

MAY 2009

Smart Practice Management Steps in Challenging Times

In a timely response to ongoing developments, PCPS has launched a new free benefit for members: The **PCPS Economic Podcast Series**. These lively and informative presentations offer real-world insights into the problems CPAs are facing during turbulent times and spotlight the solutions that successful practitioners have found for them.

The PCPS Economic Podcast Series contains three sections that help firms:

- Guide clients through the current economy by focusing on their operations.
- Work with clients on financing and liquidity concerns.
- Navigate the economy by providing them with timely practice management advice.

Each podcast features practitioners from small, medium and large firms offering advice based on what they are seeing in their own practices. Our last two PCPS Briefs have reviewed the first two podcast series, which mainly targeted client concerns. This month, we'll examine the topic of the third series: common practice management problems and how to address them. The five sessions in this series covered targeted marketing; staff expectations and concerns; cutting costs in anticipation of a downturn after busy season; watching the numbers, not the news; and financial metrics for today's CPA firm.

In addressing practice management issues, remember that PCPS member firms have free access to two valuable free tools:

- **The PCPS/TSCPA National Management of Accounting Practice Survey** can help firms benchmark a wide range of performance indicators and policies against those of firms of similar size and location.
- **The PCPS Human Capital Center** contains practical resources related to a wide selection of issues, all of which are free to PCPS members.

Practice Advice

This brief includes tips from all the practitioners who participated in the five podcasts of the practice management series: Allyson Baumeister of Sanford, Baumeister & Frazier; Jina Etienne of Etienne & Associates; Vickie Martin of Martin Starnes & Associates; and Marc Parkinson of Petrinovich, Pugh & Company.

Here are some of the takeaway tips from each podcast:

Quick Links:

<u>Targeted Marketing</u>	<u>Staff Expectations and Concerns</u>	<u>Cutting Costs</u>
<u>Watch the Numbers, not the News</u>	<u>Financial Metrics for Today's CPA Firm</u>	

Targeted Marketing

- Firms can position themselves to help companies that are well situated to make it through the recession.
- Focus on narrower goals instead of taking a shotgun approach. For example, one firm divided its clients by industry and service line. It then ranked them within these groups based on fees, including gross fees, realization and fees by transaction. The firm was then able to package services based on this analysis of its most profitable areas.
- At the same time, the recession may be an opportunity to diversify, using downtime to focus on new target markets.
- This may also be an opportunity to identify and terminate the least profitable or productive clients so the firm can focus on its most efficient services. In the meantime, offer strong clients discounts for referrals.
- As some clients look for areas to cut, this is a good time to demonstrate the firm's interest through personal contacts.
- Don't aim for perfection in marketing. Firms that are thinking strategically and doing thoughtful analyses are already likely well ahead of much of their competition.

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Staff Expectations and Concerns

- Keep a positive attitude. Let younger staff members know that firm leaders have seen downturns before and are prepared to deal with one.
- Communicate often and honestly with staff. To minimize anxiety, keep staff informed of management decisions and generate excitement about new clients and engagements.
- Consider providing an annual or regular report to staff on the results of the prior year and what to expect in the future.
- If terminations are necessary, meet with remaining staff to review firm expectations and reassure them that the economy does not change those standards.
- Review service expectations in particular, such as being proactive with clients, anticipating problems and concerns and providing personalized care.
- Remind staff that listening is the key to being the client's trusted business adviser. Prepare them for the fact that many clients will now be calling them for advice or feedback.
- Offer staff the chance to retrain to learn new opportunities or study for the CPA exam in downtime.
- Keep in mind that younger staff may have valuable talents outside of traditional services, such as Web skills or marketing abilities.
- Encourage different departments to work together to find ways to maximize staff use across the firm. In one firm, partners meet every Monday with staff to plan the coming week. Partners then meet on Tuesday to discuss ways to share talent and streamline assignments. Similar scheduling programs can help firms project how many hours are available each week and determine how to use them.

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Cutting Costs

- Re-examine the firm's costs of doing business to see if spending has become too generous during prosperous recent years.
- Analyze staff costs. As part of the process, rank staff by their abilities. In some cases, firms may have hired less talented people in the past due to the staffing shortage. If cuts are necessary, a realistic ranking will help clarify the choices.
- Consider alternatives to layoffs. Staff may welcome or at least accept unpaid time off or job sharing. Some firms allow staff to accumulate time off to use during the off season.
- While sabbaticals were typically limited to partners in the past, some firms are now offering them at all levels.
- Avoid cuts in key areas, such as marketing and technology. Practice development is a worthwhile investment in any economy. Technology expenditures keep the firm up to date and can be postponed but not avoided.
- Don't cut training. The most talented staff members seek firms that offer training opportunities, and it's more cost

efficient to train current staff than find new ones. If necessary, find training closer to home and cut travel-related costs.

- Don't hold on to bad clients — those who pay slowly or not at all, or who are chronically dissatisfied — simply to increase the top line. Instead, focus time and resources on cultivating new clients who better fit the firm.

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Watch the Numbers, not the News

- Keep in mind, and remind staff, that the future of the accounting profession is still bright. Well-managed firms are well positioned to be profitable. Concentrate on the successes in your own business and ignore the gloom and doom in the media.
- Different metrics may be of value in different firms. The most important step is to determine which performance indicators can best help manage each individual practice.
- Consider assigning projects involving nonchargeable hours to staff outside of busy season.

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Financial Metrics for Today's CPA Firm

- Strategic planning is the foundation for future growth in firms of all sizes. Use the PCPS/TSCPA National Management of Accounting Practice Survey for benchmarking information and turn to the PCPS Human Capital Center Strategic Planning section for ideas and implementation tools.
- Accounts receivable have taken on greater importance in recent months as many clients struggle to pay their bills.
- Setting fixed fees with fixed monthly payments can help solve collection problems and enable firms to develop realistic budgets. Firms have a reliable revenue stream and can concentrate on efficiencies and cutting expenses.
- Firms using fixed fees can still develop budgets and track staff time. This helps develop next year's budget and fees.
- At the beginning of the year, estimate chargeable hours for each month, then use hourly rates to develop a budget. Use this budget to monitor nonchargeable hours and ensure they don't rise disproportionately.
- Focusing on revenue per employee rather than hours can boost morale. Time can still be tracked for cost purposes.

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