

Case Study: Solid Rock CPAs

Evaluating the Effect of the Economy on a CPA Firm

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Executive Summary

Solid Rock CPAs, a medium-sized accounting firm in Indiana, has a strong commitment to excellence for its clients, employees, and other stakeholders of the firm. Due to economic pressures, our firm has experienced issues in which it must change and adapt to be able to effectively participate in the financial services industry. In order to properly assess our position within the market, we have prepared a strategic plan to combat some of the challenges we face as we emerge from one of the deepest recessions since the Great Depression of the 1930s. However, because of our commitment to excellence in the accounting field, we believe that taking a strategic approach to the management and development of our firm will allow for us to emerge from these economic hardships stronger and more financially successful than before. In order to properly evaluate our position as we analyzed the strengths, weaknesses, threats, and opportunities that our firm currently faces:

Strengths

Solid Rock CPAs has held a strong position in the financial services market in Indiana with its offices in Indianapolis, Fort Wayne and Evansville. Because of these locations, there are able to act as a reputable and strong competitor in the southern, central, and northern regions of Indiana. Internally, the firm has traditionally maintained a solid succession plan with its policy of allowing promotion from within for its management positions every two years.

Weaknesses

The firm has issues of collecting fees from clients, which has adversely affected the bottom line for the firm. The firm maintains a traditional pricing structure that clients know how to manipulate, therefore making collections a weak part of the firm. The firm has been forced to make the difficult decision of laying off five percent of its workforce after the recent busy

season. This has left a gap in the workforce and decreased employee moral. Moreover, employees seem anxious because of these layoffs and are uneasy about the security of their own jobs.

Opportunities

Management of the firm is receptive to new ideas concerning the management structure as well as recruiting and collection of fees. As the recession subsides, there is opportunity to implement new strategies that could put Solid Rock ahead of its competitors. Restructuring of services that are offered could spark new clients for which to provide services. Also, surges in accounting graduates that have earned 150 credit hours will allow for our firm to recruit top talent. Additionally, increased government regulation of corporate governance makes our services more valuable to our clients as they face major changes to their industries.

Threats

Economic conditions continue to threaten the success of the firm, but a larger threat would be to remain stagnant as a firm. Solid Rock must make changes to their structure in order to avoid the threat of stagnation.

These strengths, weaknesses, opportunities and threats can be addressed through the evaluation of our recruitment practices, employee moral, and client relations while keeping in mind and additional efficiencies that we can take advantage of.

When times are tough, new strategies need to be brain stormed and rolled out to mitigate the negative effects of a declining economy. Our firm is looking to address the recruiting process. Instead of cutting back on recruiting efforts and new hires, we will instead take an aggressive stance and expand our efforts to bring in top talent to fill our ranks. Strategic moves such as partnering with academic institutions would help our firm identify high caliber students

and gain first access to the best students coming out of those institutions. Taking on entry level hires as interns would give our firm a firsthand look at the graduates we hire. This type of program is effective for evaluation purposes and could potentially save our firm considerable costs for hiring on full time an employee that does not perform as well as initial evaluation would have expected.

Over the last several years, as the 150 credit hour requirement to sit for the CPA exam has spread from state to state it has created quite the stir among professional institutions and academic institutions. Several arguments have been made against this requirement such as decreasing CPA eligible candidates and unnecessary additional costs. However, studies have shown that although numbers of candidates generally decreased in the first year of implementation of the requirement (per state), after a short time period those numbers returned to normal in comparison to states without the requirement. Our firm stands by the 150 credit hour requirement because of the principles it stands for, it stands for excellence and commitment. It is our profession to do things correctly 100% of the time. Stakeholders and businesses rely on our perfection and the credit hour requirement instills the commitment to that standard.

The value of the CPA letters add validity and promote confidence to our work and having our staff become certified must be a priority to continue to push for success. With the declining economy, our firm will have to create opportunities and eliminate obstacles for our staff to sit for the CPA exam and ultimately become licensed.

In lieu of the drastic changes that are occurring within the industry, and subsequently within our firm, we must address one of our most valuable assets: our employees. By creating new employee programs internally at a minimal cost to the firm, we can better meet our employees' needs while fostering team spirit and unity within the workplace. When layoffs

occur, we must also implement a plan to address employee concerns.

Within the firm, the industry, and the global economy there are many problems in regards to making a profit from clients. Thus, Solid Rock, like many other companies, must re-evaluate pricing structures and client valuation models. Solid Rock must become a “Firm of the Future,” leave behind the old ways of billing per hour and move on to a value creation fixed pricing models. There are many incentives to transitioning to the new model that greatly benefit clients and employees. With a fixed price structure, clients will know exactly what they are paying for and how much to plan for.

Separately, Solid Rock must re-evaluate the resources and cost of doing business in regards to the worth of the client. Certain clients are either disloyal or exercise poor enough purchasing trends that they drive down gross profits. All clients are different and can be classified into groups according to their purchasing trends and relationship duration. There are different ways to analyze clients, but two methods examined here will provide a model for client retention and acquisition.

In addition to analyzing clients based on present and future value, Solid Rock must evaluate clients that are not paying on time or at all. The firm must examine its mission and its values to decide what its policy will be in this current economic hardship. Solid Rock’s clients have felt the weight of the current economy on their own checkbooks and have cut back on the services that they demand. The firm must create or enhance service offerings to supplement the loss of revenue. Many firms have already seized on this opportunity in the last decade and the demand should continue to increase.

Many of the large firms have cut back on staff and smaller tasks for their clients. Small-to-medium firms, such as Solid Rock, should capitalize on this opportunity and arrange business

relationships with the large firms to outsource smaller tasks to the smaller firms. The smaller firms have much to gain from these arrangements, such as minimal-to-zero planning costs and lower supervisory costs. Finally, the firm could explore a possible business and capital venture and use capital savings to acquire other competencies that the firm has never engaged in, such as marketing research. There are many pros and cons to weigh in a decision such as this and will be discussed further.

Recruitment

Making layoffs in a turbulent economic environment is a difficult decision for many firms. But, when the economy declines, recruiting should be the most important part of a firm's success. A firm must place priority on recruiting new and more talented candidates for employment if they want to pull themselves out of the decline and into a prosperous future. This means finding top talent instead of settling for less qualified candidates to fill vacant staff positions. Limited budgets for staffing make the task of recruiting more difficult, but will pay high returns through the contributions of a talented staff. These budget limits create a more competitive environment and, thereby, our firm must be more aggressive and proactive in our recruitment efforts. Cutting back on recruiting efforts would be regressive instead of building a foundation for the firm, especially in the current economic climate. Although small firms may expect concede to the large firms for some of new and talented graduates, we must maintain a positive and competitive attitude for attracting new talent to our firm.

Solid Rock's overall strategic plan must address a change of recruitment priority. Several different types of strategies could be created and implemented to allow for our firm's success. For instance, our firm should form strategic alliances among local high schools, universities and colleges that can be utilized to attract the best students to the profession and ultimately to our firm. Along with these alliances, the firm can implement a lower cost recruitment process by developing an effective internship program. This will allow our firm to not only keep cost low by avoiding premium salary costs and costly benefits such as retirement matching contributions, health care and paid vacation allowances but give our firm an adequate time frame to evaluate new employees. This will save our firm countless hours and dollars in unnecessary training and

payment for talent that is unable or unwilling to produce the value our company needs to continue in the black.

150 Credit Hour Requirement

On January 1, 2000, the state of Indiana jurisdiction for Certified Public Accountants instituted the 150 credit hour requirement to sit for the CPA exam and ultimately to be licensed to practice accounting within the state of Indiana. When Florida became the first state in 1983 to require 150 college credit hours, other states began to follow suit; but not without criticism and growing concern for the effect this requirement would have on the profession. (Bierstaker, 2005) Studies conducted determined that there was a decrease in CPA eligible and accounting graduates in the first year that states implemented the credit hour requirement. Perhaps a strong argument against the requirement could be determined in this study. However, another study conducted recently showed that, after a short time period, numbers of CPA eligible accounting graduates returned to levels equivalent of states without with an hour requirement. Thus, our firm is confident that the 150 credit hour requirement will not have a significantly negative impact on the number of graduates entering the profession. (Carpenter, 2008)

The crux of the 150 credit hour requirement is our firm's commitment to excellence as well as our professional commitment as accountants to providing trustworthy results in the work that we do. Without our clients' trust, we cannot build a solid business in which our clients can rely on. The very core of our industry and our firm is trust. Therefore, our firm supports the 150 credit hour requirement because its principles are based on the idea of expecting and promoting excellent work and a strong commitment to the profession and the profession's virtues. The AICPA has clearly defined the requirement's value with its official endorsement:

A certified public accountant (CPA) in today's environment must not only have a high level of technical competence and a sense of commitment to service, but must also have good communications and analytical skills, and the ability to work well with people. Employers are looking for individuals who have the ability to analyze and evaluate complex business problems and the interpersonal skills and maturity to make decisions in a client- and customer-service environment.

To obtain the required body of knowledge and to develop the skills and abilities needed to be successful CPAs, students should complete 150 semester hours of education. Many states/jurisdictions now require or will require 150 semester hours of education for obtaining the CPA certification. Colleges and universities in these states/jurisdictions determine the curriculum for pre-licensure education of CPAs; it typically features a good balance of accounting, business, and general education. (AICPA, 2009)

Our firm strongly supports this methodology and the purpose of this literature. Therefore, we will continue to require 150 credit hours for our employees and the future recruits to our firm. We are further confident in our position due to other professional support for the requirement. Seventy-five per cent of large accounting firms are in favor of keeping the requirement and 60% of small firms lend support as well. We cannot argue with the rest of the accounting profession on such an important issue. Although professional opinion does not completely sway our judgment in regards to this issue, it does serve to assure us that the 150-hour requirement is indeed a beneficial addition to our professional licensing practices.

CPA Exam

The letters that stand for Certified Public Accountant, CPA, represent prestige, excellence and expectation. Immense value is attributed to a professional when he or she has earned the certification to place those letters after their name. Needless to say, having the CPA designation and the official license is a key part of our firm as well as the make up of our staff because it gives validity to our work and increases trust in our client-customer relationships. So as we continue to recruit knowledgeable, efficient, and self-directed talent, we must make concessions to ensure the completion of the required exam and time-spent experience to earn the honor of the CPA designation. We feel that the best methods of motivation for our employees lies in offering

to pay for appropriate review classes as well as the test itself. Eliminating the financial obstacles to taking the test allows for more motivation for them to sit for the examination. Along with eliminating financial obstacles, defining specific financial incentives for members of our staff who sit for the CPA exam provides additional motivation. Appropriate wage increases could be offered; higher retirement contribution percentages could be implemented as well as extra paid days of vacation could be significant motivational tools to encourage our staff become a certified CPA.

Employee Moral

As Solid Rock better understands how to foster professionalism and excellence among its employees, our firm must be able to address changes to our workforce while simultaneously addressing current employees needs despite a challenging economic environment. Because of the current economic conditions our firm has been forced to make difficult decisions in regards to our employees. Our first course of action was to cut compensation and benefits in order to retain as many jobs as possible. However, our firm also cut five percent of its workforce in order to meet financial needs within the firm. In lieu of these undesirable actions within the firm, Solid Rock must keep employee morale positive in order to emerge from the economic downturn effectively. In times of uncertainty about the financial future of the financial services industry, Solid Rock must foster a sense of purpose and unity among its employees, continue to support a healthy work/life balance, as well as provide rewards and acts of appreciation for work well done within the firm. By maintaining a positive culture within the firm, employee retention and performance can remain high while giving employees a sense of appreciation for a job well done.

Compensation and benefits at Solid Rock CPAs have been cut due to economic hardships within the industry as well as our individual firm. While many employees wish to remain loyal to the firm during these hardships, the financial difficulties of the firm have trickled down to those that they employ. One of the most important ways to address these changes within the organization is through increased communication between management and their workforce. In order to create a greater sense of loyalty to the firm as well as replace the lost compensation and benefits, a strong structure for employee incentives should be implemented. The September 4 issue of *Accounting Today* shares six motivators of employees in today's workforce. We believe that incorporating these six strategies into a strategic plan for employee appreciation will foster a sense of loyalty for the firm as well as increase employee morale despite difficult economic times. The six motivators are: acknowledgement and respect, camaraderie and fun, compensation, flexibility and time off, and increased responsibility and challenge (22). These six motivators can be shaped into an intentional employee morale program from the firm.

First, acknowledgement and respect can be paired with increased responsibility and challenge. We propose the formation of specialty teams within the firm to tackle some of the issues that the firm faces. The two main teams we envision forming would be a Recruitment Team and Client Relations Team that would include a mix of entry level employees, mid-level managers, and a more senior manager to help lead and coordinate the teams. These teams would focus on forming and implementing the firm's strategic plans according to the team that the employee is on. Therefore, these employees, from a variety of points of view, would address the recruitment challenges. Members of these teams would feel acknowledged because their specific contributions to the firm would be highlighted and there would be a sense of teamwork that transcends all levels of the organization. By having all levels of employees involved hands-on,

they will have sense of ownership in their firm and feel that they are directly contributing to the success of the firm in ways other than the daily grind. A study in the July 2008 CPA Journal highlights that fifty-three percent of small to medium-sized accounting firms try to engage employees in a challenging and exciting work environment in the hopes of increasing retention rates within their firms. By directly involving employees, they feel that they are being challenge while combating some of the foremost issues of the industry. The Business Times reports that the most important quality of a firm is top quality products that they can offer their clients. Therefore, finding solutions for clients on a Client Relations team would fulfill an employees desire to feel pride in the service they are offering his or client.

Similarly, Solid Rock should explore ways to engage upper management with promising new hires within the organization. If we are committed to hiring top talent from the college level, we must be committed to retaining these employees once hired. Part of employee morale is involving employees and showing them a path for advancement within the firm. According the Smartpro, a continuing professional education organization, forty-nine percent of new CPAs cite professional training and development as a key attribute of the firms they work with (“Survey: Young CPAs Say Firms Fail to Deliver on Key Attributes”). This can be accomplished within Solid Rock without a huge financial expenditure. Our firm could implement a “partner-in-training” program for promising entry-level employees. This program would pair young employees with partners of the firm in a mentorship program. This may include working on a project for the firm together or simply having regular meetings in which the partner address concerns or answers general questions pertaining to career plans.

In order to combat frustrations because of lost benefits, the firm should explore the benefits structure within the firm. During the busy season when employees are forced to work

overtime to complete work, employees could be allowed to use a flextime system where anytime worked over forty hours could be “banked” to take time off in a less busy time of the year, mainly the summer months when the firm does not have as much work. This would encourage a work/life balance while saving money for the company by not paying overtime benefits.

The last motivating factor is compensation. While this is a difficult motivator to deal with during tough economic times, many publications report that this is not the primary driving factor for employee moral. However, compensation for the work performed is really the bottom line for employees. Compensation should be directly tied with company performance. In that way, the success of the company as a whole is made personal to each individual employee. Rewards could be linked to performance indicators such as client fee collection, new clients obtained, efficiency of work completed as well as personal performance on the job. Therefore, an employee has greater earning potential when the firm has greater earning potential.

Client Relations

Within the firm, the industry, and the global economy there are many problems in regards to making a profit from clients. Thus, Solid Rock, like many other companies, must re-evaluate pricing structures and client valuation models. Solid Rock must become a “Firm of the Future,” leave behind the old ways of billing per hour and move on to a value creation fixed pricing models. There are many incentives to transitioning to the new model that greatly benefit clients and employees. With a fixed price structure, clients will know exactly what they are paying for and how much to plan for. Clients do not want to worry about how much they are billed for every phone call made to the consultant or auditor, and a fixed price arrangement eases their concern. Additionally, employees will no longer be bound to time sheets. No longer are they

bound to measurements of time and efficiency, but they will be measured on effectiveness and valued for their knowledge, or the firm's intellectual capital (Baker, 2008, para. 68-73).

Solid Rock needs a new pricing structure to recover more profit from clients and also to better manage and encourage staff. The hourly billing structure is limited and out-dated and needs to be replaced by the value creation model. Instead of the firm's focus on time and efficiency and acquiring as many billable hours as possible, the firm needs to focus on effectiveness and adding value to their clients. Clients no longer want to worry about contacting their auditor or consultant and being billed for a five minute phone call. Employees want to be compensated based on their knowledge and expertise contributed to the project not based on how many hours they were able to bill to a project (Baker, 2008, para. 68). The change requires firms to shift their focus to the intellectual capital of their firm and leverage their knowledge to attract clients. Intellectual capital has three components: human capital, "people's knowledge, approximately 75% of its wealth-creating capacity" (p. 69); structured capital, proprietary software and other resources; and social capital, alliances and reputation. Leveraging intellectual capital into a fixed pricing arrangement removes uncertainty from the engagement for a client. With every engagement priced upfront the firm knows what its revenue stream will be and the client knows what it can afford and what its expenses will be. Their ability to plan accurately will make it easier for the firm to receive timely payments. A price committee created by the firm will design fixed price agreements. The committee should be comprised of staff from all levels within the company, to the exception that they should be CPA certified as another measure to influence staff to become certified, and the committee should rotate members regularly so that all staff becomes knowledgeable on pricing strategies. The committees will design annual plans for a client based on what services they expect the client to demand and what prices work best

for both parties. After the fixed price arrangement has been agreed and signed modifications can be made if necessary through a renegotiation of the contract. For Mark Bailey & Co. Ltd., three years after implementation of a fixed price plan, revenues have increased to 350%, profit has increased 500%, and the professional staff has grown from five to fourteen. Client satisfaction rates have greatly improved and employee retention has improved. Retention and recruiting have been very successful because of the focus on value, intellectual capital, and a work/life balance as opposed to time sheets, hours of overtime, and micromanagement. Making the change can be risky and will take time as it is best to take a phase-in approach. Kennedy and Coe, LLC took many steps to make the transition within their company. First, they educated staff on the need for change. Second, a Value Creation Panel was established to direct the transition and its guidelines. Third, Kennedy and Coe set a minimum fee level for all clients and eliminated all clients that did not meet “Best Client” requirements. Fourth, they used the new pricing strategies with select clients to work out any issues the new system may have had. Fifth, Kennedy and Coe set a final transition goal date. Lastly, a goal was set to eliminate using time sheets by a certain date. Within our firm, the implementation of this new pricing structure should see a rise in customer satisfaction as well as profitability, and employee morale will rise due to their new goals of being effective knowledge workers (Baker, 2008, para. 69-73).

After implementing a new pricing structure, Solid Rock must re-evaluate their customer relationship management strategies. A misconception of “the more clients the better,” may seem to equal more success, but this simply is not true. All clients are different, and they can be classified by the value and profits they add to the firm. Solid Rock needs to classify each client into segments and manage the clients by segment instead of managing them all as one (Epstein, Friedl, & Yuthas, 2008, 54-59). Additionally, the cost of retaining a customer is one-fifth the

cost of acquiring a new customer. Therefore, the firm needs a strategy to build valuable customer equity in which the high value customers are retained, low value customers are let go, and only high value customers are acquired (Slater, Mohr, & Sengupta, 2009, p. 37).

In order to enable the firm to improve customer management, a strategy called customer relationship management should be implemented. First, our firm should identify high-potential customers. Like in any investment, an analysis of the net present value of future payments from the client should be performed. An effective estimate will show the cash inflows to be considered as profits from the client, future business from the client, and referrals from the client. Costs analyzed should be price discounts, advertising costs, direct marketing, and personal selling. If the net present value of the analyzed client is negative, the firm should up-sell, cross-sell, or increase prices in an attempt to induce the client into profitability or to leave the firm, which would be acceptable to us because of their lack of profitability. Another analysis that will determine positive customer equity is customer share of wallet and customer cross-buying. Customers that are cross-buyers enjoy the ability to buy a bundle of services in one place and they show good potential for a long profitable relationship (Slater et al., 2009, para. 37-39). Two sources of customer value that are often missed are customer influence and customer knowledge. Customer influence is the customer's ability to influence other potential customers, employees, and stakeholders. The second and potentially greater value is customer knowledge, which is the company's ability to provide input regarding the services, offered by the seller and improves them (Epstein et al., 2008, p. 57).

The second step of customer relationship management after the firm identifies high-potential customers is to develop a customer acquisition strategy. There are four acquisition strategies based on the probability of receiving positive future cash flows. The full throttle

strategy is designed for low risk/high return customers that do not take much time to make a positive cash flow. The strategy for this group of customers is to invest until the net present value of the marginal customer is negative. The second strategy is the slingshot, designed for high risk/high return customers that are very likely to be retained but they take a long time to make up for the initial investment. The strategy used for this group is to bet on a high net present value that is accompanied with substantial retention probability. The pay as you go strategy is for low risk/low return customers where the initial investment cost is so low that the funds are recouped quickly. These customers are used to meet short-term goals of a firm. The last segment strategy is the divest/restructure plan, which is high risk/low return. These customers do not produce enough profit to make up for the original acquisition cost.

Pricing strategies can be very difficult to maintain successfully with new clients. If a firm attracts new business with discounts, the new clients are likely to buy in small amounts and leave as soon as they find a better discount before the firm's acquisition costs are covered. However, customers who have left once and subsequently return to the firm are likely to be the most loyal and profitable customers. They left seeking better pricing but they came back having learned more about the industry and desire a greater value that the firm will provide.

The third step in customer relationship management is to develop the customer portfolio management strategy. As noted earlier, not all clients are equal, and certainly not equally profitable. It is possible to raise prices on bad customers and lose them, but increase profits because of the lost costs. Not all loyal customers are profitable customers; therefore, the firm must assess both profitability and duration to classify customers appropriately.

The most valuable group, labeled "true friends", are the customers that are highly profitable and loyal. Between the customer and seller is the intent of mutual benefit and similar

philosophies. They share equal power because if one has more power than the other there is a lack of mutual benefit in the relationship. The risk with this group is “overkill” from excessive marketing and drowning out their actual needs. The seller should regularly update their service offering to benefit the customer’s ever changing needs (Slater et al., 2009, para. 37-44). Most firms follow the 80-20 rule in which 20% of the firm’s top clients provide 80% of profits; these are the top 20% of our clients and must be marketed and managed appropriately (Epstein et al., 2008, p. 56).

The next group of customers is called the butterflies. These customers search for the best value and while they are very profitable they do not have long durations. When butterflies come along the strategy is to sell as much to them as possible; but as soon as they leave for another firm stop investing to retain them because they have already found their new best value. If true friends or butterflies ever leave, it is worth the investment to continue with a post-relationship strategy that keeps the firm involved with the former client in the hopes that they return and provide a profit.

Barnacles are the very loyal but not very profitable group. When managed correctly these customers can become very profitable but it requires renegotiations to acquire more business or better pricing. If after renegotiation the barnacle is still unreceptive to price restructuring or adding services, it would be worthwhile to lose their business.

Lastly, the strangers are the least loyal and least profitable group. These customers are focused on price and timely exchanges. Soon as a stranger is identified, the firm should stop investing and marketing to them (Slater et al., 2009, para. 37-44). Properly managed customer equity can greatly increase profit margins when exercised correctly to eliminate bad customers and reward good customers.

The implications of cutting ties with clients that are not paying fees are great. However, when Solid Rock examines its mission to serve its clients with the most effective, value-adding resolutions possible, it cannot justify removing a client simply for not being able to pay. The economy has been hard on all businesses in the last year, but financially speaking for Solid Rock, it is better to receive little payments month-to-month than nothing at all. Therefore, Solid Rock will work with its clients that are struggling and come up with payment plans that are beneficial to both parties. Accounting, as a profession, has a unique obligation to serve its client differently than normal financial institutions. There is to be a moral and ethical compass that guides us to serve the public and our client. Furthermore, when the recession ends and businesses have regained profitability, Solid Rock wants to have the reputation of a loyal business, and as such will be rewarded for that when the time comes with valuable client retention and referrals.

Expanding and developing new services can be a costly venture, but when there is a definite demand and an expertise present in your staff the future profits can outweigh the initial investment. The services typically demanded by Solid Rock clients have decreased, dramatically affecting revenue, but there are great possibilities in new service offerings and enhanced expertise. First, healthcare, one of the largest industries in the United States, has throughout the recession, while every industry and company was shedding itself of employees, continued to grow. As the United States wait to find out what new healthcare reform will come through Washington, it is understood that hospitals, physicians, and other practices are expecting an increase in patient volume. The changes that are to come will require consulting for all of the different healthcare sectors, especially in their revenue cycle and operations functions, to ensure profitability. Solid Rock must be prepared to capture as much of the healthcare market as

possible and must start now by increasing the size of the healthcare consulting group and also the expertise of that group.

For the last decade, many firms have offered financial planning as a service to their clients and it has paid off well. In the 2007 Financial Planning Practice Study, a study involving over four hundred CPA firms, it was found that the average revenue growth per year was 35% in the financial planning division. Most of the firms were new to the service in this past decade. After enduring the latest financial collapse, investors will seek an objective advisor to assist their investing and financial planning needs (“Objective Advice Drives Revenue,” 2008). Solid Rock must establish itself as leader and an expert in the investment and financial planning sector as investors come back to the market.

Another service Solid Rock can capitalize on is in-sourcing accounting and audit work. Large firms have already begun to outsource work due to layoffs they have made in their own staff and their strategic decisions to not perform certain tasks that are low margin. Solid Rock can establish business relationships with the larger firms to receive the work that is too costly for them to do (Daugherty & Dickins, 2009, para. 60-65). The arrangement is mutually beneficial as the work is low cost for Solid Rock. When performing in-sourced work, there are zero to minimal amounts of planning costs and reduced supervisory costs. This service is likely not going to significantly improve the margins, but it should have positive results for the firm. The next idea is possible only if Solid Rock is in good capital standing. Acquiring a new business line such as marketing research could pay off tremendously. Many companies have cut their own marketing divisions, staffs, and budgets, but in order to come out of the recession ahead of their competition they will need a greater understanding of their market. Solid Rock could provide the market knowledge that other companies require to make the right move out of

the recession. The firm could acquire an already established company, who understand their core competencies and have some market share to add to the firm's existing client base. The added service would compliment an already impressive suite of services to offer clients. The acquisition could be spun off into its own division so that it does not distract the firm from its already established core competencies. It is a risky and expensive investment to make but the knowledge and expertise gained from the acquisition would make Solid Rock a leader in the consulting business.

Efficiency

The employees of the company are important members and assets that can help maintain an efficient environment. Employees need to feel that they are important. Making sure that employees feel valued is a great way to be more efficient and even more a more productive company. Many feel that they simply go through the motions and that their efforts go unnoticed. Many provide great work and great morale for a successful team without anyone noticing. To maintain a productive company in these economic times you must show them their importance and value in seeing the company succeed. There are many ways to accomplish this. One way is to offer special programs. As Smartpros states, "Consider offering some creative programs designed to boost employee participation. Ron Harper, chairman of Harper Companies International, offered a \$500 bonus to any employee who wrote a technical article and had it published in a trade magazine. To encourage maximum participation, Harper even arranged for a freelance writer to consult apprehensive employees on how to write effective articles. Harper received an estimated \$40,000 worth of promotion in exchange for \$5000 in bonuses. By

leveraging employee knowledge within his company, Harper created a cost-effective marketing technique, while rewarding employees at the same time” (Smartpros Editorial Staff, 1998).

Another idea would be to have focus groups that allow employees to give their input on how the company should be run which gives them confidence. They feel that their ideas matter and valued. When you put value on their opinions, morale and quality of work are sure to increase along with the company’s status and figures as well. Suggestions boxes and questionnaires are also great ways to get the opinion of the employees without the threat of being terminated. Many employees often have great ideas but are afraid to share them from the fear of what may happen if the opinion was taken in a negative light.

One thing that always seems to affect the productivity and output from employees is how the lack of prioritization that goes into each day and each task by employees. If the company wants to be more productive they need to make sure each employee knows how to prioritize their work schedule so they know what the managers want and when then want it. It helps when both the managers and employees are on the same page. This helps reduce wasted time and wasted work efforts on subjects and ideas that are not needed at the present time. This also allows the reduction of multitasking to make sure that employees are not taking on too much in too short of time. Managers tend to push all the work on a few employees who can cause the output to be poor or subpar to the work that could be distributed out to a number of employees that don’t have to multitask.

This leads to cleaning up your act and being a team player. These ideas can increase the efficiency of the company without any additional cost. Robert Half states, “The benefits of an orderly workspace can’t be overstated. You can’t afford to waste time hunting for critical documents buried under a crumpled mass of outdated memos and sticky notes. After making an

initial clean sweep, schedule time weekly to cut the clutter. Once you've categorized a document, get into the habit of filing it, trashing it or forwarding it to the appropriate person — don't leave it on your desk to collect dust" (Half, 2009).

Efficiency comes with knowing how to have effective internal control of the company. Many that have been listed are inexpensive ways to control employee morale and efficiency which in turn control how efficient the company performs in the market. Outsourcing duties that aren't a part of the everyday activities should be outsourced if the cost is lower than what they will make by doing so. Christopher Boyce states, "Few people can be good at every task. This is where outsourcing comes in handy for many businesses. Though it has become a demonized concept to many in the U.S., not all outsourcing means American jobs lost to cheaper labor abroad" (Boyce, 2005). Time management and the ability to keep priorities under control are great in the efficiency of the company. Put priorities on other aspects that the market is demanding is a great way to stay ahead of the competition. Putting more focus on technological advances and new products are what can help strengthen the efficiency of the company. Great management styles and happy employees increase the total output of the company and maintaining those qualities are what will help the company become more efficient in the long run.

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