

Strategic Plan
for
Solid Rock CPAs, LLP



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Executive Summary

This document comprises a strategic plan for Solid Rock CPAs, LLP, to address issues in four key areas of recruiting, employee morale, client relations, and efficiencies. Analysis of these areas provided direction for a series of solutions based on current trends and findings. A proposed update to the firm's mission statement provides a strong foundation for the direction the firm will be taking. A SWOT analysis provided valuable information as to the firm's current position with regard to internal and external forces. The ability to overcome exposed weaknesses and respond to potential threats is a key ingredient in the successful continuing operations of the firm. Maintaining strengths and capturing potential opportunities will further ensure the firm's success.

Due to current economic conditions, the rapid implementation of solutions proposed in each area of focus will be a crucial element in the success of the firm. Careful consideration was also given to ensure that proposed solutions in each area were complimentary to the proposed solutions in the remaining areas. Although the issues in each area were specifically addressed, the overall structure and vision of the company were at the core of each solution. The future achievements of the company will be a reflection of how the current obstacles are handled.

The first area of issue was recruiting. Although the firm had a five percent layoff of staff over the last year, these layoffs are not viewed as a significant threat to future employment potential of the firm. The firm will need to continue to recruit individuals who will be an excellent resource in the future. In order to achieve this, there are two significant proposed changes regarding individuals who will be recruited and internal employee promotions. Individuals to be recruited will need to have met the 150 hour educational requirement. This will further benefit the proposed change of internal employee promotions. All future promotions of CPAs to fill vacancies or additional positions will come from internal candidates. The incentive for current employees to achieve this requirement will come in the form of educational assistance, in both a CPA review program and exam fees. In order to protect the firm's investment in its employees, all employees will be required to sign an agreement with regard to a non-compete clause and repayment of the assistance if the employee leaves the firm within two years. Lastly in this area, recruiting efforts will focus on local university students for unpaid internships. These interns will be an invaluable resource in providing cost savings for the firm.

The second area of issue, employee morale, is perhaps the most important for the firm's future success. Maintaining and even boosting morale during times of economic recession are difficult and require careful consideration regarding the effect of the firm's decisions on its employees. The tough decisions that have been made by the company to reduce hours, benefits, and even wages must be countered with low-cost, high-moral benefit options to reinforce the importance of the firm's employees, as well as the firm's recognition of that importance. For that reason, weekly seminars revolving around stress relief, time management, art therapy, fitness programs, and financial planning on a tighter budget are suggested to provide potential solutions to problems faced by employees at this time. By utilizing local businesses that provide these services, the firm will also be creating a sense of community and good will. Another area that will be utilized is that of corporate gym memberships. This is also a benefit to both the firm and its employees. The employees will receive an opportunity for increased health benefits and stress reduction. The firm will be rewarded with lowered premiums for company health insurance. A proposed corporate retreat will allow the firm to present its case for current economic conditions in an open and honest manner. The participation of employees from all locations will give them a sense of unity, and will further provide the opportunity for insight as to the challenges facing the company. The retreat will enlighten the employees with regard to how they can take personal responsibility for their work environment to aid in the firm's success.

Another area of extreme importance to the firm is customer relations and the issues revolving around it. Difficulties in collection of client fees have become a source of significant reduction to the firm's bottom line. The change in client payment terms from net 30, to 5/10, net 30 will benefit the firm as well as the clients who take advantage of the discount. The addition of an imposed late fee of ten percent after 30 days and the addition of imposed interest for those clients who do not pay within 60 days should inspire clients who have not paid promptly in the past to do so. Client retention is of the utmost importance, as long as that client is generating greater revenue than the cost it incurs. To determine profitability, a Customer Profitability Analysis will be implemented for each client. To further assess the need for tiered approach for clients, a risk assessment score will be calculated. Clients who have an undesirable risk score may be dropped upon further analysis. The economic downturn has affected our clients as well. As services are reduced, it is important for the firm to heavily promote additional services to replace lost revenue. The addition of paid seminars for our clients will provide them with opportunity for

additional resources in areas such as investing, insurance, and technological advancements, and provide the firm with additional revenue. It will also encourage a more personal interaction with clients in their areas of need.

The final area for consideration was general efficiency of the firm. Proposed solutions in this area included a centralized IT department for ease in unification of all technology utilized in all firm locations, and the addition of an internal network that would link all firms for the sharing of client files, forms, sources, policies, and handbooks. External technological focus would include the revamping of the firm's website to provide a more extensive resource for clients and potential clients. A final proposal would be to offer portion of cost savings to any employee who can provide ways to be more efficient and cost effective. The addition of a fourth location in the Northwestern Indiana area is suggested but not researched.

Strategic Plan
for
Solid Rock CPAs, LLP

This document comprises a strategic plan for Solid Rock CPAs, LLP, to address issues in the areas of recruiting, employee morale, client relations, and efficiencies. It presents a series of solutions relating to these issues. There were two methods of analysis that provided direction for these solutions based on current trends and findings. The first was a process of environmental scanning to predict future trends from an external point of view. The second was to ask individuals who are vital to firm operations and past successes to analyze and review the areas of issue. The result was a compilation of the firm's strengths, weaknesses, opportunities, and threats indicating how best to handle the issues in the four key areas. The biggest obstacle to analysis was the lack of time, or the speed at which the plan was prepared. This does not imply, however, that the solutions presented were not carefully decided or that several options were not considered. Slight modifications were made to the mission statement, reflecting a change in current goals and vision.

Mission Statement

In order to identify the direction of future growth and challenges to be addressed, it is important for the company mission statement to reaffirm our inspirations and aspirations. The modified mission statement is as follows:

“Solid Rock CPAs is dedicated to providing quality accounting services and accurate financial reporting with high ethical standards, all at affordable pricing. We wish to establish a successful partnership with our clients, our staff members, and our partners that respect the interests and goals of each party. Success will be measured by our clients choosing us because of their belief in our ability to meet or exceed their expectations of expertise, service, and price.”

Strengths, Weaknesses, Threats & Opportunities

A SWOT analysis was used to determine the current standing of the firm. The following strengths, weaknesses, threats and opportunities currently apply to Solid Rock CPAs:

Strengths:

- Leading CPA firm in southern Indiana for small and midsize companies
- Well focused and highly educated staff
- Unemployment is lower in both Evansville and Indianapolis than other areas of the state
- Highly requested for auditing services on behalf of major financial institutions in the Ft. Wayne and Evansville areas.
- Initial service requested can evolve into wide range of offerings

Weaknesses:

- Lacking in larger company client base
- Lack of strong technological advancement
- Employee compensation and benefit reductions
- Unemployment is higher around our Ft. Wayne location
- Several unexplored areas of business representation
- Lack of client awareness regarding lower-priced alternatives

Opportunities:

- Market segment is poised for rapid growth
- Expanding and offering additional services shows great potential
- Diversification of clients will potentially garner increased revenue
- Streamlining client services will increase net profits
- Increasing internships at all locations with students at local universities
- Client payment terms can be changed to offer incentive for prompt payment

Threats:

- Economic slowdown has reduced demand for some services
- Market segment's growth could attract major competition
- New technological advancement decreases client services required
- Weak economy has affected our clients' ability to pay
- Employee turnover due to low internal morale

Vision and Goals:

Future growth depends on the ability of the firm to adapt and respond swiftly to the ever changing needs of our clients, despite economic conditions that are unprecedented and uncertain. Solid Rock CPAs will have operations in four locations throughout the state of Indiana with the addition of an office in Northwestern Indiana. Each location will provide services for clients of all sizes. The ability to promote from within will come from a longstanding rule to hire employees who meet the 150 hour education requirement. We will partner with an external learning program and provide educational cost assistance to our employees, which will aid in both their study for and successful completion of the CPA exam. We will develop several processes that will streamline our company interaction with its clients. We will also restructure all services to offer a more cost-effective line for those clients who require a lower level of interaction. Solid Rock will continue to expand through technological advances that will increase productivity for our employees and our clients.

Current Situation:

Due to the current economy, our firm has made several internal changes in order to implement effective cost savings. We have recently considered delaying promotions from the current promotion structure of senior (two years) to supervisor (four years) to manager (six years) to three, six and nine years, respectively. The firm reduced its staff by five percent earlier this summer. It was also necessary to reduce compensation and benefits for employees that included reducing 401(k) contributions, working half-days, and cutting firm outings. There may also be an issue with regards to summer staffing adjustments and employee relations.

Client collections have become a concern and are affecting gross profit. We currently do not have a plan in place to evaluate each client's profitability, and it is imperative that we do this. Our clients have recently begun reducing our services as a means of cost-cutting. It is crucial that we find other alternatives to supplement or replace our lost revenue. In terms of efficiency, the firm has not continuously updated technology at all three locations, and as a result there is not a strong level of integration between all locations. There is also not a unified method of policy in regards to day-to-day practices and procedures.

Requirements:

An instrumental part of achieving future goals is to implement procedural and/or policy changes. Four specific areas were previously determined for focus as potential barriers to achieving future goals. They are recruiting, employee morale, client relations, and efficiencies.

Recruiting-

Last summer there was a five percent reduction of our staff. Although this layoff of only five employees was unfortunate, it was necessary for future plans of restructuring and refocusing in our firm. These efforts being made by the firm are crucial in this time of economic downturn, but this is not an indication of potential future reductions. Potential future reductions will be addressed as the need arises and a guesstimate of additional layoffs are not a focus of this report. It is possible that restructuring will allow us to create new positions. The new focus of recruiting will be to potential CPA candidates, i.e. those who have met the 150 hour education requirement, and current employees. The additional requirement of 150 hours of education will also reduce the number of potential applicants. All promotions and hiring for the CPA positions will now be done internally to show loyalty and respect to current employees. After efforts to promote from within are exhausted, it may be possible to look outside the company for potential CPA candidates. The promotional structure should be changed to three years for senior, six years for supervisor, and nine years for manager. This structure should be changed only for CPAs who are promoted from within or hired from this point forward. Employees who are already in the process of completing the time frames of two, four, and six years respectively, will be grandfathered in at those requirements.

With the new promotional policy, it is important that current employees be encouraged to achieve the 150 credit hour level of education and to also sit for the CPA exam. For those employees who are eligible to take the CPA exam, cost sharing will be offered towards a CPA review program such as Becker Professional Education or CPA Excel. Encouraging employees to achieve a higher level of education, or obtain a CPA license could potentially be a liability for the firm. In order to protect the investment in these employees, it is necessary to implement a retention policy. For those who are successful in passing the CPA exam, a policy will be implemented to sign a non-compete clause within a 250 mile radius. Additionally, repayment of those funds paid on behalf of the employee, if employee leaves the firm within two years. This will somewhat ensure the firm does not invest in another firm's future.

The final recruiting step includes plans to work with local universities for students who meet potential criteria for CPA candidacy after graduation. These candidates will be able to work during school and will also be able to utilize unpaid internships as a stepping stone for future employment. These interns will also ease the workload burden of current employees during peak business times such as tax season. The more interns and potential CPAs hired, the less the number of permanent job positions that will need to be filled. This will not only save the firm money, it also gains potential future employees.

Employee Morale –

During times of economic recession boosting employee morale can be an effective way to achieve a cost conscious and loyal staff. When the economy turns sour and firms are forced to make tough choices that involve cutting hours, benefits and even wages, maintaining a loyal staff may be a difficult and daunting task. Employers must realize that even the smallest changes in the organization can affect its employees in some very big ways. The cost cutting measures that are usually turned to first, like cutting 401(k) contributions, can severely damage a healthy employer-employee relationship.

Most employees dream of the day they finally get to retire and live the rest of their days seemingly carefree. Perhaps the few hours of overtime that will be cut would have been used to save for a family vacation. It is easy to establish cost cutting measures on paper and analyze how they will affect the company's bottom line, but what cannot be accounted for is the human element. Before making any so called "standard cost cutting measures," employers need to recognize the effect these changes will have on their employee's lives. When weighing the benefits of a healthier bottom line, consideration should always be given to maintaining a loyal, cohesive, and qualified staff to ensure a superior end product.

The adoption of low-cost, high-moral benefit programs can send a message to the firm's staff that management recognizes the sacrifices that are being made. Firms should also focus programs on being team oriented. This will give the staff an added benefit of additional support from coworkers, and this will help employees from feeling singled out. It also sends the message that even though times are tough we are all in this together. One of the first areas any firm should focus on is stress-relief. These will definitely be times of high tension and high anxiety for employees, so the firm should focus foremost on addressing these tribulations. A possible solution needs to be beneficial for employees and cost effective for the employer.

Once the firm has made the final decision to close the office early one day a week, thoughts immediately go to the employees' emotions as they are leaving the office early on that one day. They may have worked with the firm for years and have always left at 5:00 p.m., maybe even later during tax season. The journey home on that one day each week will surely be a bit unnerving wondering what more cuts are to come. This is where the plan focuses; this is the one day each week it is crucial to ensure ends on a high note. The employees must know that even though they are leaving early, they are still our number one priority, and that their loyalty to the company is appreciated.

Let's assume the day the firm has chosen to close early each week is Wednesday. The offices will close at 1:00 p.m., effectively saving the firm a large sum of money in wages and utilities. The plan for boosting morale on these days would entail stopping work promptly at 12:00 p.m. Employees would then convene in the conference room for a one-hour weekly presentation paid for by the firm. The presentations would be comprised of either free or low-cost speakers from the community. The firm would seek out and employ local talent (businesses) to speak to employees on topics such as stress relief, time management, art therapy, fitness programs, and financial planning on a tighter budget. This plan would effectively show employees that their sacrifices have not gone unnoticed. The firm realizes that cutting hours can be a hardship but we want to help our employees cope and make the transition because we want to maintain their loyalty to the company.

Another scenario lends itself to the idea that the firm was forced to cut health benefits, which has become another "standard cost cutting maneuver" in uneasy economic times. It has been determined that current trends in the health care industry indicate that a corporate gym membership can actually offset its cost with a reduction in healthcare costs. It has been stated in various sources, such as the Wall Street Journal, that insurance companies recognize firms with corporate gym memberships as healthier groups, thereby lowering premiums. This would be another way to give our employees an extra stress relieving perk with little or no cost to the firm.

Lastly, the organization of a corporate retreat will give employees from all locations the opportunity to come together in unified fashion. The reality check can be delivered in inspirational form for the firm's employees. An honest and open explanation of the current situation will offer employees an insight to the difficulties facing the firm. These difficulties are subsequently shared by employees, and this understanding will allow them to personally initiate

responsibility for their work environment. Previous company layoffs can be addressed and explained one by one. As each employee is different, the needs and expectations of each employee will differ also. To handle this, it will be imperative to obtain feedback for future benefits.

Client relations –

Since collections of client fees have become an issue in the past year, new payment terms for all clients will begin with the next billing cycle. First, all client accounts will be changed to terms of 5/10, net 30. A late fee of ten percent of the total amount due after 30 days will be imposed. Lastly, interest on accounts 60 days past due will be charged to clients, retroactive to the 30 day due date. It is believed that these new payment terms will promote prompt payment from clients and increase overall collections. Not only will those clients who choose to take advantage of the discount benefit, so will the firm. It is anticipated that those clients who have not paid promptly in the past will be inspired by the imposed late fee and interest penalty to do so.

With regard to client retention, it is in the best interest of the firm to retain its clients. Without clients, we would not exist. That being said however, it is possible to have clients who consistently incur costs greater than the revenue they generate. In order to determine the profitability of clients, a Customer Profitability Analysis will be implemented. This analysis will allow us to assess a tiered approach to service pricing to increase the profit margin. Additionally, a risk assessment score will be assigned to clients. This assessment will be a compilation of type of business, profitability of future issues (legal, collections, etc.), along with the probability they will survive in the future. If the client has a bad score, the firm may consider tiered pricing or dropping them, without burning any bridges.

Services we will offer and promote heavily to clients who have cut down on other services are financial planning, financial advising, and review of current operations and advise as to efficiency changes. This will allow for continued contact and the maintenance of a good relationship with these clients by the addition of these services. As these clients surpass their current difficulties, they will further utilize the firm in the future. The addition of seminars for business owners that will be beneficial to them, such as investing, insurance help, and explanation of technological advancements that will save them time and money, will also increase firm revenue.

Efficiencies –

It is going to be necessary to bring all locations together technologically, in order to become a more efficient operation. Currently, each location has its own IT department. It will be necessary to locate a central department in Indianapolis to oversee the overall operation, with one representative at outlying locations. With the addition of the centralized department, the firm will be able to successfully utilize the current technology to increase efficiency. One example of this will be to network all client files to a central network database. The accessibility of client information from any of the firm locations will be instrumental in increasing productivity. A second example would be to have all forms, handbooks, policies, and external links to information in a centralized location that would only need to be updated in one place. Furthermore, all internal memos and other forms of correspondence should be done electronically. The benefits from these two areas alone would be a large cost saving for the firm. Additionally, it would ease transition between firms for those employees who may be relocated during times of restructuring.

After the internal technological requirements have been addressed, the external requirements will become the focus. The firm's official website will be revamped to provide as much information as possible so that clients can access answers to most frequently asked questions. This will cover all areas of the firm's services.

The addition of several unpaid internships and temporary workers would allow the firm to streamline the process involved in work for the client. Utilization of these interns would also shift the balance of work to allow our paid employees to focus on increasing service revenue. This addition will take place in all locations to further unify the firm's structure.

A further consideration with regard to efficiency will come from the firm's employees. Employees who brainstorm and propose ways to be more efficient would be rewarded with a portion of the savings resulting from their proposal.

Another area where efficiency could be increased would be the addition of a fourth location in Northwestern Indiana. Currently, the firm has a limited number of clients in this area, but the potential for a large client increase could come in this area. The scope of this study did not allow for exacting the type of addition this fourth location to be. It would be necessary to further

investigate the benefits of creating the fourth location from the ground up, or to acquire a local firm that would provide the benefit of a current client base.

Implementation:

It is necessary to document a set of specific steps, phases, and activities to get implement each solution. Details in this section are intended to be an overview of what will be required. A more detailed document, a Business Plan, would be necessary to finalize each area of implementation.

The organization of the firm's proposed retreat would include coverage of several of the proposed solutions. This will ensure the uniform handling of all required steps and procedures to be followed.

Recruiting –

There should be discussion regarding the future plans of the company and what it will take to succeed as a part of it. Great emphasis should be placed on the 150 hour education requirement and successful completion of the CPA examination. Another emphasis should be placed on the policy of promoting from within. By heavily emphasizing these goals for the firm, future layoffs will be not be a surprise and future hiring will make sense.

Employee Morale –

Increasing employee morale will be the most important task addressed at the retreat. Open and honest communications regarding current situations and future directions will provide the most beneficial result for both the employees and the firm. The introduction of proposed additional benefits on behalf of the employees will provide reassurance that the firm realizes they are the most important ingredient of our successful business operations. There can be no shortage of discussion and feedback in this area.

Client Relations –

New payment terms will be explained, and the uniform handling of notification to clients will be crucial. It is imperative that changes be handled with great care, as any change involving monetary payments could quickly become a source of animosity between the firm and its clients. Detailed information regarding Customer Profitability Analysis and assignment of a risk assessment score will be provided to employees also. There should also be a uniform procedure for the introduction of potential additions to services for current clients. This would also be a

good time for employees to input ideas for potential client seminars that would benefit our clients as a whole.

Efficiencies –

Explanation of centralized technology for the firm would best be handled at this retreat. This will probably be the greatest change in current procedure that has been proposed. Initial up-front costs may also be greatest in this area, but returns on the investment make this worthwhile for the firm.

The addition of the fourth location would not need to be addressed at the retreat. It is recommended that a team be formed that would handle research in this area.

**This is the submission by the team representing
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