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Plante Moran, EKS&H Merger: 'A Culture Combination'

Combined firms' revenue approaches \$626 million, making it the nation's 11th largest firm.

EKS&H/Denver wasn't looking for a merger partner. It was profitable and growing, and its succession plans and strategic initiatives were in place for the long term. Partners at the firm were looking for a larger firm to emulate—a regional powerhouse whose footsteps they could follow to grow into the firm they wanted to become.

Partners at **EKS&H** (FY17 net revenue: \$105.9 million; 64 partners, 624 total staff; four offices) zeroed in on **Plante Moran**/Southfield, Mich. (FY17 net revenue: \$520.5 million; 268 partners, 2,393 total staff; 21 offices).

In an environment where disruption is the norm and more disruption is the inevitable, **EKS&H** CEO Bob Hottman saw **PM** as the firm most like his own in culture, values and ambition. So he reached out and asked if **EKS&H** partners could visit and talk with **PM** leaders as a learning exercise.

PM, meanwhile, had identified geographic areas and specialties where it wanted to expand. Among the goals: a Denver location and a more robust energy practice.

"The more we talked and learned who each firm's people are and what each firm is, the more it made sense to take a learning opportunity and turn it into a combination," Hottman told *PAR*.

And that's the plan. **EKS&H** will become part of **PM** on Oct. 1, making the combined firm the 11th largest in the nation, with more than 3,000 professionals working in 27 offices. The firms' combined revenue in 2017 was roughly \$626 million.

Neither firm has ever aggressively pursued acquisitions or mergers. **PM**'s last merger was in 2012, when it merged in Chicago-based **Blackman Kallick**, which had approximately \$50 million in net revenue and 250 total staff. **EKS&H**'s most pivotal merger was in 1994, when two Denver legacy firms, **Ehrhardt Keefe Steiner** and **Hottman Harris & Drake**, combined to form the existing firm.



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**Bob Hottman**

This deal brings EKS&H significantly increased critical mass, as well as an international presence, as PM has offices in Shanghai, Mumbai, Tokyo and Monterrey, Mexico. It also strengthens EKS&H's expertise in private equity, wealth management, healthcare, financial services, and manufacturing. PM snags a nationally recognized energy practice and expands its domestic geography beyond the Midwest, giving it a presence in Denver, San Francisco and the Colorado cities of Fort Collins and Boulder. Both firms have national industry practices and international affiliations: EKS&H is a member of **Leading Edge Alliance**, while PM is a member of **Praxity**, where the combined firm will retain its membership.

"We have a number of national practices and do work

**Jim Proppe**

all around the country," said PM Managing Partner Jim Proppe, 55, who's been in the firm's top job for barely a year. (See *PAR*, June 2017.) "We don't do a lot of mergers. Our strategy has been to identify the markets we want to be in and [merge] with the right timing and the right firm. We'd just finished strategic planning and identified Denver as a market we wanted to be in" when EKS&H reached out.

Added Hottman, 62: "So much is going on in our industry. So we wanted to talk to someone who has same culture and grew the way we wanted to, and after researching it, we saw that PM was the only firm we wanted to learn from because our cultures are so similar." Both firms have a combined history of nearly 30 years on Fortune's Best Places to Work List.

The to-be-combined firm received 12 to 14 opportunities in the 30 days before the deal was announced on June 18. The opportunities involve both existing clients and new clients. For example, PM received an RFP in the energy space that it previously would have declined.

"But we knew our firms were coming together, and EKS&H has a very sophisticated energy practice," Proppe said. "So we were able to get both firms involved."

Another gem in the crown: EKS&H's San Francisco office, which is the hub of the firm's private equity relationships. PM does a lot of work on the West Coast, and San Francisco was in the firm's crosshairs to support its venture capital business, Proppe said.

The firms also have complementary technology practices, plans and philosophies – for their combined firm, the profession and for clients. Both have built significant technology practices, and their combined consulting practices will result in a larger hub in the Denver market, where EKS&H already has a tech center office.

"I think of [technology in terms of] wrapping technology around every one of our services, and also, looking at what we're doing internally and doing it better with technology,"

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Through the combined resources and enhanced technological abilities, “we’ll be able to take some of our

The focus now is integration, Proppe said. The approach will be slow and steady, and no additional combinations are anticipated in the near future. Eventually, some PM

Editor's Note: ¹Plante Moran merged with Chicago-based Blackman Kallick on July 1, 2012. **Source:** Firm data, PAR analysis

Source: Firm data, PAR analysis

professionals will move to Denver, “not to be in leadership positions, but to help with integration and systems.” Added Hottman: “We don’t offer wealth management. That’s entirely new to us, and we’ll definitely need someone from Plante to help with that.”

Allan D. Koltin, CEO of Chicago-based **Koltin Consulting Group**, who advises on many of the largest mergers in the profession, noted that this merger was unique in that “it had two ‘wows’ associated with it. The first one is the fiercely independent EKS&H merging with a larger firm. Historically EKS&H, has had no interest in overtures from any larger firms wanting to come into the Denver market.”

Koltin suspects PM’s track record of innovation and success with its consulting and advisory services, as well the technological changes and required investment blazing

Koltin said. “They will spend a lot of time and energy focused on the successful integration of EKS&H over the next couple of years. And not to be overlooked here was the tremendous alignment from a culture standpoint between the two firms.”

Look for more large firms to merge in the next few years, Koltin advised.

“A handful of Top 100 firms are also in exploratory talks with larger firms,” he said.

If there’s a message in this merger for the accounting profession, Hottman said, it’s this: “You need depth. You need resources. But when you have two firms focusing on culture coming together, it has bigger impact on the profession because the workforce of the future is focused on culture. Both our cultures are focused on people, values and principles.”

“The more we talked and learned who each firm’s people are and what each firm is, the more it made sense to take a learning opportunity and turn it into a combination,” Hottman told PAR.

through the profession, were especially attractive lures for the Denver firm.

EKS&H is also seeing increasing competition in Denver, with highly successful firms such as Chicago-based **Crowe**, Seattle-based **Moss Adams**, and Milwaukee-based **Wipfli** recently entering the market—and a couple others on the verge of entry,” Koltin noted.

“The second ‘wow’ was Plante Moran moving away from it’s very tight geographic focus around Michigan, Ohio, Chicago, and potentially Indiana,” Koltin added. “They have been approached by numerous smaller firms in many geographies from the west coast to the east coast and always have gracefully declined.”

Koltin suspects that if EKS&H had not grown to more than \$100 million in revenues and not been based in a major, fast-growing market like Denver, PM would not have been interested in combining.

“I don’t think you will see Plante go on a shopping spree and become the industry’s next national firm,”

“Every organization has a culture,” added Proppe. “Where we’ve seen such great alignment is our dual focus on people, clients and communities. We see it not only in guidelines and policies, but also the way we talk and speak to each other.”

“When I talk about compatible culture, what I mean is it’s about people first and foremost,” Hottman said. “We knew they had people first and foremost as their culture like we do. There are a lot of firms that stand out as great firms, but PM has always had a culture that stands out in this profession. We knew Plante already – we’d sat on panels with them and so forth – but once we started visiting and talking, the more we understood how alike we are.”

EKS&H sent 25 people to PM’s annual firmwide conference, including Hottman’s receptionist.

“She has a great pulse on people,” Hottman said. “When she returned and I asked her how it went, she said, ‘These are our people.’” ■

EXECUTIVE FORUM

Leaders Forecast the Profession's Most Significant Changes

Leaders cite data management, more sophisticated services and urgent innovation as necessities.

Firm leaders are continually interacting with others in their firm, the profession, their community, and with clients and prospects. For this month's Executive Forum, *PAR* asked select firm leaders to look into their crystal ball and tell us one or two significant changes they see as emerging trends and how their firms will adapt (or are adapting) to capitalize on them.



Ted Dickman

Ted Dickman, CEO, BKD/
Springfield, Mo. (FY18 net revenue: \$600 million; 281 partners; 2,650 total staff; 37 offices):

Supporting and engaging innovation to generate results is one of the most significant organizational challenges facing BKD and the profession. To stay relevant to our clients and create rewarding career paths, we need an environment that harnesses data, promotes technology, and leverages the strengths of our people to deliver at a higher level for existing services, as well as to generate new opportunities. Principled innovation has been a formal part of our culture for more than 15 years, codified in our unmatched client service standards. Including "principled" in our language is critical—our innovation efforts have to be meaningful while respecting our commitment to integrity and service. Our broad goals are focused on our culture. We continue to increase our team's confidence that investing in innovation is valuable, and that failing—even failing quickly—is not only expected but worthy of celebration as we look for more effective ways to manage risk. Our partners and governing board set a broad financial commitment (up to 1.5% of revenue), but we also look at each opportunity in its own context. We have a chief innovation officer and a growth and innovation governance structure that encourages development, supports investment, and monitors results relative to expectations. Our investments include audit innovations, tax technologies,

broadened industry strengths, and new products that serve client needs. In terms of advice for others in this area, don't underestimate the influence the people in your organization can have when it comes to innovation. Creating a new idea is one thing. Deploying it successfully and keeping your people from reverting to the "same old ways" is tougher than you might expect. It takes time and a deep commitment to create lasting cultural change.



Ron Causey

Ron Causey, co-founder & CEO, SC&H Group/Sparks
Glencoe, Md. (FY17 net revenue: \$55,450,600; 37 partners; 253 total staff; three offices):

In order to meet the growing needs of clients, firms will need to offer an array of services. SC&H Group recognized this "trend" decades ago and began systematically molding the firm into a diversified consultancy with expertise in practices that not only included audit and tax, but investment banking and valuation advisory, wealth management, and technology advisory. We moved strategically to partner with companies that offered some of the most powerful management tools and applications available to help solve clients' problems. In 2001, SC&H launched the Business Performance Management practice, which helps leading organizations operate their business more efficiently and intelligently using the Oracle-Hyperion technology suite. In 2016, SC&H conducted the largest Oracle-Hyperion cloud-based implementation in the world for the global hospitality company—Hilton Worldwide. In 2017, SC&H delivered the first live deployment of Oracle Financial Consolidation and Close Cloud Service together with Oracle ERP Cloud. Another practice that is experiencing significant growth both domestically and internationally is our SC&H Capital Group, which was formed in 2005 to advise clients in industries including, but not limited to, healthcare, manufacturing, technology,

