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# JOURNAL *of* PENSION BENEFITS

ISSUES IN ADMINISTRATION, DESIGN, FUNDING, AND COMPLIANCE  
Volume 28 • Number 1 • Autumn 2020

## GENERAL BUSINESS/ADMINISTRATIVE PROCESS

### *How Do Business Leaders Respond Both Managerially and Financially to Abrupt Change?*

*This article provides some ideas about how companies can respond and survive  
abrupt change, such as that brought on by the Pandemic.*

BY AMANDA R. IVERSON

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For the last several years, our firm has something called, "Pinnacle Team Week." We bring our team members together from all over the country and have a week comprised of education, bonding, community service, and fun. Pinnacle Team Week for 2019 was in December and I selected the theme, "The Only Thing Certain is Change." I would like to brag that I knew just how full of change 2020 would be, but that would be a lie. I do not think any of us knew just how much of a watershed 2020 would be; however, as business leaders, we all do know that change is inevitable.

Do you recall December 20, 2019, when the President signed the SECURE Act? I remember

thinking, “Wow, 2020 will be interesting to absorb all of this and make sure our staff, clients, advisors, and CPAs are all updated.” January 2020 consisted of many practitioners digging into the SECURE Act and putting on various educational series for those mentioned. I admittedly thought the SECURE Act was likely going to be one of the biggest changes for our firm in 2020.

My closest college friend is a Director of 3D Printing at HP and was relocated from Idaho to Spain several years ago. In February 2020, she updated me on their life in Spain and the changes they had experienced as a result of the Coronavirus. Even after hearing her stories, I never imagined we would all be facing the similar COVID crisis here as they were there. But then March 2020 hit! By middle March 2020, most of my colleagues in many states were moving their teams from a brick and mortar practice into an entirely remote work environment and were trying to adjust to a new way of working. And while experiences in Pennsylvania differed dramatically from those in Oklahoma, which contrasted from those in Arizona and varied from those in Washington, regardless of the location, we all certainly experienced abrupt change! To some, it feels like we are currently living in a movie about the apocalypse. As a result of this pandemic, my subject for this article was changed and I was requested to write about and answer the question: How do business leaders respond both managerially and financially to abrupt change?

First, let me disclaim, that while I am grateful for both my financial and human resource education, background, and experiences, and while my company consists of five experienced owners, three of whom are CPAs and one of whom is a Professional in Human Resources, we, too, are all just trying to figure this out. We have begun working more closely together as a partner group and have reached out to our trusted colleagues more so now than in the past. We have shared with and learned from study groups, industry and professional colleagues, and have used prior experiences to help guide us. We are also offering our assistance more to people who are reaching out to us. The collaboration has been immensely helpful as we wade through these unsteady waters.

The intention of this article is to provide some ideas related to the questions: How does one respond to abrupt change? How does a company survive through abrupt change? How does a business continue to support its internal team, external referral sources, and clients during extreme change and uncertainty?

## Show Me the Money

One of the first areas with which business leaders need to concern themselves, of course, is the company's financial health. If the company cannot survive financially, it will be extremely hard to tackle any other challenges. So, what are some strategies companies can use to be both financially prepared and flexible to abrupt change?

A business needs to have accurate and timely monthly financial statements at all times, but particularly in a time of change. This is important. If that is not the case, then that needs to be the first place a firm should start when identifying what needs to be fixed right away. You need to be in a position to evaluate your financial situation so that you can make reactive decisions when they are needed. While funds are likely tight, if you are not going to prepare these financials yourself, then hire an accountant to do it. If you provide data timely, it is reasonable (if not critical) to expect your accountant—whether internal or outside of the company—to provide you monthly financials within 15 days after the close of your month. Having accurate and timely financials statements is a first and necessary requirement to knowing where your practice is and if it can survive times of abrupt change.

Next, a business should have a budget. Ideally, a company should have an annual budget broken down by months. A budget can be your roadmap. While revenues and expenses can diverge dramatically from expectations during a time of abrupt change, a budget can provide guidance on where one expects to land each month versus what actually occurred. A budget also assists as one attempts to project out how the change will impact financial expectations for the remainder of the year. If you do not have a budget and are unable to create one (and I would challenge that you are able to), then at least compare your monthly results to the prior year month and year to date.

While looking at your budget compared to what might financially happen, consider major changes and the need to revise the budget for the remainder of the year. Do you have the same staffing as you anticipated when you initially budgeted? Have you lost major clients in the recent months? Has your referral source situation changed? An honest review of anticipated revenues and expenses must be done to help guide you to anticipate and predict various financial changes. If your clients are seeing slowdowns, will your practice be impacted? Will you realize the revenue you previously anticipated seeing this year or do you need to

reevaluate that prediction? If so, adjust your expectations based upon this information and then fine-tune the remainder of your annual budget.

Another area of imperative financial review is liquidity. We've all heard that cash is king! In the case of abrupt change, that is true. How much cash do you have available for use?

In times of abrupt change, a line of credit can provide businesses with the ability to draw cash from a bank at a reasonable interest rate, which may enable the business to survive during periods of reduced cash inflow. In the first quarter of 2020, many practices that did not have credit lines contacted their banks to open them, which was a smart financial strategic decision. Even if the practice does not have to draw on the line, the option is there if needed down the road. If your practice does not have a line of credit, it may be wise for you to speak with your banker to see if you can get one. If you can, it may make sense to obtain the line of credit, even if you do not plan to draw on it immediately.

Another area of liquidity is accounts receivable. A business should also review its accounts receivable and the timing of collections. During a time when many clients are shut down or experience slowdowns, one must expect that payments from outside will slow down, in comparison to the past. Just like you, your clients are likely evaluating their expenses and trying to determine who they can pay more slowly than they did in the past. Therefore, it is important for business leaders to understand their accounts receivable aging and how that will affect the company's cash position.

It is also important for the practice to know where its cash is spent. Review your current expenses, and consider whether there are areas of expense that can be reduced. Many vendors and lenders are willing to work with their customers during a crisis, so one should also evaluate if payment terms can be renegotiated to help the practice survive. With many folks now working remotely, can you reduce the amount of space that you lease? Do you have the flexibility in your lease to reduce rent expense? Can you reduce office expenses that may no longer be as important with team members all working from home? When reviewing your list of expenses, consider if there are variable discretionary expenses that can be reduced to reserve additional cash.

Finally, it is important to know of any assistance that is available to small business owners. During the COVID pandemic, the government provided programs, such as the Paycheck Protection Program

loan (one could write an entire separate article on this program, so instead for the purposes of this article, I'll only mention it as an example of a program available to small businesses), the EIDL Loan Advance, SBA Express Bridge Loans, and SBA Debt Relief. While it may seem overwhelming to learn about each program, it is important to do so. These programs may be the difference between life and death for some small businesses. Therefore, small business leaders must understand the options available to them.

### Opening the Pod Door: Can HAL Cope?

If you are feeling financially comfortable, what about the rest? COVID-19 and the sudden changes that accompanied it made it apparent that firms must be able to quickly adjust to varying work environments. For example, our firm has had remote employees for several years, but we also have two physical offices that provide a work home to more than half of our workforce. At noon on Sunday, my partner and I made the decision that we needed to move everyone to a remote work environment and, by noon on Monday, every employee was up and running in his/her "new" home office. We attribute this to having invested a great deal of time and money, less than a year ago, to a significant technological environment improvement. We placed a high priority on technology, and that preparedness has served us very well. When COVID hit, we were well prepared to focus 100 percent on the changes that were occurring without having to navigate the hurdles we had previously faced with our technology. Do not ignore or delay in making improvements to those areas you recognize as being less than ideal, as those could become your downfall in a changing environment.

Previously, we had in-house servers. While we had a remote work environment for our remote team members, we had been experiencing too many interruptions in our remote environment space. Thus, in 2018, we started evaluating options for change. In early 2019, we had our network redesigned and we moved to an entirely cloud-based environment for all employees. Thus, while this is not the perfect solution for every firm, it was a great change for us. Regardless of the technological setup, cybersecurity certainly must be at the forefront of everyone's mind. Tools such as password management, multi-factor authentication (MFA), and cybersecurity insurance are extremely important for business leaders to have and implement in this always changing technology environment. [See my prior article, authored with technology expert, Paz

Terry, "Cyber Security Hot Topics for Closely Held Businesses," *Journal of Pension Benefits*, Vol. 25, No. 4, Summer 2018, p.60. That article is a good starting reference point for business leaders who want to know what else to consider in the world of technology.] Having the right technology in place can be the difference in a company's ability to survive periods of abrupt change.

### Do Your Employees Have a Case of the Mondays?

Even if a firm has all the technology in place to support an entirely remote workforce, its employees are still human beings. During COVID-19, many of these team members have gone from a consistent work environment and schedule to a world of significant change. For example, in 2020, many employees added the role of full-time childcare worker and teacher to their resume, while also trying to continue working, often in new spaces, all of which presented new challenges. Business leaders may not believe that the challenges employees face are their problems, but the strongest leaders understand that employee challenges can lead to work challenges. Thus, leaders can put processes in place to support team members. Employers can put programs in place to provide their employees with increased support and stability, especially in times of abrupt change.

An internal mentoring program can provide team members with a learning culture that encourages teamwork and promotes personal and professional development. Successful programs can lead to reduced employee stress and anxiety and can increase job satisfaction, while reducing turnover. During times of increased stress and change, a mentee can rely on his/her trusted mentor to provide additional support that is needed.

Additionally, during times of uncertainty and change, employee assistance programs (EAPs) have been widely used and greatly appreciated. An EAP is a work program designed to assist employees in resolving personal problems that could adversely affect the employee's work performance. Previously, EAPs often assisted with issues such as alcohol or substance abuse. However, newer EAPs now cover a broad range of issues such as legal concerns, relationship challenges, financial struggles, mental health wellness matters, and various traumatic events. Services often can be delivered via electronic means, such as video-based, phone, or online chat counseling. Services can also be delivered face-to-face. Programs are provided

and delivered at no cost to employees by outside EAP vendors who are part of comprehensive health insurance plans. EAP services are usually made available to the employee and the employee's partner and children. When employees face abrupt change and a magnitude of uncertainty, being able to offer an EAP solution shows the employee that the company cares. Additionally, the services provided by the EAP may help the employee, which likely will positively affect the employees work outlook and performance.

During COVID-19, the government quickly recognized the sudden changes faced by employees and quickly passed the Families First Coronavirus Response Act (FFCRA). The provision of FFCRA are effective through December 31, 2020. FFCRA "requires certain employers to provide employees with paid sick leave or expanded family and medical leave for specified reasons related to COVID-19. The Department of Labor's (DOL) Wage and Hour Division (WHD) administers and enforces the new law's paid leave requirements." [<https://www.dol.gov/agencies/wbd/pandemic/ffcra-employee-paid-leave>] Quickly following FFCRA was the passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. While this article is not positioned to discuss in detail either the FFCRA or the CARES Act, the intention is to illustrate that during times of abrupt change, business leaders must stay entuned to a changing regulatory environment that may affect them or their employees or both.

### Is that All You've Got?

If a business can financially survive and is able to provide the flexibility and support needed to allow its employees to continue to be productive team members, what else does a business need to do to adjust to times of abrupt change? Perhaps one of the most important considerations a business must contemplate if it is able to still provide the service or product it previously offered to clients and referral sources and if not, what, if anything needs to change. Additionally, a business should consider if new times provide an opportunity to create or highlight a new or modified service model.

Times of change allow everyone to reevaluate how and why businesses do things as they do. During the times of change, a company can reevaluate what services no longer make sense or need to be updated or modified. The delivery method of said services also may need revisions. For example, a financial services firm that previously provided client deliverables in a paper format may evaluate if

that is still the most desirable deliverable or should paperwork be converted to an electronic delivery. Additionally, businesses that previously only conducted meetings live in person may want to consider if virtual meetings using one of the various electronic formats would provide the same or maybe even better results. Are there opportunities that another format can provide to increase engagement and/or improve the way the company delivers services to its clients?

When dealing with referral sources, one likely will not want to go silent during times of abrupt change. Instead, this may be an ideal time to deepen one's relationship with referral sources. Reaching out to others during times of great uncertainty can show concern, vulnerability, and also resilience. Letting referral sources know that you and your team are adjusting to a changing environment and still can provide high quality service may be of great comfort. Again, if you are used to meeting with referral sources only in person, can you use technology to develop new and more timely and efficient meetings?

When a company is facing abrupt change, it may be the ideal time to re-evaluate its service offering. The time of uncertainty may heighten the discovery of additional or enhanced services that clients may need. This can be a time when resilient business leaders may be able to develop new service offerings to better service their client's needs.

### **This Is the End**

Certainly, times of abrupt change and disruption can be stressful, however these times also can provide leaders with the opportunity to reassess and adjust as needed to become an even stronger company. Using some of the strategies provided herein, I hope in 2021 to hear not only of your company's challenges, but also of your triumphs during this time of disruption and change. I hope that we no longer feel as though we are living in a movie about the apocalypse, but rather in a positive futuristic film. Regardless of what the future holds, the best leaders will look at challenges as an opportunity to evolve and grow themselves, their employees, and their company. ■

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