

**Evaluating the Effect  
of the Economy  
on a  
CPA Firm**

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of  
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for  
The Indiana CPA Society-2009 Case Study Competition

**September 2009**

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*Strategic Plan*

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# *Executive Summary*

This Strategic Plan is produced solely for the purposes of the Indiana CPA Society's 2009 Case Study Competition. We, the team at Saint Mary-of-the Woods College have been asked to act as *Sarah Evans* an employee of the Solid Rock CPA firm. Sarah is currently a senior manager located in the Indianapolis office and has been asked to produce a strategic plan by a managing partner with regards to recruiting, employee morale, client relations and efficiencies. This paper will address each of these areas and provide solutions to many of the issues faced by this firm at this time thus proving that the firm can be not only viable itself but continue to grow.

Solid Rock CPAs is working on several parts of our business to find our weakness and correct them as well as boost our strengths. We have offices in Fort Wayne, Evansville, and Indianapolis. Fort Wayne and Evansville are currently staffed with 25 employees each, while Indianapolis is our corporate office with 50 staff and 5 out of 10 of our partners are there as well. We have had problems with the economy lately and have not been immune to its affects resulting in the lay off some of our employees. This has been hard on our firm and we are looking for ways to keep our business running well. We feel that looking into four main areas will be the key for our company to endure through this economic transition. These

areas are recruiting, employee morale, client relations, and other ways to gain efficiency. By working on these areas we are hoping to become a better and a more productive company.

Since we have had to lay off employees it will be hard to recruit employees that are fit for the job. In order to recruit good employees we are planning on being very open with the people and offering additional non-compensation items to our packages as well. We have a very strict education requirement but we feel that this is a good part of our company. It helps make sure all our employees are well educated. This requirement also sets a higher standard that we at Solid Rock CPA's firm have been known for in the past. This is something that we choose to continue. Acquiring a position at Solid Rock CPA's firm is what every accounting graduate strives for and we hope through our effects that this reputation will continue into the future.

Addressing the issues that have been placed in our path and finding the solutions to them will prove that this firm continues in its pursuit of excellence. Something that has been marred by past situations in our area of service, we hope to erase those images of mistrust, dishonesty as well as the greed that has been placed on the minds of society. We have proven in the past to be honorable with integrity this is what our clients have come to rely on and we will never do that disservice to our clients. Our clients have found that we run a tight ship as far as

what we expect from our employees as well the firm as a whole. Our records have never been found to be questionable or with discrepancies. This will continue to be our policy even with the new changes adopted from this strategic plan.

We are expecting that from the internal audit of our clients that we will be able to establish a bank of clients that are responsible for their debt incurred to us from our service for them. And that they will provide payment promptly just as we have provided prompt service for them. This report will address how we will conduct this audit and what we hope to result from it and how we are addressing current situations and collections.

As we have mentioned early regarding the education requirement for a career at Solid Rock CPA's firm we are holding ourselves to this standard as well. We will be implementing continuing education requirements for all of our departments. This will in turn provide current and cutting edge service to our clientele. We believe that this will also bring in more revenue for the firm. Because clients will want to come to us because of the quality of service that we as a firm will provide for them.

# *Strategic Plans*

## *Recruiting*

While it's not encouraging for potential employees to know that you've recently let go part of your staff and knowing the potential for that to happen again is still there, there are still plenty of people willing to take that chance. If our company can provide sufficient compensation not only for the job these people will be performing, but also for the risk that they are assuming when they agree to work for us, I believe that we will still be able to recruit effectively. Nobody wants to take on that kind of risk, especially if they have a family to provide for, if they aren't going to be well compensated for it. Possible compensation might include extra vacation days and a more flexible schedule. If we can really figure out the specifics of what our potential employees really look for in a job and tweak our company to fit those specifics better, I think we will still be able to recruit effectively; "Numerous studies indicate that such a working environment is essential to attract and hold the young generations of workers" (Molas, 2006).

Our firm is not going to lower the 150 hour education requirement. It's necessary for sitting for the CPA exam, which is crucial for working at Solid Rock CPAs. In regards to our recruiting efforts, I believe that the 150 hour education

requirement gives us fewer prospective employees to work with. At the same time however, I believe that it gives us the opportunity to work with only those who are serious about their education and career with our company. It takes a lot of effort and dedication to reach 150 education hours and those are some of the qualities that we are looking for in our employees.

One of the most important things that we, as a company, can do to encourage employees to really study for and eventually take the CPA exam, is to remind them that people will always need someone educated in accounting to take care of their money. Not everybody knows how to truly manage their money. Also, businesses need CPAs as well and we live in a capitalist country. People will continue to create new businesses, and those new businesses will need accountants. As a result, there will always be a need for companies like ours and the people that we employ.

### ***Employee Morale***

Solid Rock CPAs has reduced the compensation and benefits for our employees but has found good ways to boost employee morale. One way we would do this would be to build better communication between the management and staff. We would do this by giving opportunities to employees to discuss problems and opinions with the management. We will work with our management so they know

how to handle situations and how to be sympathetic and caring when talking to an employee. We will also give employees more say in how their jobs are ran. We will ask for their opinions on how they should do their jobs. They are the ones that have been doing them so they know what will help the business run smoother and make their lives easier. By communicating well our employees will feel more comfortable in their working environment and feel like they have a say in the company. This will help boost their drive to work harder for the company.

(Applegate, 2008)

Another way to help build employee morale is to give thank you notes or just tell employees that they are doing a good job to let them know that they are doing well and that they are appreciated. This will help employees feel good about themselves and their jobs. It should make them want to work harder and achieve more. We could also keep employee's jobs interesting by giving them different responsibilities and jobs. This would keep them from getting bored on the job and let them know that they are trusted in the business with their new responsibilities. Boosting employee morale is very important and should be done as everyday business. In order to keep employees happy management needs to work hard to make them feel good about their jobs. (Pollock, 1999)

The annual summer staffing adjustments will have effects on employee relations. One of the main effects it will have is that some employees will have to be let go from the firm. This isn't going to be a good thing for these people that will be let go. But, if we give them some kind of notice and maybe some pay after they are laid off, it could help keep good relations with these people. Employees could call Employee Relations with any questions they have about the lay-off. There should be some kind of person that could explain to people why they are having a lay-off and maybe let people know they have options. One of the options could be taking a pay cut by working in a different area, or just taking a pay cut working in the same area. Since we have to lay-off people because it is our last resort, I feel we should do it in a certain way. We are planning on keeping employees that are good at their job. A firm shouldn't just keep people because they have been there longer than others. Employees that may have been there 10 years might not do his/her work as good as an employee that has been in this firm for 2 years. Some people are more dedicated to their work than others.

Since our firm is planning on hiring people in the summer that are temporary employees, we are worried that other employees at this firm are going to get scared and even mad at this action. We are also worried that if we lay-off full time employees and hire part-time employees a lot of people are going to be upset and not think much of the firm. The employees are going to think that the firm only

cares about money and not about their employees. The employees might be scared that they are going to lose their jobs to the temporary employees. This is not going to make the employee relations good with the employees that have been at the firm for a great deal of time. One thing that we need to do to make sure employees don't feel this way is to communicate our reasons for hiring the summer staff. By letting employees know what is going on in the company we will help them feel better about their jobs.(09Se)

### ***Client Relations***

Finding ways to correct the collection discrepancies and increase our firm's gross profit is our top priority. Reevaluating our current policies with regards to recruiting and maintaining clientele will be addressed with all partners and modified changes will be put into place. Groundwork in this area has been laid by John F. Raspante. He has narrowed it down to three strong considerations which are:

“1. Is the engagement a good fit for the firm's expertise? 2. Is the client the kind of client the firm would like to have? 3. Is the client financially viable?”

(Raspante)

Using these considerations as guidelines our firm would be able to address the collection issues as well as contributing to our continued growth with good solid choices in our clientele. Prescreening potential clients as well as doing a thorough background check will eliminate some of the risks. The partners will also be exploring the option to require a percentage of the total costs to be paid prior to beginning any work for a client. Then as the service is performed further advances may be required depending on the extent of the service. This will eliminate a lot of the collection issues the firm is currently facing.

Solid Rock CPA firm will also conduct an internal audit of current clientele. This audit will provide information regarding the history of each of our current clientele and the partners will be able to make decisions regarding which clients will continue on and which ones will be placed on a probation period or let go. Clients that have shown a history of not paying or consistently paying late will no longer be serviced by this firm. Those clients that have been timely in their history of payments will have consideration during this economic downturn. By being placed on a probationary time schedule to rectify their situations our firm will show them that we are willing to work with them during this time period. It will be to this firm's discretion to extend a longer period of probation or terminate the relationship. The audit will also produce information that will be used in designing

future service opportunities for them as well. For instance, firms that are not currently required to do a yearly audit but still choose to do so may be interested in alternating between reviews and an audit. Saving them money and freeing the firm's time up to provide service to even more clientele. This will also build trust in that we care and want to provide everything they might possibly need without expecting them to do more than is actually needed.

Although our firm has had to make cuts as well to survive this current economic downturn we are positive that our reputation will override any negative events. We are dedicated to providing our clientele with professional service with integrity. Nothing less will be accepted. We believe that our service is not only needed but it is required of many of our current clientele. So, our ability for sustainability is assured. This is supported by comments from a fellow colleague from a different firm. Eric Bradham states that “primarily word of mouth by satisfied customers...” is the key as well as “do the common marketing stuff like be in the yellow pages and support local things like 4-H, schools, fair,...and belong to major local clubs such as Rotary...” (Bradham) Satisfying the customer with good quality work will bring in referrals. Supporting our local organizations keeps us involved and gets our name out to the community. And as we build our reputation we build a stronger business.

Solid Rock will also evaluate its current staff and partnership to see what is needed to stay competitive either by hiring new staff or training existing staff to service clients in the forensic area. Statistics show that firms of our size offer this to their clients. Providing this service to our clients will keep us not only competitive but give our clients renewed faith in our ability to serve all their needs. This will help our firm moving progressively into the future. Adapting to what is needed, required and desired will make our firm a lasting entity. Partners are also looking into establishing ourselves as peer auditors as well. This will provide an additional service with revenue that we have not explored yet.

### ***Efficiencies***

We could increase the efficiency of our recruiting by targeting colleges with large accounting programs. We could also have guest panels at the same colleges and have a type of Q&A session with students and even faculty. I think it's important to target college students in regards to our recruiting efforts because they're the ones learning with up to date technology and software programs. And because of this, those students are the ones who can really bring an extra boost within our company.

Other ways we could run our business more efficiently and boost employee moral would be to play little games in the office with small prizes or to have a themed party for no reason. Having a themed party such as a Hawaiian party and decorating the office in bright Hawaiian decorations would make employees enjoy coming to work more. This would also appeal to the clients who would come into the festivities. This keeps work interesting and away of the ordinary. Playing a game such as how many marbles are in the can would make work more fun. Doing things like these would keep our employees happy and also let our clients know that we value them, and our employees. It would also help encourage the employees to work harder which would increase the efficiency of the employees.

Once the internal audit is complete and the new criteria for potential clientele are established by the partners the efficiency of this firm should be increased. Our productivity will increase and with that our service revenue will not only be positive but growing. Positive events will also create the much needed boost in our client's confidence in us. When we not only provide them with services they require but enhanced ones that make their business even more efficient. They will refer us to other colleagues thus resulting in a continued market for our service. By doing these simple steps we can have resolution to our current situation and move forward.

Once we have established the open communications lines between staff, managers and partners our clients will benefit and our firm will become very efficient. And it is this efficiency resulting from implementing our strategic plan that will carry our firm through this economic period and beyond.

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