

How CPAs Can Improve Operations During the Economic Downturn

Now is the time to renegotiate, reconfigure, and rethink your processes.

An economic downturn is hard to think of as a gift. It's easier to think of it like a rainstorm that has settled in to stay. But there is the proverbial silver lining; there are ways to take advantage of difficult times.

"It's an opportunity to change whatever you've wanted to," explains Wayne Pinnell, managing partner at Haskell & White, an Irvine-based CPA and business advisory firm. "It's an opportunity to look at your efficiency, your cash flow, your base of operations, your use of space, your technology – anywhere you spend your dollars."

CPAs are thinking about how they and their clients can thrive in a time when "flat is the new 'up,'" Pinnell says. Here are suggestions for CPAs, many of which also apply to their clients.

Assess your costs

Professional services firms have three major costs: facilities, employees, and liability insurance. Pinnell suggests looking at each area for opportunities for improvement:

- **Facilities.** "It's a tenant's market," says Pinnell. "If you're in the ninth year of a ten-year lease, you're in a great position to negotiate." If you have extra room, consider subletting space as a way to reduce overhead on rent, office equipment, and even administrative personnel. Given the decrease in real estate prices, this is also a good time to consider purchasing your own space, which offers tax advantages.
- **Employees.** Now is the time to look for efficiencies, and eliminate redundancies. See if any activities can be outsourced, even if only temporarily. At the same time, think of the downturn as an opportunity to hire someone let go by another firm who would bring added expertise to yours. "You want to be better and stronger at the end of this downturn," Pinnell says.
- **Liability insurance.** Because most CPAs renew their liability insurance annually, there may be some flexibility here. "People are hungry for business," he says. "This is an opportunity to compare your carrier with others and perhaps negotiate a discount with your own."

Sweat the small stuff

Beyond those three big areas, investigate other opportunities to make your firm more efficient. Bradford Hall, managing director at Hall & Company, another Irvine-based accounting and consulting firm, says CPAs must keep an eye on their billing – sending invoices on a timely basis and quickly following up on ones that go unpaid.

"We contact our clients if they're 30 days behind in paying, so the 30 days doesn't turn into 60 days," Hall says. "The professional services industry has to bill on a timely basis, because there are so many expenditures that clients will put ahead of our bill, such as rent, utilities, and payroll taxes."

Ironically, the economic slowdown can mean more pressure on CPAs to speed up their work. "When the economy is good, it doesn't matter if you get financial statements out three months after the end of the quarter," Hall says. "Now, when clients are losing money, they need timely and accurate statements more than ever so they can understand their financial situation." In addition, as the CPA doing their books and seeing their sales (or lack of them), you can see quickly who among your clients might be having financial difficulties.

Hall also recommends adding a dose of skepticism when prospective clients come to you, increasing your due diligence as to why they left their previous CPA firm. "They could be switching because they didn't pay their previous CPA," he says. Check their payment history with one of the credit reporting agencies, such as Dun & Bradstreet®, Equifax® or ExperianSM.

It can be productive to employ your line-item experience to see which expenses can be trimmed. Pinnell realized that his firm had 30 subscriptions to the area's weekly business journal. "The subscriptions were only \$100 per year, but we really only needed four. That saved \$2,600 per year. You find a lot of those items, and they add up."

Pinnell shifted marketing dollars from print advertising to small, hosted meetings that bring together clients and prospects for face-to-face meetings. This provides added value to clients, because it serves as a networking forum where they meet other local businesses who may need services.

As a CPA, you need to be detail-oriented for your clients' finances. Do the same for yourself and you're sure to find new ways to save money.

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