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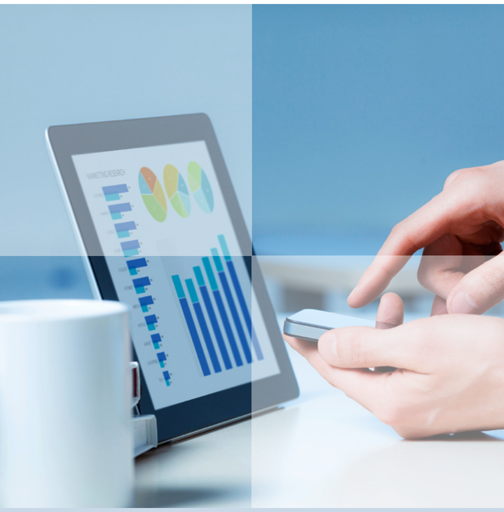

IN THIS ISSUE

Survive the First Meeting to Succeed in Acquisitions

Focus on target firm, avoid fatal missteps to lock in an invitation to meet again.

Editor's Note: *This is Part One of a two-part feature on first meetings between acquirer firms and the firms that they hope to acquire*.

It's no secret that mergers and acquisitions are essential to the growth of many public accounting firms. Most of the fastest growing firms in the profession rely on these transactions as a means of adding talent and resources, extending their respective geographic footprints, and building expertise across industry lines and service areas.

Allan D. Koltin

While some of these deals are true mergers of equals or peers, most are a courtship of sorts between a larger "acquirer" firm and smaller "acquiree" target firm.

As with any courtship, the initial meeting of the two firms—a "first date," if you will—can make or break the relationship. If the first date is unsatisfactory to the target firm, there probably is no second "date," and the acquisition will go to another suitor.

It is surprising, then, that many acquirer firms are unprepared for these meetings and make fatal mistakes that eliminate them from the acquisition dance with a target firm.

"I equate these first meetings to the TV show 'Survivor,'" explained Allan D. Koltin, CEO of Chicago-based **Koltin Consulting Group**, in an interview with *PAR*. "I say to the larger firm, 'Your goal should be simply to not get kicked off the island, and to be invited back for a second meeting.' Often, what they don't do is really figure out what they have to accomplish in that first meeting."

Koltin, a leading consultant in public accounting firm mergers and acquisitions, has sat in on more than 500 M&A meetings in his work, he said, and he has seen a variety of fatal mistakes that acquirer firms make in first meetings with target firms. In the text that follows, Koltin shares a selection of those mistakes with *PAR*'s readers.

A common mistake, Koltin said, is that the acquirer firm does not bring its "A team" to the initial meeting.

Koltin expressed amazement that acquirer firms often fail to respect the opportunity offered by such a meeting. He posed a scenario of a larger firm not sending its "A team" to meet with a $3 million, three-partner firm, and compared it to the typical response to meeting a potential $3 million client.

"If a potential client could give [a firm] $3 million in fees, the firm would drop everything to get their absolute best people on that pitch," he said, and "would treat it [as] more important than anything."

By contrast, often the acquirer firm's CEO will not even attend the first meeting with a target firm; sometimes, the firm may send staffers who are strong technically, but aren't good communicators, or communicate the wrong messages.

"Recently, I was with a firm where one group brought in their client service people—somebody from assurance, somebody from tax, somebody from accounting—and the other firm used those three seats to bring in [representatives from] three recent [acquiree] firms … to really tell the success story," Koltin said.

In that encounter, the firm that brought the client service people did not get a "second date," he added.

Another mistake that acquirer firms make is to show up for the meeting unprepared.

"Research the heck out of these firms. Prepare like it's the most meaningful date that you are ever going to have. Too many [firms] just show up, as if they have a cameo part in a movie, and they're just supposed to talk about the audit department or the tax department. If you really were [focused on being] prepared, you'd go on the [target firm's] website, you'd research their audit or tax people, you'd go on LinkedIn, you'd learn as much as you could about those people, all the way down to their hobbies," he explained.

Koltin recalled a merger-related dinner meeting with a CEO in Boston a couple of years ago.

"The CEO and his 'lieutenant' were having drinks, and as I approached them, it looked like they were playing with multiplication cards, like in grade school: They had the pictures of the [other firms'] 15 partners on little cards, and they were flashing them at each other and making sure they knew every single person's name," he said. "If you're [the CEO] in the meeting, and right out of the blocks you're addressing each one of their 15 partners by name, you know where they went to college, you know something unique about them, those 15 people [will] feel a direct connection to the CEO."

Another fatal flaw in first encounters is "not acknowledging the acquiree's greatness," Koltin said.

"I will sometimes sit in meetings that are three hours long, and the acquirer is so busy talking about how wonderful and

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great they are, they don't give any praise of great things that the acquiree is doing."

Koltin explained that the leadership of an acquiree firm wants sincere, specific praise for what it has accomplished, including things that it is doing even better than the acquirer firm.

The acquiree also wants to hear that the larger firm has "flexibility of playbook," meaning that the larger firm will take some of the smaller firm's best practices and adopt and implement them, he added.

Another type of mistake is one that Koltin puts under the heading, "You can't win for trying." In this scenario, the acquirer firm "oversells" its assets by focusing on the greatness of its own firm.

"Let's assume the firm really is that good," Koltin continued. "What happens in the debrief is that the acquiree says, 'They're an unbelievable firm, but the bar is too high. We'll never make it. We'll lose partners. We'll lose staff. We can't make it in their world.'"

The result: Although the potential acquirer might have been, by far, the best firm that the acquiree met with, it won't be invited back for a second meeting.

Another fatal flaw that Koltin has seen repeatedly is when members of the acquirer firm are physically present in the meeting but are not paying attention, and instead are on their smartphones or laptops, not listening and not taking notes.

"When you're in the meeting, truly *be* in the meeting. Be present, have positive energy and don't give any vibes that indicate this is not the most important thing in your world," Koltin said. "Look and act the part and ask questions, be engaging. It can't all be about you."

"It amazes me the people who show up at some of these meetings, and the fatal flaws [they exhibit]. If they were talking to a potential client of the same revenue size, would they do that? Absolutely not. What it really means is they don't treat the merger prospect as [being as] important as they would treat a client prospect.

"This is 'Relationship 101.' This is courting. You need to show [the acquiree] that you want to 'get married,' you love what you see, no differently than in the real world when one courts another in a dating relationship," Koltin said. "I compare that with other firms sometimes that show up on the doorstep and say, 'Here's what we're all about. If you're interested, just let us know.' That's sort of like a neutral disclaimer, versus, 'We love your firm, we can't wait to get married, here's how we're going to grow together.'"

Editor's Note: *Next month, in Part Two of this feature, Koltin discusses partner compensation details, individual partner agendas, control issues and differences in mandatory retirement policies. Stay tuned!* ■

PAR News Digest

Deloitte confirmed that it was cyberattacked through its email platform and confidential communications were compromised, according to media reports. Six clients were told their data were impacted by the breach. Not all of the details were made public. After reviewing the email platform, a Deloitte spokesperson said the firm now understands "precisely what information was at risk and what the hacker actually did." It determined that very few clients were impacted, and no disruption occurred to client businesses or to Deloitte's ability to continue to serve clients, or to consumers. In response to the attack, Deloitte implemented its comprehensive security protocol, initiated an intensive and thorough review that included mobilizing a team of cybersecurity and confidentiality experts inside and outside of Deloitte; contacted governmental authorities immediately after it became aware of the incident; and contacted each of the clients impacted. The Guardian, based in London, reported that the hacker compromised the firm's global email servers through an administrator account that theoretically gave the intruder unrestricted access. The account required only a single password and did not have two-step verification, sources told The Guardian. Emails to and from Deloitte's 244,000 staff were stored in the Azure cloud service, which was provided by Microsoft. The hackers had potential access to usernames, passwords, IP addresses, architectural diagrams for businesses and health information, and some emails that had attachments with sensitive security and design details, according to The Guardian. No one claimed responsibility for the hack, but the fact that the attack appeared to target email systems to gain access to client information suggested that the hackers were cybercriminals looking to steal data that could be sold, according to Forbes. The attack appeared to target the firm's U.S. operations. It was discovered in March and could have begun as early as October 2016. A spokesperson added that "Deloitte remains deeply committed to ensuring that its cyber-security defenses are best in class, to investing heavily in protecting confidential information and to continually reviewing and enhancing cyber security." Deloitte is still investigating the incident. Its clients include Morgan Stanley, Berkshire Hathaway, Starbucks, Boeing and Microsoft. For FY16, Deloitte had global gross revenue of $36.8 billion and U.S. global gross revenue of $17.518 billion. (*Sources: Forbes, The Guardian, CNBC*)

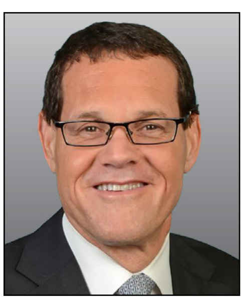
PwC is set to launch a U.S. law firm this month. The firm, called **ILC legal**, opens with an office in Washington, D.C. It will not offer U.S. law advice but will assist U.S. clients on international issues and act as a marketing operation to generate work that can be referred to PwC's existing legal services network. Nevertheless, it will compete with U.S. law firms. Its lawyers will act as special legal consultants rather than fully licensed U.S. lawyers, allowing them to counsel on foreign law but not U.S. law. ILC Legal will compete with big law firms as a one-stop shop offering multinational companies access to other PwC services, including tax consulting and its global network of 3,200 lawyers. The firms in that network operate separately but follow the same standards and practices under the PwC brand name. The Washington office will be led by the head of PwC Legal's international business reorganizations practice, Richard Edmundson. He relocated from London, along with five other international lawyers. "This is market driven," Edmundson told The American Lawyer. "Our clients are increasingly looking for advisers that can provide international coverage on transactions from planning to execution." Edmundson said that the office will focus on services that are relevant to U.S.-based multinationals doing business abroad, including international corporate structuring, M&A support, labor, financial services, immigration, cybersecurity and data protection, corporate secretarial, tax controversy and dispute resolution. "We don't regard ourselves as a traditional law firm," he said. "We don't look at legal services in isolation—it's just one part of a broader offering." Large corporations are now "much more accepting" of accounting firms providing multidisciplinary services, including legal advice, he added. Edmundson said that PwC decided to open in Washington in part because it is a large and important market but also because the bar rules there permit lawyers to register as foreign legal consultants and practice U.K. law. The firm has no current plans to open additional offices in the United States, but Edmundson didn't rule out doing so in future. "We want to be successful and grow our business," he said. "We will see how the market reacts." ILC Legal will be structured as a separate legal entity from the rest of PwC and its legal services arm. Edmundson said that although the firm would not offer U.S. law advice, there is no reason why it couldn't. "It isn't controlled by the accounting firm, so it can in theory do anything that any independent law firm can do," he said. All the Big Four firms have invested heavily in their legal services arms in recent years—particularly in Europe—and now collectively employ about 8,500 attorneys globally, according to The American Lawyer. PwC Legal, the largest legal arm of the Big Four, fully integrated with the accounting firm's U.K. business last year and has offices in 85 countries, far more than any other law firm. (*Sources: The American Lawyer, The New York Times*)

Rea & Assoc., which had FY16 net revenue of $40.7 million and is based in New Philadelphia, Ohio, is establishing a Cleveland beachhead with the pending merger of Walthall CPAs. The deal is expected to close on Nov. 1. The combined firm will have more 300 professionals and 13 offices. "Over the years, Walthall has spoken to many firms about the possibility of merging, but we decided to move forward with Rea because their culture aligned so well with ours," explained Richard Lash, managing partner of Walthall CPAs, which was founded in 1944 by two former professors of accounting at Cleveland College. After the merger is finalized, Lash will become the regional president of the firm's Northeast Ohio region, which will include offices in the Ohio cities of Amherst, Cleveland, Medina and Mentor. Walthall's Wooster office will join Rea's East Central Ohio region, under the leadership of Kyle Stemple. Walthall's Amherst and Cleveland employees will continue to conduct business from their existing offices, but under the name "Walthall Rea." The firm's Mentor office will also be called "Walthall Rea" after Nov. 1. The employees in Walthall's existing Mentor office will move to Rea's Mentor office. Employees in Walthall's Wooster offices will be relocated to Rea's Wooster office, which will remain named Rea & Assoc. Rea & Assoc. has strengths in the manufacturing, construction, dental, not-for-profit, healthcare and government industries and provides services including traditional accounting, tax and assurance services, Affordable Care Act consulting, investment advisory services and IT risk assessments. ■

EXECUTIVE FORUM

Firm Leaders Discuss Insights Obtained Through Achievements and Mistakes

We have all done things that we are proud of, and we have all made mistakes. Sharing those less-than-stellar moments, in addition to our achievements, can be difficult, but the insights gained from both successes and failures can be useful. This month, *PAR* asked chief executives of public accounting firms to tell us about their proudest achievements, as well as mistakes they have made and the insights they have gained from both.



Charly Weinstein

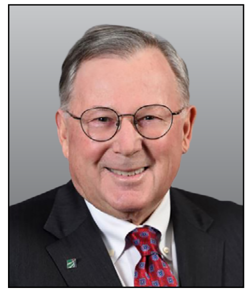
Charly Weinstein, *CEO,* **EisnerAmper/***New York (FY17 net revenue: $353 million; 184 partners, 1,500 total staff, 17 offices)*:

Any CEO would pride himself or herself on their organization becoming a destination for talent, and I'm certainly no exception. Being an effective talent ambassador for EisnerAmper is one of my greatest responsibilities as well as joys. Our people live the core values we espouse (collaborative, collegial, client-focused professionals), and the tone starts with the CEO. Spending time with my colleagues, visiting our offices, and being supportive of our staff set the tone for our leaders in the firm. I care about the impressions staff, clients and others get about EisnerAmper when I meet them, and I believe that mindset has translated throughout the organization. By me practicing what I preach, our employees know that by respecting others and their ideas, they can go as far in the firm as they want. It's a great honor leading 1,500 employees—coming from all backgrounds—who are focused on helping each other and our clients succeed. Conversely, failure has touched us all. I recall a partner who left the firm to pursue other opportunities. He went above and beyond to ensure a smooth transition. When the issue of additional financial compensation for those efforts arose, at the time, I felt the money was better spent elsewhere within the firm. Unfortunately, my former partner reacted adversely. Reputation is paramount to being a destination for talent, and I learned much from this. Putting the firm ahead of the individual still may have been the correct choice, but I learned that there should be a balance. Make sure that your colleague is being heard. Your decisions when people leave usually have costs. The benefit, or cost, to your firm's reputation should be a factor in that decision. CEO self-examination is definitely time well spent. The only way one can improve is to start by looking in the mirror.


James Chakires

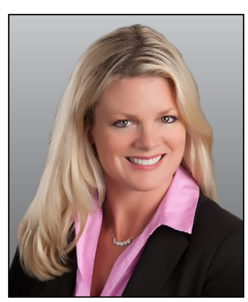
James Chakires, *president and CEO,* **Apex CPAs and Consultants/***St. Charles, Ill. (FY16 net revenue: $1.38 million; eight total staff)*:

My proudest moment is rooted in relentless commitment to serving others. All our work at Apex is centered around this one core belief. As a small firm, we love the challenge of taking on larger-than-life projects and knocking them out of the park. A new client we took on was a private equity firm with a $1 million tax dilemma. Their CPA firm at the time (a much larger firm than ours) could not solve for it. We came up with a strategy that the client really liked. What makes the story even better is that our client was then examined by the IRS, and our strategy stood up to the rigorous standards of the examination. We earned the opportunity to serve this client for life. There is no greater achievement than becoming a lifelong, trusted partner to someone. Leadership is much more than being "the boss." I have always been a visionary thinker but had a difficult time getting my team to follow me. So one important mistake I've made is allowing myself to be often viewed as a "mad scientist, a bull in a china shop, unpredictable, changing my mind all the time, chasing shiny stuff." When I realized all this, I also realized that my people do not come to work every day for the sole purpose of helping me achieve MY goals. They have goals too. They have families, outside interests, and dreams of their own. So, I needed to learn how to be a more collaborative leader and to serve the interests of my team in order for each of us to be the best version of ourselves. By becoming a better listener, being clear and intentional about our firm's goals, and showing how achieving those goals benefit everyone, the transformational change has been unbelievable. Our retention of really excellent people has gone way up. We are stronger as a team, more productive, happier, and serve our clients better too. Both experiences can be boiled down to one thing: being relentlessly committed to serving others. By going above and beyond for both clients and staff, you build something great together. It's awesome!


Carl D. Herbein

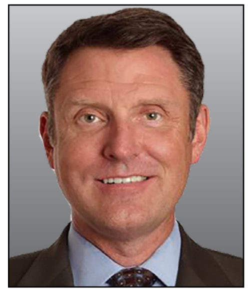
Carl D. Herbein, *CEO,* **Herbein + Co./***Reading, Pa.(FY16 net revenue: $26.5 million; 24 partners; 170 total staff, seven offices)*:

At Herbein + Co., we are proud of the stability and continuity of our partner group. Our partner turnover rate is among the lowest in the industry and is fostered by common business and professional goals, a common desire to have a rewarding professional career, a life that includes much more than business, and an opportunity to assist our clients and the communities that we live and work in to be the best that they can be. Additionally, our firm has developed several industry specialties that allow us to broaden the geography we serve while providing staff with a real brand to support and promote. In our more than 40 years of practice, we have encountered difficulty in hiring, mentoring, and developing strong, visible, and decisive leadership in our tax practice. We have now learned that tax leadership and creativity is developed by hiring, mentoring, and developing tax professionals that are both "homegrown" and recruited from outside. This effort is now supported by an active human resource process, which includes hiring at the highest level available, training programs that are on a national level, and the fostering of a real departmental team that works together to build the firm of tomorrow and provide our clients with the advice necessary in today's business environment.


Jackie Cardello

Jackie Cardello, *managing partner,* **Gelman, Rosenberg & Freedman/***Bethesda, Md. (FY16 net revenue: $23 million; 17 partners, 111 total staff, three offices)*:

Following our … top workplaces honors earlier this year, I have to say my proudest achievement as managing partner is the tremendous recognition GRF is receiving as a workplace of choice. The firm's leadership team and I attribute the firm's success to our culture of nurturing and promoting young talent, best demonstrated by the election of four young partners last year. GRF is investing in training, technology and other resources to cultivate an environment where people want to stay and build their careers. This will be one of our key differentiators as we look to the future. Like every other professional, chief executives learn from their mistakes too. An important lesson I have learned as managing partner is the value of maintaining open lines of communication, particularly around the important issues or changes that have a direct impact on the staff. I am a better leader today because I am more deliberate about how and when I communicate with firm partners and staff, and I lean on my colleagues for advice when it matters most. I have also learned that how you handle communication is almost as important as the words themselves. It is not enough to get the information out there—you have to communicate equitably across the board so that no one feels he or she is less important than others in the organization. Taken together, I would advise emerging firm executives to invest your time and resources in your people. They are your greatest assets, so show them how much you value their contributions. Open and frequent communication with your staff only reinforces this and creates a culture of trust and respect. I am proud that GRF embodies these values and they are included among the guiding principles for our firm.



Chris Russell

Chris Russell, *managing partner,* **Peterson Sullivan/***Seattle (FY16 net revenue: $30.6 million; 21 partners, 191 total staff)*:

At Peterson Sullivan, we have received considerable accolades [for workplace, growth and client service excellence]. This collective group of acknowledgments could be considered an achievement, but they're really results of what is truly my proudest accomplishment—and that is our phenomenal culture. It has been a long-term, cooperative effort of our entire organization to transform the culture while enjoying healthy growth. We are proud to foster a workplace where employees willingly go above and beyond in their work, advocate for the organization, and intend to stay in the future. We believe we have been recognized for our efforts to mold, flex, and adapt our culture in large part due to our commitment to staff individualized personal development plans, which encourage our employees and partners to make contributions in the competency areas where they are most passionate and successful. When a firm is experiencing significant growth, there is a tendency to want to accomplish all the initiatives ahead of you and leverage all the opportunities that come along. It's important to prioritize and select those programs on which you can execute well. Accomplishing those key, critical milestones will happen faster and ultimately be better for the organization than trying to move a wider group of goals at once.

PEOPLE, FIRMS AND PROMOTIONS

BKR International admitted three new firms to its membership: **DiSanto, Priest & Co.**/Warwick, R.I.; **Nichols, Cauley & Assoc.**/Atlanta; and **Ronalds & Assoc.**/Nairobi, Kenya.

CPA Associates International admitted **BOSY, AO** of St. Petersburg, Russia (two partners, 22 total staff), and **Cokinos Auditores E Consultores** of Sao Paulo, Brazil (five partners; 17 total staff).

Citrin Cooperman, based in New York, named **Alexander Reyes** as leader of its financial services practice and **Guy Miller** as a financial services practice audit partner. Reyes is based in New York. Prior to joining Citrin Cooperman, Reyes served as partner at **Mitchell Titus**/New York and held senior roles at **Ernst & Young**. Miller is based in the firm's Livingston, N.J., office and provides assurance services to financial services clients, with emphasis on hedge funds, investment partnerships, offshore funds, funds of funds, commodity pools, and private equity funds.

New York-based **CohnReznick** named **Robert Hilbert** as the new managing partner of the firm's assurance practice. Hilbert succeeds **Steven Schenkel**, the firm's chief risk officer, who has held a dual role in overseeing both the risk and assurance practices. Schenkel plans to retire next year but will continue in the role of chief risk officer until then. Hilbert is based in the firm's New York office. Previously, he was national director of accounting.

Chicago-based **Crowe Horwath LLP** will welcome San Francisco-based **Rowbotham International** on Oct. 30. Rowbotham (four partners, 20 professionals) has deep industry experience in information technology, software, bio technology, real estate, distribution, hotel and leisure services, media, financial services and entertainment.

Dixon Hughes Goodman, based in Charlotte, N.C., named **Eric Moses** to partnership and transferred him from the firm's Atlanta office to its Nashville office. Moses will focus on growing the office's tax practice. Paul Hopkins, an audit partner, was named Nashville office managing partner.

HLB International admitted **Palestia**, based in Ramallah, West Bank, Palentinian Territories. It also admitted the Beijing office of **CAC CPAs LLP** to its network in China. CAC CPAs LLP has been representing HLB in Tianjin and Urumqi for nine years and has been expanding rapidly. CAC will now represent HLB in Beijing. CAC has 16 offices in China, 80 partners and 1,500 staff, including 700 CPAs. In addition, HLB admitted **Shandong Hexin CPAs LLP**, based in Jinan, China. It has 30 partners and more than 600 staff, including 200 CPAs. The firm also has offices in the Chinese cities of Qingdao, Weifang, Yantai and Jining.

Herbein + Co., based in Reading, Pa., admitted four new partners. They are **David Cordier**, **Craig Mengel**, **Josh Pollet**, and **Randy Raifsnider**. Cordier manages the firm's Allison Park, Pa., office and specializes in tax. Mengel specializes in working with owners of privately held businesses and coordinating their accounting, tax, and business consulting needs. Pollet began as an intern with the firm and specializes in audit. Raifsnider is a leader within Herbein's management advisory services group.

New York-based **Marcum LLP** named new leadership for its Illinois region. **Cary Buxbaum** is the new regional managing partner in Illinois and is based in Chicago. **Jenny Deloy** was named office managing partner in Chicago and continues as partner-in-charge of the Illinois Assurance Services department. **Lisa Hanlon** is now office managing partner in Deerfield while remaining partner-in-charge of the Illinois Accounting Services department. All three of the new Illinois leaders joined Marcum through the firm's 2015 merger with **Frost, Ruttenberg & Rothblatt**. **Richard (Rick) Sgarlata**, the former president of Frost, who helped facilitate the merger as Marcum's first Illinois regional managing partner, relinquished that role in anticipation of retirement in 2018.

PKF International admitted **JLK Rosenberger** as a new member firm in North America. The firm has offices in Dallas and the California cities of Irvine and Glendale.

PrimeGlobal admitted **Alexander Aronson Finning**, headquartered in Westborough, Mass. The firm has more than 180 total staff and additional offices in Boston and Wellesley, Mass. PrimeGlobal also admitted **Despacho Jiménez y Guzmán Asociados** of San Pedro, San José, Costa Rica; and **Fine Accounting Services** of Nairobi, Kenya.

RKL LLP, based in Wyomissing, Pa., admitted **Jonathan M. Clark**, to partnership. He specializes in tax.

Warren Averett, based in Birmingham, Ala., named **April Harry** as the new chief operations officer. Harry replaces **Mary Elliott**, who is transitioning in to the CEO role, effective Jan. 1. Previously, Harry was CFO. ■