

CPA Firm Heads Looking for the Right M&A Candidates

By **Michael Cohn** JANUARY 22, 2016



A group of accounting firm leaders shared their perspectives Thursday on how they identify potential firms for mergers and acquisitions.

"Typically what we're looking for is a firm that will fit in with our overall strategy, whether it be geographic or niche-focused," said WithumSmith+Brown managing partner and CEO Bill Hagaman, speaking at the Winning is Everything conference in Las Vegas. "Our number one issue is culture and making sure that it's going to be a good culture fit. I like to tell prospective firms that we're talking to that we can't make an economic deal that will overcome bad culture. We really do focus on that during the whole negotiation process."

Panel moderator Allan Koltin, CEO of Koltin Consulting Group, asked Baker Tilly CEO-elect Alan Whitman about his firm's strategy. "We have a belief that mergers enable growth, whether it's a new geography, whether it's brand expansion, etc.," said Whitman. "We do have a merger strategy, and it's a three-legged stool. One is local prominence, becoming large enough in the existing geographies in which we operate so that we can bring all the specialties into that market. Two is additional specialization, adding something new, an industry play, a service play. And then geographic expansion."

Wolters Kluwer **ACCOUNTINGTODAY**

Take this 60-second quiz and find out. Then see how you compare to your peers

[CLICK HERE](#)

His firm's quest has been to take the global brand of Baker Tilly and build it in the U.S. "There are only so many global brands in the profession and we have an opportunity to capture one of the last global brands available," Whitman added. "That's not to say we're going to be in every city, but we're going to be in the major markets that help us sustain our organic growth."

CohnReznick chairman Ken Baggett discussed how his firm, Reznick Group, merged with J.H. Cohn in 2012. "We came to a crossroads where 70 percent of our revenue was in one major industry [real estate] and we needed diversification, so we began the search and looked around, and ultimately that led to the merger with

J.H. Cohn," he said. "Why it was successful—forget that we thought a lot alike because that had to be a foundation—but the overriding thing was that J.H. Cohn was primarily in the Northeast with some spots on the West Coast, whereas Reznick Group was much more geographically diversified, but we had very little diversification in our practice, so the overlay was a match made in heaven."

He and J.H. Cohn CEO Tom Marino came up with the name for the combined firm at a bar, but then hired a marketing specialist who ultimately confirmed that was the best name to use.

Koltin asked what signals during a merger discussion indicate a potential combination is going to work or not.

"I like to see firms that are really focused on building their asset, their people," said Crowe Horwath CEO Jim Powers. "A real litmus test for me would be if people stay with them. Do they grow their own partners or do they struggle to create and retain talent? If they do, it may be a problem."

One red flag is when the head of a firm introduces his colleagues by telling Powers what their chargeable hours were for the prior year. "That told me it was going to be a tough cultural fit," he said. "Another thing I look for is do the partners get along. If they don't get along with one another without me, they're certainly not going to get along with one another with me. But even more than that, do they collaborate together? Do they actually work together on clients? Do they work together to try to build the firm, or is it one person and everybody else sort of follows? Those are some of the cues that I try to see because everybody will tell you they have a great culture."

Hagaman said firms that Withum merges with need to care about their people. "At the end of the day, we need to be partners together, and can we live together as partners," he said. "When we go through our due diligence process, that's what we're looking for. Are they adaptable? Are they going to be focused on just themselves? Are they going to be team players? Are they going to support their people? Do they care about their people? In our world, clients

are incredibly important, but we believe that it's our people that keep and get our clients, so we start there and then the clients follow."

Posted by AKoltin:

[Update your username](#) (AKoltin)

Add your comments here.

Notify me when other readers comment on this article.
[Click here to receive notifications without commenting](#)