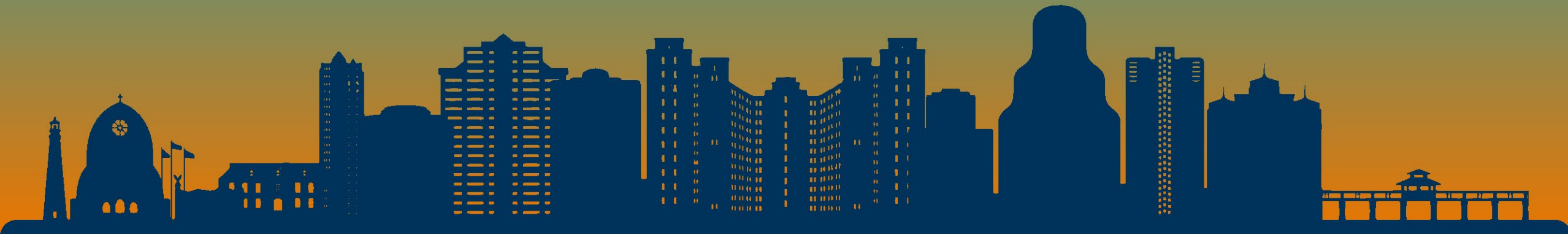


Gary Shamis
June | 2024



Is Staying Independent an Option?

LEA GLOBAL NORTH AMERICAN REGIONAL CONFERENCE



Choices

- Stay Independent
- Merge up
- Private Equity



Accounting Services M&A Transactions Since 2019

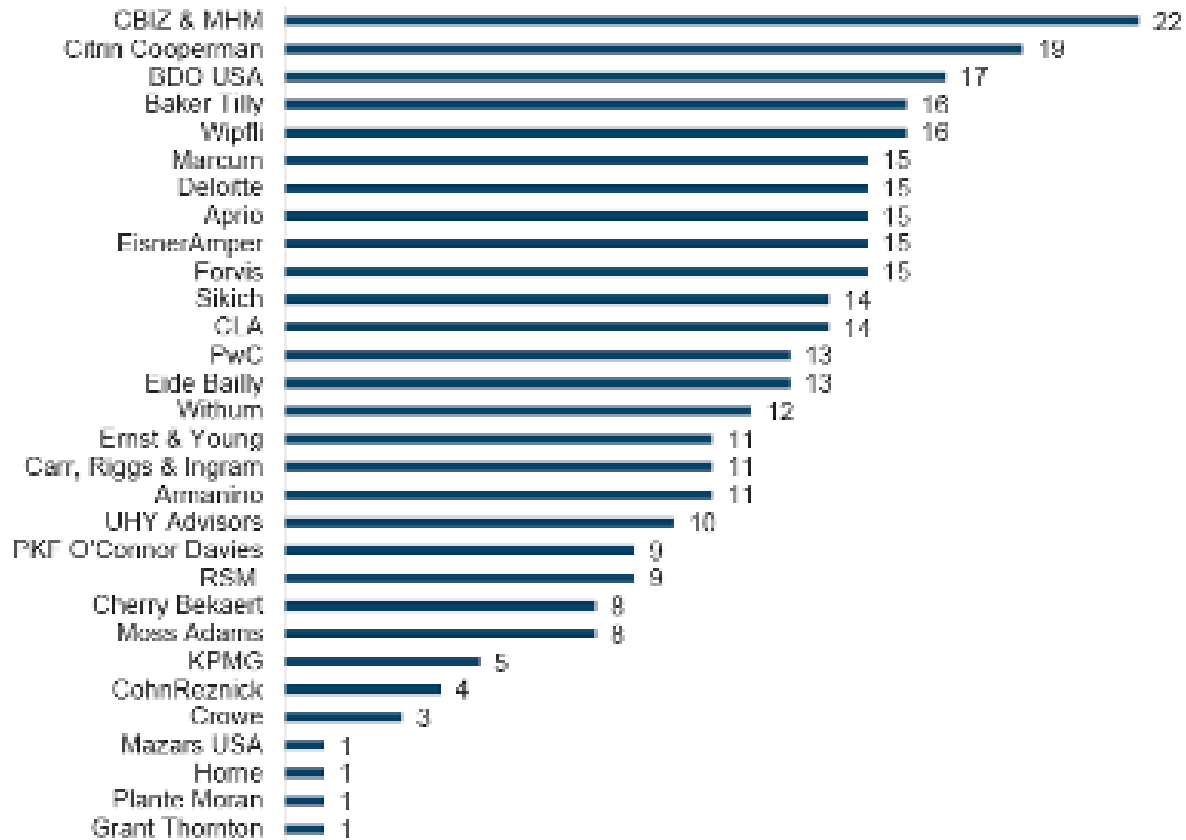


Note: Fourth quarter 2023 and calendar year 2023 transaction totals are through November 30, 2023.

Sources: Accounting Today and William Blair Equity Research



Number of Acquisitions by Top 30 Firms Since 2019



Notes: Acquisition data also includes non-accounting transactions. Forvis figure includes CHG and BKD acquisitions pre-merger. All data through November 30, 2023.

Sources: Company websites and William Blair Equity Research

Table Stakes:

**Want to get in the game, you have to
have a minimum.**

Here is the minimum:

Partner Alignment

- Communication
- Temperature
- Alignment Exercise



**Leadership
NEVER
MORE
IMPORTANT**



Succession

- Internal
- Achievable
- Scorecard Exercise



Recalibration of Deferred Compensation



Winning Strategies For the Independent Firm

Growth

- M&A
- Digital
- Traditional



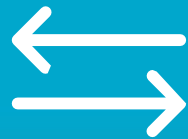
The 2023 Accounting Today Top 50 Firms

RANK		Firm	Headquarters	Chief executive	Year end	REVENUE		Offices	PERSONNEL					FEE SPLIT (in percent)				
23	22					\$ mn.	% chg.		Partners	% chg.	Professionals	% chg.	Total emps.	% chg.	A&A	Tax	MAS	Other
1	1	Deloitte ¹	New York City	Jason Girzadas	June	27,936.00	21.83	130	6,008	6.05	129,110	31.25	156,397	28.52	28	15	54	3
2	2	PwC ⁵	New York City	Tim Ryan	June	20,731.00	15.74	79	3,745	4.55	NA	NA	69,715	17.69	26	24	50	0
3	3	Ernst & Young ⁵	New York City	Julie Boland	June	19,110.00	18.17	100	3,600	2.86	41,300	5.36	50,400	3.92	25	27	48	0
4	4	KPMG ^{5 2}	New York City	Paul Knopp	Sept	11,440.00	14.74	93	2,344	4.78	35,632	14.66	45,835	13.10	29	28	43	0
5	5	RSM US ³	Chicago	Brian Becker	Dec	3,595.34	14.70	82	1,131	4.24	12,192	14.51	16,101	15.27	28	31	40	1
6	6	BDO USA	Chicago	Wayne Berson	April	2,490.40	24.50	80+	820	5.53	8,869	18.30	11,270	16.82	38	35	27	0
7	7	Grant Thornton ⁴	Chicago	Seth Siegel	July	2,310.36	17.11	51	616	1.65	8,659	18.68	10,725	18.85	33	25	42	0
8	8	CLA ^H	NA	Jennifer Leary	Dec	1,663.00	14.63	120	1,245	29.82	5,548	6.96	7,727	10.94	32	35	5	28
9	9	Forvis ^{5 H}	NA	Tom Watson	May	1,487.00	17.83	68	514	0.78	3,863	8.48	5,397	6.87	39	30	31	0
10	10	Baker Tilly	Chicago	Alan Whitman	May	1,407.20	22.20	71	567	13.63	4,397	22.55	6,281	24.06	29	34	35	2
11	12	Crowe	Chicago	Mark Baer	Dec	1,250.00	25.16	36	495	13.79	4,634	42.89	6,208	42.19	28	30	42	0
12	11	CBIZ & MHM ⁶	Cleveland	Chris Spurio and Andrew Gragnani	Dec	1,240.00	14.81	127	735	7.61	3,169	6.41	5,372	6.69	28	27	45	0
13	16	Marcum	New York City	Jeffrey Weiner	Dec	1,218.02	52.43	41	533	44.84	2,517	44.74	3,647	43.64	42	39	14	5
14	13	Moss Adams	Seattle	Eric Miles	Dec	1,123.00	17.59	29	382	7.61	3,036	17.49	4,301	16.91	39	40	21	0
15	14	Plante Moran	Southfield, Mich.	James Proppe	June	920.01	13.22	25	343	0.59	2,325	2.88	3,484	3.78	32	31	37	0
16	15	CohnReznick	New York City	David Kessler	Jan	900.00	11.39	27	304	8.57	2,609	8.62	3,427	8.45	44	33	23	0
17	17	Eisner Advisory Group ⁷	New York City	Charles Weinstein	July	614.00	25.61	20	268	29.47	1,989	30.34	2,876	33.71	29	50	10	12
18	18	Armanino	San Ramon, Calif.	Matt Armanino	Dec	595.00	29.91	23	221	43.51	1,697	24.96	2,392	39.39	25	39	31	5
19	19	Eide Bailly	Fargo, N.D.	Jeremy Hauk	April	532.80	18.43	44	356	4.09	2,076	8.41	2,979	8.17	39	40	12	9
20	20	Wipfli	Milwaukee	Kurt Gresens	May	506.70	14.48	47	287	-3.37	2,394	42.08	3,105	28.15	30	31	33	6
21	22	Citrin Cooperman	New York City	Alan Badey	Dec	488.00	39.43	20	348	33.33	1,212	65.57	1,877	55.00	17	55	28	0
22	24	Withum	Princeton, N.J.	Patrick Walsh	June	428.74	34.48	22	187	28.97	1,307	32.69	1,829	38.98	45	39	13	3
23	21	Carr, Riggs & Ingram	Enterprise, Ala.	William Carr	Sept	420.91	10.09	35	418	17.09	1,855	28.20	2,615	24.17	53	37	10	0
24	23	Home	Ridgeland, Miss.	Neil Forbes	Dec	389.21	11.27	18	33	-2.94	1,935	19.74	2,061	18.52	NA	NA	NA	NA
25	26	PKF O'Connor Davies	New York City	Kevin Keane	Dec	337.00	33.73	18	216	43.05	1,080	35.00	1,526	34.92	45	24	24	7

The 2023 Accounting Today Top 50 Firms

RANK				Year end	REVENUE		Offices	PERSONNEL					FEE SPLIT (in percent)					
23	22	Firm	Headquarters		Chief executive	\$ mn.		% chg.	Partners	% chg.	Professionals	% chg.	Total emps.	% chg.	A&A	Tax	MAS	Other
26	34	Aprio* ⁸	Atlanta	Richard Kopelman	Dec	318.00	85.96	15	149	75.29	1,030	87.61	1,478	96.02	24	57	10	9
27	28	Sikich	Chicago	Christopher Geier	Dec	316.40	38.43	16	123	25.51	1,187	51.98	1,512	45.81	20	15	62	3
28	29	UHY Advisors ⁹	Farmington Hills, Mich.	Steven McCarty	Dec	307.40	38.78	31	122	25.77	967	18.36	1,419	27.26	35	48	17	0
29	25	Cherry Bekaert	Raleigh, N.C.	Michelle Thompson	April	293.00	16.22	15	132	3.13	840	-0.36	1,284	0.63	29	37	34	0
30	27	Mazars USA	New York City	Victor Wahba	Aug	260.00	13.04	12	103	-10.43	768	8.78	1,043	7.42	40	38	22	0
31	31	Holthouse Carlin & Van Trigt	W. Los Angeles	Philip Holthouse	Dec	232.84	15.33	13	65	3.17	516	7.50	711	8.38	14	79	0	7
32	30	Kearney & Co.	Alexandria, Va.	Ed Kearney	Dec	219.50	6.04	2	39	5.41	931	1.42	1,027	1.48	28	0	72	0
33	36	BPM	San Francisco	Jim Wallace	Oct	206.50	24.17	14	90	9.76	825	17.02	1,095	18.12	27	44	29	0
34	38	Weaver	Houston	John Mackel	May	197.60	19.83	13	113	NC	621	18.29	863	14.30	33	36	25	6
35	32	LBMC	Brentwood, Tenn.	Jeff Drummonds	Dec	192.53	8.13	5	73	NC	620	6.71	802	7.22	22	21	21	36
36	33	Novogradac & Co.	San Francisco	Michael Novogradac	Dec	192.38	8.46	28	67	NC	524	13.67	718	13.79	56	27	7	10
37	37	Whitley Penn*	Fort Worth, Texas	Larry Autrey	Dec	185.61	12.06	8	78	NC	508	9.48	706	6.33	32	39	29	0
38	35	Rehmann	Troy, Mich.	Stacie Kwaiser	Dec	182.70	7.22	18	150	14.50	638	17.93	989	15.81	37	38	2	23
39	40	Frank, Rimerman & Co.	Palo Alto, Calif.	Brian Kreischer	Dec	178.64	15.68	4	42	10.53	621	12.50	676	12.67	34	63	4	0
40	43	Elliott Davis	Greenville, S.C.	Richard Davis	June	161.00	14.18	8	59	-18.06	547	7.25	740	3.93	39	34	25	2
41	42	RubinBrown	St. Louis	John Herber	Dec	160.00	11.42	6	172	17.01	907	40.84	1,149	32.83	45	33	22	0
42	39	Warren Averett*	Birmingham, Ala.	Mary Elliott	Dec	153.60	-4.00	14	110	-10.57	509	-1.74	820	-3.98	44	39	7	10
43	45	The Bonadio Group*	Pittsford, N.Y.	Bruce Zicari	April	153.58	13.20	11	102	-6.42	598	-5.97	806	-4.39	36	30	11	23
44	41	Frazier & Deeter	Atlanta	Seth McDaniel	Dec	144.80	0.67	7	62	6.90	266	-8.90	389	-5.12	21	35	1	43
45	46	Hill, Barth & King	Canfield, Ohio	Chris Allegretti	Aug	143.00	20.17	20	96	2.13	369	4.53	571	4.20	14	31	12	43
46	47	BerryDunn	Portland, Maine	Sarah Belliveau	June	137.88	15.99	8	54	-5.26	600	23.46	813	27.83	30	13	54	3
47	55	MGO	Los Angeles	Kevin O'Connell	Dec	134.00	36.73	18	62	51.22	473	56.11	685	51.55	38	25	7	30
48	49	Cohen & Co.	Cleveland	Christopher Bellamy	May	129.01	15.30	10	66	10.00	543	17.28	744	17.72	39	46	15	0
49	51	Schellman	Tampa, Fla.	Avani Desai	Dec	123.37	21.05	3	19	26.67	379	34.88	483	38.79	100	0	0	0
50	56	Katz, Sapper & Miller	Indianapolis	Tim Cook	Dec	122.89	25.94	4	51	15.91	339	21.07	466	21.67	23	43	34	0

Shift to Advisory



ABC LLP CPAs & Advisors



A&A

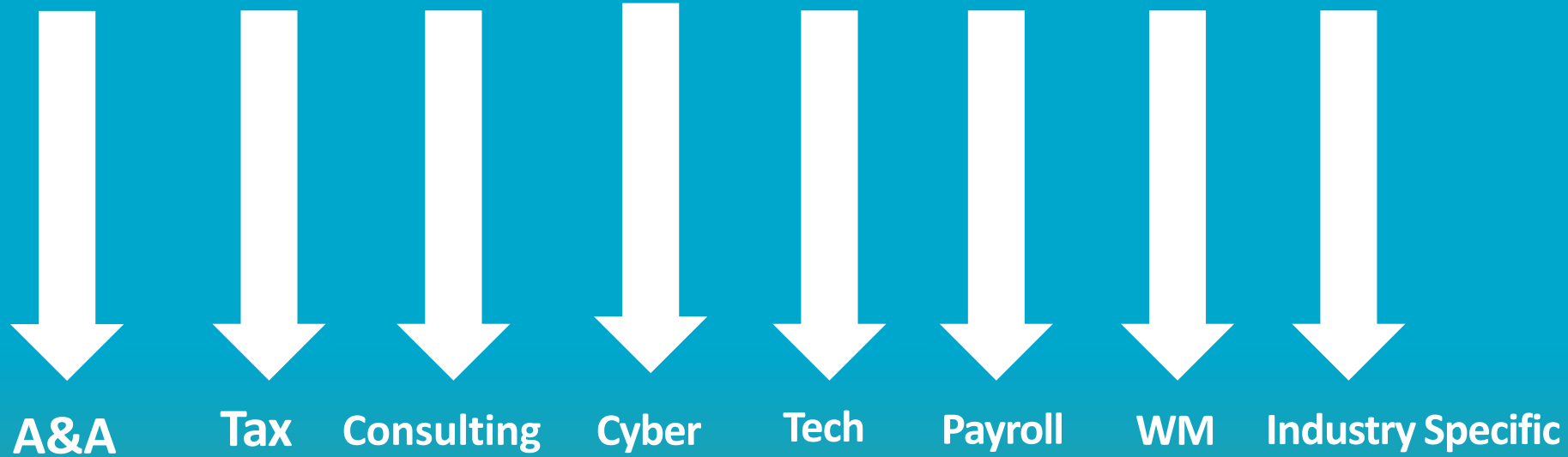


Tax



Consulting

ABC LLP Financial Services



Advisory

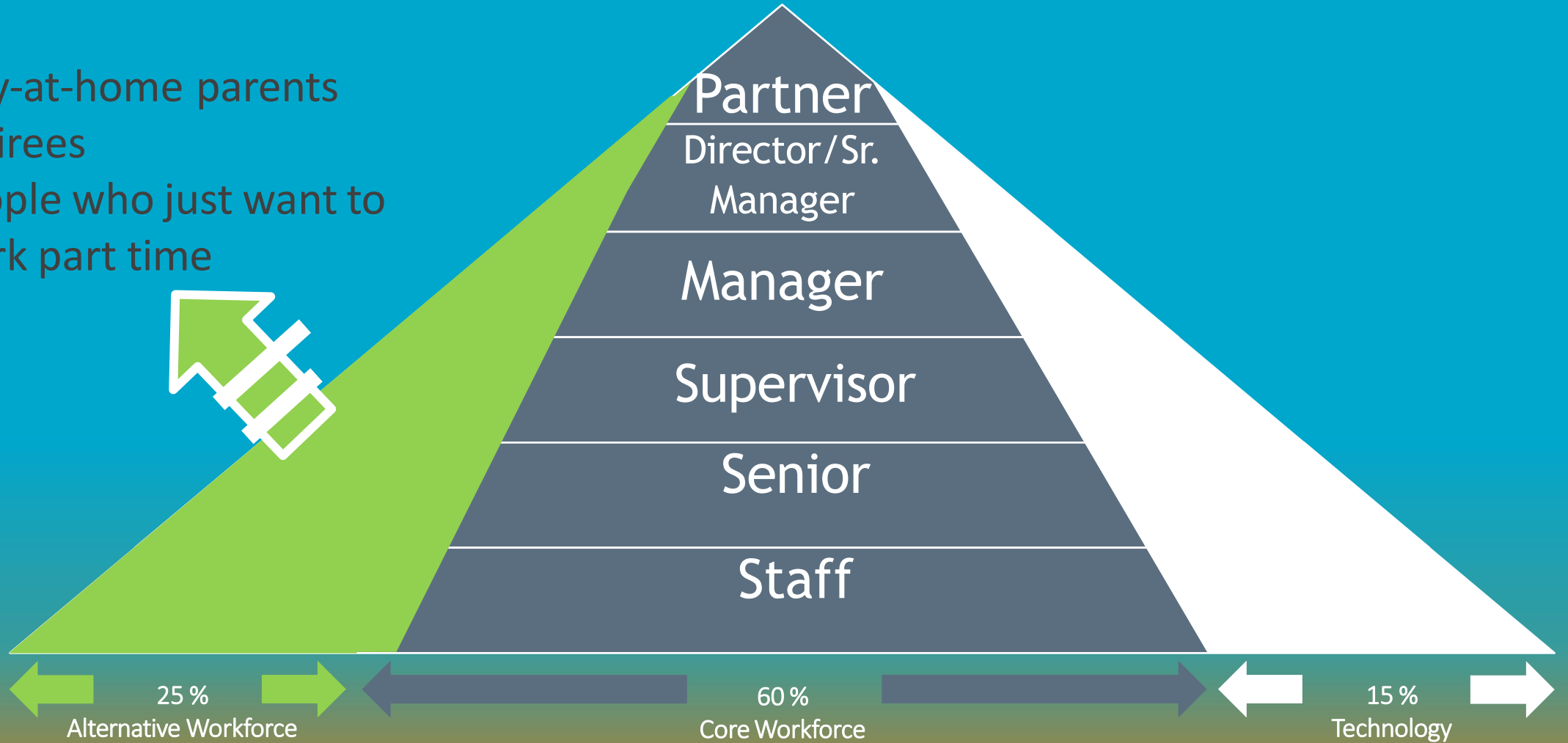
- a) Buy it
- b) Build it
- c) Share it

Niche Strategy

Capacity Without People

The Human Capital Model

- Stay-at-home parents
- Retirees
- People who just want to work part time



*Chart attributed to Marcum, LLP

Capacity Without People

- Attraction & Retention
- Outsourcing
- Process Optimization and AI
- Practice Management

Culture

- INTENTIONAL
- Millennial/Gen-Z
- Brand



What is a Millennial Workplace?

- ✓ Flexible Hours
- ✓ High degree of work
- ✓ Challenging work
- ✓ Timely and useful feedback
- ✓ Clear course of advancement
- ✓ A learning Environment
- ✓ Cool office space
- ✓ Fair compensation
- ✓ Attention to work/life balance
- ✓ Virtual when appropriate
- ✓ No dress code

Profitability

- This is a business
- Rewarding Shareholders

Firm/Partner Goals

IN OUR OPINION

Metrics of Greatness

Make money—but also make a difference.

by Gary S. Shamis and Jay N. Nisberg

CPA firms are in the business of measuring business; in our world success is measured mainly by how much money the partners make. Purdits, consultants, journalists and partners usually define a firm's "greatness" by purely economic metrics such as size, growth, employees and net income per partner. Those metrics seem logical but are, in our opinion, incomplete. Recent literature we've read and conversations with consultants and other practitioners have led us to a different view that challenges some conven-

tions and broadens the metrics to include more meaningful measurements of firm-wide achievement than economics.

Almost every magazine, newsletter and newspaper that covers the profession rates CPA firms by their numbers. Annual articles blame that such-and-such is the "biggest, best, most profitable firm and has the most revenue per partner." Recently, when one CPA firm won an award as one of the best places to work in the United States a managing partner of another large national firm asked what the return on investment was for winning the award. Talk about not seeing the forest for the trees.

In *Good to Great: Why Some Companies Make the Leap...and Others Don't*, a well-known 2001 HarperBusiness publication, author Jim Collins says truly great companies are all about great people—for which the basic metric is "having the right people in the right positions." Organizations whose fundamental mission is to attract great people over the long run "live" longer, grow at more sustainable rates and exceed the goals set out in their mission statements, he says.

Indeed, consider the fact that the top firm management issue for the past decade has been hiring and retaining staff. What have we learned? One thing is that our employees have a long list of attributes they look for from us when trying to find a great place to work. Only one of those is financial and, according to the experts, it's not even no. 1.

A NEW VIEW OF SUCCESS

Success can be measured in as many ways as a CPA can imagine, but most of the ways we consider important metrics of great firms can't. As with a good character or a compo-

Our employees have a long list of attributes when looking for a great place to work—only one is financial and it's not even no. 1.



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IN OUR OPINION

sionate nature, their contribution to the quality of "excellence" is subtle. Our definition of a truly special organization is a firm that excels in a few of these attributes, and a firm for the ages will excel in all. We hope you will consider these metrics carefully when deciding what you want your firm to be, how to get there and what your firm's legacy will be.

■ **Philanthropy.** Being charitable can serve many purposes. Remember the old saying, "A great man is measured by what he gives rather than what he receives." One of the most meaningful yardsticks of greatness is generosity.

CPA firms are viable, respected and admired, which puts them in a unique po-

Indeed, in the not-too-distant future, the CPA profession may well be dominated by women in the partner ranks. Firms that recognize this will prosper.

sition to give back to the communities in which they practice. Many firms give back through charity golf events, participation in community runs and walks, employing the disabled and collecting food for the hungry, to name a few.

Sincere philanthropy will nurture your community and inspire your employees and clients. For example, the ice cream company, for example, puts 2% of all profits into philanthropic activities. People like being affiliated with such an organization. The one problem it does not have is staffing. In a small, winter cold Vermont town, people line up to work for this company, and we believe its philanthropic culture is part of the reason.

■ **Reputation.** Nothing is more important than your firm's reputation. In today's climate, businesses want to associate with firms that have impeccable reputations for integrity and honesty. "Any press is good press" is wrong—positive press is good press.

As a result, a large New York City CPA firm, a managing partner employed all employees to protect "our" reputation. He went on to say that if anyone in the firm heard or saw wrongdoing and could not rectify it to "please, please bring it imme-

diately to my attention." Your reputation is absolutely your most valuable asset.

■ **Build to last.** Most firms fail to focus on what it takes to carry on, from generation to generation. In fact, more of the 25 largest firms in the country in 1980 is still intact. A firm may have to forgo extraordinary financial success to invest current profits into a long-term "build to last" strategy that requires a plan that facilitates succession and recognizes the needs of retiring and succeeding generations as well as their cultural differences.

A good succession plan gives owners, employees, clients and—in the case of a sale or merger, all participants—a sense of accomplishment and satisfaction. Success-

ion isn't scaling out to consolidations, either. The foresight and desire to implement a plan to survive, that is truly an attribute of a great CPA firm.

■ **Diversity.** The days of white-male domination in our profession have gone the way of dress codes. Today, more than 50% of all accounting students are female, and recent immigrants from around the world are entering the profession. Firms that embrace diversity will develop and promote initiatives to meet the needs of their employee and client base, and programs to enhance the management and leadership skills of women and minorities. Indeed, in the not too distant future, the CPA profession may well be dominated by women in the partner ranks. Firms that recognize this shift will prosper and succeed. Firms that live in the past will die.

■ **Employee-centered.** Great firms are built around great people. Firms that take care of their employees are rewarded with superior and dedicated professionals. Employee-centric firms serve the wants and needs of their employees. Many have developed university-level, continuing education and sophisticated retention programs. They recognize and embrace quality-of-life issues, create a pleasant and

rewarding work environment and provide their employees with the newest and best technology and state-of-the-art offices. These firms are compassionate and have a conscience when it comes to the interests of their employees.

■ **Work quality.** Great firms do great work. Indeed, many truly outstanding firms choose to ensure superior work product over profitability. They worry more about doing the job right than about the realization percentage and related write-offs. Accept nothing less than great quality.

■ **Creativity.** Creativity is certainly not considered a common trait of CPA firms, but creative firms have paved the way for employee ownership, rolled out new service offerings and created nontraditional career paths.

We are just beginning to see firms hire more creative thinkers. Great firms think "out of the box." They look at problems differently and become solution providers. Creativity is an important new-age metric of highly successful firms.

MEASURE WHAT COUNTS

While we're gratified to see a trend toward recognizing that our knowledge provides value, it would not bother us if we never read another financial ranking of successful CPA firms. Rather, we would prefer to read about the CPA firms that have made their mark on our culture, our society and their communities in ways that make us proud. It is our belief that, while economics are important, financial vitality is a by-product of the more-critical characteristics that so often get overlooked or underemployed—generosity, love of excellence, creativity and respect for others. Our purpose here is to ask readers to think more deeply about these metrics and ask themselves what truly is important. What really makes a difference? ♦

Gary S. Shamis, CPA, MAcc, is managing partner of Sells, Shamis & Gosholt (SS&G) Financial Services in Cleveland. His e-mail address is gshamis@ssandg.com. Jay N. Nisberg, PhD, is president of Jay Nisberg & Associates, Ltd., consultant to the CPA community. His e-mail address is jnnisberg@netnet.net. Both are members of the Advisory Board, a CPA think tank.

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Capital Reinvestment

- Ties to performance
- NO place for greedy

Strategy & Execution

- Leadership
- Execution is the key
- Strategy is easy



Change Management

Gary S. Shamis, M. Acc.
THANK YOU!

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SKILLS

Leader, Speaker, Author,
Change Agent

