



LESSONS LEARNED

Tax Season 2020 & Addressing the Future Successfully

BY MARK H. FOWLER, CPA (INACTIVE), CMC

Accountants have told me that every tax season has a unique challenge (sometimes several) that can make it memorable or difficult. Tax season 2020 seems to have trumped them all (no pun intended) with its hills to climb and ability to pull on resources—in some cases, to their limits.

As I work with CPA firms and co-chair CalCPA's LA Chapter MAP Committee with David Duben, I thought it helpful to offer a deeper look at how firms fared, succeeded and were challenged. How did this unprecedented time impact the process and culture of CPA firms? For insight, I spoke with a number of firms, as well as clients and CPA friends. It's a sample, I know, but it's interesting how there was much to learn. Our conversations focused on the following:

- Succession
- Team members
- Client erosion
- Services focus
- Lessons learned
- Most difficult/important things to be done

The feedback I received gives us all food for thought about action steps we can take, as well as provide inspiration for new ideas—and some assurance that we are marching down the road to continued successes.

Human Capital

Human capital and connectedness jumped out in almost every conversation. Team members were the most important topic. Some firms felt that the work they had done previously to

develop talent, mentor, enhance leadership and take charge paid off in helping to build teams and reaching out to clients while going fully remote in a short period of time. Those firms that did not have development programs in place or were only in the beginning phases seemed to get on board fairly quickly.

"Being transparent and available creates a more successful internal culture as the team can buy in to being more involved, thus building a stronger firm and a solid foundation for growth," says Miklos Ringbauer, CPA and past president of the CalCPA LA Chapter, whose firm was already remote and committed to their IT capabilities and team development.

"Building with a long-term mentality, not a short-term reactive approach, makes us more successful and has made us more appealing to LSL team members, which has allowed us to build a strong team for the future," says Richard Kikuchi, CPA and managing partner of LSL, a 90-plus-year old firm. "It also helped us to navigate successfully during the pandemic."

CalCPA MAP Committee Vice Chair Erin Roche, CPA said education and team development were essential for navigating through the pandemic, as well as cornerstones for her firm's long-term success. "We're committed to our people growing, especially our younger team members, in a wide range of avenues: live and hands on with CalCPA and the Education Foundation, the AICPA, tailored programs with an emphasis on leadership, technical skills and team cohesion."

Several interviewees commented that focusing on developing talent to create a better environment to succeed is very important. With recruiting, the focus seems to be hiring those who have a chance to be partners or shareholders. People want to stay and grow; an experience like the pandemic, though challenging, can bring a whole new perception about working at a firm—one that benefits all.

Communication

The importance of connecting with others is paramount during challenging times, most importantly with team members and clients.

"Only one to two weeks into going remote, we realized a downward shift in communication, as production was not flowing due to slowdowns and we had backlogs due to people not communicating," says Roche. "As a firm, we were accustomed to touchpoints with our team; quick huddles in the office, lunches, meeting people as we walked down the hall had been key to our success." Her firm responded by

implementing new ways to connect via video conferencing for staff calls and client meetings.

Some firms jumped on the client communication bandwagon early. Lucas, Horsfall, Murphy & Pindroh, LLP immediately created weekly webinars for clients and associate organizations on all aspects of personal protective equipment, the tax season dynamic, cash flow issues, etc. Their partners and managers called all their clients and still do to maintain needed conversations advising them what to do next.

Video conferencing platforms have become essential today—and likely for the future, for staff and client interactions. Clients need their work done and they know that having us come to the office is not practical in the short run—or long term, given the uncertainty around reopening businesses.

Several firms have seen this as an opportunity to create new protocols and procedures to complete their audits and other required work via the internet, paperless, specialty software and, of course video conferencing. “Not only have we saved travel costs on behalf of our clients, we have become more efficient and clients have been much happier with the process,” says Ronald Ley, CPA and managing shareholder of Damore, Hamric & Schneider, Inc.

Trusted Advisers

As a profession and as individuals, CPAs have been asked to step up in so many different ways for our firms, team members, clients, associates and communities we support.

“We rolled up our sleeves in consulting and addressed what we can do to help, and that meant a good deal of our time was spent helping clients sustain, rather than with compliance, and making sure clients continue,” says CalCPA LA Chapter President Jillian Phan, CPA and partner at Meloni Hribal Tratner LLP. “We’ve become more relevant, stepping beyond regular services, to create a relationship bond and a stronger connection, thereby weathering the crisis together. We believe we’ll create a stronger services base and a more loyal client base.”

Ley felt that they had to take a new posture about client needs during this tax season. “Communicating through teleconferencing allowed us to connect to challenged clients,” he says. “With two of our clients, who needed to close their doors because of the mandate, we were able to help them understand what they could do to protect their companies, deal with pending tax issues, follow-up on profit-sharing plan contributions and help make proper use of extensions available. Most important, we

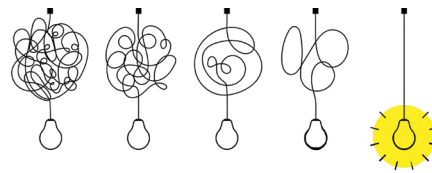
were able to create an atmosphere of safety, caring and support.”

Michael (Mike) Amerio, CPA and managing partner at Lucas Horsfall Murphy & Pindroh, felt that additional consulting work related to the pandemic took the place of the normal business advisory that was inactive because of the slowed business environment and the focus on the Payment Protection Program (PPP) and other areas of attention. He expects that this work will resurface as business becomes more robust as time goes on.

In concert with this enhanced focus on clients, Ringbauer says, “Our focus is continuous connection with team members and clients—the human connection is the most important ingredient, with taxes and other tasks of secondary importance.”

Lessons Learned

“There’s no such thing as a normal tax season—let that go!” says Phan. She stressed the importance of keeping education at the forefront of the firm’s imperatives and how much learning had to take place during the



pandemic—from PPP to communicating with other firms, to learning more about clients and their needs and reaching out to other resources and caretaking new relationships with banks. All of this creates an emphasis on learning real time.

Several wished that they could have been more proactive about IT and stayed ahead of the curve, rather than taking a wait and see approach. While being paperless may seem like a standard, several firms were physically moving files around to their team members at home to keep people effective and efficient.

Roche, however, says, “We learned that we were much more advanced in technology than we thought. We energized to make sure we stay on top of the advances in the field.”

“It’s essential never to take clients for granted,” adds Ringbauer. “I know that they seem to have been there always, but so many clients have had their lives turned upside down. It’s our job to make everyone, including our team members, part of the process. It gives clients the feeling that there’s a team there for them.”

As mentioned before, a big realization for most is creating new ways to work and connect with team members, especially during

crisis, to keep people on the same page. This is a whole new platform and new way to think about managing. Things will not come back to a true stable point for a while; change will continue on a regular basis.

Phan experienced an unusual shift in team dynamics that they had to course correct. “Everyone liked working remotely because of the flexibility and freedom to work when it was most effective for them. However, we found that our people missed comradery and interaction. This collective realization emphasized that face time was an essential part of our culture. We started bringing our people back in phases and alternating employees being in the office. It’s going to take some time, but we feel it is the best way for us to work together and serve clients at the highest level.”

Lesson learned: Stay ahead of the curve and don’t put off progress—but know that you don’t necessarily need to be on the bleeding edge. With changes on the horizon (technology, education, client and economic viability, and talent development), being proactive will be the watch word.

Most Challenging & Important Things To Do

Challenging or necessary actions in front of us don’t always happen at the best of times. At least two of the firms interviewed had more than enough on their plates before the pandemic hit.

Damore, Hamric & Schneider, Inc. (DHS) was transitioning a retiring partner who was one of the founders of the firm. They made it through successfully—all the while also completing a major software conversion. Added work of the pandemic was actually a motivating factor in making everything work. Not having to meet face-to-face with clients increased efficiency with tax clients. Teleconferencing increased efficiency with audit and accounting projects. In the end, the most difficult was building new relationships between new in-charge professionals with clients, who had worked decades with one partner, while not being able to meet them in person and build a new level of trust.

Going remote on a global basis was everyone’s big challenge, even if technology was in place and several team members were remote. Most people were surprised, but most firms made the transition in a couple of days—with everyone pitching in.

For some, it was a complete transformation (new equipment, phone connections, software, hardware and training); for others, it was just another day of work. None escaped challenges. If it was

not equipment, etc., it was communication, pulling people together to connect and work most effectively and profitably while giving better and newer client service.

The biggest challenge seems to be reshaping firms for the future. Some firms did not go completely remote. DHS maintained about 65 percent of its team members at the office while safe distancing and wearing masks; remaining team members worked from home, either by choice or mandate. Most firms were almost completely remote, with several firms believing that, in the future, the norm could be 75 percent of the team working remotely.

For Amerio, the team is the most important focus. “I’m very optimistic about our firm because of our decades-old commitment to human capital and our connections with clients. It’s going to be a new horizon on how and where we find new talent. I believe our biggest challenge will be training our new people to the standards we’ve become accustomed to, as well as maintaining the culture that has defined us.”

Challenges are everywhere—and in many cases, they helped define the roadmap for success as well as completing remote, paperless and technology projects that have languished unnecessarily for too long.

What’s Around the Corner?

“It was such a surprise to find ourselves, public accountants, as an ‘essential’ business,”

says Ley. “It makes sense, of course, but when the counties determined all of the businesses that qualified as essential, it was amazing to see the other businesses. It was uplifting and reassuring that we were all going to be a critical part of the solution. As we worked with clients through this very rough patch, it came home to me how we’re not just contributing from our tax, accounting and audit work but, more important, from our personal connection and professional approach in helping clients succeed.”

What seems to be around the corner for the profession is a great deal of change. As people return to work, the mix of remote and onsite will change; firms will repurpose their operations to meet needs of clients, staff and associations. Demand for talent also will change. There could be a new approach, where moving from firm to firm to increase compensation will shift to a more stable approach: where professionals can find a place to grow in their skills and their profession—maybe even become managing partner.

A change that we would like to see is team development for a trusted adviser profile. It can be convenient to focus only on our technical skills, but the real benefit for all comes from taking one’s professional effectiveness to a whole new level.


If I were to suggest one thing for the profession and firms, it would be to focus on creating and refining a business model that is

global in nature: looking at the whole firm, supporting goals and objectives, growing client needs, generating team member development and initiating succession/exit planning from a consistent, ongoing process.

Conclusion

Adjusting to the challenges brought on by the pandemic is not necessarily going to take us to the future we all want, though I believe it will bring about changes that will make life better. Going back to what we had never produces rewards. Going to the next level and looking at opportunities from a broader view is the only way to have lasting success. That means a lot of work and investment of time and finances.

One thing stood out from every conversation and interview. Adaptability changed the way we work, live, communicate and grow. And maybe it will help ingrain in us a sense that change is good and an urgency to be ahead of the curve.

As Amerio says, “These are unprecedented times and no one has read a book about showing us the way—we have to be there every day, making it a better place.” 

Mark H. Fowler, CPA (Inactive), is president of Stowe Management Corporation and Co-CEO of Revolutionary Conversations, LLC, as well a CalCPA MAP Committee member and co-chair of the CalCPA LA Chapter MAP Committee. You can reach him at estowemanagement@aol.com.