

## Downturn Presents Leadership Opportunities for B&I CPAs

**“Management is doing things right; leadership is doing the right things.”**

— *Peter F. Drucker*

Now is the time for leadership ... not the time to retreat. Members of the AICPA's Business & Industry Executive Committee (BIEC) have come together to provide fellow CPAs in business and industry with ideas and suggestions as to how to be a leader—not a manager—when navigating the treacherous seas we are currently sailing. The sagging economy provides a pivotal opportunity for B&I CPAs to provide not just financial leadership, but organizational leadership as well. The list provided here is by no means a comprehensive compilation; it is intended to stimulate your own thoughts and ideas about your leadership in the coming year.

### **Lead Your People**

In times of crisis, your staff looks for your guidance, decisiveness and perspective regarding finances. Your leadership can provide staff with a sense of loyalty as well as a sense of purpose and duty. This role means being upfront with staff and leading by example while providing the proper benefits that create a secure, trustworthy and desirable work environment.

### **Over-communicate**

Thorough and frank communication is important. Everything should be out in the open including the organization's challenges and strengths. These need to be discussed even if you think they are obvious. Your staff may be aware of the issues, but providing them with a discussion forum allows them to be engaged in the solution. Staff can better focus on what needs to be accomplished and can help generate good ideas for change and survival.

### **Watch your spending**

Given the current news about executives spending money lavishly and receiving

bonuses, while the organization, staff and shareholders suffer, you need to reflect upon your own behavior and that of management. When organizations cut a minimal benefit like free coffee, yet spend money on frivolous items or lavish travel, staff feels frustrated and demoralized. Similarly, when shareholders catch wind of organizations doling out bonuses or spending unnecessarily in tough times, it can cause a PR firestorm. Staff and shareholders are paying attention which means you have to pay particular attention to the perception your spending creates.

### **Manage your talent**

Reducing staff may be inevitable—and it is painful. The key to survival for your organization, and to keep staff productive and engaged, is to minimize the number of rounds of layoffs. It is always more prudent to cut earlier and deeper than to continuously cut staff over a period of time. Consider some options such as:

- State and even raise your expectations of staff members and challenge them to

### **LOOKING FOR MORE INFORMATION?**

For further thoughts on budgeting and forecasting read “Plan for the Worst in 2009 and the Best May Happen” located at:

[http://www.cpa2biz.com/Content/media/PRODUCER\\_CONTENT/Newsletters/Articles\\_2009/CorpFin/May\\_Happen.jsp](http://www.cpa2biz.com/Content/media/PRODUCER_CONTENT/Newsletters/Articles_2009/CorpFin/May_Happen.jsp)

take on new roles and responsibilities. During tough times, staff members are interested in both growing professionally and securing jobs, so now is a perfect time for you to provide them with opportunities.

- Be selective as you search for and interview new hires. There are a lot of talented people looking for work right now, which allows you to build an excellent team.

### **Examine your benefits**

Despite the downturn, your organization needs to provide competitive benefits in order to remain an employer of choice. There are ways in which you can modify benefits to the advantage of staff and your bottom line. Here are some considerations:

- Examine your traditional defined benefit retirement plans. You do not have to get rid of the defined benefit retirement; instead, consider changing the multiplier for new hires, so that new hires accrue less of a defined benefit than that of current employees. Then, consider giving new employees a higher 401k match (for instance, 1 percent more than existing staff). Or make a move to cash balance plans. Cash outlays are more predictable, earnings less volatile, and your staff will still appreciate the benefit.
- Explore health insurance coverage to see if you can reduce premiums by signing on to higher deductible plans.
- Offer staff time-off without pay—either whole days, or reduced hours per day. Despite suffering financially during a recession, staff still values personal time. As long as you maintain full benefits, you might generate some interest. For many companies, payroll is one of the larger expenses so this can reap noticeable savings without affecting operations. It can also create an added sense of loyalty and build corporate culture.

### **Lead Your Organization**

Now, more than ever, it is appropriate for your organization to focus on its core business. Rather than just cutting costs across the board, you and your team should engage in critical thinking about the business, including rationalizing and simplifying all products,

services, business lines and projects. Do the same with your organization's overhead structure. Take a critical look at your business model for solutions which are more appropriate and sustainable for the long term. Now is the time to deal with any issues you have been avoiding.

### **Forecast and consider the possibilities**

Organizations need to develop various business scenarios that might play out in 2009 and 2010. What are financial implications of each situation? What responses do each situation require? Financial executives can demonstrate their value by leading this effort.

The scenarios should be limited to two or three possibilities and the assumptions kept simple. For example, a base case scenario might be sales volumes continuing at depressed levels; and a worst case, a loss of one or two key customers. Establishing the scenarios is the easiest part. The more challenging part is developing action plans to respond to the business downturn scenarios. When creating the scenarios and assumptions, it is critical to engage all business leaders and stakeholders.

Budgets are not set in stone and forecasts are just guesses. You need to be prepared to adjust as the year goes on. It is more important than ever in these difficult times that budgeting and forecasting be an ongoing activity.

### **Remember your investors**

Transparency and timely communication with your investors is critical. Give them bad news as soon as you can. This could provide you with more options to survive the crisis. Recently, some companies have been less than transparent about the state of their investment portfolio. In one case, when the market picked up on the situation at one corporation, its stock "took a pounding" and lost 50 percent of its value in one day. That corporation's stock has not recovered, and the company has been criticized for not being upfront.

On the debt side you should explore refinancing higher interest rate debt. In the current environment, if your business is credit-worthy, you might have an opportunity to obtain better rates.

### **Be smart!**

There are dozens of smart ways to maintain a competitive edge and eliminate waste. Here are just a few tips:

- Don't be afraid to take risks. Risk = opportunity.
- Consider acquisition opportunities. You might add incremental profit to your operations at a low price.
- Look for ways to improve and automate business processes.
- Renegotiate contracts whenever possible.
- Stop non-value added work.
- Eliminate extraneous discretionary spending.
- Delay your purchases of inventory since prices are on the way down.
- Build stronger vendor alliances.
- Shut down marginally-performing sites.
- Put a greater emphasis on collections.
- Review how you benchmark performance—measuring against other organizations and/or broad economic measures may not be appropriate right now.
- Reward managers who perform relatively well in the tough times.

### **Lead Yourself**

Your personal and professional development should be a priority, especially during the downturn. It's good for your business, and it can also provide you with a safety net and other job options. Here are some ways to continue growing in a shrinking economy:

### **Keep in contact with and expand your network**

Your involvement with groups and individuals outside of your typical daily activities is

extremely valuable in difficult times. Business intelligence gathered from outside your normal circles can be invaluable to you and to your organization. Also, it is important that people don't forget you in these times that will create many job dislocations. You can either leverage opportunities for your organization or for yourself.

### **Continue to invest in yourself**

Your organization needs the best that you are able to provide and your personal and professional growth depends on it as well. To do this, continue to grow both your soft and hard skills. Improve your skills through training and/or accepting new roles and assignments within your organization.

### **Update your personal career plan ... and your contingency plans**

Be flexible and keep an open mind when it comes to your role and your career. Consider seeking career counseling or coaching that can help you plan your next move, whether it's in your current organization, a different one or out on your own.

### **Spend and save wisely**

Now, more than ever, be sure to live within your means. This is no time for extravagant or unnecessary expenditures in business or your home life.

### **Stay positive**

While these times are trying, they will pass. Being positive in action, attitude and speech will pay off. The rewards will come in team loyalty and additional leadership opportunities. Don't offer up the economy as an excuse for poor performance. When this recession comes to an end—and recessions always do—you will be the one leading your group toward growth.

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