

February 2009

Hello all,

I thought I would start the new year by touching base with my consulting clients and sharing some of the opportunities and challenges I see both nationally and right at home in our own firm. Of course, I seem to have lost the entire month of January. . . .again.

In January and early February, I spent most of my time servicing my most important client. . . .our Firm. We are busy closing out our billing for the year, analyzing production, looking at our receivables and in general assessing how we ended up in comparison to our goals. It is also budget time. We are being very proactive in our planning in these most difficult economic times.

I hope all of you are also investing in your firm's future by taking time to examine your firm's position and implementing a solid plan for the coming year and beyond. Here are some thoughts to ponder.

GROWTH

It has been a great ride for our profession over the last 10 years. In spite of staff shortages, standards overload and accounting failures that rocked our profession and the public's trust, we have all thrived.

While we still see that our business model is solid, you can't help but be guarded about the near future. It is harder to find good clients willing to pay for services in this economy, and some that we already have may be challenged to simply survive. We feel this year will be modestly up or flat, and we will consider that a positive outcome.

Like many firms, about 60 percent (our best guess) of our work is compliance based and the other 40 percent just happens. It is in this area that we see a slowdown already in process. Mergers, acquisitions, capital investment and other major projects seem to be on the shelf as many businesses struggle to survive. In addition, we are seeing significant pressure on fees. Like us, our clients are looking at their costs and trying to find ways to cut expenses.

Now is a perfect time to review your 80/20 list (80% of your revenues come from 20% of your clients) and be sure those accounts are rock solid. We have been having discussions about the scope of services needed and engaging the client's staff to do more as a way to mitigate fees. If you are merger minded, I see lots of activity in that area. Firms of all sizes are joining forces to expand services, geography and capitalize on opportunities. As the economy continues to challenge us all, there will be more opportunity in this area as many firms wrestle with technology and succession issues.

CASH FLOW

We already see the effects of the economic slowdown on our cash flow. Overdue account balances are on the rise, causing us to evaluate some relationships and enter into conversations with clients regarding payment terms and possible delays in service.

Now is the perfect time to evaluate your policies and procedures to ensure that you collect your receivables and not add time where it cannot be paid. It is also the time to get back to basics. Timely billing, solid collection policies and constant client communication are necessary. Unfortunately, some clients need us the most when they can least afford us. We will all be making some tough decisions in the upcoming year. A collection technique that has worked very well for us over the years is to go on our client's payroll. Have them set you up as a weekly independent contractor with their payroll service. A small weekly payment adds up quickly, can be directly deposited into your account and is easier on the client. Many of our clients who we have put on this plan never get off it once their account is paid and many now carry negative receivable balances.

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