

Crain's New York Business: Expert Advice from Anchin

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CRAIN'S: As business valuations in many industries have leveled off and investors are sitting on dry powder, what are some ways companies can maximize their cash on hand and prepare for future funding?



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Accounting and Advisory Partner at Anchin with 20+ years of experience. He is the Leader of the Technology Group and Professional Services Group and provides accounting, business and tax planning services to entrepreneurial, venture capital and private equity-backed businesses ranging from start-ups to growing and established companies. Chris works closely with companies and their founders, advising them on tax strategies, complex equity and debt considerations, M&A and transaction advisory and GAAP analysis.

CHRIS NOBLE: In the current climate, it is important for companies to effectively manage their cash flow, as valuations in the past year have endured a leveling off and have even seen stark declines in certain sectors. As investors slow down funding and re-strategize their portfolio allocations, companies should focus on maintaining their cash runway for as long as they can, rather than reaching for growth. It is estimated that a downturn in the economy could last at least 12 to 18 months, which could result in a delay in funding opportunities.

Companies that want to manage their cash flow can take a number of steps. They can manage processes, limit unnecessary software subscriptions, evaluate marketing campaigns and spend, and minimize nonessential variable costs. Working with both essential and nonessential vendors on extended payment terms can help. They may want to lower labor costs by introducing flex-time or part-time work schedules, making reductions in commission draws and eliminating internship programs. Some businesses may find it wise to seek alternative loans or bridge loans, providing a temporary cash flow until valuations improve.

CRAIN’S: In 2021 America experienced an overwhelming number of people quitting their jobs, which is now being referred to as the “Great Resignation.” The shortage in the labor markets has brought on a unique set of challenges, including competition for talent, rising wages and a shift in benefits. What are some of the opportunities and possible benefits that have come out of this shift in employment?

CHRIS NOBLE: The shift in the employment market has allowed businesses to re-evaluate their current landscape and strategize for a better, more resilient future. As the work environment has changed from in-person to virtual, employers are now focusing on transitioning to a hybrid model, which some find supports a better work-life balance. With a portion of the work done remotely, the talent pool has significantly expanded, with companies hiring outside of the states where they have offices and recruiting international talent. As a result, there is often an opportunity for a reduction in labor costs for certain functions.

Another advantage of the hybrid workplace is the opportunity to decrease workplace square footage, and institute a flexible seating model, which allows for a significant reduction in overhead costs. In addition, many companies are investing in satellite offices, allowing for them to field expanded teams in new markets, and providing them the opportunity to widen their customer base and revenues in those markets.

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CRAIN’S: How has the adoption of technology grown in the past two years and how are companies using technology to expand their business models?

CHRIS NOBLE: It is no secret that the pandemic greatly accelerated the use of technology across every industry. As the workplace shifted from an in-person to a

virtual environment, businesses were forced to adapt by using various software for everyday tasks, such as videoconferencing and webinars. Workspaces were quickly transitioned online, and business operations started to eliminate manual processes and rely on automated ones.

As the pandemic carried on, many businesses began to invest in new technologies. We have seen a significant increase in research-and-development initiatives, including a race for new proprietary software and the use of the blockchain. With the R&D tax incentive, companies are further incentivized to develop innovative products and services, such as software and applications to accelerate and boost their service offerings.

There has been a steady increase of large corporations, such as Cisco, adopting the blockchain to better manage and solve supply-chain challenges. This has forced middle-market companies to bolster and upgrade their own internal processes and systems, including the adoption of blockchain technology.

In addition, many companies have begun to outsource services to human resource and payroll providers and CFO-accounting providers, because these companies do not want to manage such business operations. Businesses want to focus on their core services and have found that outsourcing to high-level professionals to handle the “ancillary” operations allows for superior expertise and a better-integrated technology experience all around.

CRAIN’S: There has been a tremendous uptick in cybersecurity breaches and unwarranted cyberattacks since the onset of the pandemic. How can companies proactively avoid attacks and breaches?

CHRIS NOBLE: Small and medium-sized businesses are typically the most vulnerable to cyber-attacks as they often have fewer resources and staffing to prepare for, defend against and recover from a ransomware attack. Fortunately, there are many steps they can take to stay safe. Multi-factor authentication—a security method that requires two or more authentication factors to verify a user’s identity—can stop up to 80% to 90% of all attacks. Using secure passwords is essential to prevent network intrusions and makes it harder for a hacker to penetrate infrastructure. Upgrading legacy systems and patching can reduce a

company's vulnerability to attacks. Reducing and securing active directory—a set of privileged accounts and groups—can greatly enhance their security posture. And regularly simulating a cyberattack, a method known as a penetration test, can help them make sure their security solutions work if someone tries to get around them.