Solid Rock CPAs Strategic Plan

INCPAS

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Executive Summary

Background Information

Solid Rock CPAs (Solid Rock or the firm) is a CPA firm that has offices in Indianapolis, Fort Wayne, and Evansville, Indiana. The Indianapolis office employs fifty employees while the Fort Wayne and Evansville branches employee roughly twenty-five employees each. Solid Rock has a total of ten partners, five in Indianapolis, three in Evansville, and two in Fort Wayne. Solid Rock is considering delaying promotions from the current promotion structure of senior (2 years) to supervisor (4 years) to manager (6 years) to 3, 6, and 9 years respectively.

Sarah Evans is a senior manager at the Indianapolis Office. She is involved with the recruiting efforts of the firm alongside the recruiting director. Sarah Evans is highly looked up to because of her personable nature and ability to provide advice on issues such as work/life balance, career paths, staff relations, and many others. She is unofficially in charge of keeping up the employee morale. Ryan Harding, the managing partner of the firm, has asked Sarah Evans to put together a strategic plan to address recruiting, employee morale, client relations, and efficiency issues within the firm.

Recruiting

A bad economy can hamper a CPA firm's ability to recruit. The resources necessary to effectively recruit are no longer there. Job fairs are a good way to combat a bad economy though. It is cheaper than an ad in the newspaper and helps utilize time spent during the recruiting process. Hiring out of college is also important for firm's to do. On-campus recruiting events can be cost efficient and create a good image of the firm to students and professors at the university. Events such as Beta Alpha Psi meetings, Accounting Club, and many others can help the firm get recognized. Websites are a good way for the public to see the job postings a firm has. Candidates will already know what is expected of them, what is offered, and what the firm is looking for. Solid Rock believes the 150 hour requirement is a must to provide the client with the best possible service. The firm also believes that it is important to pass the CPA Exam as soon as possible, preferably within four years of being eligible. The firm will provide assistance with attaining the CPA license through providing a CPA preparation course at no charge.

Employee Morale

During an economic downturn, the firm is cutting its operating expenses by working half-days, reducing 401(k) contribution, cutting firm outings, etc. This keeps employee morale down which leaves the firm at risk of losing employees. Keeping employees is very important in any economy, but especially a bad economy. The firm is offering many ways in which they hope to be able to retain employees. It is important for Solid Rock to develop a good program to allow proper work/life balance. Training and furthering education is another way the firm can retain employees. The firm is going to concentrate on three main programs to do this: orientation, mentoring, and goal setting. Orientation helps employees feel welcome when they first join the firm. This is crucial in being able to retain employees. Mentoring is also critical, because it allows for the employee to learn from someone who already knows how the system works. Solid Rock will implement a management by objective (MBO) goal setting process. Solid Rock is also going to alleviate some of the busy season stress by hiring part-time work or interns. This should help in retaining employees who may leave because of the grueling work of the busy season. Solid Rock is also going to outsource some of its work to solve this problem as well. This would reduce the number of overtime hours and allow the firm to focus on the important issues. Communication is also very important when trying to retain employees. When employees know what is expected of them they are more comfortable and are less likely to leave when things get tough.

Client Relations

With the current state of the economy there are three questions accounting firms should ask regarding client relations: should the firm let go clients who are behind on payments, if the firm should change pricing and billing structure, and what other value-added services must be implemented? Business continuity planning and recovery solution is another idea Solid Rock will use to analyze clients. It allows the firm to build more trust with their clients. Trust between an accountant and the client helps secure revenue and market share for the firm. Information technology consulting is a niche service that is on the rise. The retail, education, health care, sports, and manufacturing industries are all in need of information technology resources. Tax planners should work with their clients year-round, rather than just during the busy season. This is another idea that Solid Rock is analyzing. The importance of tax planning increases when the economy slows down.

Efficiency

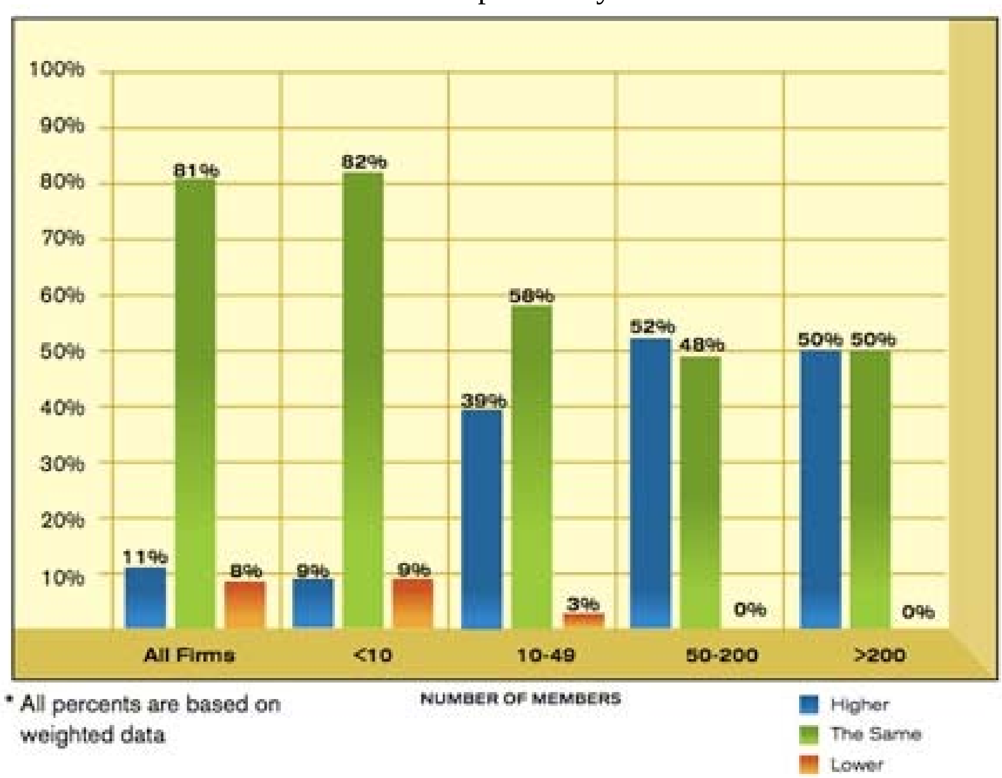
It is difficult for accounting firms to keep business going strong during an economic downturn. To increase efficiency it is important to analyze financial aspects of the firm, employee base, clientele, and current technology available. Solid Rock needs to budget for all different situations that may arise during the year. This will give them the ability to be prepared regardless of what situation occurs. Keeping advertising up is also important to increase efficiency. Historically speaking, businesses that continue advertising during recessions come out stronger than the competition. Examining employee performance and exchanges unproductive employees for new fresh talent can spark productivity in the firm. This goes hand in hand with keeping employee morale up, which also can increase efficiency during a bad economy. Communicating exactly what is expected of employees is especially important. If an employee does not know what is expected of them, they will not be able to work efficiently.

Internship programs are also very important in a tough economy. They can keep efficiency high because of the generally low cost of interns and the amount of work they can accomplish. Outsourcing can also increase efficiency. Outsourcing tedious work can keep employees motivated and focused on the truly important things for the firm. Evaluating clientele before accepting their business is a good way to keep from wasting time on a client who will not be able to pay the bill. On the other hand, you have to show current clients and new clients how important they are so they are more likely to stay with the firm. Technology can also be a great way to increase efficiency within the firm. Firms can go paperless or use collaboration tools to keep the firm working efficiently and effectively all the time.

Recruiting

Without question, a down economy places strains on a business in a multitude of ways. However, one area that can often be overlooked is the impact that a bad economic environment has on the recruiting process. Not only are firms in a worse position to offer higher salaries to top performers with the experience needed to make a firm successful, but it is also in a worse position when it comes to the resources available to those potential employees who are graduating. This requires the firm to create a balance between active recruiting and succession planning among recent graduates as well as human resource management to retain the talent the firm is currently utilized. The chart below provides results to a recent survey of accounting firms regarding hiring.

"Is the number of experienced recruits hired by your firm likely to be higher, lower or the same as the previous year?"



Job Fairs

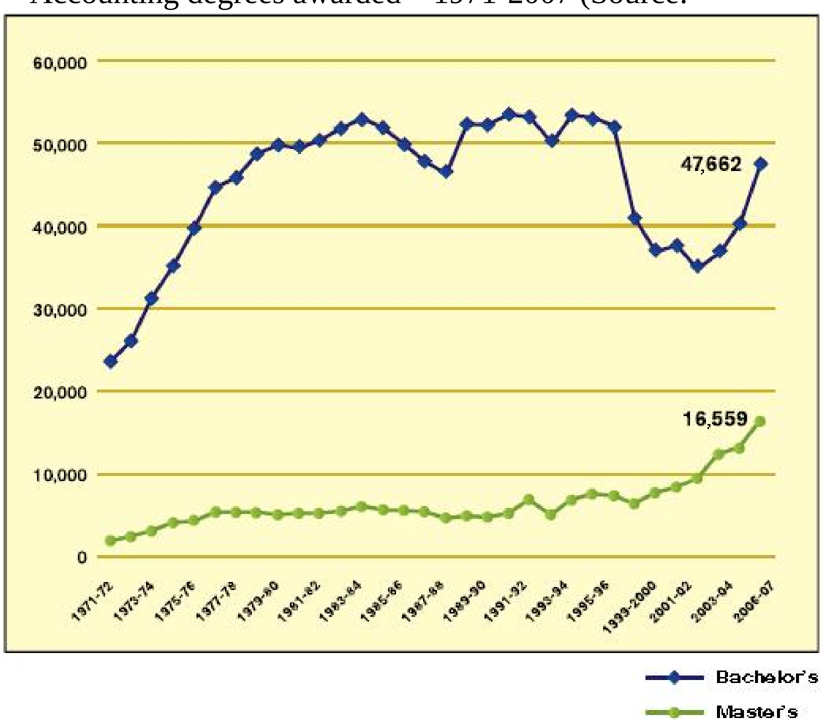
When it comes to attracting the workers the firm needs, efficiency and price sensitivity are crucial. Although it is true that being too frugal in recruitment could lead to subpar members of the firm, there are still ways to utilize certain events and tools to attract the best for the firm's success. One of these cost efficient recruitment sources are job fairs. These recruitment events are usually less costly than a typical newspaper ad for a job. Not only is it more cost effective, but the event could also be utilized as preliminary interviews as the firm takes a few minutes to learn about each candidate. It is a well known fact that many of the recruiting decisions as far as the decision regarding who to interview is established at these events anyway. This is not to say that the firm must make the decision to replace a ten year veteran of the firm on the spot, but rather it is an opportunity to pull those who have attractive credentials aside and save the firm money.

When it is broken down, the cost saved in advertising is not the only expense saved when a job fair is used. This will also save the firm money as those making the relevant hiring decisions will be able to utilize much of the time that would have been used in the office at the event instead, allowing those members of the firm to work with a client during the time at the office. This benefits the firm through efficient use of time and resource management while still attracting well qualified professionals for the firm. These job fairs will also serve as a way to advertise the firm without the use of other traditional media. When the firm places its name positively in a public setting, publicity becomes an attractive benefit at no extra cost. The use of business cards, signs, and fliers would be utilized to familiarize those present with the firm and possibly gain valuable clients, whether small businesses or individuals, to the firm.

On-Campus

Rising performers are keys to a firm's future success and as seen in the chart which follows, the number of those students graduation with accounting degrees have been continuously increasing. This creates a large demand for recently graduated or graduating students who have a wealth of new information and hunger for a competitive career in the field of accounting. This makes on-campus recruitment a must for any firm during a time when the economy is not stable. As with a job fair, on-campus recruiting events serve as a cost efficient way to recruit new talent as well as create a positive public image for the firm. Many events throughout the year will allow the firm to utilize a university's facilities and time to reach potential new hires. Events such as attending Beta Alpha Psi, Accounting Club, and other business related meetings and speaking events will serve as a cost effective way to stay in touch with professors and those key students who could potentially form the future of the firm.

Accounting degrees awarded – 1971-2007 (Source:



AICPA)

In addition to the meetings and other on-campus activities the firm would be invited to for presentations, the key event each year for on-campus activities will be career fairs held at the universities. For a firm which seeks younger talent, this is a place where resources need to be utilized to their fullest. By hiring younger talent, the firm would save money as these candidates will have less experience and thus come at a lower salary than the experienced candidates sought through job fairs.   However, the costs must outweigh the benefits of offering a lower salary. These costs include such things as sacrificing experience that is always essential in an accounting firm as well as the additional on-the-job training and instruction which will likely need to be implemented. This makes those persons graduating who have the ability to immediately take and pass the CPA Exam as well as presents a commitment to the firm both presently as well as years into the future. In a time when resources are low and the firm has already let professionals go, it is essential to make sure that these candidates are well suited for the firm's future success in times of both economic downturn and prosperity.

<u>Website</u>

As is the case for many accounting firms today and businesses in general, websites are a key tool that should be utilized for reaching clients and potential new hires. Since the firm's website is already being paid for to communicate with clients and the public, this will be a very cost effective way to bring additional candidates to the firm. Not only will this allow a general job posting to be viewed by potential candidates, but each listing would be able to be as specific as possible as to what exactly the firm is seeking. This will allow time to be better utilized as those who apply and submit resumes for these positions will already know as closely as possible as to what the firm expects, offers, and is looking for in a professional.

150 Hour Requirement

The firm strives to provide the best service to the clients with the most competent professionals. In order to continue to provide our clients with this type of commitment, the 150 hour requirement that must be met by an individual in order to sit for the CPA Exam is a must. Not only will this allow the firm's members to enter into our practice ready to take the exam when the time is ready, it will also provide added assurance to our clients knowing that our professionals take the extra step to serve them. This will be a requirement for any new professionals who start working for the firm. Not only will students, who are in the best position to obtain this requirement while still pursuing their current program be required to achieve this, but any experience professionals will also need to meet this requirement regardless of experience. The only way this requirement would not apply to an individual is if they have already passed the CPA Exam. This license in itself will provide the additional assurance to clients without the additional hours now needed to sit for the exam in Indiana.

The impact that the firm's requirement will have on recruiting will be minimal. As many of the candidates entering professional employment in public accounting will already have 150 hours of education upon entering the job market, the firm does not believe that recently graduating students will oppose this requirement as many plan on sitting for the CPA Exam anyway. However, when it comes to the experienced candidates who have not passed the CPA Exam nor have 150 hours of education may see this as an unnecessary requirement in an already difficult job market. Whereas the purpose of this requirement will not be to withhold a position from an otherwise qualified candidate, the firm could start to receive a negative reputation for its hiring requirements. In any situation, this new requirement the firm will apply will position it in a way which will lead to an increase in client confidence and services.

CPA Sitting Encouragement

Beyond the need for the firm to require a mandatory qualification of 150 hours in order to be hired by the firm, the need for our professionals to pass the CPA Exam as soon as possible, preferably within four years of being eligible, will become a secondary requirement. This secondary requirement will serve the firm to further hold client trust in the work our members are doing and attract new clients as well. Clients already come to us for the many services we provide them successfully. If these clients as well as potential clients also had the additional assurance that our firm is building a further professional atmosphere to better serve them in the future, the firm will inevitably gain market share with regards to the services provided.

This, however, could lead to otherwise perfectly eligible professionals avoiding joining the firm due to this additional requirement. This is especially true in the case of professionals who are struggling to pay bills resulting from current living arrangements and day to day expenses as well as past education loans and expenses. The additional financial funds needed for the firm's requirement could strains on these individuals as the information which follows from the National Association of State Boards of Accountancy illustrates the level of financing needed for testing and registration fees involved for a first time test taker.

Application fee: $ 135.00

Examination fees:

Auditing and Attestation	(AUD)	$ 230.55
Business Environment and Concepts	(BEC)	$ 180.95
Financial Accounting and Reporting	(FAR)	$ 218.15
Regulation	(REG)	$ 193.35

If a first time test taker, as many of the new professionals the firm will hire in the future will be, this is a total of $958 in additional expenses that must be taken on if the exam is passed in the first attempt. If the firm is to continue to grow during the future in both good and bad economic conditions, it is nonetheless that this requirement be filled even given the cost involved. As many of those professionals who enter the public accounting profession are planning on obtaining a CPA license anyway, this additional requirement may encourage the members of the firm to accomplish this as soon as possible. Members of the firm holding CPA Licenses will also allow them to stay current with important issues regarding the industry to fulfill the continuation requirement which comes with being a CPA.

Assistance With Obtaining CPA License

With the addition of the preceding requirements the firm will enact for the future, consisting of implementing a 150 hour hiring rule as well as the requirement for members to obtain a CPA license, the firm acknowledges the need for assistance to the professionals in some manner. As a gesture of fair business operations, the professionals of the firm will receive assistance in regards to preparation for the exam. The firm will provide, at no charge to the members of the firm, a CPA preparation course or courses needed to pass the exam. This will be limited to one course per part of the exam, after which the professional will supply the cost of additional attempts taking courses. Materials needed for these courses will also be provided.

However, as the exam is costly, the firm will not be able to provide funds for the individual to cover the actual fees to register and take the exam. For any member of the firm who has already obtained the CPA license, a refund will be issued for the preparation expense the firm did not encounter at the time of their testing. Providing these funds will be in lieu of bonuses which some firms offer to employees once the exam is passed. However, the firm will increase starting salaries for members of the firm as an acknowledgement of the additional requirements that will be implemented.

Employee morale

Due to the current downturn in the economy, the firm is cutting its operating expenses by working half-days, reducing 401(k) contributions, cutting firm outings, etc, which makes the firm exposed to a great risk of losing key employees who are unsatisfied with the reduced compensation and benefits received from the firm. This means the firm needs to integrate retaining the right employees into its strategy in order to be successful especially in these current economic conditions.

The main reason to do this reflects on the high turnover cost, which is associated with the costs of recruiting, training, and the loss of superior talented employees. A shortage in these well experienced professionals would cause many other problems for the operation of the firm, such as over-time, poor services, and lake of organizational culture. Aside from these things, the turnover rates at public accounting firms remained high, averaging about 17 percent annually at large companies and 15 percent at smaller ones (CFO.com). As demand for accounting personnel increase, it becomes increasingly important for the firm to show its staff that it has a concern for its professionals and retaining the right people.

A recent AICPA survey listed the top five reasons professionals stay with their firms (AICPA.org):

- Respect for company mission statement
- career growth opportunities
- salary
- interesting/challenging projects
- paid personal/vacation time

Many companies have already been aware of the importance of the need to retain key employees. Therefore, they also take other measures to achieve the above goals. The table which follows lists the activities which other companies used to retain staff over the past year and could be implemented by our firm as well (nysscpa.org).

The result in the table shows that companies are changing their management styles, work duties, formal evaluations, and using financial incentive to retain professionals. However, they have not reduced overtime in a significant manner and have also built in some career planning programs for employees.

Retention Activities Reported by Firms (77 responses)		
Open-door policy	59	74.7%
Flextime	59	74.7%
Paid overtime or time off	58	73.4%
Improved technology to reduce mundane work	56	70.9%
Provide professional growth opportunity	55	69.6%
Bonus, substantial raise	50	63.3%
Formal evaluations	47	61.0%
Increased benefits	43	54.4%
Changed work environment (challenging, exciting)	42	53.2%
Employee orientation	24	30.4%
Reduced overtime	22	27.8%
Formal mentor program	19	24.1%
Partner-in-training program	13	16.5%
Other activities	12	15.2%

"Other activities" include a relaxed office environment (4), after-hours company activities (2), four-day summer work week (2), fast advancement (1), lunch and dinner during tax season (1), closing the office on Friday afternoons from Memorial Day to Labor Day (1), and raise in six months (1). The most interesting retention activity was the response from one firm that indicated they had a company softball team, held wine-tasting events, attended happy hours, invited employees and their families to an amusement park, and hosted other family activities.

As a result of our firm being a smaller sized operation, it will need to implement things in order to attract and retain the talented employees which the large accounting firms are also looking to do. One way the firm would do this is by offering some of the things which the larger firms do not. These include a more relaxed environment, a greater opportunity for career advancement, skills developed in multiple areas (e.g. tax, audit, and consulting), and closer contact with clients. These benefits, however, sometimes might be not enough. The managers need to also do more to show their professionals they are concerned not only with the future success of the firm, but also the future success of those professionals within the firm which make it successful. The information and plans which follow illustrate ways in which the firm could further retain employees.

Work/Life Balance

Work/life balance simply describes the proper prioritizing between an individual's work and personal life, which includes pleasure, leisure, family and spiritual development. It has overtaken the position once held by benefits and compensation as a key factor in employee satisfaction. The following "Work – Life Benefits" consultants' survey shows the increasing importance of the need for a work/life balance in today's working conditions and are likely to hold true into the future (journalofaccountancy.com).

A Balancing Act

- More than 25% of workers said a work/family balance was more important to them than competitive wages or job security.

- More than 25% of employee absences were caused by family issues—up from just 11.5% six years ago.

These results reflect the current generation's need today to achieve a better balance between work and the life they enjoy outside of the firm. Also, the difficult economic conditions have had a great effect on individual employees – nearly half (48 percent) of U.S. employees who responded to a survey conducted by Robert Half International reported an increase in stress levels in the United States, compared to 39 percent globally (webcpa.com). As more and more employees are seeking work/life balance, it is important to put a greater emphasis on developing a work/life balance program that is supported by all levels of the organization in order to maintain long-term employee loyalty and future firm success.

There are several programs the firm can implicate to achieve a work/life balance goal for our professionals. The most common things would be flex-time, a flexible work week, work-at-home, part-time work as the professional sees fit , and part-time telecommuting. Each of these aspects is described in detail by Catalyst in the following paragraphs.

- **Flextime**: Flextime allows employees to choose starting and ending hours, but typically must be present in the office during "core" periods, such as 10 a.m. to 3 p.m.
- **Flexible week*:*** Sometimes called a "compressed workweek," this approach allows employees to work longer hours over a smaller number of days. This could be achieved through 10 hour days for four days a week or, alternatively, fewer hours in a given day over a six-day workweek.
- **Work-at-home, flexplace or telecommuting:** Some or all of the work is done off-site at the employee's home or at local satellite offices set up near where clusters of employees live. Typically, the employee is connected to the office by computer and virtual private networks (VPN). When considering this option, the firm should keep in mind the possible need for additional insurance protection for this arrangement.
- **Part-time:** Most familiar to employers, this option offers employees a reduced work schedule (such as post-family leave for child-care reasons).
- **Job sharing:** Two employees share or divide the workload of a single job, similar to a situation which part-time opportunities would bring.
- **Part-time telecommuting:** A combination of part-time or reduced hours coupled with an off-site working location.

The advantage of implementing a work/life program is to enable employees to have flexibility in their work. Indeed, employees need this flexibility in order to balance their work and personal life to increase their quality of life. This will also lead to greater productivity at the firm (journalofaccountancy.com)**.**

Today, many employees not only have responsibility for their children, but an increasing number also care for their elder parents. Therefore, the firm can offer some child care services or elder care assistance to the professionals. According to The Families and Work Institute's report **"***2008 National Study of Employers***", "**57% or large employers offer access to information to help locate community child care, compared to 30% of small employers" and "75% of employers say that they provide paid or unpaid time off for employees to provide elder care without risking their jobs (familiesandwork.org)."

Overall, showing the firm's concern for its professionals by establishing a work/life balance program will benefit the firm and employees. The firm can reduce its turnover, overtime cost, and increase productivity.

Training and Further Education

Another feature the firm can offer to the staff is training and further education programs. There are three main programs the firm should concentrate on. These include orientation, mentoring, and goal setting.

Orientation

A good orientation program can be a crucial beginning for new employees to help them adapt to their new working environment. The more the new professional is able to adapt with the firm's working environment, the better and quicker they will function and add value to the firm. In addition, the questions and difficulties the new staff has will potentially be similar to common issues the firm will face with the hiring of additional professionals in the future. Getting to know these issues early will help the firm improve the working environment much easier.

Mentoring

New professional staff also needs to be arranged with experienced personnel who can provide information, support, and encouragement to the professional who has recently been in the same position. This would help the new employee learn the organizational culture and get social networking of the firm quicker than if a similar program were not implemented. Also, the new employee would have the opportunity to ask any questions or express concerns with this mentor as they become familiar with the firm's environment. This kind of mentoring program would help the firm become better positioned for future success.

Goal-Setting

Instead of traditional goal setting, the firm should implement management by objectives (MBO), a process of setting mutually agreed-upon goals and using those goals to evaluate employee performance (Robbins & Coulter pg. 192-193). In MBO, specific performance goals are jointly determined by employees and their managers, and progress toward accomplishing these goals while periodically being reviewed, and rewards being allocated on the basis of this progress. MBO programs have four elements: goal specificity, participative decision making, an explicit time period, and performance feedback.

With the implementation of this new goal setting program, the firm will not only achieve better control of its employees, but also see an increase in staff motivation among its professionals.

Overtime

Overtime is an issue which companies do not discuss very often especially in busy seasons, while it is a potentially issue that the firm should deal with to provide competitive additional care to its employees. There are three ways the firm can alleviate this problem. First, the firm could hire some part-time employees to take on the extra hours as needed similar to what department stores implement during holiday seasons. The part-time program will be highly beneficial, not only in reducing the firm's overtime cost, but also retaining many employees who might leave due to the grueling hours involved in times of increased client demand. Also, the part-time positions can be open to staff members who would rather not work full time during due to personal needs. However, the firm will need to decide which kinds of work can be part-time, and to what extent certain jobs and procedures can be performed by these part-time firm members. Furthermore, part-time employees would need a specific amount of experience before they could begin such an arrangement.

Internships

Internships are another valuable option for the firm to control the costs and additional demand during busy seasons. It is also a good way to recruit potential employees who can take future full-time positions at lower current costs, since the employees who join the firm for an internship will already have relevant experience and training as well as familiarization with the firm.

Outsourcing work

Outsourcing certain work could also be a potential option for the firm during increased times of demand as well. The benefit of outsourcing is the reduced number of overtime hours, and also allowing the firm's professionals to focus on other issues that are more important to the firm or other projects that are more profitable.

Although working overtime seems to be normal during busy season, employees are less likely to work hard if there are a set number of hours that they need to work. Offering a method to reduce the potential overtime work would certainly bring back the employees' loyalty, increase morale, and undoubtedly increase the professional's productivity.

Communication

Communication is an important issue in any industry. Employees need guideline from managers, while managers want feedback from employees. Most companies have little trouble communicating downward, but communicating upward can present a challenge. Breaking through the barriers and getting employees and managers to work together helps everyone implement a strategic vision and attain similar goals. This process includes four elements (nysscpa.org):

- Communicate needs
- Sharing skills and knowledge
- Creating a motive cycle
- Establishing employee empowerment expectations

In addition to the preceding four elements, an open door policy is another important factor which affects the success of upward communication. Managers need to also change their manager style to one which is closer to an open door style. This would help them hear more concern and gather additional relevant information from entry-level employees. Since the size of the firm is around 50 employees with about 25 employees in each branch, the firm should use all channel communication networks, which will allow communication to flow freely among all members of the work team within the firm. With efficient communication channels, employees can freely communicate with each other and even upward to managers. This will increase their satisfaction in the work they do, leading to greater work efficiency and productivity. This, in turn, will positively position the firm for future success.

Client Relations

With the current state of the economy, there is an increased emphasis for accounting firms to evaluate new strategies to ethically boost revenues and increase market share. There are three significant issues accounting firms should address: whether the firm should let go clients who are behind on their payments or are facing continuity issues, if the firm should change pricing and billing structures for current and future clients, and what other value-added services must be implemented for clients.

Should We Retain Clients?

Regardless of a client's ability to pay for services, the firm needs to examine strategic ramifications of discarding clients. In an industry where market share and profitability are highly correlated, the CPA firm is in a tough position with the current state of the economy. If a firm foregoes a client, they can potentially lose market share. However, if a firm keeps a client who cannot pay fees, they face the risk of losing profit. It is important for a firm to understand that regardless of the current and future economic downturns, taxes must be paid and audits must be performed. Therefore, firms must be willing to work with their clients during sub-par economic times if success and the continuity of the firm is foreseen into the future. An excellent starting point for the firm to retain current clients and find potential clients is to prepare a feasible marketing plan.

Jean Marie Caragher, president of Capestone Marketing, describes the importance of a marketing plan in her September 2008 article entitled *Does Your Firm Suffer From Marketing Paralysis?* She describes the symptoms of marketing paralysis: not seeking new business because of staffing shortages, outdated firm marketing plans, and the misconception that marketing isn't necessary during periods of growth. According to Caragher, a firm must develop a marketing plan to include the following sections: a vision, mission, and core values; goals and strategies; implementation methods; a timetable; SMART objectives, and a budget. Formation of a marketing task force to oversee the formulation of a marketing plan is a great way to get current employees actively engaged with the firm's marketing efforts. Marketing plans are thus valuable ways to grow a firm and sustain future growth.

Other Services For the Firm

With business continuity as the main focus for many clients during this economy, the firm needs to establish other methods of obtaining revenue. For example, the decrease in the number of audits industry-wide has sparked an increase in the number of reviews conducted. This sudden increase in the number of reviews is that it is a more cost-effective approach to providing assurance for a client. Continuity dictates that clients are looking for cost effective means of obtaining financial assurance, whether it be in tax, audit, or consulting. The CPA firm needs to strategically establish business continuity planning, information technology consulting, and tax planning as services provided to clients.

Business Continuity Planning and Recovery Solutions

A recent article in an Accounting Today magazine mentioned that "government regulation, industry competition, and a growing emphasis on technology are all factors leading accounting professionals to take a fresh, new look at the advantages associated with recovery solutions." Robert Boyd, the author, mentioned that accountants supply their clients with space, power, connectivity and technology. An unexpected earthquake, flood, hurricane, or other natural disaster could have horrific effects on a firm, regardless of its size. Accountants, therefore, need to aid the company in the preparation of disaster recovery plans. "A well conceived recovery plan ensures that CPA's have access to a client's sensitive information despite unforeseen circumstances, and clients can rest assured that their financial records are safe and available anytime."

Business continuity planning allows the firm to build more trust with their clients. Boyd states "the accounting/client relationship paradigm is shifting from a transactional relationship to a more customer-focused *partnership*." CPA's are able to differentiate themselves in a crowded industry by "providing their clients with value-added services and consulting." The trust between an accountant and their clients levy stable market share both in the near and long-distance future. If the firm as a whole is able to work with their client by providing these value-added services during economic hardships, it not only provides a required level of commitment, but it builds a level of trust over the long term. This secures both revenue and market share for the firm.

Information Technology Consulting

Niche services are on the rise in the accounting industry. According to Bob Boyd, "competitive firms are utilizing specialization as launching pads into new niches—what some in the industry are calling "gateway" services. Of these "gateway" services, there is an increased usage of information technology consulting. Like continuity planning, "a recovery solution is vital in ensuring that these services are reliable and functional even during times of turmoil." The retail, education, health care, sports, and manufacturing industries are all in need of information technology resources such as generators, satellite communications, and mobile telephones. These resources, suggested by accountants, are vital with the implementation of disaster recovery programs.

Tax Planning

Tax planners should work with their clients year-round, rather than just during the traditional busy season. According to Intuit tax developer Mike D'Avolio, "the primary responsibility for accountants is to adequately and accurately reflect things that happen to the taxpayer in a way that gives the taxpayer the greatest benefit allowed by the legal system; tax planning helps the preparer to meet this responsibility." The importance of tax planning increases during economic slowdowns, according to Dean Sonderegger, product director at BNA Software. "When you have tight economic times, that is when practitioners can provide additional value to the clients….it can be very helpful to the practitioner, because these are times when customers might be pulling away from services like compliance. It can be as simple as making sure that if you have new clients, you look at their previous years' returns to see if there's an opportunity to amend."

For the accountant, the purpose of tax planning is to look for money to bring back to the client. Therefore, tax planning can result in significant revenue for the firm and allows accountants to shine in the eyes of their clients. Typically, economic and business events happen outside of tax season. For instance, a taxpayer might inherit land, expand a business, or remodel an office. Tax planning for these events provide additional support to clients and also provides additional revenue to the firm.

Firm Efficiency

During an economic recession it is difficult for accounting firms to keep its business going strong. There are many things to consider and one of the most important is how to increase efficiency in a time when business, jobs, and spirits are down. There are many ways in which Solid Rock can increase efficiency such as analyzing financial aspects of the firm, analyzing the employee base, analyzing clientele and how they are dealt with, and analyzing current technology available to increase efficiency. The first thing a firm should do is focus on financial aspects.

Financial

In order to increase efficiency, Solid Rock needs to take a look at its budgeting process immediately. The projected situations for the next few years should be determined as quickly as possible. During this process, plans for an array of different revenue situations should be created. The situations that need to be planned for are having no growth, a modest growth, or a modest decline in revenue. The budgets for each of the different scenarios will provide guidance regardless of what might happen in the next year. This should help keep productivity going because there is already a tentative plan set forth so it will take much less time to determine the best way to deal with the economic position Solid Rock finds itself in (Shamis, 2009, p. 10).

Also, along the financial lines, Solid Rock needs to keep up on its advertising. In times of economic hardship, it is not uncommon to see a business slash its advertising in order to keep the profit numbers higher. This is not the correct strategy for Solid Rock. During a recession, consumers are more likely to look outside their normal places of business to find a cheaper price (Barrett, 2007). Hiring more marketing executives can help invigorate advertising (Tom Cottrell of BKD, personal communication, September 23, 2009). Historically speaking, businesses that do not waver on advertising generally come out of a recession stronger than those who cut advertising budgets (Barrett, 2007).

Employees

Economic recessions are also a good time to examine employee performance. Solid Rock needs to look at each of its employees and make sure each of them is doing their job correctly and productively. The firm can jump start productivity during a recession by letting go of unproductive employees and adding new, fresh talent. The new employees will be excited to prove themselves in the firm and their excitement and energy can make other employees more productive as well (T. Cottrell, personal communication, September 23, 2009).

Keeping employee morale up during economic recessions can be a huge part of increasing efficiency. However, keeping morale up can be hard to do when the economy looks so bleak. One thing Solid Rock can do is to be completely honest with all employees. Hours and wages are likely to decrease because of the state of the economy. Expressing these issues to the employees, as opposed to them finding out themselves, is a good way to minimize the potential stress caused by the situation. The employees are likely to understand the reason or reasons behind the lack of pay increases as a result of the multiple reports issued by the media the professionals are familiar with. (Shamis, 2009, p. 10).

Being extra diligent when managing employees is a good way to keep up efficiency in an economic recession. This is the case for the firm from management down. Solid Rock needs to make sure that management, first and foremost, is properly doing what his or her job is. If other employees see management slacking or not doing what they are supposed to, they are more likely to do the same. Solid Rock also needs to properly supervise employees. Now is not the time for employees to show less productivity in their work for the firm as every dollar counts, during both up and down economic conditions. Management needs to make every effort to make sure they communicate exactly what it is the employees are supposed to do, avoiding confusion among the professionals at the firm (T. Cottrell, personal communication, September 23, 2009).

It is also very important to not completely shut down the internship program. Students provide cheaper labor relative to full-time employees and can help decrease the overtime hours full-time employees receive. Keeping the internship program alive also keeps the doors open to use schools as a source for fresh full-time employees. The Big Four firms have slowed down the hiring of interns, but have still kept it alive. It is important to keep professors and chairpersons informed about the situation of the internship program as this could be a beneficial way of attracting key future professionals. These administrators will understand the situation the firm is in and will be able to effectively convey the information to the students they teach (Shamis, 2009, p.10). Internship programs have been and continue to be a great resource for accounting firms.

Solid Rock may need to take some work from its employees and outsource it. The firm should outsource the less profitable work. This can save the firm money and gives it a chance to focus on the higher profit services. Outsourcing also keeps employees happy by taking the tedious work such as data input and reconciling and shipping it elsewhere. This leaves the more fulfilling work like consulting and strategy for the firm's employees (B.P., 2009, p.30-33).

<u>Clientele</u>

Evaluating clients before accepting their business is especially important during a tough economy. Solid Rock needs to be able to answer these three questions before engaging in business with new clients: "Why are they coming to you? What happened in their previous engagement? Is the corporate or entity structure transparent?" Also, the duties and services which the firm is supposed to perform should be set in very definitive, descriptive language in an engagement agreement (Rosario, 2009, p. 24). It is also important for the firm to retain as much funds as possible by analyzing the client carefully, especially their ability to pay bills. During a recession it may be tempting to accept any client, regardless of past credit histories or financial stability, but if they cannot pay, they should be avoided (Shamis, 2009, p.18).

It is very important to show the clients how appreciated they are, regardless whether the client is new or has been with the firm for years. It is a good time to have face to face meetings with clients at regular intervals to assure them the firm is in a position to continually provide the same great services they have come to expect at a reasonable fee. The more the client feels appreciated, the more likely they are to continue letting our firm provide the services they need. This keeps the client away from other firms and provides Solid Rock with a bit of stability in an unstable time (Waugh, 2009).

Technology

Going paperless can improve Solid Rock's efficiency. One benefit of this is that multiple people can view the same copy of a document while working on it at the same time. Software keeps track of who made changes to the document and when they changed it. There is a lot of time wasted searching for misplaced documents; however, if the firm went paperless, the document would be stored in an easily accessible computer file. The client could be sent the document quickly over the internet instead of through the mail or a fax machine. It is also not uncommon for firms to reduce personnel costs because going paperless increases the efficiency of the firm. Going paperless would also alleviate the problem of not being able to find a document which was in the possession of a professional who is absent.

Using software to process financial information for audits would also greatly increase efficiency at Solid Rock. This type of software can help alleviate some of the workload on employees. It can help sort the financial data into different risk categories, thus aiding the process of gathering financial information and providing audits more consistent throughout the firm. The potential savings from this software could also trickle down to the client, making prices lower and the firm more marketable.

Collaboration tools are another good way for Solid Rock to increase efficiency. Collaboration tools can be sharing and editing documents online, web-conferencing, emailing, and instant messaging. These are ways of communicating while anywhere in the world. This can save time, money, and office space and resources. Collaboration tools help make all documents easy to get to in a profession which is highly team based (Gold, 2008, p.5,8).

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