

PARTNER'S REPORT

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EXERCISING LEADERSHIP

Practice-Building Tips to Help Owners Take Advantage of the New Economic Reality

The economy—where it is, where it is headed—is certainly a favorite topic around CPA firm conference tables, as in most other business settings these days. You can't change what is happening, but how you react personally and as part of your firm's ownership team can change the impact on your firm.

In other words, think "opportunity" and not "recession" right now—and adjust both your attitude and your personal marketing and business development plan accordingly.

Worrying about what may happen is, in fact, counterproductive, say David Giannetto, director of Cohn Consulting Group's enterprise performance management practice, and Anthony Zecca, partner-in-charge of Cohn Consulting Group, a division of J.H. Cohn LLP.

The two are the authors of *The Performance Power Grid: The Proven Method to Create and Sustain Superior Organizational Performance*, and they strongly advocate taking steps to take advantage of the opportunities that economic change can present to you as a CPA firm partner. The accompanying sidebar provides additional insights from our research into other steps you may want to consider now.

Take a positive view. Owners who use their time to improve their business and seize every

possible opportunity—rather than wasting it by constantly worrying—are the ones who will make it through the economic downturn, Giannetto and Zedca say. "You can't get anything done when you're in panic mode," they contend.

Indeed, their contention is that if you play your cards right, you may come out of these difficult financial times with an even more prosperous business than you had before. "Making it through this economic slowdown won't be a piece of cake for anyone," admits Giannetto. A little planning and taking the right initiatives can make it more likely that you will adapt and be able to put the downturn to work to build your firm.

Here are a few tips for steering your business through the economic downturn:

1. Remember, in business only the strong survive. During an economic downturn, many owners overlook the fact that their competitors are suffering too—and that what results from the slowdown is still an even playing field.

"The problems your organization struggles with due to the downturn also plague your competitors," says Giannetto. Therefore your strategy for not only surviving the slowdown but prospering during it remains the same as it should be in good economic times: Build the strongest business you possibly can.

That means having a strong value proposition, managing in a fiscally responsible manner, and providing great service to get and keep important clients. "Don't let all the hype surrounding the slowdown distract you from keeping these basic tenets in the forefront of your mind. If you're successful, you'll come out on the other side of the economic downturn, miles ahead of your competition."

2. Use the hype to focus your staff. One positive thing about all of the fear-inducing hype is that in the right hands it can be a great motivational tool for staff.

"The slowdown creates a 'momentary unifying factor'—something that allows each employee to set aside their individual concerns and rally around a greater common cause," says Giannetto.

"Use the economy to drive home the fact that providing quality service to clients and creating greater effectiveness and efficiency are the absolute best ways for your employees to help the business through the recession."

Fear and the desire to keep your business up and running will unify your firm in ways you are not likely to have seen before.

The challenge is for you, as the leader, to resist being overcome by the same fear and to present a vision and path toward greater prosperity that everyone in your organization will rally around.

3. Aim to expand, not contract. It seems counterintuitive, but great businesses expand during slowdowns—they don't pull back. Remember, all competitors within an industry are dealing with the same challenges. As a result, the weakest of these organizations will be going out of business, losing critical funding and cutting operations, or letting go of critical but expensive assets and people. The well-managed CPA firm will survive. Your competitors who got sloppy during the recent boom times will be the ones most likely to be hurt now by not paying attention to maintaining strong processes and practices.

"All of these things open up holes in the market that a clear-thinking organization can fill," says

Giannetto. As these businesses fail, the market you are competing in may very well contract.

The death of your competition actually creates holes in your market—ones that you can fill—so you can actually expand through the slowdown. When this happens, you will want to be there to snatch up the clients of your failed competition. Be prepared to increase your sales, marketing, and advertising efforts during the slowdown to make sure that newly "available" clients reach out to you first.

4. Figure out what these tough times mean for your clients. You aren't the only one suffering because of the slowdown. Your clients are too. The faster you realize that, the quicker you will be able to better meet their needs.

"Just like you, [they] are making tough decisions on what they should spend their limited funds on and what they can afford to give up," says Giannetto. "You don't want to end up on the latter list."

Look at your firm from their perspective and make sure that every portion of your organization, not just its product or primary service, is treating your clients right. Go the extra mile—even if that means spending extra money—to reach out to your biggest and best clients. Make sure you are meeting their expectations and keep the lines of communication open. Doing so will allow you to know sooner rather than later if there is some area in which the firm isn't making the grade. Then you can take action and perhaps stave off the loss of that client.

5. Know the difference between profit and revenue. You certainly know this from a balance sheet perspective, but consider it from a broader standpoint. Do you—and all your fellow partners—really know which clients, products, services, or geographic locations provide the most profit? This can be harder to determine than you might think.

"All organizations can produce financial statements of gain and loss, but these do nothing to help leaders make hard decisions about where they should be cutting specific, unprofitable customers or segments and where they shouldn't," says Giannetto.

During a slowdown, you should apply greater scrutiny in these areas, he says. "It's likely that at some point you will need to cut costs, and the first places to cut should be those areas where you are already losing money."

6. Stay current and creative. Too often during a slowdown, leaders cut back on the things that represent the future of their business. Once the slowdown turns around—as it inevitably will—those who cut back on those future initiatives will find it is too late to catch up to market demands and expectations.

"Too many businesses fail while the market is actually turning around, rather than during the dip, because they are left with only outdated products and services," says Giannetto. "That's why you must avoid falling into this trap. Even during the downturn, keep your creative juices flowing. Always be thinking about new ways to satisfy your customers and which new products will enable you to better meet their needs."

"The point of all of this is that the words 'economic downturn' don't have to mean only bad news to your business," says Giannetto. If you manage business during the downturn correctly—taking care to address the needs of your employees and clients—it is possible to make it through with a stronger business than the one you had before.

One final thought: All these positive approaches are good ones to share with your clients as a way for them to cope with the changes facing them right now. Good attitudes can be just as contagious as the other kind, and your clients will appreciate yours, in addition to all the other help you and your firm may be able to provide them now.

For more information about the authors, visit performancepowergrid.com. *The Performance Power*

Grid: The Proven Method to Create and Sustain Superior Organizational Performance (Wiley, 2006) is widely available online or in bookstores. □

Management Steps to Get Through a Belt-Tightening Period

- **Scale back on overhead but not essentials.** You may believe it is best to make do for now with existing office space, but think twice about technology expenditure cutbacks. You need to stay current on your software, and hardware will keep wearing out as always no matter what the economic weather. These tools are necessary now for your business.
- **Manage compensation increases.** Exclusive of partner distributions, most firm leaders again stressed the need for some restraint—certainly more than in previous years. In several instances, leaders told us that they've convened management committee meetings to review guidelines for increases offered to existing support staff and associates.
- **Intensify partners' involvement** either in managerial terms or in policy-setting and monitoring responsibilities. This, as one firm administrator explains, is useful for a number of reasons, not the least of which is a better understanding and tempering of what are often unfounded fears among owners.
- **Monitor billing and receivables more closely.** Reducing the time between providing services and collecting payment takes on even greater significance in uncertain times. Watch your cash flow to make sure that the firm is making the collections it should.
- **Turn marketing tasks into client-service activities.** Marketing efforts should concentrate more than ever on existing clients. Since clients are far more insecure these days than most will let you know, this is an excellent opportunity to respond to unexpressed needs.
- **Strengthen the cultural ties that bind.** Tough times challenge collegiality and unity, so you and your fellow owners are all responsible for managing cohesion now—this is no longer the responsibility of just the managing partner.

(Source: PR staff)

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