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 sometimes the client is asked to participate more in the work to help reduce fees.

"The conversations have been well received 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."

Holding steady, with a focus on performance. Not much changed in this most recent 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.

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 in documenting 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 program to help staff to identify and develop skills. This is well received, McConnell reports, since young staff want guidance on how to improve.

Adjusting the big firm approach for the new realities. 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 practices.

Unlike many larger firms, Morgan's firm is not seeing a major impact 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 individual compensation reviews as has been done in 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 we have to do it the same way now." The 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," and 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.

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.

The program features goal-setting and identifies the role that each goal currently plays. 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 is also a focus at his firm, now that a training director has been hired. A program to debut this year will enhance training and will also control those costs. The firm is also being increasingly creative in pursuing new niches.

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 and information. 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 professional can add up to impressive revenue gains.

- **Keep seeking staff feedback.** 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 will 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. 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, identifies service issues and lets him know about them, and performs related activities. Small firms could try to have an administration person devote some time to collections, or the work could be outsourced.

- **Be a leader.** Your firm needs leadership most of all during difficult times. The panel agreed that the best way to do this may be to learn from your peers.

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." □

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