

# CRAIN'S

NEW YORK BUSINESS

## REPORT ACCOUNTING

**RECESSION'S NEW RULES** mean forensics, bankruptcies and counseling move center stage **P. 17**

**TOP 25** accounting firms **P. 20**



INSIDE

VOL. XXV, NO. 39 WWW.CRAINSNEWYORK.COM

SEPT. 28-OCT. 4, 2009 PRICE: \$3.00

## REPORT ACCOUNTING

**I ♥ MY BUSINESS SERVICES PROFESSIONAL:** Michele Harris sometimes shares big news with her accountant, Len Silverman of Silverman & Krone, before she tells her family.



# Small clients (ac)count on CPAs as counselors

Economy resurrects all-around adviser; stepping in where experts should tread?

BY HILARY POTKEWITZ

MICHELE HARRIS' first phone call when she had good news or needed advice about running her eight-year-old marketing business used to be to her father, a retired auto supply executive.

Recently, she's noticed that another man in her life comes first: her accountant.

"When I decided to get my own office space—which is a really big deal in Manhattan—I told my accountant before I told my family," says the president of midtown-based Smarti Solutions, which helps match companies with the right marketing firms.

Since the onset of the recession,

business owners like Ms. Harris have found themselves growing more and more attached to their bean counters. They're tapping them for help with all kinds of business matters, from big-picture strategy to issues with individual employee.

"In the past year, I've gotten many more calls from clients asking me for advice that's way outside the normal realm of what I was doing for them before," says Mike McNee, a partner with accounting firm Marks Paneth & Shron. "I don't think I've seen this level of neediness since the early '80s."

### Small business, big issues

SMALL BUSINESSES have been hit hard in this recession. The default rate for Small Business Administration-guaranteed loans surged to 12% last year, compared with a rate of just 2.5% in 2005.

Even in a decent economy, entrepreneurs face an uphill climb: More than a third of small businesses fail

within their first two years of operation, according to the SBA, and about half go under within four years. With credit conditions tight and consumer spending down, many small business owners are simply focused on trying to cut costs to stay afloat.

Enter the CPA savior.

Accountants are reassuming the position of business coach, financial adviser, mentor and therapist, in addition to record-keeper. This marks a return to the traditional role that accountants held before business services became so specialized.

Those who work with small companies—with revenue of less than \$75 million—say it's been a long time since they've heard this much from such clients.

Offering intensive counseling services may not look so good for the bottom line: Unlike lawyers or CPAs at big firms, most accountants who work for family-owned and small companies say they don't bill for phone calls.

Nevertheless, veterans say they're making themselves more available to their clients than ever, and including their cell phone and home phone numbers on their business cards. And with good reason.

### "The worst I've seen"

"THIS IS THE WORST" downturn I've seen since I've been in the business," says Alan Sellitti, Northeast regional business leader at accounting firm BDO Seidman, who's been a CPA since the 1970s. He says he's concerned about all of his clients.

When it's time to tell a longtime client/friend/confidant that the business is no longer viable, "it's never a comfortable conversation," Mr. Sellitti says. "You might get a hang-up; you might get terminated. But more often, they'll think about what you said, and call you in a day or two and say, 'Let's have lunch and talk about why we go from here.'"

Janny Diakogeorgios, a partner with accounting firm Citrin Cooperman & Co., says some small business clients who were fairly self-sufficient before the recession are now calling him for advice on everything from deciding which employee to fire to what kind of car to drive. He recently advised a client to lease rather than buy, for example, and to step down from the Mercedes S-Class to the E-Class.

"That way, you're getting a smaller car without sacrificing any ego," he says.

Not everyone thinks it's such a good idea for accountants to be advisers. Few CPAs have experience managing payroll, inventory or marketing campaigns, points out Norris Beren, a senior consultant at Risk Reduction Education Inc. who works with chief executives of small companies.

"Accountants tend to give a lot of business advice I'm not sure they're

capable of giving," says Mr. Beren, author of the upcoming book *Choices: Why Smart People Fail at Business*. Being an entrepreneur, he adds, requires creativity that accountants may not have. "Dealing with a lot of businesses does not give you a license to say, 'I'm an expert, and I can help you,'" he says.

Because the New York City business community has so much breadth, many accountants do develop specialties. Mr. Diakogeorgios, for instance, has so many restaurant clients that he feels he knows the business as well as they do.

Jodi Snyder was looking for such specialized knowledge when she chose the accountant for the fashion jewelry line she launched in 2008 with her sister Danielle. She hired Stuart Weinberg, who had been the in-house accountant at her previous job at a large fashion designer. "He's seen a lot of fashion companies grow from five people to huge businesses," Ms. Snyder says.

### Right from the start

THE SISTERS founded Dannijo just before the economy started tanking, so Mr. Weinberg's number was on speed dial practically from the beginning.

"It's nice to have someone's reassurance that the bumps you hit in the road are normal," Ms. Snyder says. "We'll call him with stuff that's not even related to him, and he gets excited for us because he feels like he's a part of it."

Mr. Weinberg, a partner with accounting firm Baron Bergstein & Weinberg, says he feels involved with almost every aspect of his clients' businesses.

"There's a lot of time that we eat the bill for," he says, "but you're maintaining a good relationship and, hopefully, creating a sense of loyalty." ■



**'It's nice to be reassured that bumps in the road are normal'**

### CRAIN'S DAILY HEALTH CARE, POLITICAL INFO FREE TRIALS OF ONLINE NEWSLETTERS

CRAIN'S OFFERS READERS free two-week trial subscriptions to its online newsletters, *Crain's Health Pulse* and *The Crain's Insider*. *Pulse* deals with the **business of health care**, giving details on mergers, executive appointments and legislative developments in metro New York. An annual subscription is \$319. The



Three born and bred New York supermodels are shown a selection of five pashminas