



Creating successful strategies can benefit your business in a tumultuous economy

# WEATHERING THE ECONOMIC STORM

By Deidre A. Erwin, CPA

Few economic cycles compare to the tsunami that washed over the global economy in 2008. Complex and inter-related factors converged to create a global financial crisis. Most of us acknowledge the fluctuations that ripple through business operations in a somewhat predictable cycle of ebb and flow. But recently, the cycle grew surprisingly fierce and virtually every business is feeling its bitter effects.

Last year, even as the accounting regulators considered the timeline for rolling out International Financial Reporting Standards (IFRS), the world markets were being roiled by recent financial crises on Wall Street and beyond. The exact timing of IFRS adoption may be up for discussion, but the fact that we live in a global economy is no longer debatable. The global economy recently showed its pervasive nature as it whipped up a vicious storm in the credit markets, causing severe damage in the banking environment and the housing market. As 2009 begins, we must consider the world markets and their impact on our businesses in a new perspective. The new year brings new beginnings and a new global economy.

Weathering the storm and maintaining resilience in the next crisis in the new world economy require skills that CPAs are uniquely qualified to practice. These skills, combined with virulent financial and strategic tools, are powerful. They involve fundamental best practices and balanced professional judgment. Deploying these tools will carry every business through economic fury to business success.

Paradoxically, the turmoil dealt by the economic storm inflicted enough pain for many businesses to take notice and desire change. There is broad recognition that operating in the status quo cannot continue ad infinitum. The economic pain caused professionals to reconsider their companies' strategic growth plans. In an anomalous way, the economic pain created opportunity for improvement. The challenge is to use this newfound open-ness to change to create value for business. CPAs provide the professional skills, tools and structure to develop new success strategies.

## Success strategies and tools for every economy:

- **Deploy good corporate governance.** Solid tone at the top and pervasive integrity supports an integral infrastructure that will serve all facets of your business. For example, adherence to conflict of interest policies ensures that your company is not exposed to unscrupulous contracts with unfavorable terms.
- **Reassess your business model and align the organization around the mission, vision and strategic plan.** Communicate with employees and stakeholders so activities drive momentum toward a common direction. Insist on accountability. Everyone is responsible for the outcome. Being held accountable for your division or department's success will hold up the whole.
- **Provide transparency.** Sharing information keeps everyone focused on the common goal. Accurate transparent financial statements are the core of good fiscal management.
- **Analyze appropriate performance indicators and share the information.** Provide timely and accurate information to reinforce the message and the success metrics. Show 12-month trends.
- **Prioritize large expenditures.** The items at the bottom of the list should seriously be considered taken "off the list".
- **Pay attention to Return on Investment.** Before dollars go out the door, scrutinize the return on investment for significant purchases, including capital projects as well as IT initiatives and outside consultants.
- **Consider whether large capital expenditures will draw down cash flows too quickly.** When operating cash tight, delaying a large capital project may be wise.
- **Control expenses and tighten up purchasing procedures.** Ensure that the purchasing department takes advantage of volume discounts. Make negotiation and competitive bidding your modus operandi.
- **Control energy costs** by maintaining energy-efficient plants and offices.
- **Adopt a culture of lean.** Constant attention to driving out waste makes surviving the tough times a simple exercise in staying the course.
- **Spend time developing key employees.** They deserve respect in good times and in bad. When the good times come around, they can easily bolt out the door unless they feel appreciated.
- **Exercise your best leadership skills.** That means leading the charge and taking charge. But also keep strong leaders at your side and listen to their counsel. Leadership operating in a vacuum will overlook the nuances and guidance that trusted colleagues and staff provide.
- **Pay attention to staffing levels and productivity.** It is easier to enact a hiring freeze that to lay off employees. Consider new hiring carefully. As always, expect current employees to perform up to expectations.
- **Give customers a reason to buy your product or service** that transcends economic pressure. For example, good service commands higher margins in any economy.

### Unlocking key performance indicators

Used consistently, perpetual strategic tools pay dividends in both prosperous and poor economies. Strategic tools provide statistics such as ratios and Key Performance Indicators (KPIs) that can be tracked over time. Slight fluctuations are a red flag that a new trend may be developing. Learning to read the ratios and KPIs is important to any business. Close monitoring of KPIs will identify areas that need attention before they reach crisis levels.

Tools such as good corporate governance will also pay off in booming as well as lean economies. Strong corporate governance policies will, for example, protect business from contracts that involve conflicts of interest. The extra cost from unfavorable contract terms is a drain in any economy, but can be especially painful when times are tight. A best practice would institute the conflict of interest policy for the long run.

As CPAs, we are trained to monitor results quantitatively. Those sorts of objective facts will bode well with your colleagues or clients. It is important to present statistical data as well as professional insight. Focus on what can be controlled, particularly when the economy seems out of control. And let good business judgment prevail.

Interpreting the messages that the analytical tools tell requires keen business acumen. The conclusions you derive may require some tough and unpopular decisions. For example, paring down operations may be a necessary result of tough times. On the other hand, the same analytics will lead you to growth and expansion in better times.

In the long run, favorable results will be evident through ongoing monitoring. Keep forward momentum by setting realistic goals in relatively short timeframes. Incremental positive results will be recognized often. The lift from regular positive outcomes will boost morale and keep business moving in the right direction. It's your move. Which strategic tools do you choose to use?



Kerry Christensen, CPA



Matthew P. Eckelberg, CPA



Kris McMasters, CPA



John F. Prophet, CPA



Cory Wiese, CPA

**Renee E. Anderson, CPA**, vice president and director of finance at St. John's Communities Inc., Milwaukee, has received a CFO of the Year award from *The Business Journal of Milwaukee*.

**Wade Balson, CPA** has been hired as auditing and accounting manager at Kolb+Co. SC in Brookfield.

**Timothy L. Birkenstock, CPA**, chief financial officer at Children's Hospital & Health System, Wauwatosa, has received a CFO of the Year award from *The Business Journal of Milwaukee*.

**Karen L. Bleach, CPA**, chief financial officer at Advance Waste Services Inc., West Allis, has received a CFO of the Year award from *The Business Journal of Milwaukee*.

**Filippo Carini, CPA**, chief administrative officer at United Way of Greater Milwaukee, has received a CFO of the Year award from *The Business Journal of Milwaukee*.

**Kerry Christensen, CPA** has been promoted to supervisor at Bauman Associates, Ltd. Certified Public Accountants & Advisors in Eau Claire.

**Matthew P. Eckelberg, CPA** has been hired as a senior manager at Hawkins, Ash, Baptie & Company, LLP in Marshfield.

**James P. Gannon, CPA**, chief financial officer and executive vice president, Husco International Inc., Waukesha, has received a CFO of the Year award from *The Business Journal of Milwaukee*.

**Amy S. Jensen, CPA**, vice president and chief financial officer at the Milwaukee Symphony Orchestra in Milwaukee, has received a CFO of the Year award from *The Business Journal of Milwaukee*.

**Andrew LaFontain, CPA** has been named vice president at Rozman Wealth Management in Brookfield.

**Kris McMasters, CPA**, CEO-elect of Clifton Gunderson LLP in Milwaukee, has been named to the *Accounting Today* "Top 100 People of 2008" list. The popular report lists the biggest movers and shakers in the accounting profession.

**Chris Menard, CPA** has been hired as vice president of finance at Linetec in Wausau.

**Heather J. Mezera, CPA** has been hired as a senior accountant at Kolb+Co. SC in Brookfield.

**Duane H. Nolde, CPA** at Irgens Development Partners LLC, Wauwatosa, has received a CFO of the Year award from *The Business Journal of Milwaukee*.

**Krista K. Pankop, CPA** at Virchow, Krause & Company, LLP in Madison, has been named a partner at the firm.

**John F. Prophet, CPA** has been named as a shareholder at Schenck Business Solutions in Appleton.

**Andrew Schulner, CPA** has been promoted to supervisor at Bauman Associates, Ltd. *Certified Public Accountants & Advisors* in Eau Claire.

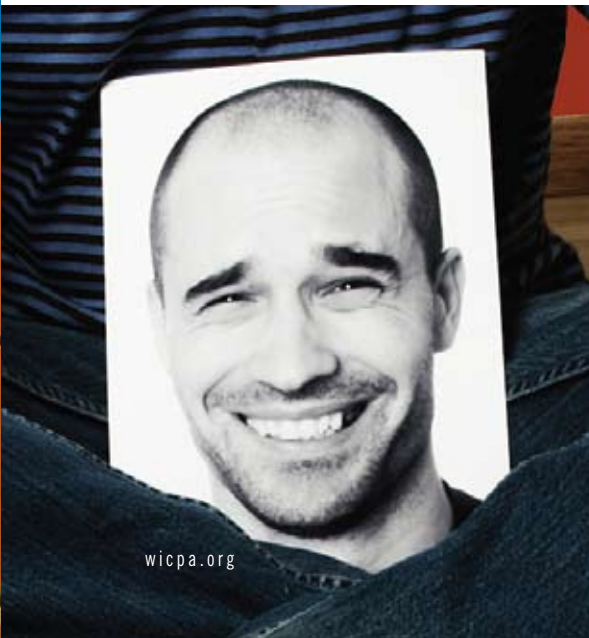
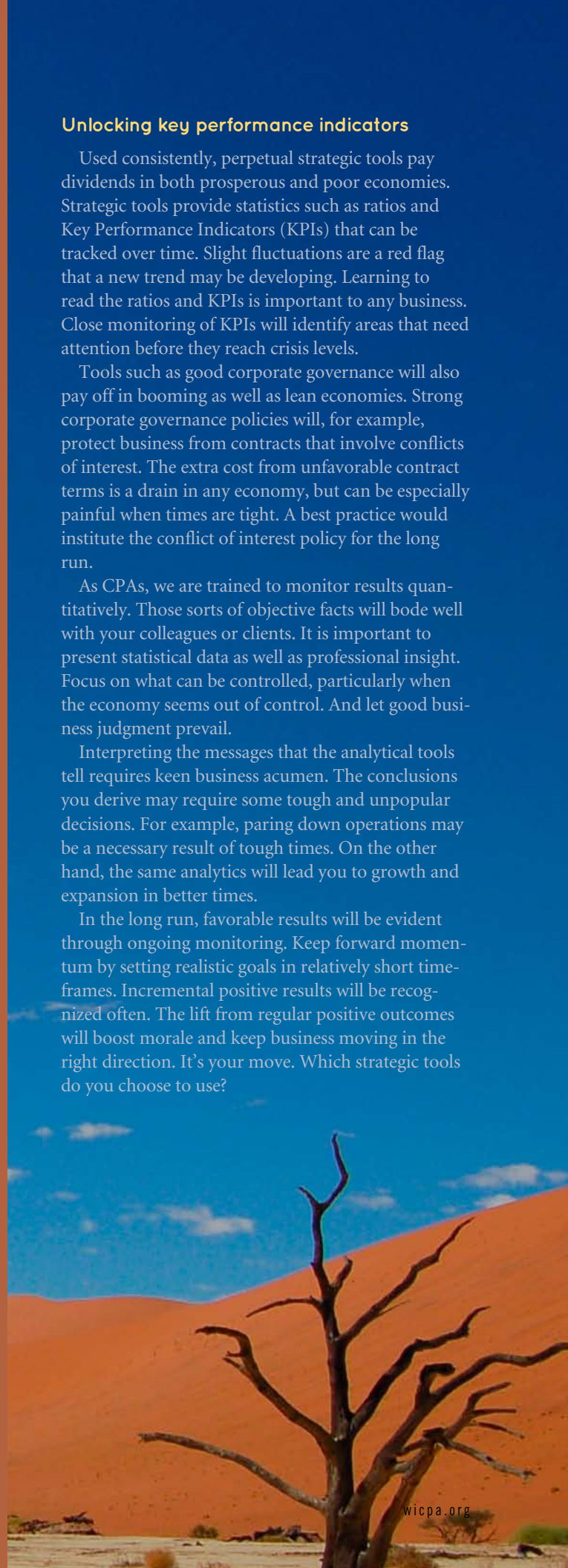
**Gaylene A. Stingl, CPA, MST, CVA** has been named a principal at Suby, Von Haden & Associates, S.C. in Milwaukee.

**Mark G. Vance, CPA**, has been hired as a tax supervisor at Schenck Business Solutions in Milwaukee.

**Peter J. Wautlet, CPA** at Virchow, Krause & Company, LLP in Madison, has been named a partner at the firm.

**Cory Wiese, CPA** has been hired in the tax department at LarsonAllen LLP in Eau Claire.

DEIDRE A. ERWIN, CPA is the associate director in the Finance and Administration Department at the Medical College of Wisconsin. She can be reached at 414-955-8390 or derwin@mcw.edu.



## thank you!

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