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What We Are Seeing and Hearing About Post-Season Layoffs

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Our economy has clearly made everyone nervous. How bad will it get before it bottoms out? How long will it stay at the bottom? How long will it take for us to get back to where we were before all of this happened? These are the common questions we hear when we talk about firm planning. The problem is that, taking too long to make tough decisions if the economy stays down for a long time will be financially painful, if not threatening to the life of the business. The flip side is what if demand for CPA services really doesn't drop much even if the economy stays down for a while, or even better, if the economy starts to recover fairly quickly. It is a gamble and one that many of today's CPA firm partners have never gone through.

With us old timers, I remember when just about every service we offered had a flavor of "vendor payment management," "debt/funding maintenance," "cost-cutting / performance management," "employee layoffs or downsizing," "restructuring" or some variation on these flavors. I went through this twice, both in the early 80's in Texas during the Real Estate bust, and then again with the technology companies imploding during the 90's. I have found that, while you have to be smart with money, you don't have to run from change. With every shift in our economy or change in the marketplace, some companies gain and some lose. Throughout all of this, there are needed services to provide, albeit differently packaged for the times. For example, in good times, you might sell an internal audit to streamline processes and minimize the scope of the audit. But during harder times, you might sell that same basic service using the same skill set to help companies look for ways to trim fat and become leaner and meaner.

You might be asking what all of this has to do with post-season layoffs. Everything! Is the firm in question seeing change as an opportunity to gain market share, improve client loyalty, and differentiate often commoditized accounting services for example? Or is the firm looking to hunker-down, weather the storm, trying to avoid as much damage as possible with the hopes of coming out alive? Just look at CPA firms in New Orleans and what they recently went through. Our current economy is nothing for them to deal with given what they've already experienced--they lost an entire city and had to rebuild it, not to mention losing facilities to work out of, employees to hire, etc.

So, the answer to the question is more about attitude and vision than action. The action just follows the first two. If you see this change as a possible opportunity, you possibly are:

- Freezing salaries,
- Letting people know bonuses will be few and far between for a while,
- Communicating often to keep everyone on the team excited, supported, and appreciated,
- Requiring people to use their PTO during slow times, some on specific schedules (like take every Friday off during the summer months)
- Reducing everyone's hours (no overtime, or administrative staff working at 80% during the summer months, etc.)
- Changing the culture to focus on training anytime there is a slow-down in work,
- Making sure that everyone knows how to fully use the software the firm has already invested in, and
- Getting everyone involved in staying in front of their current clients to maximize the creation of new opportunities and referrals.

This type of focus or approach aims to keep everyone, trim excess expenses, be as lean as possible, keep people's skills and talents honed and come out of this better, faster and stronger in order to capitalize as new opportunities present themselves. Firms adopting this approach will use this time to invest in their future. Make no mistake, under any approach, you should always trim your marginal performers.

On the other hand, firms that are hunkering down to weather the storm will have a totally different approach to business. They will start laying people off as soon as the work backlog starts to disappear. This will continue to put pressure on the remaining people to get the work out, and to a high degree, more so on the partners.

Who's making the right move? If the economy worsens and stays down for a long, long time, those who hunkered down might come out on average in better shape because they conserved as much cash as possible. However, it is our bet that even if this is the case, those who invest in their firms will come out on top in every economy. Yes, some trimming may be required, but in an economy such as this, what – if not your own firm and your own livelihood – is a better investment to make?