

Coronavirus calls for tough decisions, tighter focus from firms

By Daniel Hood
May 5, 2020

Accounting firms that hope to get through the coronavirus pandemic will require discipline, innovation, and a mix of new and old strategies, according to a panel of top consultants to the profession.

“It’s so much easier to be a leader in times that aren’t hard,” Gale Crosley, founder of Crosley + Co., warned attendees on a conference call of managing partners and other firm leaders last week. “This is really the time that firm leaders’ mettle is being tested.”

Crosley, along with Rainmaker Cos. president Angie Grissom and Koltin Group CEO Allan Koltin, shared a range of ideas and best practices with attendees, warning them that they face tough decisions ahead, and that they need to up their game in three particular areas — developing their people, communicating, and pursuing a coordinated strategy for growth — in order to stay strong throughout the course of the pandemic.

First, the bad news

“You get out of bed every morning and pinch yourself and ask, ‘Is this real?’” said Koltin, before describing a landscape where accountants can get plenty of work in compliance services, but can’t be sure of their ability to collect that revenue from stressed clients; where those same clients will be buying much less in the way of advisory services; and where larger firms are experiencing layoffs and other cost-cutting measures, which are only being postponed at smaller firms thanks to temporary support from the government stimulus, especially in the form of the Paycheck Protection Program.

This is going to require firms to make some very tough decisions – in particular around staffing.

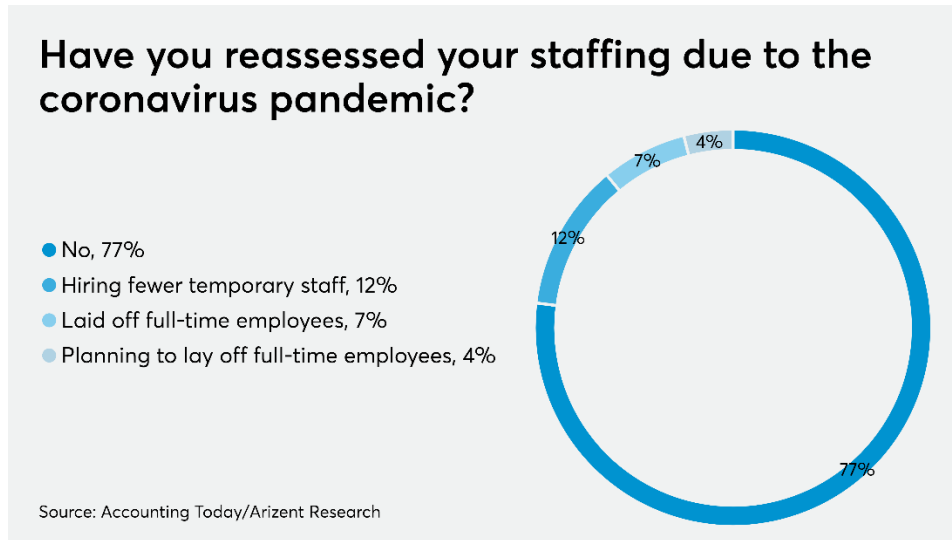
“Some firms have been gradually laying people off, while others were a little more bold, and went from letting 4 to 5 percent of D players to getting rid of 8 to 9 percent,” said Koltin. “But we may need to start letting the C players go.”

Once the PPP support is no longer available, Koltin suggested, firms should use the crisis as an opportunity to lay off underperformers.

“This is a ‘Get Out of Jail Free’ card – you won’t get it for another 10 years,” he said. “Now is the time to get rid of the people you know shouldn’t be there.”

Despite the gloom, Koltin saw some bright spots.

“I’ve been so impressed by the innovation and redeployment of resources at firms. They’ve really been reaching beyond the cookie cutter and moving to new approaches,” he said, citing as an example a firm he knew with a large stable of forensic accounting experts that, finding there was far less work for forensic accountants in the current environment, had turned them all into PPP experts. “Of all the industries I can think of, we are sitting pretty good right now.”



People

Even as firms make difficult decisions about trimming their rosters, they need to commit even more to the people they keep, according to Grissom.

“Make developing your people a priority now, and forever,” she said. “The best leaders really understand the importance of leading their people — encouraging them, equipping them, investing attention, no matter what is going on, on their talent.”

“The best managing partners I’ve worked with all say, ‘You know what, our number one asset, hands-down, is our people. We are in a people business,’” she added.

While soft skills like business development, leadership and communication were important before the crisis, they’re absolutely critical now, Grissom said, and firms need to make sure they’re helping staff grow: “Just because we’re in a strange time doesn’t mean the development of your people has to stop.”

“Use this experience as an opportunity for you to let your team help you solve problems,” she added. “Who can you pull in to solve a problem? That will set them up as a trusted advisor both internally and externally.”

Keep in touch

Similarly, communication with staff and clients has always been important for firms, but has become even more so since mid-March.

“Everybody needs to be reaching out,” said Grissom. “No matter what level you’re at, from managing partner to staff, reach out to your people, your colleagues and your clients.”

“Things are really strange right now, and it’s important for managing partners to recognize that and tell staff that,” she continued. “Acknowledge it! Great MPs are sending out videos about layoffs, furloughs, work expectations — those are proactive communicators, and that’s empowering. Encourage your service line leaders to over-communicate.”

Koltin agreed, highlighting a firm CEO he knows who is now talking to five clients every day that he doesn’t work with, to let them know that his firm is behind them.

“You need to be positive — some of these firm leaders seem like they’re reading a eulogy,” he added. “Smile! Send the message that you’re being open and transparent, and that we’re all in this together!”

Step up to growth

While it may seem odd to pursue firm growth while the economy is contracting, it’s absolutely essential, according to Crosley.

“I keep hearing, ‘I don’t have the time for this,’” she said. “Revenue is the lifeblood of the firm – you don’t have time to protect and grow your lifeblood?”

There are opportunities out there, she said, starting with helping clients get their share of the stimulus money coming out of Washington.

“We got the great gift of PPP handed us, but consultants are also in a great position,” she said, adding that she expects to see heightened demand for advisory services in areas like projections, workforce resizing, debt strategies, and data and business analysis around income and financial statements.

Crosley singled out three particular areas of potential growth:

- **Data analytics.** This will be in the form of the 30,000-foot view of forecasting and cash flow analysis, but that’s just the beginning, with deep-dive data mining offering opportunities for advisory services.
- **Transaction services.** “There’s going to be lots and lots of opportunities in consolidations and mergers and divestitures,” she said. “Your clients that are in good shape will want to buy, and those in trouble will want to sell.”
- **Technology consulting.** “You can’t just flip a switch on this, but if you’re ready for it, you’re in a great position,” she explained. “The good news is that there is IT talent out there right now. If you were holding out on hiring in these areas, now is the time to invest in IT and data analytics talent.”

“You want to move from ad hoc responses like handling PPP applications to leading the conversation and leading them to your services,” she said. “Lead generation campaigns are the order of the day.”

Besides taking advantage of new opportunities, open strategic planning is critical, Grissom noted. “It’s really hard to hold people accountable if you don’t have a plan. If you don’t have a plan and goals for your firm and your individuals and your service lines, what are you going to hold them accountable for?” she asked. “And if your strategic plan is in your head, how are your staff supposed to implement it?”