2000

Double digit growth : tools from top firms

Jean Marie Caragher

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AICPA

American Institute of Certified Public Accountants

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Issued by the PCPS Management of an Accounting Practice Committee

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Foreword

In my days as a semi-competitive runner, coach Roy Benson promised to reveal his secret workouts to us once we were ready for peak performance. After weeks of dedicated preparation, however, it turned out that there was no secret workout. In religiously following a strict but individualized training program, we were ready for peak performance. Benson's secret workout was the final carrot that led us to perform at our personal bests.

In a similar fashion, you may read *Double Digit Growth: Tools From Top Firms* hoping that it reveals to you the secret formulas that America's top-performing CPA firms use to achieve consistently outstanding growth. What you will find, however, is that there are no real secret formulas. The secret of those firms achieving double-digit growth year-after-year is that they have a strategic plan, supported by effective leadership and strong procedures, that they relentlessly follow to peak performance.

What you will discover in *Double Digit Growth* is that there is no one formula that works for all firms. Just as the running program is individualized, so is the strategic plan that may lead your firm to peak performance. Each of these top firms got here by following its own path (for example, specific niche markets, emphasis on marketing, performance compensation, partner atmosphere that is either collegial or competitive, and so on). The message, therefore, is that you can choose from the strategies of these top firms those that will best work for your firm. Soon, you too may be reaping the rewards of double digit growth.

Arthur W. Bowman

PREFACE

The idea for *Double Digit Growth: Tools From Top Firms* grew out of an examination of *Public Accounting Report*'s Top 100 Firms and *Bowman*'s Top 100 from 1997 to 1999. I identified thirty-two non-national firms that had grown by 10 percent or more each of these years, excluding mergers.

I sent a cover letter and survey in mid-December 1999 to the managing partners of these thirty-two firms asking for their participation in this project. More than half the sample were interested in participating, an indication that exploring how CPA firms are growing by double digits was a worthwhile topic. Twelve firms met both of the required criteria—double digit growth excluding mergers, and timely completion of the survey—and I chose to profile only those twelve. To expand on the written survey, I conducted telephone interviews with each managing partner in January and February 2000; the managing partners also supplied additional information as I was writing the book. *Double Digit Growth: Tools From Top Firms* is intended to provide you with practical tools and ideas you can implement in your firm. Whether your firm is large or small, you can learn from your peers featured in this book. I hope that you find it valuable and that the book provides you with food for thought as you plan for the continued success of your firm.

Acknowledgments

Many people contributed to the development of this book. First, I would like to thank the managing partners of the featured firms. Without their time and effort this book could not be written. Second, I would like to thank my accounting marketing colleagues for their insight, intelligence, and wit. Third, I would like to thank the Management of an Accounting Practice Committee for their thoughtful reviews. Finally, I would like to give special thanks to Laura Inge for her persistence and dedication in publishing this book.

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INTRODUCTION

DEFINING MOMENTS OF GROWTH

Half of the twelve featured firms indicated that their firm's growth has been gradual and consistent. The other half of the featured firms indicated a defining moment for the firm's growth. For example, Mohler, Nixon & Williams started a pay-for-performance compensation system in 1993 that resulted in a 485 percent growth in net revenue and a 300 percent increase in average partner salary from 1992 to 1999.

Two firms, for example, cited mergers as their defining moment. In 1986, Plante & Moran, LLP, merged with two firms that gave them a statewide office network in Michigan and started its presence in Ohio. Crisp Hughes Evans LLP, began implementing a merger strategy in 1996 to expand the firm's geographic coverage and expand its niches.

The decision to develop niches was the defining moment for two firms. Doeren Mayhew began a niche strategy around 1993. "It has been clear that the better you are in your field, the more opportunities you get," says Mark Crawford, managing partner. "It's proven that our best niches generate more opportunities than the rest of our practice." Around 1994, Friedman Alpren & Green LLP developed new niches that have enhanced the firm's image.

CRITICAL SUCCESS FACTORS

Commitment to Marketing

In this booming economy, many CPA firms are experiencing tremendous growth rates and do not have enough staff. Under these circumstances, it is tempting to place marketing on the back burner. Yet, our featured firms are committed to marketing and generating new business. "I don't think we can [avoid marketing] anymore, because your competition and your clients aren't going to let you," says Raymond W. Buehler, Jr., co-managing shareholder, Schneider Downs & Co., Inc. "If we don't bring a diverse array of services to our clients, they're going to go somewhere else to do it."

"They're just conning you if they say they aren't marketing," says Doeren Mayhew's Mark Crawford. "If business is so good how did it get so good without marketing somehow?"

Not seeing the need to market because business is so good is very short-sighted, according to Laurence King, managing partner, King Griffin &

Adamson PC. "Anybody who understands the process understands the pipeline takes a while to fill. If you don't have a backlog in that pipeline coming in, then you can't grow."

"When you have periods of high growth and you have more business than you can do and you're having trouble hiring people, it's easy not to want to go market," says Kenneth M. Hughes, managing partner, Crisp Hughes Evans. "However, the larger we get, to achieve a 10 to 15 percent growth rate internally every year requires being proactive in getting new projects and clients."

"If they can get away without marketing, more power to them," asserts Ivan Brown, managing partner, Withum Smith & Brown. "I think the important thing is that you have to lay the groundwork today for what's going to be happening five or ten years from now."

Greg Finley, managing partner, Mohler, Nixon & Williams, showed some ambivalence toward the need to market. "It's very hard to get anybody excited about marketing when it just results in more burnout at the partner level," he says. "More and more staff leave when you keep bringing in clients without appearing to care about the workload."

Marketing Budgets

Our featured firms have an average marketing budget of 2.2 percent of net revenue. Figures range from Crowe Chizek and Company LLP's 5.7 percent to Mohler, Nixon & Williams' 1 percent. The average marketing budgets by size of firm are as follow:

- Net revenue less than $15 million: 1.9 percent
- Net revenue between $16 million and $30 million: 1.9 percent
- Net revenue greater than $100 million: 3.5 percent

The average marketing budget for firms with marketing directors is nearly twice that of firms without marketing directors, 2.3 percent versus 1.25 percent.

Niche Marketing

Without question, the development of niche markets is the most consistent marketing initiative among our featured firms. Firms began a formal niche marketing strategy an average of eight years ago. (The development of Crowe Chizek's financial institutions niche in the mid-1960s was excluded from this calculation.) Critical to niche marketing's success is identifying the champion and supporting him or her with investments in time and money.

One of the most successful examples of niche marketing is Dixon Odom PLLC's dealership practice. In 1987 Bobby Rice merged his auto dealership practice into Dixon Odom. Since that time, the firm's dealership practice has grown from $500,000 to about $5.8 million, or 20 percent of the firm's revenue. This niche has experienced the greatest growth over the past three years, and the dealership marketing programs are the firm's most successful.

Dixon Odom is a founding member of Auto Team America, a network of CPA and consulting firms serving auto dealerships nation-wide. The firm's automotive professionals are active in various trade organizations by serving on boards, exhibiting at trade shows, speaking, writing articles, and attending and sponsoring educational programs.

Merging in expertise is a common strategy in developing niches. "You can't develop a niche by having people change their stripes," says Doeren Mayhew's Mark Crawford. "It doesn't work. It's just too hard on partners to try to make them change. We would rather go out and find experts in the industry, bring them in, pay them well, and develop it that way."

For example, Doeren Mayhew merged in a firm with a significant credit union practice around 1994. This niche's marketing program is considered one of the most successful in the firm; this niche generates more proposals than any other. Withum Smith & Brown hired a litigation support specialist to start the firm's litigation support niche. Five years later that niche has twelve dedicated litigation specialists offering a variety of services.

Crisp Hughes Evans' decision to focus on niches was made because that was what other successful firms were doing. "It was an easy decision to select the five areas we would concentrate on," explains Ken Hughes. "The hard decision was to execute and make sure that everybody focused their efforts on the five industries. They had to trust that this would work." One of the partners who elected to focus on the health care industry had also worked with construction and government clients. A couple of years ago he had the largest volume managed by any of the partners, and it was almost exclusively health care. "He was willing to take that leap of faith," says Hughes.

Leadership

All our featured managing partners are CPAs. However, Mark L. Hildebrand, managing partner, Crowe Chizek, has spent the majority of his career in the systems consulting area and has not practiced accounting. "I took the CPA exam soon after I joined the firm," he explains. "I had to become a CPA in order to be a partner in the firm. That was way back in the good old days [1973]."

Many of our managing partners describe their management style as hands-off, preferring to delegate and build consensus among the partner group. "I like to hire great people and provide them some direction and resources," explains Crisp Hughes Evans' Ken Hughes, "and let them go do what they know how to do best. Managing partners cannot grow the firm by themselves. They've got to have a lot of great champions."

"We have a number of very competent shareholders who don't need a lot of handholding and prodding," explains Withum Smith & Brown's Ivan Brown. "They are all very conscientious, hard-working people; it is more a matter of being somebody there that helps to steer the ship because everybody is guiding the ship."

"You can say that I'm less of a leader than a facilitator," explains Mohler, Nixon & Williams' Greg Finley. "I try to build consensus and to keep everyone on the same page."

Interestingly, Irvine T. Welling III, managing partner, Elliott Davis & Company, LLP, has changed his management style from consensus based to leadership based. "I've realized that I don't need to please everybody all the time," he says. "I don't need to get everybody's approval before making a decision. I keep wondering why it took me so long to figure that out."

Firm Culture

The culture of our featured firms tend to fall into one of three categories:

1. Employee focused
2. Entrepreneurial
3. Competitive

Employee Focused

Plante & Moran, named one of the "100 Best Companies to Work for in America" by *Fortune* magazine in 1998 and 1999, operates from a set of core values and core principles that guide the way employees behave. Leslie Murphy, partner in charge of marketing, describes the firm's culture as very collegial and team oriented while preserving a high level of individual autonomy.

King Griffin & Adamson tries to keep a family-friendly culture. The firm supports flextime and wants its people to have a balanced life. Then, when staff are dealing with clients, they will have things to talk about besides debits and credits.

"Our firm culture is based on a foundation of harmony within the shareholder ranks," says Ray Buehler, Schneider, Downs. "We work very hard at maintaining harmony at our shareholder level. I think it's critical to us that we feel good about working with each other, being with one another, and not having a bunch of sole practitioners within the firm."

Entrepreneurial

Ivan Brown describes Withum Smith & Brown's culture as entrepreneurial, ethical, and hard working. Citing differences within each office, he says everyone places priority on the firm. Withum Smith & Brown has had success in retaining top-level people over the years by creating a positive work environment and by growing.

Competitive

Gary S. Shamis, managing partner, describes SS&G Financial Services, Inc.'s culture as high energy, marketing oriented, quality oriented, very collegial, and user friendly. Yet, when it comes to participating in the firm's marketing program, he says, "In our firm, you really don't want to be in last place." The firm is a very big proponent in generating competition among offices and partners.

Dixon Odom partners and staff know that the firm is a business; they are in it to try to be profitable and to develop good people. They work off of peer pressure. The firm has levels of performance from office to office and partner to partner that everyone sees. Dixon Odom's culture contributes to their work ethic and personality.

Doeren Mayhew's culture is described as totally entrepreneurial. "It's 'do your own thing' but in the context of the firm," explains Mark Crawford. There is definite peer pressure among Doeren Mayhew's partners. Every partner knows each other's numbers and what they get paid. "It's very competitive," explains Crawford. "Everyone wants to be ahead of the next guy."

Culture, however, does not have an impact on the average growth rate of our featured firms. The five firms that described themselves as entrepreneurial, competitive, or both grew an average of 20 percent. The other seven firms grew an average of 21 percent. This leads to the conclusion that CPA firms can achieve double digit growth not only in competitive atmospheres but also with collegial, family-friendly environments.

Culture does have an impact on average income per professional. The percent change in average income per professional from 1996 to 1999 for the firms that described themselves as entrepreneurial, competitive, or both increased 27 percent. The increase for the other firms was 17 percent. However, culture does not have as significant an impact on average income per partner. The percent change in average income per partner from 1996 to 1999 for the firms that described themselves as entrepreneurial, competitive, or both increased 33 percent. The increase for the firms that described themselves as collegial was 37 percent.

Expansion of Services

With only one exception, each firm has added new services since 1996 to meet clients' needs and to challenge competitors. These services cover a broad range and include—

- Cost segregation studies.
- Electronic business consulting.
- Forensic accounting.
- Information technology consulting.
- Insurance consulting.
- International business services.
- Investment advisory services.
- Mergers and acquisitions.
- Sales and use tax.
- Strategic planning.
- Temporary and permanent staffing.

New services started since 1996 now account for an average of 13 percent of net revenue per firm. The range, however, is wide. For example, King Griffin & Adamson's new services account for 33 percent of the firm's net revenue, and Withum Smith & Brown is the only firm that has not added a new service since 1996. The average percentages of new service revenue by size of firm are as follow:

- Net revenue less than $15 million: 17 percent
- Net revenue between $16 million and $30 million: 8 percent
- Net revenue greater than $100 million: 20 percent

Each firm is making a conscious effort to increase consulting revenue. In fact, of the eleven firms offering consulting services, only one firm did not experience double digit growth in that area. This statistic is based on actual dollars. Consulting services as a percentage of net revenue remains fairly constant, with two exceptions: King Griffin & Adamson's consulting revenue has increased from 5 percent to 24 percent of net revenue, and SS&G Financial Services' consulting revenue has increased from 10 percent to 30 percent of net revenue.

In some cases, the actual increase in consulting revenue is not indicated in firm statistics due to inconsistent procedures for coding time. For example, within the same firm, one partner may code cost segregation study services to consulting while another may code it to tax.

"You don't have to look around too far to see the future is in the consulting, or value-added, side as opposed to the compliance side," says Irv Welling, at Elliott, Davis. "Technology is taking over a lot of what we used to do, influencing the compliance side. What this says to all of us is that we have to add value."

SURPRISES

Partner Compensation Systems

Mohler, Nixon & Williams and Dixon Odom implement objective partner compensation systems that reward marketing activity. Mohler, Nixon & Williams began a pay-for-performance compensation system that has been described as the defining moment in the firm's growth. Refer to chapter 3 for additional information.

At Dixon Odom all partner compensation is based on a merit system. Partner ownership and compensation goes up or down based on results. Office profitability is the majority of the compensation equation. However, the firm is moving toward making sure that it is compensating for meeting firm goals.

The remaining firms make subjective compensation decisions based on objective results.

Planning

Half of our featured firms indicated that they have formal, written marketing plans. Developing marketing plans in most cases began after a marketing director was hired. Currently, each of the six firms with written marketing plans also employ a full-time marketing director.

At Schneider Downs each niche develops its own marketing plan that is coordinated by the firm's marketing director. The firm's marketing committee, comprising two partners and the marketing director, reviews all the marketing plans and allocates resources in the areas that the committee thinks are the best opportunities for the firm. This process takes place on an annual basis.

SS&G Financial Services has had a formal marketing plan for four or five years. The firm's marketing committee, comprising Gary Shamis, Mark Goldfarb, and the firm's marketing director, Kathy Sautters, determine the marketing activities each year. Some activities remain consistent from year to year, but specific areas of focus are also determined.

Crisp Hughes Evans has had a formal marketing plan for two years. The firm's marketing partner, Mark Crocker, works with the marketing coordinators to develop a firm-wide marketing plan. They talk with the partners in the various niches about the programs they would like to develop for the year. Then, the marketing plan and budget is developed.

Client Satisfaction Programs

The majority of our featured firms do not have an ongoing client-satisfaction program. Doeren Mayhew has a satisfaction program for its payroll-processing clients. Plante & Moran is currently revamping a client satisfaction program it has used sporadically for the past five years.

Only King Griffin & Adamson has a current, formal client satisfaction program. In fact, the firm earned the Valuestar Certified symbol of very high customer satisfaction in the summer of 1999. To earn Valuestar Certified the firm was put through extensive customer satisfaction research. The Public Research Institute of San Francisco State University audits the surveys. "The firm decided to apply for the rating because we are an outstanding company with high customer satisfaction," said the firm's Larry King. "Customer satisfaction is very important to us. Our whole team at KGA is dedicated to providing high quality service and value."

Marketing Directors

There is still a sense of mystery in how to master the CPA firm-marketing director relationship. At the time the survey was taken ten of our featured firms had full-time marketing directors, staff, or both. The average tenure of these marketing directors is 3.3 years. Tracy Crevar, marketing director of Dixon Odom, has been with her firm for ten years. Excluding her from the equation, the average marketing director tenure shrinks to two and a half years. Even though this length of time is still too short, it is a lot better than the eleven-month average promoted during the early 1990s.

Four of the ten firms still employ the first full-time marketing director they hired. These marketing directors have been with their firm an average of four and a half years. This calculation includes Tracy Crevar and Ann Shiry, who has been with Schneider Downs for five years. The remaining six firms have hired a total of at least ten marketing directors in addition to those currently with their firms.

The roles that marketing directors play within their firms continue to vary from administrative to strategic. This is largely dependent on the partners' comfort level and expectations. Unfortunately, marketing directors continue to be hired without job descriptions, which results in disappointing experiences for both the partners and marketing directors.

"Part of what you're looking for in the sales and marketing people is to give them the responsibility to take care of things that we, as partners and some of the staff, halfway tried to do fifteen years ago," explains Eddie Sams, Dixon Odom's managing partner. "It should be that we're freeing up the partners and professionals to get involved at just the right time and letting the sales and marketing people get us a little more structured and organized and be more systematic in what we do."

With changes in the services offered by accounting firms and enhanced competitive pressures, the marketing director's job is becoming more difficult. "When we hired Kathy [Sautters] four years ago," explains Gary Shamis, "we were hiring a marketing person to market for a public accounting firm. Now, we have multiple offices, multiple companies, and multiple services. The job that she has as compared with what we initially were bringing her in to do is infinitely more difficult."

The average number of full-time marketing staff, excluding salespeople, per firm is 3.3. This translates into each marketing director being responsible for the marketing activities of a $10.9 million practice. The good news is that, in most cases, firms with full-time marketing directors also employ additional marketing staff. The bad news is that this is still not enough assistance and some of the nation's leading CPA firms do not recognize the value a marketing director can bring to the firm.

Salespeople

Crowe Chizek and Plante & Moran, the two largest firms, are the only firms using salespeople. In 1982 Crowe Chizek hired its first direct sales staff for its Systems Consulting Group. Now, the firm employs more than fifty direct sales managers and strategic account managers. This strategy is considered the most significant marketing change that has encouraged the firm's growth.

Plante & Moran employs three full-time salespeople who report directly to the line partners in charge of geographic locations or different service lines. The salespeople are not part of the marketing department. They receive a base salary and are "heavily incentivized." "We use the sales staff to make initial contacts," explains Leslie Murphy. "They always involve practice partners in the meetings with prospective clients."

PROFITABILITY

Even though double digit growth is impressive, my colleagues indicated that they would be very interested in learning about the profitability of the featured firms. Each firm was asked to provide the percentage change in average per partner income from 1996 to 1999. This information can be found in the following chapters.

CONCLUSION

The overall conclusion we can make from data gathered for *double digit Growth: Tools From Top Firms* is that these firms are doing a few basic things consistently and successfully, including—

- Using a niche marketing strategy.
- Exploring new service opportunities.
- Remaining committed to a marketing program.

Interestingly, the six firms with written marketing plans grew a compounded average of 22 percent and the firms without marketing plans grew a compounded average of 19 percent. Although this difference is negligible now, it will be interesting to see the results given an economic downturn.

There are also several opportunities to explore, including—

- Development and implementation of client satisfaction programs.
- The continued understanding of the value marketing directors bring to CPA firms.

This book was designed with both small and large firms in mind. Every CPA firm partner will benefit from taking notes from their colleagues in double digit growth firms.

Profiles of Firms With Net Revenue Less Than $15 Million

part II

Friedman Alpren & Green LLP

"We are as close to cutting edge as we can be."
—Bruce A. Madnick, Managing Partner

chapter 1

BACKGROUND

Formed in 1924, Friedman Alpren & Green LLP has grown to be the twenty-fifth largest accounting firm in the New York metropolitan area and the sixty-third largest firm in the United States, with net revenue of $14.5 million. The firm provides a full range of accounting services to clients in a variety of industries. Friedman Alpren & Green remains committed to the business credo upon which the firm was founded: dedication to ethical practices, personal service, new ideas, and long-term client relationships.

MARKETING

For many years the members of Friedman Alpren & Green have been aggressive marketers. Around 1994 the firm developed new niche areas that enhanced the firm's image and defined the moment for the firm's growth.

After several years of using a public relations firm for specific projects, Friedman Alpren & Green hired a firm on monthly retainer in 1996. The goal was increased visibility for the firm in the crowded New York marketplace. As the firm continued to grow, it began considering hiring a marketing director. After some resistance from the partner group, the decision was made to hire its first full-time marketing director and Carol Schrager joined the firm in April 1999.

Niche Marketing

Upon joining the firm, Schrager was given time to get to know the people and the expertise there. "When Carol joined the firm our marketing campaigns became more organized," says Bruce A. Madnick, managing partner. "We were helter skelter. Now, I know that every month our clients and contacts are going to receive something with our name on it."

Friedman Alpren & Green does not have a formal marketing plan. Yet, niche marketing is part of the firm's culture. Traditionally, the firm has been a two-specialty firm: apparel and textile and real estate. However, even though these two niches have been experiencing the greatest growth over the past few years, the decision was made to add two niches to the firm's specialties: health care and Asian-American business services.

Niche committees were established; partners and managers are expected to play a significant role. Other professionals are encouraged to network.

Niches are most successful when champions are hired from outside the firm.

Expansion of Services

Friedman Alpren & Green is making a conscious effort to increase consulting revenue. While the figures are holding steady at between 3 percent and 5 percent of total net revenue, Madnick is on a constant search for interesting people around whom to build a business. "My modus operandi is develop a budget, tell me what I am buying into, what you can produce, and I'll tell you yes or no," he says. "If we back it, then you do your job and I'll do mine."

Since 1996 Friedman Alpren & Green has added eight service lines that accounted for 10 percent of the firm's 1999 net revenue. These services are—

- Health care consulting.
- Forensic accounting.
- Securitization services.
- Merger and acquisition services.
- Financial services.
- Asian-American services.
- Business continuity consulting.
- Expanded business consulting.

The firm has established separate entities for two new service lines. Friedman Advisory Services LLC is a joint venture with an insurance company and a financial planning company. Career Associates LLC is a joint venture with a recruiting executive.

Recognition and Reward

The partners participate in a bonus pool that is predicated on extraordinary activity. A partner who is traditionally not a business developer but develops business in a particular year will get a portion of the bonus pool. A partner who is a continuous business developer at a certain level will participate in the bonus pool if he exceeds that level. Any firm member below partner who brings in business gets a percentage of the collections as long he or she and the client remain with the firm.

Friedman Alpren & Green managers can be promoted to partner without generating new business. Yet, they must have a specialty. "In general, unless you are a business developer of some sort and possess all the other capabilities, you are not going to become a partner," says Madnick.

Greatest Challenge

Friedman Alpren & Green's greatest marketing challenge is getting partners and managers to think outside the box. Although some partners would feel more secure doing the work they do every day and making sure nothing changes, the firm's managing partner knows this is not realistic. "The world is constantly changing," says Madnick. "Unless you are constantly chasing business, ultimately you will be out of business."

Madnick recognizes the need to invest in the future. His strategy is to promote new business development, the number of leads received, and the deals that close. He also highlights the payback of new ventures and service lines. Madnick and Schrager get as many partners and managers as possible involved in writing articles, being members of niche committees, and participating in speaking engagements. This enables everyone to feel part of the marketing effort.

MANAGEMENT

Madnick has been the managing partner of Friedman Alpren & Green since 1981. He is joined by fourteen partners, average age forty-eight, with an average tenure with the firm of more than twenty years. In addition to a full-time marketing director, the firm has a full-time administrator and human resources director.

Management Style

"They may not love me, but they like and respect me," says Madnick. Considered too benevolent and preferring not to intimidate, Madnick works hard to gain partner buy in. This may result in a more lengthy decision-making process but results in greater support. At the end of the day, he accomplishes exactly what he sets out to do.

Controlling Growth

Friedman Alpren & Green is controlling its growth through maintaining rigorous client acceptance standards, developing niches, and weeding out unprofitable clients.

Client Acceptance Standards

When a partner receives a lead for a new client he fills out a lead sheet. This includes basic information such as name, address, and phone number, as well as the source of the lead, the prospect's prior accounting firm, and the services in which the prospect is interested. All lead sheets are sent to Madnick. After he signs off on it, the sheet is sent to all partners, directors, and managers to determine if anyone has information about the prospect. Extensive research on the prospect is conducted by speaking with the source of referral, obtaining a Dun & Bradstreet report, and performing an industry search. Consensus is then reached regarding whether to meet with the prospect.

Madnick decides the combination of partners and managers who will visit the prospect. Based on the background information and prospect visit, a proposal is developed. The fee is based on a time and cost budget. If the firm is retained, a client acceptance form is completed that includes more information about the background and history of the client.

Because staffing is so difficult, the firm is much less flexible on fee negotiation and has turned down business from prospects that would pay a lesser price.

Firing Clients

Friedman Alpren & Green are firing more clients than ever before. "I've come to the realization that if there is going to be a limitation on staff, you have the time to serve only the best clients," explains Madnick, "those that are going to pay you for the value that you're giving them." Around June 30 each year all clients below a certain realization rate are evaluated to see whether the firm can—

1. Increase the fee.
2. Find a way to do the work for less.
3. Do a combination of both.

If this cannot be accomplished, the client is notified before December 31 to find another accounting firm. Many times, clients are referred to smaller firms. It is a hard process, because most partners do not want to give up any business.

Improving Efficiency

Friedman Alpren & Green is improving efficiency with technology.

Technology

"We are as close to cutting edge as we can be," says Madnick. Every professional in the firm has a laptop computer, fully loaded with the firm's in-house software and the client's accounting software. Financial reports are prepared in the field. The preparation of financial reports is linked to the completion of tax returns. Partners and staff are constantly trained on every available program. Every year one-third of the firm's computer equipment is replaced.

Profitability

Friedman Alpren & Green measures profitability by profit per partner and realization rate. The firm aims for 80 percent realization. The increase in average income per partner between 1996 and 1999 was 27 percent. The increase in average income per professional in the same time period was eight percent.

LESSONS LEARNED

The most important lesson Madnick has learned as Friedman Alpren & Green has grown is that change is very difficult for partners and staff to accept. In spite of this challenge, he says, firms must intelligently seek opportunities to become stronger and more dominant in their niches and to stay focused.

SURVEY RESULTS

	Fiscal Year End 1999	Fiscal Year End 1998	Fiscal Year End 1997
Net revenue	$14,506,000	$13,108,000	$10,400,000
Revenue split:			
A&A	65%	68%	78%
Tax	32%	29%	17%
Consulting	3%	3%	5%
Number of mergers	1	0	1
Percent revenue from mergers	0%	N/A	25%
Number of—			
Partners	13	13	13
Professionals	98	92	79
Offices	1	1	1

Managing Partner: Bruce A. Madnick
Number of years in this position: Eighteen
Length of term: Unlimited
A CPA: Yes
Age: Fifty-four

Number of partners: Fifteen
Average age: Forty-eight
Average tenure with firm: Twenty-plus years

Full-time marketing director: Yes
Full-time salespeople: No
Full-time chief financial officer: No
Full-time firm administrator: Yes
Full-time human resources director: Yes

Formal marketing plan: No

Marketing budget (percentage of net revenue): 2 percent

Marketing budget includes marketing staff salaries: Yes

Other items included in marketing budget: Conventions (expenses and travel), public relations, advertising, and direct ad campaigns

Number of Top 20 clients with the firm before 1996: Twenty

Percentage of firm's recurring revenue: 70 percent

Percentage increase of net income per partner from 1996 to 1999: 27 percent

Percentage increase of net income per professional from 1996 to 1999: 8 percent

King Griffin & Adamson PC

"We've always had the attitude that you grow or die."
—Laurence D. King, Managing Director

chapter 2

Background

King Griffin & Adamson PC is part of the KGA Group, a group of four business units offering clients seamless, one-stop shopping. The KGA Group comprises—

- King Griffin & Adamson PC.
- KGA Consulting Group LLC.
- Team Builders LLC.
- KGA Corfinance Group LLC.

The KGA Group generated net revenue in 1999 of $3.2 million, representing 43 percent growth from the prior year. In the past several years a variety of services have been added that now account for 33 percent of the firm's revenue.

Marketing

The King Griffin & Adamson directors made the decision in 1996 to formalize and expand the firm's consulting services. "We believe that the future is in special services," says Laurence King, managing director. "We needed the ability to take a wider variety of services and bundle them together to better serve clients."

The firm identified the decision to niche market as the firm's most significant marketing change that encouraged its growth.

KGA Consulting Group LLC

The KGA Consulting Group was formed in 1997 with a contact of the firm's managing director. Services include strategy and implementation, organizational design and effectiveness, performance measurement, compensation plan design, and surveys. Currently, about 80 percent of fees come from expanding services to current clients.

Team Builders LLC

Team Builders was formed in 1998 to provide permanent, temporary, and temp-to-hire professionals in the accounting, finance, technical, and administrative fields. The firm's directors were approached by a couple of people who were starting their own recruiting group and were interested in subleasing space from King Griffin & Adamson. The directors were not interested in becoming landlords, but they were interested in the opportunity to start this service line. To date, Team Builders is the most successful of the firm's new service lines, due to the tight labor market. Contacts other than the firm's clients generate 77 percent of its revenue.

KGA Corfinance Group LLC

This is the KGA Group's newest venture, started in late 1999. Once again, two people who were creating their own corporate finance group approached the directors. They saw the advantages of being associated with an accounting firm because of its client relationships and the firm's name recognition and stature in the community. Services include debt and equity financing assistance, transaction structuring, pre-merger benefit analysis, candidate identification, post-merger integration, initial public offerings (IPOs), and reverse mergers. KGA Corfinance Group was jump-started with a large client project and has promising growth prospects for 2000.

Niche in Public Companies

Since the late 1980s King Griffin & Adamson has focused on working with public companies and companies interested in going public. This niche has driven the firm's growth in accounting and auditing. The firm's primary competitors are the Big Five; King Griffin & Adamson positions the firm as an alternative. "We can give clients a lot more attention than the Big Five," says King. "Most business owners are fairly naïve about the process of going public. We build relationships with them and hold their hands through the entire process."

King Griffin & Adamson can also offer these services for a lesser fee. A lot of smaller high-tech and electronic commerce high-growth companies are forming that go through the growth curve very quickly. These companies do not always want to align themselves with a Big Five firm. When King Griffin & Adamson is unable to do the audit, it leverages its expertise to prepare and position the business to go public and recommend a Big Five firm for the audit.

This niche is a double-edged sword for the firm. Nearly 50 percent of the firm's revenue comes from nonrecurring work. "We have been fortunate to be involved with a lot of emerging growth, high-tech companies," says King, "but they have very steep growth curves and position themselves either for a sale or an IPO. Our practice has client attrition that other practices do not have by the nature of the business we are doing."

Client Chronicle

King Griffin & Adamson's most successful marketing program over the past three years is its newsletter, *Client Chronicle*. It is written by a marketing consultant and the firm's directors and staff also contribute articles. It is designed by a graphic designer, and distributed about ten times per year. The firm uses just one newsletter, so it includes a variety of topics including tax, general accounting and business issues, a client spotlight, and an update of staff happenings. *Client Chronicle* is usually four pages and costs between $1,000 and $1,200 per issue, including design, printing, and postage.

"We have received tremendous response from attorneys, bankers, and our clients," explains King. "They receive canned newsletters from other firms, so they know that we are writing our own."

Business Development Director Hired

With too much of the managing director's time being taken up by marketing, the decision was made to hire a full-time business development director in the summer of 1999. The original person hired for this position has left the firm; the current business development director is Camille Irvin. Her responsibilities include public relations, marketing, and sales. She is responsible for generating leads and for monitoring the current clients' satisfaction. The firm is currently developing personal marketing plans for the directors and staff. The business development director will be in charge of holding everyone accountable for their marketing activities.

Recognition and Reward

Several years ago King Griffin & Adamson rewarded its partners for generating new business. Today, they are rewarded for overall performance, not specifically for new business. "We found that we were rewarding the wrong thing," King explains. "Rewarding new business caused people to go out and forge for new business and not take care of their existing clients."

Historically, partner compensation has been subjective. The partners are now in the process of transforming their compensation system. Specific goals will be set for each department; partners will be rewarded for the results of their department. A portion will be related to training, teaching, and mentoring goals. Employee feedback will be used when evaluating these goals. Another portion will be based on firm profitability. Finally, goals may be established for projects developed for a particular year; a portion of partner compensation will be based on these goals.

Managers of King Griffin & Adamson hoping to be promoted to partner must be able to generate new business. Specific monetary goals have not been set; managers must be able to generate new business, establish relationships, and maintain them as well as exhibit technical and leadership skills within the firm. "We haven't set dollar amounts because we know that everyone is different," explains King. "Some will have more capabilities than others and we have to assess the whole picture. We want partners who can do a little bit of everything, knowing that some will be stronger in certain areas than others."

Management

King has been the firm's managing partner since 1982. Bill Griffin and Barry Adamson, who were managers with the firm, were promoted to partners in January 1996. The firm name was then changed to King Griffin & Adamson. The firm currently has three partners, thirty-three professionals and one office. In addition to a full-time marketing director, the firm has a full-time administrator and human resources director.

Management Style

King considers himself a hands-off manager. His preferred style is to help his partners and staff set goals and then let them prove themselves. Serving as a mentor and teacher is also a part of his style. "Basically, I like to guide things without being in their faces all the time," he says.

Firm Culture

King Griffin & Adamson tries to keep a family-friendly culture. The firm supports flextime and wants their people to have a balanced life. Then, when they are dealing with clients, they will have other things to talk about besides debits and credits.

King Griffin & Adamson clients belong to the firm, not to individuals. When meeting with prospects, the firm selects those staff members who are best suited to take care of that prospect. Relationships are made to work on a firm-wide basis. Therefore, the firm has moved away from rewarding individual efforts to rewarding team efforts. "We will win or lose together," says King.

Maintaining its family-friendly culture as the firm has grown is somewhat of a challenge, although the new generation is demanding it more. When the firm's more seasoned professionals made their way up through the ranks, they paid their dues by working ridiculous hours and not complaining about it. That is not what the new generation is interested in doing; the change has been very positive for the firm.

Client Satisfaction

King Griffin & Adamson is committed to client satisfaction. The firm earned the Valuestar Certified symbol of very high customer satisfaction in the summer of 1999. To earn Valuestar Certified, the firm was put through extensive customer satisfaction research. The Public Research Institute of San Francisco State University audits the surveys. A random sample was taken of King Griffin & Adamson's customer base. Those customers were asked to measure the firm's performance within the last twelve months. In addition, King Griffin & Adamson's record was examined for complaints, proper licensing, and adequate insurance. Having passed all four steps of the Valuestar Certified rating process, King Griffin & Adamson can display the Valuestar Certified symbol for one year.

"The firm decided to apply for the rating because we are an outstanding company with high customer satisfaction," said King. "Customer satisfaction is very important to us. Our whole team at KGA is dedicated to providing high quality service and value."

The firm is also in the process of revising its own client satisfaction survey. An independent consultant will collect and analyze the results. The firm's business development director will interview clients.

Firing Clients

King Griffin & Adamson fires high-risk clients and those that involve ethical issues. From time to time, the firm culls high-maintenance clients and those that pay late, are not prepared, and pay a low fee. "We really want clients who appreciate us and what we are doing for them," says Larry King, "and who are willing to pay a fair price for a quality service."

Profitability

King Griffin & Adamson measures profitability by net income per partner plus the investment back into the firm for growth, for example, technology, people and infrastructure. The percent change in net income per partner from 1996 to 1999 increased 50 percent. The directors also look at intangibles, such as quality of life for owners and staff, reputation in the business community, and client satisfaction.

LESSONS LEARNED

The most important lesson that King has learned as his firm has grown is to stay focused on what clients need from their CPA firm. "With the consolidations and everything that is going on in the marketplace, I really think the ability to provide one-stop shopping is crucial to be competitive," he explains. "To do that, we have to be larger. We need a lot of people with a lot of expertise." It seems that the continued growth of King Griffin & Adamson is part of the plan.

SURVEY RESULTS

	Fiscal Year End 1999	Fiscal Year End 1998	Fiscal Year End 1997
Net revenue	$3,234,000	$2,252,000	$1,850,000
Revenue split:			
A&A	55%	57%	60%
Tax	21%	33%	35%
Consulting	24%	10%	5%
Number of mergers	0	0	0
Percent revenue from mergers	N/A	N/A	N/A
Number of—			
Partners	3	3	3
Professionals	33	31	24
Offices	1	1	1

Managing partner: Laurence D. King
Number of years in this position: Eighteen
Length of term: Not specified
A CPA: Yes
Age: Forty-five

Number of partners: Three
Average age: Forty-three
Average tenure with firm: 8.7 years

Full-time marketing director: Yes
Full-time salespeople: No
Full-time chief financial officer: No
Full-time firm administrator: Yes
Full-time human resources director: Yes

Formal marketing plan: Yes

Marketing budget (percentage of net revenue): 3 percent

Marketing budget includes marketing director salary: Yes

Other items included in marketing budget: Advertising, entertainment, event sponsorship, and public relations.

Number of Top 20 clients with the firm before 1996: Very few

Percentage of firm's recurring revenue: More than 50 percent

Percentage increase of net income per partner from 1996 to 1999: 50 percent

Percentage increase of net income per professional from 1996 to 1999: 15 percent

Mohler, Nixon & Williams

"The defining moment in our firm's growth was when we started our pay-for-performance compensation system."
—Greg Finley, Managing Partner

chapter 3

Background

Mohler, Nixon & Williams is a full-service accounting and financial consulting firm serving clients in Silicon Valley and the Bay Area. The firm offers a spectrum of services tailored to the needs of individuals and companies ranging in size from start-ups to major corporations. The firm has grown from $2 million in net revenue in 1992 to a projected $13 million in 2000. Greg Finley, managing partner, attributes this growth to the firm's pay-for-performance compensation system.

Pay for Performance

In the early 1990s Mohler, Nixon & Williams' "30 something" partners proposed a pay-for-performance compensation system to the firm's partner group. The idea behind the new system was to give everyone the opportunity to make as much money as possible while they were with the firm—and to reduce the retirement buyout. Currently, each partner vests into a maximum retirement benefit, which is significantly less than one year's compensation.

"If we are going to attract people to this firm," Finley explains, "we cannot burden them with paying partners to retire." Partners are compensated for their book of business, practice development efforts, and chargeable hours—the items that make the firm money.

The new compensation system began gradually. Base salaries were set and, originally, 50 percent of compensation was based on the three performance measures. Today, guaranteed partner salary is zero. Partners receive a draw, which is now 75 percent to 80 percent of total salary, against their performance-based compensation. Partners are paid the most for working their book of business; two-thirds of that amount is for bringing in new business. Departmental efforts and other attributes account for the other 20 percent of the total salary.

The calculation is complicated but is very objective. "We probably employ one extra person in accounting to do this, but it's worth it," says Finley. "Partners know that if they do something specific they will make money as long as the firm makes money. That's been the secret to our success."

Mohler, Nixon & Williams' compensation system has eliminated the conflict among partners because everyone is compensated based on his contribution to the firm versus subjective criteria. In the past eight years, average partner salary has more than tripled and is equal to or exceeds Big Five compensation. It has also helped in the firm's cross-selling efforts because all new business is compensated.

Rewards and incentives are also offered to the firm's employees. Managers receive incentives for overtime, all employees are rewarded for new business, and employees receive a busy-season bonus. The firm's efforts seem to be paying off, with only 10 percent to 15 percent turnover each year in a market where everyone is going to dot-com companies.

MARKETING

Practice development is considered the lifeblood of the firm. However, the firm does not have a formal marketing plan. A marketing budget is set. Then, the partners analyze specific items and approve or disapprove the expense. For example, the firm redesigned its Web site in 1999.

Niche Marketing

High Technology

In addition to the firm's general practice in high technology, staff work with those related to publicly held high-technology companies, for example, individuals who have founded and are executives of high-technology companies, software companies, and Internet companies.

401(k) Audits

In the past three or four years the firm has become a specialist in conducting 401(k) audits. This was a market that the Big 5 firms were not interested in and could not make money in. Mohler, Nixon & Williams made the decision to specialize and now conduct between 300 and 350 401(k) audits in Silicon Valley, including 250 large publicly held companies. This client list is an excellent source for cross-selling tax services in the future.

Mohler, Nixon & Williams conducts an annual survey of 401(k) clients and nonclients that shows average returns of plans, average match by company, average number of choices, a description of trends, and other items. This is produced by the audit department and is a successful marketing tool.

Focus on Audit and Tax Services

Mohler, Nixon & Williams is focusing on traditional audit and tax services. "You must understand that almost all our high-technology clients know more about computers and software than we do," explains Finley. "Out here we are dealing with technology consulting experts."

Tax services is one of the services that has experienced the greatest growth in the past three years. Certain tax items are common to technology companies and start-ups, and tax services are considered a huge growth area for the firm.

The firm is dabbling in financial services with the formation of Accountants Financial Services and Accountants Insurance Services. These services are not heavily marketed and account for less than 1 percent of firm revenues.

MANAGEMENT

Finley has been the managing partner of Mohler, Nixon & Williams for three years. He is joined by eleven partners, average age forty-five and an average tenure with the firm of twelve years. At the time of this writing, the firm was recruiting a new administrator.

Management Style

"You can say that I'm less of a leader than a facilitator," explains Finley. "I try to build consensus and to keep everyone on the same page." Having extremely talented partners who all basically read from the same page makes Finley's job comparatively easy.

Firm Culture

Finley describes Mohler, Nixon & Williams as avante guarde, pro employee, and open door. Suits and ties were retired three years ago. Most of the partners came from Big 5 firms and they run their firm that way, with separate departments and levels of review—but without the politics.

Firing Clients

Unprofitable clients are fired, as are those that give staff too much trouble and those that do not pay on a timely basis.

Efficiencies Contributing to Growth

Technology

Technology has had a huge impact on Mohler, Nixon & Williams. The firm spends a large amount in proportion to its size on technology, whereas it spends a proportionately low amount on marketing. The firm buys the latest and greatest computers and gives them to the staff. The managers are given the staff's old computers, and the partners are given the managers' old computers.

"It makes a huge difference for the staff," explains Finley. "There is nothing more frustrating than waiting for the one-page per minute printer to kick out a 45-page return or waiting to get on the Internet."

Firm Administrator

"The best thing we ever did was hire a firm administrator to handle administrative matters," explains Finley. "In the old days we all had input on paper clip purchases. We weren't good at it and it was a waste of time." Hiring a firm administrator allowed everyone to go to their highest and best use, which is performing client service and bringing in new clients.

Profitability

Mohler, Nixon & Williams uses several criteria to measure profitability including realization percentage, utilization percentage, and net income per partner. The firm experienced the second highest percentage change among the featured firms in average income per partner and average income per professional between 1996 and 1999, with 49 percent and 41 percent, respectively.

SURVEY RESULTS

	Fiscal Year End 1999	Fiscal Year End 1998	Fiscal Year End 1997
Net revenue	$9,777,000	$7,607,000	$5,595,000
Revenue split: A&A	45%	45%	50%
Tax	55%	55%	50%
Consulting	0%	0%	0%
Number of mergers	1	0	0
Percent revenue from mergers	11%	N/A	N/A
Number of— Partners	10	8	8
Professionals	64	45	41
Offices	2	1	1

Managing partner: Greg Finley
Number of years in this position: Three
Length of term: Three
A CPA: Yes
Age: Forty-one

Number of partners: Twelve
Average age: Forty-five
Average tenure with firm: Twelve years

Full-time marketing director: No
Full-time salespeople: No
Full-time chief financial officer: No
Full-time firm administrator: Yes
Full-time human resources director: No

Formal marketing plan: No
Marketing budget (percentage of net revenue): 1 percent

Number of Top 20 clients with the firm before 1996: Ten
Percentage of firm's recurring revenue: 90 percent

Percentage increase of net income per partner from 1996 to 1999: 49 percent
Percentage increase of net income per professional from 1996 to 1999: 41 percent

SS&G Financial Services, Inc.

"For CPAs who aren't willing to change, it will be a race between obsolescence and retirement."
—Gary S. Shamis, Managing Partner

chapter 4

BACKGROUND

SS&G Financial Services, Inc., began in 1968 as Page, Saltz & Shamis, Inc., a local accounting and management consulting firm providing comprehensive accounting, auditing, tax, and management consulting services throughout Northeastern Ohio. Since that time the firm has grown to more than fifty times its original size, including offices in Cleveland, Akron, and Cincinnati.

MARKETING

On January 1, 1998, SS&G Financial Services, Inc., became the parent company to four entities:

- Saltz, Shamis & Goldfarb, Inc., offering accounting, tax, and financial consulting
- SS&G Consulting, offering information systems and human resources consulting
- SS&G Investment Services, offering investment and insurance assistance
- SS&G Payroll Processing, offering payroll reporting and paycheck functions

Early in 1999 SS&G Healthcare Services LLC was added to the mix, providing financial and management services to physician practices.

The decision to market SS&G Financial Services was made to brand the entire organization and to tie the different operating units together. The firm wanted to capitalize on the strength in branding one company providing different services rather than branding five different companies.

Did the name change signify that Saltz, Shamis & Goldfarb did not want to be known as a CPA firm? "I think we do want to be known as a CPA firm; we want to be known as more than a CPA firm," explains Gary Shamis, managing partner. In its marketplace, Saltz, Shamis & Goldfarb is known as a CPA firm; it is leveraging this name recognition to promote additional services.

Niche Marketing

SS&G began using a niche marketing strategy about five years ago. The partners took a look at the firm's strength and at how the national firms had reorganized into niches. Understanding that clients valued industry knowledge more than anything else, they selected areas of strength to build on. In addition to the entities listed previously, the firm has specialized practice units in the restaurant and hospitality, construction, and manufacturing and distribution industries. These practice units comprise professional staff members who focus their work and educational efforts in these industries.

The firm's niche marketing efforts are considered its most successful marketing program in the last three years, along with internal peer pressure. "In our firm, you really don't want to be in last place," says Shamis. The firm is a very big proponent in generating competition among offices and partners. A report is published on a monthly basis highlighting new clients, cross-selling, and those responsible. Goals are established for each office and individual.

The competitive nature of the partners is part of the firm's culture. "We have twenty partners and directors who all bring in business or are involved in cross-selling," explains Shamis. "Everybody knows that it is part of his or her job. We try to promote competition, and it has been great."

The firm's competitive nature makes it critical to hire those people who can survive in it. "If we bring in somebody from the outside who doesn't understand our culture, who isn't going to bring in business, and we make him or her a partner, we are basically setting him or her up for failure," says Shamis.

SS&G Healthcare Services

SS&G Healthcare Services is the service line that has experienced the greatest growth in the past three years. Shamis attributes this to two tremendous champions, Tom Ferkovic and Gary Isakov. In 1999, the firm brought together the staff of an Akron, Ohio, practice management firm, SS&G's accounting and financial resources, and Ferkovic's industry management expertise to create SS&G Healthcare Services. SS&G Healthcare Services currently provides services to over 150 business entities engaged in the delivery of health care. These include small and large primary-care groups, small and large single-specialty groups, nursing homes, and home health companies.

SS&G Healthcare Services' primary marketing activities aim at increasing the visibility of the firm. These include speaking at national and regional health care conferences and obtaining client referrals. They have also conducted direct mail campaigns highlighting the firm's complete line of services. "No one is serving the needs of practices with between two and twenty physicians," explains Ferkovic. SS&G Healthcare Services differentiates itself by promoting to physicians its ability to act as their practice management firm.

SS&G Healthcare Services introduced the Practice Management Boot Camp in early 2000 in conjunction with the Institute of Practice Management. Physician practice managers may become certified by attending four one-day sessions and passing an exam. Topics include human resources, basic accounting, coding management, billing and collection, office operations, benchmarking, managed care, key indicators, and legal issues. The boot camp is currently offered in Akron, Ohio, and will be expanded to other locations. Each session has been attended by more than forty physician practice managers. Ferkovic believes that the boot camp will be a tremendous source of future referrals.

Marketing Planning

SS&G has had a formal marketing plan for four or five years. The firm's marketing committee, comprising Gary Shamis; Mark Goldfarb; and the firm's marketing director, Kathy Sautters, determine the marketing activities each year. Although some activities remain consistent from year to year, specific areas of focus are also determined. For example, in 1999 a lot of time was spent focusing on the firm's niches. In prior years, focus was placed on newspaper ad campaigns or seminars.

Marketing Director's Role

At SS&G the third try is the charm. Kathy Sautters joined the firm in 1996 after two other marketing directors failed in the span of one year. Sautters' role began simply as an implementor. The partners wanted to direct the firm's marketing efforts and have the marketing director implement their programs and ideas. Over time, Sautters' ability to influence the firm's marketing direction has grown, as she has learned about the industry and the partners have recognized her abilities.

The partners also recognize that a marketing director's job has become more difficult. "When we hired Kathy four years ago," explains Shamis, "we were hiring a marketing person to market for a public accounting firm. Now, we have multiple offices, multiple companies, and multiple services. The job that she has compared with what we initially were bringing her in to do is infinitely more difficult."

SS&G's marketing department also includes two marketing staff members. The firm's goal is to build an internal advertising, marketing, and public relations department.

MANAGEMENT

Gary Shamis has been the managing partner of SS&G Financial Services for thirteen years. He is joined by thirteen partners in the accounting firm, average age forty-two, with an average tenure with the firm of nine years. In addition to a full-time marketing staff, the firm has a full-time chief financial officer, chief operating officer, firm administrator, and human resources director.

Management Style

"My style is to surround myself with colleagues and associates who are all smarter than I am," says Shamis. This enables him to delegate and allow his colleagues to do what they are supposed to. He starts having issues when they ignore things and do not do what they are supposed to.

Firm Culture

Shamis describes the firm's culture as high energy, marketing oriented, quality oriented, very collegial, and user friendly. The firm is developing an organization where everyone thinks about marketing as part of his or her job. Even though half of the firm's staff is involved in bringing in new clients, they are not paid a success fee.

Controlling Growth

"Growth has just become part of our culture," explains Shamis. Since the firm was formed, growth has been an absolute continuum and something they don't think twice about. The firm has outgrown its Cleveland office building. In three and one-half years the firm has outgrown its 22,000 square foot space in Akron and is adding 22,000 square feet. These components of growth—hiring internal people, investing in new technologies and services, and investing in new office space—are an absolute continuum for managing growth.

New Service Lines

Since 1996 SS&G has added eight new services that now account for 25 percent of the firm's revenue:

- Health care practice management consulting
- Investments

- Insurance
- Due diligence
- Restaurant consulting
- Outsourcing
- Section 125 plans
- COBRA administration

Firing Clients

SS&G fires clients all the time. Criteria include—

- Is the client litigious in nature?
- Has the client done something inappropriate (for example, committed fraud)?
- Is the firm making money?
- Is any client not paying its fees?

Re-energizing Firm Administration

Although SS&G has been successful in bringing in new business, the firm would often fail to address the administrative side of the infrastructure supporting the organization. Every two or three years Shamis recognized that the infrastructure was not capable of supporting the organization. Most recently, a chief operating officer was hired to run the administrative side of the practice, including the individual offices and business entities.

Profitability

"We are very profitable but we are not satisfied with our profitability," explains Shamis, who contends that increasing profitability is a challenge for a firm such as SS&G, due to its entrepreneurial spirit. Growth is expensive, and a lot of current profits are plowed back into long-term programs. Therefore, the firm's profitability is stifled due to the reinvestment back into the practice.

LESSONS LEARNED

The most important lesson Shamis has learned as SS&G has grown is to re-energize the firm's administration to handle the increase in the number of clients and professional staff. The firm is looking at several acquisitions and building the organization to $40 million in revenue in the near future. It is critical to have the talent to support this growth. "We need people with top-notch skills to support us," says Shamis.

SURVEY RESULTS

	Fiscal Year End 1999	Fiscal Year End 1998	Fiscal Year End 1997
Net revenue	$14,000,000	$11,200,000	$9,000,000
Revenue split: A&A	30%	35%	40%
Tax	40%	45%	50%
Consulting	30%	20%	10%
Number of mergers	2	0	1
Percent revenue from mergers	3%	N/A	Less than 1%
Number of— Partners	14	11	9
Professionals	124	106	88
Offices	3	3	3

Managing partner: Gary S. Shamis
Number of years in this position: Thirteen
Length of term: Three years
A CPA: Yes
Age: Forty-six

Number of partners: Fourteen
Average age: Forty-two
Average tenure with firm: Nine years

Full-time marketing director: Yes
Full-time salespeople: No
Full-time chief financial officer: Yes
Full-time firm administrator: Yes
Full-time human resources director: Yes

Formal marketing plan: Yes
Marketing budget (percentage of net revenue): 1.5 percent
Marketing budget includes marketing staff salaries: No

Number of Top 20 clients with the firm before 1996: Ten
Percentage of firm's recurring revenue: 80 percent

Percentage increase of net income per partner from 1996 to 1999: 50 percent
Percentage increase of net income per professional from 1996 to 1999: 50 percent

Profiles of Firms With Net Revenue Between $16 Million and $30 Million

part III

Crisp Hughes Evans LLP

"A managing partner cannot grow the firm by himself. He's got to have a lot of great champions."
—Kenneth M. Hughes, Managing Partner

chapter 5

BACKGROUND

Founded in 1979, Crisp Hughes Evans LLP now ranks third among the Southeast's top ten non-national firms and fiftieth among the 100 largest firms in the nation. The firm includes thirty-two partners, over 150 professional staff, and nine offices in North Carolina, South Carolina, and Georgia. Its mission has always been "to serve our clients as trusted business advisers with the goal of helping them achieve greater success."

MARKETING

Niche Marketing

The most significant marketing change that encouraged the growth of Crisp Hughes Evans was focusing on five areas of specialization. These are health care, manufacturing and distribution, financial services and institutions, governmental and nonprofit, and construction and real estate. The decision to focus on niches was made because that was what other successful firms were doing. "It was an easy decision to select the five areas we would concentrate on," explains Kenneth M. Hughes, managing partner. "The hard decision was to execute and make sure that everybody focused their efforts on the five industries."

This effort was the easiest for the firm's health care niche, because they had hired health care specialists who worked in that industry full time. It was more difficult to get some of the professionals who were used to being generalists to focus on the selected industries. Fortunately, a couple of the firm's partners set the stage by giving away some of their clients and focusing on the health care industry. Then, the rest of the firm embraced it.

"They had to trust that this would work," says Hughes. One of the partners who elected to focus on the health care industry had also worked with construction and government clients. A couple of years ago he had the largest volume managed by any of the partners, and it was almost exclusively health care. "He was willing to take that leap of faith," says Hughes.

Role of Marketing Coordinators

Crisp Hughes Evans hired its first full-time marketing coordinator in 1997. Kristi Wertz focused on the firm's printed materials and creating a consistent message throughout the firm. Soon after, a second marketing coordinator was hired to work full-time with the Crisp Hughes Evans Healthcare Group. Her role is to coordinate trade shows, speaking engagements, and seminars. The firm plans to hire additional marketing coordinators to work in each of the larger practice units to help with client prospecting and development.

These efforts are considered the firm's most successful marketing programs in the past three years. Coordinating the image of the firm through printed materials and a consistent message allows Crisp Hughes Evans to compete more effectively with the Big 5 firms for new clients and recruits. The health care marketing coordinators' efforts resulted in new business opportunities.

Marketing Planning

Crisp Hughes Evans has had a formal marketing plan for two years. The firm's marketing partner, Mark Crocker, works with the marketing coordinators to develop a firm-wide marketing plan. They talk with the partners in the various niches about the programs they would like to develop for the year. Then, the marketing plan and budget are developed.

CHE Technology

CHE Technology was formed in 1997 to serve the firm's agribusiness industry (part of the manufacturing and distribution niche) through the development of specialty software programs. CHE Technology has expanded its scope to serve core clients by becoming a value-added reseller for Great Plains software. It has grown to include twelve to fifteen technology specialists and accounts for 3 percent of the firm's total revenue.

Crisp Hughes Evans Healthcare Group

The Crisp Hughes Evans Healthcare Group has experienced the greatest growth in the past three years. The firm hired niche champions from outside the firm, including Blue Cross Blue Shield, the North Carolina Division of Medical Assistance, and Big 5 firms. "That has really fueled our growth," explains Hughes. "We now have specialists in long-term care, hospitals, and physician practices."

Marketing activities for the Crisp Hughes Evans Healthcare Group include a newsletter, *Health Care Monitor*, which is sent quarterly. Faxes are sent to hospital and long-term care clients and prospects regarding specific issues.

"There has been significant legislation in health care starting with the Balanced Budget Act of 1997," explains Tom Walden, a firm principal. "Our faxes explain the legislation and how our clients and prospects will be affected. The frequency depends upon what is happening."

Crisp Hughes Evans participates in about twelve trade shows each year. These include the state chapters of the Healthcare Financial Management Association and state hospital associations in Virginia, North Carolina, South Carolina, and Georgia. In addition to setting up an exhibit booth, the firm participates as top-level sponsors for enhanced visibility and recognition.

Crisp Hughes Evans also organizes firm-sponsored seminars on current issues. For example, the Balanced Budget Act of 1997 changed how nursing homes are reimbursed. The firm held ten seminars in North Carolina and South Carolina targeting nursing home administrators and financial personnel.

Due to the firm's name recognition in the health care industry, new business opportunities are often for consulting services. The goal is then to gain the client's respect and earn opportunities for accounting and auditing services.

Mergers Support Niche Focus

Crisp Hughes Evans has conducted one or two mergers in each of the last few years. These mergers account for one-third of the firm's growth, and internal growth represents two-thirds. One of the criteria for a merger is that it will enhance the firm's existing industries and specialties or allows the firm to get into a niche it wants to be in. For example, in 1999 Crisp Hughes Evans merged with a firm that was strong in the insurance industry. This enabled the firm to add a new expertise in the insurance industry as well as complement its financial institutions practice.

MANAGEMENT

Hughes has been the managing partner of Crisp Hughes Evans since the firm was founded in 1979. He is joined by twenty partners, average age forty-five, with an average tenure with the firm of eight years. In addition to full-time marketing coordinators, the firm has a full-time chief financial officer, firm administrator, technology director, director of recruiting, and human resources director.

Management Style

"I like to hire great people and provide them some direction and resources," explains Hughes, "and let them go do what they know how to do best. A managing partner cannot grow the firm by himself. He's got to have a lot of great champions."

Hughes believes that a firm's culture must support its champions in engaging in entrepreneurial activities, getting out of their comfort zones to do projects that they feel a little uncomfortable doing. He describes Crisp Hughes Evans as an entrepreneurial firm.

Controlling Growth

Crisp Hughes Evans has a compound growth rate of 22 percent since inception. Growth in the past four years has been accelerated, and this is controlling decisions to invest in new people, technology, and firm infrastructure.

Firing Clients

Crisp Hughes Evans tries to evaluate its client base on an annual basis to allow it to outsource clients it believes do not need its services or those to whom it cannot add value. This evaluation takes into account more than just the numbers. Other criteria include—

- Does the client respect our professionals?
- Is the client paying a fair fee?
- Does the client need Crisp Hughes Evans' expertise?
- Can the firm still serve the client to the best of its ability?

When an engagement has low realization, Hughes has the staff ask three questions:

- Is this a performance problem on the firm's part?
- Is it a mix problem? For example, did inexperienced staff take too much time or did managers do more of the work at a higher rate per hour?
- Is it a fee problem?

The answers to the first two questions can be fixed internally. If it is a fee problem, it is explained to the client. When the need to increase fees is raised, some clients agree and some leave. However, the firm has had success, particularly in the nonprofit area, in getting former clients to return. The recognition that "you get what you pay for" when shopping for fees has prompted the return of some clients. "You cannot go wrong in being honest with your clients," says Hughes.

Auditing and Tax Efficiencies

The re-engineering of the firm's audit practice has contributed to the growth of Crisp Hughes Evans. Several years ago, Tim Beauchemin was hired to look at the firm's audit and tax processes. Comparing audit and tax processes to a manufacturing process, he identified several loops where steps needed to be redone. For example, giving poor instructions or improperly planning the job results in having to go back and do something again. The firm's processes were flow charted to take out the loops. This helped the firm's efficiency.

Crisp Hughes Evans also hired AuditWatch to review its audit process and offer suggestions on how staff could reduce their time spent in areas that did not gain any more confidence in the fairness of financial statements. Before hiring AuditWatch, a couple of partners attended the presentation and felt that they did not hear anything they did not already know. This led Hughes to believe the firm's problem was in execution and hired AuditWatch to take what they already knew and spread it throughout the organization. This enabled everyone to understand the audit approach, and it was not left up to each partner to explain how to conduct an efficient audit each year. It is Hughes' belief that this has paid big dividends to the firm.

Profitability

Crisp Hughes Evans measures profitability on average partner earnings. Hughes affirms that this number has risen the past several years.

SURVEY RESULTS

	Fiscal Year End 1999	Fiscal Year End 1998	Fiscal Year End 1997
Net revenue	$21,422,000	$17,414,000	$12,565,000
Revenue split: A&A	37%	38%	31%
Tax	35%	33%	29%
Consulting	28%	29%	40%
Number of mergers	1	2	2
Percent revenue from mergers	4.2%	3%	25%
Number of— Partners	21	16	12
Professionals	127	108	78
Offices	9	8	7

Managing partner: Kenneth M. Hughes
Number of years in this position: Twenty
Length of term: Three years
A CPA: Yes
Age: Forty-seven

Number of partners: Twenty-one
Average age: Forty-five
Average tenure with firm: Eight years

Full-time marketing director: Yes
Full-time salespeople: No
Full-time chief financial officer: Yes
Full-time firm administrator: Yes
Full-time human resources director: Yes

Formal marketing plan: Yes
Marketing budget (percentage of net revenue): 1.6 percent
Marketing budget includes marketing staff salaries: Yes
Number of Top 20 clients with the firm before 1996: Ten
Percentage of firm's recurring revenue: 60 percent

Percentage increase of net income per partner from 1996 to 1999: 18 percent
Percentage increase of net income per professional from 1996 to 1999: 14 percent

DIXON ODOM PLLC

"Our clients are on the move and we're just keeping up with them."
—Eddie Sams, Managing Partner

chapter 6

BACKGROUND

Dixon Odom PLLC is the second largest CPA firm headquartered in the Southeast and the twenty-seventh largest firm in the United States. The firm has provided accounting, auditing, tax, and consulting services for four decades. Dixon Odom has grown to include eleven offices in North Carolina and Georgia, staffed by over 300 employees serving clients nationally and internationally.

MARKETING

Niche Marketing

In 1987 Bobby Rice merged his auto dealership practice into Dixon Odom. Since that time the firm's dealership practice has grown from $500,000 to about $5.8 million, or 20 percent of the firm's revenue. This niche has experienced the greatest growth over the past three years, and the dealership marketing programs are the firm's most successful.

Dixon Odom works with more than 350 dealerships nation-wide. Over fifty Dixon Odom professionals are dedicated to serving the dealership practice. In addition to audit and tax services, the firm offers a variety of consulting services, including—

- Valuation and litigation services.
- Acquisitions and disposals.
- Lender packages.
- Factory approval packages.
- Operational analysis.
- Buy here, pay here.
- Last in, first out.

Ironically, as the automotive industry consolidates, Dixon Odom's automotive practice has experienced its greatest growth. The firm is expanding and repackaging its services to make changes along with the industry. Although its audit and tax practice is significant, it is offering more due diligence and business valuation services.

An example of Dixon Odom's developing new niche products is the Control of Operating Procedures and Systems (COPS) program that helps ensure dealerships that the proper accounting and internal control procedures are in place. COPS consists of a series of twenty-five individual modules, each designed to test a specific area of a dealership's operation. Modules include new and used car sales, parts department, cash handling, and inventory control. Dealerships receive a written, detailed analysis of the firm's immediate findings, so improvements can begin immediately.

Dixon Odom has two of the nine founding members of Auto Team America, a network of CPA and consulting firms serving over 1,400 dealerships from coast to coast. Auto Team America is dedicated to helping dealerships find better ways to manage their businesses and increase profitability in an increasingly competitive marketplace. "Auto Team America has been a real plus for us in terms of being able to exchange ideas with top-notch firms ... to help develop services and products," says Eddie Sams, managing partner.

Dixon Odom automotive professionals are actively involved in and support several regional and national organizations by serving on boards, exhibiting at trade shows, speaking, writing articles, and attending and sponsoring educational programs. These organizations include—

- National Automobile Dealers Association.
- American Truck Dealers Association.
- North Carolina Automobile Dealers Association.
- South Carolina Automobile Dealers Association.
- Virginia Automobile Dealers Association.
- Georgia Automobile Dealers Association.
- Metro Atlanta Automobile Dealers Association.
- Wake County New Vehicle Dealers Association.

The firm is also expanding geographically to respond to client needs. "If you are going to have a dominant dealership practice, you're going to have to cross state lines with clients," explains Sams. The firm then decides if it makes sense to cross state lines with offices. Sams contends that if there is a group of people who want to reach their full potential within a market, the market cannot be limited to one state. "The Southeast [region] makes sense for us," says Sams.

Other Niches

In 1994 Dixon Odom began expanding its niche marketing strategy to other industries. The firm is in the process of analyzing other industries important to the firm and assigning its staff so they spend 50 percent or more of their time in these niches. For example, Dixon Odom is concentrating on an undisclosed industry that currently generates about $1.5 million to $2 million in fee volume. For the firm, that is equivalent to one and a half or two partners. However, thirteen or fourteen partners are involved in working with clients in this industry. Sams feels the firm should be able to do about $6 million in this industry. The challenge in the next five years is to organize an industry team that works almost exclusively in that industry.

"It's night and day in terms of being able to go out with a team of folks who are exclusive to an industry and compete with another firm who only does it marginally or part time," says Sams. "That's part of what's driving us right now."

Role of Marketing Department

An efficiency that has contributed to the growth of Dixon Odom is the hiring of sales and marketing professionals. Tracy Crevar has been the firm's marketing and business development director for the past ten years, nearly a record by accounting marketing standards. The firm began adding marketing and business development coordinators about five years ago and now employs four full-time and four part-time marketing and business development professionals.

Crevar works with a full-time marketing coordinator, who assists her with firmwide marketing activities, including promotional materials, public relations, and the Web site. A second marketing coordinator works with the Raleigh and Atlanta offices, primarily with the auto dealer niche. Five business development professionals are located geographically and may also work with specific niches. They are responsible for all marketing activities of the office(s) including lead generation. The business development professionals are located in the following offices:

- Greensboro/Winston Salem
- High Point
- Thomasville
- Sand Hills Region (three offices)
- Charlotte

A sixth business development professional works with the Management Advisory Services group.

Dixon Odom also employs a marketing intern from a local university who works twenty-five hours per work during the school year and full-time during the summer. The firm has been using marketing interns for about six years and has hired both marketing and accounting majors to fill this position.

"Part of what you're looking for in the sales and marketing people is giving them the responsibility to take care of things that we, as partners and some of the staff, halfway tried to do fifteen years ago," explains Sams. "It should be that we're freeing up the partners and professionals to get involved at just the right time and letting the sales and marketing people to get us a little more structured and organized and be more systematic in what we do."

MANAGEMENT

Eddie Sams has been the managing partner of Dixon Odom since 1983. He is joined by thirty-one partners, average age forty-nine, with an average tenure with the firm of more than fifteen years. In addition to its marketing department, the firm employs a full-time firm administrator.

Management Style

"I tell a lot of folks I'd rather say 'whoa' than 'go,'" says Sams. He makes sure that everyone realizes that they have a tremendous amount of autonomy and a great opportunity to be successful with Dixon Odom. Sams' main concern is to be sure his people have the resources they need to accomplish their goals. His style adjusts to the situation. "If we have strong folks in place that make it go, my style is to get out of the way," he explains. "If we have folks with great potential but who haven't quite reached it and need some help getting over the hump, then I want to get involved with them."

Firm Culture

Dixon Odom partners and staff know that the firm is a business; they are in it to try to be profitable and to develop good people. They work off of peer pressure. The firm has levels of performance from office to office and partner to partner that everyone sees. The firm's culture contributes to their work ethic and personality.

"As a group, most of our partners have been together a long time," explains Sams. "We share common goals. There is some real value to that."

Partner Compensation

All partner compensation is based on a merit system. Partner ownership and compensation goes up or down based on results. A key measure for

Dixon Odom is net fee growth (new business net of losses). "If you don't measure net fee growth, then you are not measuring the right number," says Sams. "If you have good net fee growth, it's going to fall through to improved profitability."

Office profitability is the majority of the compensation equation. However, the firm is moving toward making sure that it is compensating for meeting firm goals. For example, if an office takes on an initiative for the firm and needs other offices to help the initiative to grow and be successful, those offices that help make it grow are rewarded.

Service Expansion

Dixon Odom has added four new services in the past three years that now account for less than 10 percent of total revenue. These are—

- Sales and use tax reviews.
- Cost segregation.
- Wealth management and investment advisory services, offered through an entity known as Dixon Odom Financial Advisors.
- COPS.

The firm looks at client needs when determining to add service lines. Sams believes that it is important not to devote too many resources to areas that are not part of the base business. He did a comparison of the basic month-to-month levels of the firm between 1989 and 1999. Back in 1989 accountants were talking about firms that would not survive unless they offered Type II services. Dixon Odom made a deliberate effort to fill the valleys and flatten the peaks. The result was that some of the valleys were filled but the peaks are higher than ever.

"We still have a busy season when the volume per month is twice the rest of the year," explains Sams. "I don't see that changing anytime soon. We are trying to do more things the rest of the year. Some of these [new] services that we are able to bring in are not seasonal."

Firing Clients

Sams analyzes each industry group for profitability. This is done by Standard Industrial Classification (SIC) codes. For example, the firm may serve a small number of clients in a particular industry but not as efficiently as it serves other industry groups. The firm may be better off taking those same resources and devoting them to another industry group in which they are more efficient. "We need either to do more of something or not do it at all," says Sams.

Profitability

Sams asserts that Dixon Odom is profitable. "Understand that we are managing profitability," says Sams. "Growth is just one element of that."

Sams looks at all the numbers but the primary number is profitability. He feels that if firms concentrate on good profitability they will typically have decent growth with it. Sams also thinks that firms should treat reinvestment into the firm as a line item like anything else.

SURVEY RESULTS

	Fiscal Year End 1999	Fiscal Year End 1998	Fiscal Year End 1997
Net revenue	$28,900,000	$23,800,000	$21,600,000
Revenue split: A&A	47%	49%	50%
Tax	37%	37%	36%
Consulting	16%	14%	14%
Number of mergers	1	0	0
Percent revenue from mergers	3%	N/A	N/A
Number of— Partners	32	28	25
Professionals	152	125	113
Offices	11	10	10

Managing partner: Eddie Sams
Number of years in this position: Seventeen
Length of term: Three years
A CPA: Yes
Age: Fifty-one

Number of partners: Thirty-one
Average age: Forty-nine
Average tenure with firm: More than fifteen

Full-time marketing director: Yes
Full-time salespeople: No
Full-time chief financial officer: No
Full-time firm administrator: Yes
Full-time human resources director: No

Formal marketing plan: Yes

Marketing budget (percentage of net revenue): 2.6 percent

Marketing budget includes marketing staff salaries: Yes

Other items included in marketing budget: Entertainment, advertising, promotional expenses, civic dues, research, socials, trade shows, and newsletters

Number of Top 20 clients with the firm before 1996: More than ten

Percentage of firm's recurring revenue: 70 percent

Percentage increase of net income per partner from 1996 to 1999: 30 percent

Percentage increase of net income per professional from 1996 to 1999: Not available

Doeren Mayhew

"This is the best time ever to be in our business."
—Mark A. Crawford, Managing Partner

chapter 7

BACKGROUND

Doeren Mayhew has been providing a full range of tax, audit, and consulting services to a wide range of clients since 1932. It has grown to become the second largest non-national firm in the state of Michigan and the thirty-fifth largest firm in the United States.

MARKETING

Niche Marketing

Doeren Mayhew has been using a niche marketing strategy for six years. Currently, the firm's niches are—

- Credit unions.
- Payroll processing.
- International businesses.
- Construction.
- Manufacturing.
- Auto dealerships

"It has been clear that the better you are in your field the more opportunities you get," says Mark Crawford, managing partner. "It's proven that our best niches generate more opportunities than the rest of our practice."

Since 1996, Doeren Mayhew has developed four new service lines, which now account for 10 percent of the firm's net revenue. These are—

- Information technology (IT) consulting.
- Utility IT consulting.
- Strategic planning.
- Mergers and acquisition consulting.

Payroll Processing

Doeren Mayhew's Payroll Processing Group has been processing payrolls since 1962. This niche now has 1,600 clients and accounts for 17 percent of the firm's net revenue.

The firm sends two newsletters, *DM Payroll News* and *DM Payroll Briefs*. *DM Payroll News* is sent to nonclients and *DM Payroll Briefs* is sent to clients. The frequency of distribution depends on the size of the client or prospect. Larger companies receive a newsletter on a monthly basis; smaller companies may receive a newsletter on a bimonthly or quarterly basis. Doeren Mayhew uses freelance writers and designers. The newsletters are professionally printed. The firm distributes about 50,000 newsletters per year; total cost is about $20,000.

Doeren Mayhew currently has four full-time internal salespeople who are paid a base salary, plus commission. "Over the past 10 years we have built a database of 50,000 names in southeast Michigan," explains Peter Prychodko, president of DM Payroll Services. "Our internal salespeople call our prospects to gather information and set up appointments." This database is also used for newsletter distribution.

Credit Unions

Doeren Mayhew had four or five significant credit union clients when it merged with a firm with a significant credit union practice around 1994. This niche now has 80 clients, including the White House, and accounts for eight percent of the firm's net revenue.

The most successful marketing program of the credit union practice is an annual two-day conference in Las Vegas, Nevada. Sponsored by Doeren Mayhew and a West Coast CPA firm, the conference attracts more than 200 participants. The conference was developed by the two firms and covers industry-specific topics. "This group generates more proposals than anybody else," remarks Crawford. "It's a small industry, so everyone knows each other and the referral network is excellent."

Bank Mixers

Bank mixers are considered Doeren Mayhew's most successful marketing tool. About six mixers are held each year. Representatives of Doeren Mayhew and the bank present brief overviews of their businesses. Then, the balance of the time is spent networking. "It's been getting the young seniors, managers, and partners together with bankers their age that has really paid off over the years," says Crawford. "They have a peer group out there who they know."

Staff with a minimum of three years' experience also attend the bank mixers. "They mingle, hear partners and managers talk, see how this all works, and start to get into the swing of things," says Crawford. "We try to develop them that way so they get that [marketing] mentality all the way through."

Marketing Planning

"We would much rather do than plan," admits Crawford. "We have exceptionally good marketing partners. We're not very good at writing things down."

Each niche has basic marketing activities that it implements on its own. Crawford approves additional projects, such as brochures or mailings.

The decision to add service lines is made by a combination of need and opportunity. In some cases, the niches identify areas to expand. In other cases, opportunities are presented to the firm. "We can use all the exceptional people we can find," says Crawford. "The more good people you have the better the firm is going to be."

For example, Doeren Mayhew formed DM Human Resources, LLC, on January 1, 2000. The firm had been thinking about starting this service line for three years before it found the right person to lead it. Another example is the utilities specialty that was added to the firm's IT group. Doeren Mayhew did not have any utilities business, but the partner was exceptional and the firm thought, *Why not?*

"You can't develop a niche by having somebody change his stripes," says Crawford. "It doesn't work. It's just too hard on a partner to try to make him change. We would rather go out and find an expert in the industry, bring him in, pay him well, and develop it that way."

MANAGEMENT

Crawford has been the managing partner of Doeren Mayhew for five years. He is joined by eighteen partners, average age forty-seven, with an average tenure with the firm of twenty years. The firm employs a full-time chief financial officer and firm administrator.

Management Style

"Harvard calls it management by walking around," explains Crawford. He wanders around the office, talking to everybody, encouraging new ideas and new directions. Crawford admits to being very hands-off with partners, letting them do what they want, and relates it to trying to hold onto a bowl of Jell-O.

"In the end, when you've created a successful firm, you can get over anything else," says Crawford. "When things are working well, business is good, and partners are getting paid for what they're doing, we can overcome all the little stuff that kicks up. I always tell them that the only reason we have any problems is because it's summertime and we don't have anything better to do. We don't have any of these issues [January] through April."

Firm Culture

Doeren Mayhew's culture is described as totally entrepreneurial. "It's do your own thing, but in the context of the firm," explains Crawford. "It's a very high level of effort and, for most people, a high level of success. It's really the level of effort—the concentration on business—as opposed to all the periphery things we could do, like marketing and having more meetings. We don't have a lot of partner meetings and that stuff, we just do business. It's a little bit of sink or swim. There's not a lot of hand-holding."

There is definite peer pressure among Doeren Mayhew's partners. Every partner knows each other's numbers and what they all get paid. "It's very competitive," explains Crawford. "Everyone wants to be ahead of the next guy."

Doeren Mayhew partners are encouraged to act as executives, not pencil pushers. "The best marketers get themselves so busy that we're trying to promote the partner to continue to be more of an executive, more of an entrepreneur," explains Crawford. "Instead of doing all their own work, they should develop people under them to do as much of the work as possible so they can keep going out and getting more business."

Crawford thinks the firm's partners have become pretty effective delegating work. This has evolved by successful partners leading by example. "The young partners look at that and say, 'Maybe it's not such a good idea to bury myself out in the field doing fieldwork. I have to look at it more as a business person,'" says Crawford.

Compensation

Successful Doeren Mayhew partners are those who make more money. "That's the only criterion," says Crawford. "How else do you measure? If you measure success by whether you made partner, that's not a good criterion. It's a very healthy competition here."

Doeren Mayhew does not have a formal partner compensation formula. It is a somewhat subjective system based on objective numbers. These include—

- The amount of billings partners have brought into their own billing book.
- The amount under or over standard percentage.

- The volume of new business brought in during the year.
- Lost business.
- Business transferred to other partners.
- Chargeable hours.

Profitability

Doeren Mayhew is described as a very profitable firm with partners very happy with their compensation. "It's changed dramatically over the last five or six years," explains Crawford. "We have the ability now to try new things fairly easily, whereas it used to be an agonizing process." The firm's profitability has contributed to its ability to do new things.

SURVEY RESULTS

	Fiscal Year End 1999	Fiscal Year End 1998	Fiscal Year End 1997
Net revenue	$20,500,000	$18,400,000	$15,800,000
Revenue split: A&A	53%	54%	56%
Tax	25%	25%	24%
Consulting	22%	21%	20%
Number of mergers	0	0	0
Percent revenue from mergers	N/A	N/A	N/A
Number of— Partners	19	18	18
Professionals	140	131	120
Offices	1	1	1

Managing partner: Mark A. Crawford
Number of years in this position: Five
Length of term: One year
A CPA: Yes
Age: Forty-five

Number of partners: Nineteen
Average age: Forty-seven
Average tenure with firm: Twenty years

Full-time marketing director: No
Full-time salespeople: No
Full-time chief financial officer: Yes
Full-time firm administrator: Yes
Full-time human resources director: No

Formal marketing plan: No
Marketing budget (percentage of net revenue): 1.5 percent

Number of Top 20 clients with the firm before 1996: Eighteen
Percentage of firm's recurring revenue: 75 percent

Percentage increase of net income per partner from 1996 to 1999: 26 percent
Percentage increase of net income per professional from 1996 to 1999: 23 percent

Elliott, Davis & Company, LLP

"Technology is taking over a lot of what we used to do."
—Irvine T. Welling III, Managing Partner

chapter 8

BACKGROUND

Elliott, Davis & Company, LLP, was established in Greenville, South Carolina, in 1925 as a branch office of a Boston firm whose partners were James A. Elliott and Herbert F. Davis. In 1938, the local manager, Merrill Patten, acquired the Greenville practice and severed all ties with the Boston firm. Elliott, Davis & Company is now the largest regional CPA firm headquartered in South Carolina and the fortieth largest firm in the United States, including seven offices in South Carolina and Georgia.

MARKETING

Niche Marketing

Elliott, Davis has been using a niche marketing strategy for six years. Currently, the firm's niches include—

- Construction.
- Financial institutions.
- Medical and professional practices.
- Manufacturing.
- International.
- Retirement plan administration.
- Corporate finance.
- Business valuation and litigation support.
- Information technology consulting.

Elliott, Davis has also had a formal marketing plan for six years. Irvine T. Welling III, managing partner; the firm's marketing director; and several marketing-oriented partners develop the plan. "Our marketing plan has been about promotional activities rather than strategy," explains Welling. "We're currently trying to take that to another level."

Management consulting services has shown the greatest growth in the past three years. "You don't have to look around too far to see the future is in the consulting, or value-added, side as opposed to the compliance side," says Welling. "Technology is taking over a lot of what we used to do, influencing the compliance side. What this says to all of us is that we have to add value."

Elliott, Davis has a separate business valuations group, and a mergers and acquisitions group. The firm also has formed three separate entities offering different consulting services:

- Elliott Davis Technology Solutions, LLC; technology consulting
- Elliott Dendorfer, LLC; in-bound international services
- Elliott Davis Wealth Management Services, LLC; financial products and services

Since 1996, the firm has created four new service lines, which now represent 10 percent of the firm's revenue. In addition to technology consulting, these include—

- Medical consulting.
- Mergers and acquisitions.

Elliott, Davis' greatest marketing challenges are positioning the firm and getting the partners involved in the marketing program not just promotionally, but strategically. Welling is looking to make marketing part of everyone's everyday mindset and to develop an efficient, consistent, collaborative approach for the firm's marketing program.

Antique Show Sponsorship

Elliott, Davis' most successful marketing program has been the sponsorship of the Greenville County Museum of Art's antique show. The firm sponsored this event for eight years at a cost of $10,000 per year. Elliott, Davis then co-sponsored the antique show for two years with a major bank. "This was a very successful sponsorship for us," says Welling. "We ended our sponsorship after ten years because we felt the benefits had run the course. Also, we felt that our leadership had brought many other businesses into more active participation with the museum and there were other sponsors ready to take our place." The firm continues to serve as a corporate benefactor of the event.

The firm's sponsorship not only resulted in publicity in the print media but also solidified Elliott, Davis' position in the corporate community.

Elliott, Davis has been recognized in many ways for its contributions to the arts, including its receipt in 1991 of the Elizabeth O'Neill Verner Award from the Governor's Commission on Arts, given state-wide for supporting the arts.

MANAGEMENT

Welling has been the managing partner of Elliott, Davis since 1994. He is joined by twenty-three partners, average age forty-nine, with an average tenure with the firm of eighteen years. The firm employs a full-time chief financial officer, firm administrator, and human resources director.

Elliott, Davis has an executive committee comprising six partners. Welling is a nonvoting member, except to break ties. Members are elected to three-year terms; a member cannot serve for more than two consecutive terms. "We now have a pretty interesting mix of younger and older partners, including those who have come in through recent mergers," says Welling. "I'm proud of how all that's been working."

Firm Culture

Welling describes Elliott, Davis' culture as evolving and progressive, with a growth mentality and community involvement. Yet, he believes that the firm has outgrown its culture. At the firm's management retreat in 1999, the partners reached consensus on six points. The firm needs to—

1. Continue to attract and retain the very top people.
2. Increase accountability and be more corporate-like in its decision making and management.
3. Make strong commitments to specialization and get the firm's specialty groups moving toward a critical mass.
4. Be much larger to support these specialized resources.
5. Explore a major market strategy.
6. Work on the firm's seasonality, client base, and service mix to improve it. This means deliberately firing "C" clients.

"Without question these comments said that we need to change the way we make decisions and we need to be more accountable," explains Welling. In response, the firm's executive committee has become a decision-making group. "We have to make the decisions in the best interest of the firm and be willing to listen to a little flack about it," says Welling. The firm is continuing to work on its accountability.

Management Style

Welling's management style has evolved along with the firm's culture. "I've realized that I don't need to please everybody all the time," he says. "I don't need to get everybody's approval before making a decision. I keep wondering why it took me so long to figure that out." Welling now describes his management style as leadership-based instead of consensus-based.

Profitability

Welling admits that even though Elliott, Davis & Company is profitable, it is not as profitable as he wants it to be. He cites investments made in mergers and building up specialization. "There's a cost to that and it's bigger than you ever realize," he says.

SURVEY RESULTS

	Fiscal Year End 1999	Fiscal Year End 1998	Fiscal Year End 1997
Net revenue	$19,695,718	$17,315,430	$15,583,139
Revenue split:			
A&A	40%	44%	44%
Tax	45%	43%	45%
Consulting	15%	13%	11%
Number of mergers	0	1	1
Percent revenue from mergers	N/A	1%	1.5%
Number of—			
Partners	24	26	24
Professionals	176	169	140
Offices	7	7	7

Managing Partner: Irvine T. Welling III
Number of years in this position: Five
Length of term: Three years
A CPA: Yes
Age: Fifty-five

Number of partners: Twenty-four
Average age: Forty-nine
Average tenure with firm: Eighteen years

Full-time marketing director: Yes
Full-time salespeople: No
Full-time chief financial officer: Yes
Full-time firm administrator: Yes
Full-time human resources director: Yes

Formal marketing plan: Yes

Marketing budget (percentage of net revenue): 2.25 percent

Marketing budget includes marketing staff salaries: No

Other items included in marketing budget: Various promotional items including advertising, promotional materials, and firm sponsorships. Other local office or individual partner marketing items are included in separate budgets for each office, each partner, or both.

Number of Top 20 clients with the firm prior to 1996: Fifteen

Percentage of firm's recurring revenue: 80 percent

Percentage increase of net income per partner from 1996 to 1999: 36 percent

Percentage increase of net income per professional from 1996 to 1999: 5 percent

Schneider Downs & Co., Inc.

"If CPAs don't see the need to market, I hope they are in my city!"
—Raymond W. Buehler, Jr., Co-Managing Shareholder

chapter 9

BACKGROUND

Schneider Downs & Co., Inc., has grown to become the forty-ninth largest firm in the United States, with offices in Pittsburgh, Pennsylvania, and Columbus, Ohio. Founded in 1956, the firm provides more than a dozen services to businesses in eight industries.

MARKETING

"If we don't bring a diverse array of services to our clients, they are going to go somewhere else," says Raymond W. Buehler, Jr., co-managing shareholder. "I think marketing keeps our name out there so our clients and potential clients know what our capabilities are." Schneider Downs conducts extensive internal marketing training to proliferate the firm's marketing efforts. "I can't imagine a firm with forty people or more without some sort of marketing program can survive," says Buehler.

Niche Marketing

Schneider Downs has been using a niche marketing strategy for the past seven or eight years and considers it one of the firm's most successful marketing programs. The firm is segmented into eight industry groups:

- Automotive
- Professional service firms
- Manufacturing
- Construction
- Transportation
- Natural resources
- Nonprofit organizations
- Women's business group (women executives and entrepreneurs)

Each niche develops its own marketing plan coordinated by the firm's marketing director. The Schneider Downs marketing committee, comprising two partners and the marketing director, reviews all the marketing plans and allocates resources in the areas that the committee thinks are the best opportunities for the firm. This process takes place on an annual basis.

Marketing activities are tracked using monthly logs. A summary of activities is presented at the annual shareholders meeting. However, the firm's compensation system is not based on business generation. "I think it is certainly a factor that comes into compensation and equity growth in our firm," explains Buehler. "But, if anything, we work on toning that down." The firm focuses on putting each person in his or her best role to succeed. In some cases this is a technical role, and in others, it is a marketing role.

Seminar Program

Schneider Downs' seminar program is also considered one of the firm's most successful marketing programs. The firm has conducted seminars for many niches, including mergers and acquisitions, manufacturing, nonprofit, and women executives and entrepreneurs. Several of these seminars have been conducted for three or four years in a row.

Schneider Downs attributes timely topics and competent speakers, not necessarily from the firm, to the success of its seminar program. For example, the merger craze of the 1990s contributed to the success of the firm's recent merger and acquisitions seminar.

Diversification

The most important lesson that Buehler has learned as Schneider Downs has grown is diversification. "First, it is important to work with the shareholder group to make sure they are as tightly knit as possible and that all of us are heading in the same direction," explains Buehler. "They should be focused on feeling entrepreneurial, having a [voice] in management, and feeling good about where they work."

Admitting that this sounds esoteric, Buehler concedes that this is the substance of what gets the shareholders going. Underneath the teamwork of the shareholders is their decision to specialize and branch out into other services. Each year the firm's annual meeting includes a session in which the shareholders brainstorm about new products and services they can bring to clients. "If three out of four of them work and one doesn't, that's fine," explains Buehler. "We move on and forget about it."

As Schneider Downs has grown, the shareholders' risk tolerance for starting new ventures has grown. "We call it taking a flyer," says Buehler. "Given our financial stability, we are able to crash and burn once in a while."

Consulting Services

The firm's consulting revenue has decreased from 32 percent in 1997 to 24 percent in 1999; however, Schneider Downs is making a conscious effort to reverse that trend to increase the firm's consulting revenue. "We looked at our five-year growth pattern," explains Buehler. "We've done a very commendable job in picking up traditional work, which means that we haven't even unveiled the opportunity yet of all the consulting that goes with that."

The firm has identified three areas of opportunity:

- *The Columbus, Ohio, market.* Schneider Downs has been working with clients in Columbus since 1977 and opened its office there in 1989.
- *Technology consulting services.* The firm brought in another shareholder to lead this effort.
- *Other consulting services.* These include strategic planning, mergers and acquisitions, capital/financing, litigation support, and stock valuations.

Role of Marketing Department

Schneider Downs' marketing director, Ann Shiry, has been with the firm for five years. She is responsible for the overall strategic marketing of both the Pittsburgh and Columbus offices. The firm also has two additional marketing staff. The marketing representative in the Columbus office is responsible for assisting in establishing strategic marketing plans to achieve corporate objectives for products and services and helping to grow the Columbus office. The marketing coordinator in the Pittsburgh office assists in the implementation of marketing programs and is responsible for the firm's publications, Web site, and public relations efforts, among others. Schneider Downs' marketing staff also includes a part-time support person and a marketing intern who works fifteen hours per week.

"Although we always felt we were good marketers," explains Buehler, "we were spending a lot of shareholder time on administrative marketing activities that did not make economic sense." The firm passed on several candidates who did not have the right personality and industry knowledge before hiring Shiry.

Management

Co-managing shareholders Buehler and Kenneth A. Rowles manage Schneider Downs. The decision to have co-managing shareholders was made in 1985 when the founding partners, Jim Schneider and Paul Downs, retired. "Both Ken and I had administrative inclinations," explains Buehler. "Rather than both of us walking away from the significant practices we had at the time, we decided to try to do the job together." In 1987 Buehler also became the president of the firm and will become the sole managing shareholder when Rowles retires.

Buehler maintains that he and Rowles have never had a disagreement. The two do not have defined roles, which may lead to some duplication of efforts. Yet, it is helpful when Buehler and Rowles build consensus and communicate with shareholders.

Buehler and Rowles are joined by sixteen shareholders, average age forty-four, with an average tenure with the firm of sixteen years. In addition to a full-time marketing director, the firm has a full-time chief financial officer and human resources director.

Firm Culture

"Our firm culture is based on a foundation of harmony within the shareholder ranks," says Buehler. "We work very hard at maintaining that harmony. I think it's critical to us that we feel good about working with each other, being with one another, and not having a bunch of sole practitioners within the firm."

Schneider Downs does not work on a book-of-business concept. "Two offices, one firm" is the culture promoted within the firm. When a new business opportunity arises, the people who have the best probability of bringing the prospect into the firm are selected to participate in the meeting. After a prospect becomes a client, the people who can best deliver the products and services that client is looking for are selected. "We also look for multiple shareholder contact on every engagement, so the client perceives the breadth of our abilities rather than one relationship with an individual," explains Buehler.

The Schneider Downs Network of Firms

In September 1999 the Schneider Down Network of Firms was formed; Jackson, Rolfes, Spurgeon & Co. in Cincinnati, Ohio, became the first member. Operating under the Schneider Downs Network of Firms, Schneider Downs is the largest regional accounting firm in Western Pennsylvania.

The decision to form the network was based on Schneider Downs' interest in becoming a dominant regional player rather than being part of a big consolidation group. The shareholders of Schneider Downs and Jackson, Rolfes, Spurgeon & Co. knew each other through their membership in the International Group of Accounting Firms. "At this point I don't see us embracing [another firm] because we're not doing it for growth or funding," explains Buehler. The criteria considered include the following:

- Does the culture of the firm match that of Schneider Downs?
- Is there a significant business in one of the firm's three areas of opportunity—the Columbus market, technology consulting services, or other consulting services?

One of the firm's greatest marketing challenges is integrating Jackson, Rolfes, Spurgeon & Co. into Schneider Downs.

Firing Clients

Schneider Downs fires clients with integrity problems and those that do not pay. However, it is considering taking a more aggressive approach by evaluating the bottom 10 percent of its client base and not working with those clients without a compelling reason to do so. "I think that our firm may actually be better off if every couple of years we take a very aggressive stance on the trailers," says Buehler.

Profitability

Buehler considers Schneider Downs a profitable firm. He confirms that the firm's top line and bottom line have grown every year since 1981.

SURVEY RESULTS

	Fiscal Year End 1999	Fiscal Year End 1998	Fiscal Year End 1997
Net revenue	$18,400,000	$15,600,000	$12,400,000
Revenue split: A&A	42%	42%	40%
Tax	35%	32%	28%
Consulting	24%	26%	32%
Number of mergers	0	0	0
Percent revenue from mergers	N/A	N/A	N/A
Number of— Partners	17	17	12
Professionals	159	147	119
Offices	2	2	2

Co-managing shareholders: Raymond W. Buehler, Jr., and Kenneth A. Rowles
Number of years in this position: Fifteen years each
Length of term: N/A
CPAs: Yes
Ages: Buehler, forty-six; Rowles, fifty-eight

Number of partners: Eighteen
Average age: Forty-four
Average tenure with firm: Sixteen

Full-time marketing director: Yes
Full-time salespeople: No
Full-time chief financial officer: Yes
Full-time firm administrator: No
Full-time human resources director: Yes

Formal marketing plan: Yes
Marketing budget (percentage of net revenue): 1.63 percent
Marketing budget includes marketing staff salaries: No

Number of Top 20 clients with the firm before 1996: Eighteen
Percentage of firm's recurring revenue: 80 percent

Percentage increase of net income per partner from 1996 to 1999: Would not disclose
Percentage increase of net income per professional from 1996 to 1999: Would not disclose

Withum Smith & Brown

"Every partner in our firm is involved in outside activities."
—Ivan Brown, Managing Partner

chapter 10

BACKGROUND

Founded in 1974, Withum Smith & Brown has grown to become one of the fifty largest CPA firms in the United States, including more than 100 professionals in eight offices in New Jersey and Pennsylvania. The firm has been designated as one of the "Ten Best Companies to Work for in New Jersey" by the *Business Journal of New Jersey* and the "Most Admired Regional Accounting Firm in Central New Jersey" by *Business for Central New Jersey*.

MARKETING

Marketing Planning

Withum Smith & Brown does not have a written marketing plan. The firm has a marketing committee, comprising four partners, that meets on a periodic basis. Many of the firm's marketing activities recur from year to year, for example, distributing client and internal mailings, seminars, and brochures and updating the database. The marketing program is then tweaked each year based on the ideas of individual partners. This process may contribute to the firm's greatest marketing challenge: determining marketing priorities. "A lot of money can be spent in the marketing area, so you want to do something that is going to pay off," says Ivan Brown, managing partner.

Even though it does not use a formal niche marketing strategy, Withum Smith & Brown concentrates in several areas. These are—

- Litigation support.
- Technology consulting.
- Health care.

Withum Smith & Brown's niches are successful when a partner is heading up the activity. He must have the skills necessary to be able to translate activities into a positive bottom line. "The easiest way to build niches is to make sure you have competent people to champion the cause," says Brown.

Community Involvement

Withum Smith & Brown's most successful marketing program is involvement in outside organizations. "We encourage people to look for an activity they would enjoy doing," says Brown. "Then, the firm is supportive of people getting involved." Refer to Exhibit 10-1 for a partial list of the partners' current involvement in various organizations.

Organizational involvement is voluntary. "There is probably a certain amount of peer pressure," explains Brown, "but I think the people we have working for us are generally outgoing people who can enjoy getting involved in community activity. Certainly, as a firm, we promote the concept of giving back to the community."

Although the firm tracks the new clients obtained each year, it is often difficult to identify the specific source of referral. "I think community involvement often results in a positive impression of the firm," explains Brown. "If a prospect is referred by an attorney or a banker and they have heard of us through community involvement, it is a head start on the competition."

Litigation Support

Withum Smith & Brown started its litigation support niche about six years ago by hiring a specialist, Laurence G. Thoma, JD, CFE, CPA, ABV, with a high reputation and a network of contacts. There are now twelve dedicated litigation specialists; services include divorce support, business valuations, income tax matters, estate and trust matters, damage measurement, and trial services. Litigation support revenue has tripled to $1.8 million since Thoma joined the firm. The client base is 50 percent matrimonial cases and 50 percent commercial cases.

"Our most successful marketing strategy is getting in front of the attorneys," explains Thoma, shareholder and director of the firm's Litigation/Law Firm Support Services. Thoma is a regular speaker for the American Academy of Matrimonial Lawyers and at county bar association meetings. He also participates in seminars for attorneys sponsored by Withum Smith & Brown and other service providers.

Thoma teaches at the Judicial College, an annual one-week training program for all New Jersey judges. About 20 percent of his cases are court appointed or agreed upon by both parties; judges make CPA recommendations in these cases. Thoma's visibility at the Judicial College helps in the referral process.

When Thoma goes to the courthouse he "makes his rounds" to say hello and schedule lunches and meetings with attorneys. Thoma also believes that doing a thorough job in a professional manner results in referrals. "Three of our largest cases last year were referred by opposing attorneys," he says.

EXHIBIT 10-1: OUTSIDE ORGANIZATION INVOLVEMENT

Organization	Firm Member's Role
American Hospital Association	Member, Leadership Development Committee
Bayshore Community Hospital	Vice Chairman
Bayshore Community Health Services, Inc.	Chair, Pension Trust Committee
Brookdale Community College Foundation	Executive Committee
Community Medical Center	Treasurer and Trustee
Community Services, Inc.	Secretary/Treasurer
CPC Behavioral Healthcare Services	Board of Directors
Crimebusters, Inc.	President
George Street Playhouse	President
Girl Scouts, Monmouth Unit	Board of Directors
The Hyacinth AIDS Foundation	Treasurer
Katelyn Schwenzer Foundation	Treasurer
Mercer County Private Industry Council	Treasurer
Middlesex County Regional Chamber of Commerce	Treasurer
Millhill Child & Family Development Center	President
New Jersey Business and Industry Association	Chairman, Committee on Health Affairs
The New Jersey District Exchange Clubs	Treasurer
Newgrange School	Board of Directors
Ocean County United Way	Board of Directors
Ocean County YMCA	Treasurer
Princeton Area Chamber of Commerce	Fundraising Chair
Princeton Family YMCA	Board of Directors
Rock Brook School, Board of Directors	Treasurer
Somerset County Chamber of Commerce	Treasurer
Somerset Alliance for the Future	Board of Directors, Treasurer
Toms River/Ocean County Chamber of Commerce	Past President
Visiting Nurses Association Foundation of the Delaware Valley	President

Role of Marketing Director

Withum Smith & Brown hired its first marketing director about eight years ago when the firm's revenue was around $7 million. "We realized that the marketing activities that a partner or administrative person were doing couldn't be done on a part-time basis," explains Brown. "Whether it's newsletters, client mailings, or seminars, marketing requires full-time attention."

After the departure of the firm's first marketing director, the partner group was resistant to hiring a second, more qualified, marketing director. Brown describes the situation this way: "All the partners have their ideas about marketing. When we brought in someone from the outside to tell a bunch of guys who have worked together for quite a while [how to market], there was a culture clash and it didn't work out."

The firm's third marketing director has been with the firm for two years. She plays an administrative role.

MANAGEMENT

Brown has served as the managing partner of Withum Smith & Brown for ten years. He is joined by fifteen partners, average age forty-six, with an average tenure with the firm of sixteen years. In addition to a full-time marketing director, the firm has a full-time administrator and human resources director.

Management Style

Brown describes his management style as democratic. "We have a number of very competent shareholders who don't need a lot of handholding and prodding," explains Brown. "They are all very conscientious, hard-working people; it is more a matter of my being someone who helps to steer the ship, because everybody is guiding the ship."

Firm Culture

Brown describes the firm's culture as entrepreneurial, ethical, and hard working. Citing differences within each office, everyone places priority on the firm. Withum Smith & Brown has had success in retaining top-level people over the years by creating a positive work environment and by growing. Many of the shareholders either started their careers with the firm or joined the firm early in their careers. "We are able to provide up-and-coming staff with a career opportunity," explains Brown.

Compensation

The most significant management change that has encouraged the firm's growth is a change in the firm's compensation system, about ten years ago. A portion of shareholder compensation is now based on the profitability of the department or office. This resulted in more focus on efficiency and better management of clients and personnel.

Profitability

Brown believes the best way to measure profitability is net income per professional. The change in average income per professional between 1996 and 1999 is 20 percent. He affirms that Withum Smith & Brown is a profitable firm.

SURVEY RESULTS

	Fiscal Year End 1999	Fiscal Year End 1998	Fiscal Year End 1997
Net revenue	$18,402,000	$15,400,000	$12,700,000
Revenue split: A&A	50%	50%	55%
Tax	24%	25%	22%
Consulting	26%	25%	23%
Number of mergers	0	0	1
Percent revenue from mergers	N/A	N/A	N/A
Number of— Partners	16	16	14
Professionals	94	80	75
Offices	8	8	8

Managing partner: Ivan Brown
Number of years in this position: Ten
Length of term: Three years
A CPA: Yes
Age: Fifty-one

Number of partners: Sixteen
Average age: Forty-six
Average tenure with firm: Sixteen years

Full-time marketing director: Yes
Full-time salespeople: No
Full-time chief financial officer: No
Full-time firm administrator: Yes
Full-time human resources director: Yes

Formal marketing plan: No

Marketing budget (percentage of net revenue): 2 percent

Marketing budget includes marketing staff salaries: Yes

Other items included in marketing budget: Printing, promotion, media advertising, postage, and overhead items.

Number of Top 20 clients with the firm before 1996: Twelve

Percentage of firm's recurring revenue: 85 percent to 95 percent

Percentage increase of net income per partner from 1996 to 1999: 40 percent

Percentage increase of net income per professional from 1996 to 1999: 20 percent

PROFILES OF FIRMS WITH NET REVENUE GREATER THAN $100 MILLION

part IV

Crowe Chizek and Company LLP

"Clients want a solution and they want us to provide it."
—Mark L. Hildebrand, CEO

chapter 11

BACKGROUND

Crowe Chizek and Company LLP was started in 1942 in South Bend, Indiana, by Clete Chizek and Fred Crowe, Sr. Since that time Crowe Chizek has grown to become the eighth largest firm in the United States, employing over 1,300 professionals in twelve offices and generating $144 million in net revenue. Consulting services account for more than 50 percent of the firm's revenue.

MARKETING

Crowe Chizek comprises six strategic business units (SBUs):

- Dealership services
- Financial institutions
- Public sector services
- Systems consulting
- Commercial services
- Organization systems management

Within each SBU are value units, a product or combination of products that meet a valued need within that SBU. Each SBU is responsible for being close to the market, creating its own marketing program by developing a strategy and evaluating opportunities. Then, the firm supports each SBU by building the sales processes, customer relationship management systems, and the firm-wide brand.

Crowe Chizek has also created separate entities for two service lines:

- Creative Financial Staffing; temporary and permanent staffing
- Crowe Capital Markets; investment banking and corporate finance services

The firm has also developed several new services in the past three years that now account for 30 percent of the Crowe Chizek's net revenue:

- Internet banking and C2 commerce
- Electronic business consulting
- Economic development consulting
- Internal audit outsourcing

Electronic commerce has experienced the greatest growth in the past three years.

Demand Creation Group

Crowe Chizek's marketing planning is currently done by SBU. At a firm-wide level there is a Demand Creation Group that includes a member from each SBU. The two responsibilities of the Demand Creation Group are to—

- Get the firm more "at bats."
- Improve the firm's "batting average" once it is at bat.

The challenge of the Demand Creation Group is to take the firm's strong niches and develop an umbrella brand and positioning for the firm. "In the past we've tended to brand at the SBU level," explains Mark L. Hildebrand, CEO. "It's very difficult to find that common thread, something that everybody can latch onto, that has some meaning and not something that everybody else says."

The Role of Salespeople

In 1982 Crowe Chizek hired its first direct sales people for its Systems Consulting Group. Now, the firm employs more than fifty direct sales managers and strategic account managers. This strategy is considered the most significant marketing change that has encouraged the firm's growth.

Systems Consulting Group

In 1982 clients expressed the desire for the firm to do more than recommend software packages. When they wanted Crowe Chizek to install and train them on the software, as well, the idea of hiring salespeople was presented to and approved by the firm. "The business just took off," explains Hildebrand. He is speaking from experience: Hildebrand started his Crowe Chizek career with the Systems Consulting Group in 1973.

Managing Client Relationships

"Most professional service firms have a paradigm of hunt, kill, clean, cook, and serve," says Hildebrand. "The attitude is that a partner in a firm has to be able to go hunt it, kill it, cook it, serve it, and clean up afterward. In other words, they have to do it all. In this world today, that is absolutely not possible." Instead, Hildebrand proposes that partners with selling skills and delivery skills team together. He asserts that this combination is successful 90 percent of the time—if the competition is trying to do it all.

Hildebrand is currently involved in organizing Crowe Chizek into a value chain with three components:

- Relationship development and sales
- Product development
- Product delivery

"If you can put people in a position where they can use their strengths and minimize their weaknesses and you can get people to work as a team in that value chain," explains Hildebrand, "you've got a win."

Crowe Chizek maintains strategic relationships with clients that do not expect their strategic account manager to do any of the day-to-day work. This person is responsible instead for managing the relationship and making sure the clients gets everything it needs. "This is the way it is set up from the beginning," says Hildebrand. "The do-it-all paradigm encourages traditional accountants to hoard their accounts. It holds them back: They don't know how to play the strategic account manager role because they are doing it in the context of an accountant. What they need to be are strategic business advisers."

The Internet Book

One of the firm's most successful marketing programs has been the development of prospect "Internet books." The idea, created by firm sales executive Lisa Gamze, was to conduct research on prospective clients using the Internet. Started in early 1999, Gamze has developed templates for the dealership services and financial institutions SBUs and trained staff in their use. Information is gathered about the prospective company; its owners; board of directors; accounting, legal and banking relationships; and other items. This information is then tied into the services Crowe Chizek can provide to the prospect. The book is assembled and given to the prospect at their initial meeting. "I would estimate that 98 percent of the books that have been compiled result in new business," says Gamze.

MANAGEMENT

Hildebrand has been the CEO of Crowe Chizek for one year. He is joined by 122 partners, average age forty-six, with an average tenure with the firm of eighteen years. In addition to full-time marketing and communications staff, the firm has a full-time chief operating officer, full-time administrator, and full-time human resources director.

Management Style

"I try to be a steward leader," says Hildebrand. He views the people, the business units, and the managing executives who report to him as his clients. His job is to try to help them become successful and to support them. "That doesn't mean I don't disagree with them or push them," explains Hildebrand, "but it's more of a supportive, stewardship role than a hierarchical one."

Hildebrand also strongly believes in understanding people's strengths and weaknesses and putting them in the right role. "That's a very simple concept but it's very powerful," he says.

Firm Culture

Crowe Chizek's culture is very consensus based. It is also based on an equal sharing—or equal sacrifice—concept. This helps promote people's willingness to get into new things. "Other firms may have a better bottom line than we do," explains Hildebrand, "but when you look at their balance sheet and take a look at what we've invested in and the things we're getting into, you'll see we are at a higher value because we've had this willingness for people to give up what they've built so they can build something else. It's been a very strong part of our culture."

Solution Centric Structure

Crowe Chizek has evolved from a discipline-based structure—that is, audit, tax, and systems consulting—to a geographic-centric structure by building offices in various markets. Now, the firm is moving from an industry-centric to a solution-centric structure. A solution-centric structure goes beyond industry into providing clients with very specific solutions. "I don't think clients today are going to be happy with somebody who just sits there and consults with them," says Hildebrand. "They want a solution and they want us to provide it."

Compensation

For many years the firm's partners shared increases in income equally. Recently, the firm's partner compensation system has been modified to allow for performance adjustments. A commission system for staff and partners working in a direct sales role is used, as well as the firm's SuccessSharing bonus plan, based on annual firm-wide growth and profitability.

Profitability

Crowe Chizek is focusing on profitable growth. Hildebrand relates the "genius of the and" concept from *Built to Last*, by James C. Collins and Jerry I. Porras (Harper Business 1994). It states that a firm can grow and be profitable at the same time. For each of the firm's SBUs, Hildebrand looks at the net change in income over the net change in revenue. The goal is 30 percent.

SURVEY RESULTS

	Fiscal Year End 1999	Fiscal Year End 1998	Fiscal Year End 1997
Net revenue	$144,000,000	$117,000,000	$96,000,000
Revenue split: A&A	28%	34%	32%
Tax	15%	19%	18%
Consulting	57%	47%	50%
Number of mergers	0	1	0
Percent revenue from mergers	N/A	5%	N/A
Number of— Partners	110	97	93
Professionals	1,224	998	846
Offices	12	12	11

Managing partner: Mark L. Hildebrand
Number of years in this position: One
Length of term: Four years
A CPA: Yes
Age: Forty-nine

Number of partners: 123
Average age: Forty-six
Average tenure with firm: Eighteen years

Full-time marketing director: Yes
Full-time salespeople: Yes
Full-time chief financial officer: Yes
Full-time firm administrator: Yes
Full-time human resources director: Yes

Formal marketing plan: No

Marketing budget (percentage of net revenue): 5.7 percent

Marketing budget includes marketing staff salaries: Yes

Other items included in marketing budget: Research, advertising, public relations, printing, distribution and mailing, print production and design, trade shows, newsletters, promotional items, client sales activities, sponsorships and community involvement, client meetings and conferences, professional development, electronic communications, direct mail, and audio-visual production.

Number of Top 20 clients with the firm before 1996: Less than half

Percentage of firm's recurring revenue: Less than 40 percent

Percentage increase of net income per partner from 1996 to 1999: 28 percent

Percentage increase of net income per professional from 1996 to 1999: 10 percent

Plante & Moran, LLP

"At our core we are here to help our clients."
—Leslie Murphy, Partner in Charge of Marketing

chapter 12

Background

In 1950 Elorion Plante and Frank Moran formed Plante and Moran. What started out as a small accounting, bookkeeping, and tax firm has grown to become the ninth largest firm in the United States, employing over 750 professionals in 17 offices, and generating more than $121 million in net revenue.

Marketing

Fortune 100 Campaign

In 1999, for the second consecutive year, Plante & Moran was named as one of the "100 Best Companies to Work for in America" by *Fortune* magazine. Moving to seventeenth place, up from twenty-ninth in 1998, Plante & Moran is the highest-ranking certified public accounting and management consulting firm in the country and the top-rated Michigan- and Ohio-based company to appear on the list. The Fortune 100 campaign is considered the firm's most successful marketing program in the past three years.

"What the Fortune 100 Award has done for us is helped raise our image, particularly with respect to staff," explains Leslie Murphy, partner in charge of marketing. "Also, it helps us reflect on what it is that has allowed us to become so successful." That is, a combination of clients, who the firm really treats as business partners, along with a dedicated staff who put their clients' interests first. "It's that combination that led to the award and forced us to reflect and thank both our clients as well as our staff," says Murphy.

Plante & Moran publicizes the Fortune 100 Award with print ads in local business publications, building signs, and internal communications. The award has helped the firm in recruiting and retention. In fact, the firm's voluntary turnover rate for 1998 was just 11 percent.

Niche Marketing

The most significant marketing and management change that encouraged Plante & Moran's growth is specialization by industry and service line. Even though the firm first made a conscious effort to concentrate experience around industries or services fifteen years ago, specific plans were developed only a few years ago, in 1994.

Specialization was a gradual process. Priding itself as a middle market firm, one of the benefits Plante & Moran brings to clients is broad-based business knowledge. The partners and staff historically were trained as broad-based business experts by being exposed to a broad range of industries and types of clients. Working with clients within an industry, they began receiving client referrals and meeting contacts at industry association meetings. Also, over time, partners and staff may develop a higher degree of interest in a particular industry or specialty.

"What we learned is that the individuals with the deepest expertise concentrated their practices perhaps on one or two industries," explains Murphy. "We learned that we needed to share knowledge with people who handled common types of clients. Then, we had a group of people who got together who served common type clients. It became impossible to do that in six or eight industries because we didn't have enough time. This led to the general shift toward specialization." This shift resulted in the development of plans by industries and services in 1994.

Plante & Moran currently has specializations in the following industries:

- Auto dealers
- Construction and real estate
- Financial institutions
- Health and human services
- Manufacturing and distribution
- Not-for-profit and public sector services
- Service

The firm segments its services into five categories, including—

- Assurance.
- Management consulting.
- Technology consulting and solutions.
- Specialized services.
- Tax, international, and wealth management.

In addition, Plante & Moran provides consulting services through the following entities:

- Plante & Moran LLP
- P&M Cressa; commercial real estate services

- P&M Corporate Finance; merger and acquisition assistance, financing assistance
- P&M Financial Advisors; personal financial planning and investment advisory services

Around the same time that Plante & Moran focused on specialization by industry and service lines, the firm made the decision to build its marketing department. Before this, the firm's marketing department helped support the practice development efforts of individual line people within the firm. It became evident that the practice units needed more support than the firm was providing. Plante & Moran's marketing department now includes a full-time marketing director and eleven additional marketing staff.

The firm also employs three full-time salespeople who report directly to the line partners in charge of geographic locations or different service lines. The salespeople are not part of the marketing department. They receive a base salary and are "heavily incentivized." "We use the sales staff to make initial contacts," explains Murphy. "They always involve practice partners in the meetings with prospective clients."

Strategic Planning Initiative

In early 1998 Murphy transferred back to Plante & Moran's Southfield office to lead a comprehensive strategic planning process for the firm. The planning process was completed in September 1999; the partners voted to accept the plan, the goals, and the high-priority actions at its first-ever partner retreat in October 1999. Seven teams have been formed to implement the high priority actions. Murphy is now responsible for integrating the implementation efforts.

The strategic planning process was prompted not only by the pace of change and the changes in the professional services field but by the upcoming retirement of the firm's managing partner, Bill Matthews, on June 30, 2001. This results in a major leadership change for Plante & Moran, a firm that has had only three managing partners in seventy-five years. When the partners elect a new managing partner in the Fall 2000 it will be the first time that the firm will have a leader who did not grow up his or her entire career within a small firm under the direct influence of Frank Moran.

One of Plante & Moran's implementation efforts is to identify areas of focus for the firm. Partners will be asked to align their own areas of practice around the focused areas for the firm. "We cannot continue to maintain the level of expertise our clients are demanding and try to do everything," explains Murphy. "We simply aren't going to be able to do it all in the future."

Business plans are currently being developed at the industry and service group level to determine:

- The areas of emphasis
- The areas that will continue to be supported at the current level of resource allocation
- The areas that the firm concludes it should no longer serve

MANAGEMENT

Bill Matthews has been Plante & Moran's managing partner since 1993. He is joined by 147 partners, average age of forty-five, with an average tenure with the firm of more than eighteen years. In addition to full-time marketing and sales staff the firm employs a full-time chief financial officer and a full-time human resources director.

Management Style

Bill Matthews worked under the guidance of Frank Moran at Plante & Moran for thirty-seven years. "Frank was a master at delegation," says Matthews. "I have tried to follow that strategy." Matthews describes Plante & Moran as a democratic, participative firm where partners and associates are given authority and responsibility.

The firm's operating committee comprises nine members, including Matthews. The four group managing partners are automatic members and serve as long as they hold that title. Four members are elected by the partnership and serve two-year terms. Matthews admits that as Plante & Moran has grown, more decisions are made at the management level rather than the partnership level.

The greatest challenge as the firm has grown is communicating to the partners and staff regarding the firm's plans and vision.

Firm Culture

Plante & Moran operates from a set of core values and core principles that guide the way partners and staff behave. The firm's core purpose is—

"To be a caring, professional firm, deeply committed to our clients' success."

The values that drive the firm are:

- We care.
- We are guided by the Golden Rule.
- We strive to be fair.
- We commit to quality, integrity, and professionalism, consistently placing clients' interests ahead of firm interests.
- We maximize individual opportunities within the context of the team.
- We are dedicated to preserving and enhancing our spirit.

Murphy describes the firm's culture as very collegial and team oriented while preserving a high level of individual autonomy. "We are committed to the idea that everyone should do what they like to do, to the extent that it doesn't harm the team," she explains. "That's a very different threshold than whether it helps the team. We believe fundamentally that if you are doing what you want to do, and most often what you are best at doing, that will make you more successful. If you are more successful, the firm is more successful, and we'll give better service to our clients."

Refer to Exhibit 12-1, page 136, for Plante & Moran's Statement of Principles.

Controlling Growth

Plante & Moran controls its growth through its commitment to the highest levels of service for its clients. "We won't take on work that we can't service at the highest level," explains Murphy. "Capacity constraints really control us, but at its core is the commitment to the highest level of service." She believes the firm could add staff at a faster rate than it is but that it couldn't adequately manage the work or manage the relationships with clients so they choose more controlled rates of growth.

However, Murphy believes inherent growth is absolutely essential for two reasons:

1. To provide opportunities for staff to grow and prosper in the firm, and become partners or directors
2. To continue to invest in higher levels of expertise and broader-based services for clients

"In order to deliver the highest level service to our clients, we need to retain the best and the brightest staff," says Murphy. "The service we are

EXHIBIT 12-1: PLANTE & MORAN'S STATEMENT OF PRINCIPLES

Because we recognize that a professional organization cannot long exist on what it once was or now is, but only on what it aspires to be, and

Because we recognize that, to a large extent, the future of Plante & Moran will depend upon the aspirations of its staff members,

We are setting forth a Statement of Principles for the counsel and guidance of present and future members of the firm.

1. Principle of Service

It is our intent to serve the needs of our clients by providing professional services of the highest quality. We will continue to develop our capabilities and processes to anticipate and satisfy client needs, always placing their interests ahead of our own. At the same time, we will help each client to become as self-reliant as practical.

2. Principle of Ethics

It is our intent to be guided by the highest level of ethics consistent with the Golden Rule. Individual staff members will not be required to perform work that offends their personal principles.

3. Principle of Recruitment

It is our intent to recruit those individuals, regardless of race, color, creed, gender, religion, age, national origin, or handicap, who have the attitudes and capacities for service, learning, and growth.

4. Principle of Compensation

It is our intent to compensate staff members as fairly as possible, based on their contribution and the success of the firm. Staff members should realize that there is a direct relationship between their compensation and the value of services they are rendering. Therefore, to a large degree, individual staff members are responsible for their own earning level. Learning and improving will result in enhancing one's earning potential.

5. Principle of Individual Progress

It is our intent to encourage each staff member to progress within the firm at his or her own pace, subject to the overall welfare of the firm.

6. Principle of Advancement

It is our intent at all times to turn first to our own staff members when contemplating promotions or filling higher-level staff openings. Recruitment of staff from outside the firm will be undertaken only when it appears to be in the best interest of our clients and the firm as a whole.

7. Principle of Teamwork

It is our intent to work as a team to serve our clients. We will always attempt to utilize the best skills and capabilities available to satisfy client needs.

8. Principle of Delegation

It is our intent to assign staff members to the level of work that will enable them to utilize their highest abilities over the greatest portion of their working day. This requires that the work be delegated to the experience level at which it can be performed most effectively.

9. Principle of Continuing Professional Education

It is our intent to undertake or utilize those staff training programs, seminars and work experience that, in our best judgment, will contribute most to the professional growth and advancement of the individual staff members and the firm. It is also our intent to provide ready access to information related to continued staff development.

10. Principle of Leadership

It is our intent to encourage and develop our staff members to be leaders within the firm and our communities.

11. Principle of Individual Freedom

It is our intent to create an atmosphere that maximizes individual freedom with as few rules as possible. While this freedom requires greater individual responsibility, we believe this kind of environment maximizes the opportunity for each of us to flourish professionally.

12. Principle of Communication

It is our intent to maintain a free flow of meaningful information to and among staff members, and to encourage staff members to contribute their ideas and suggestions regarding business and policy matters. In this way, we hope to retain many of the advantages that come from being a small, close-knit group, even as we grow in number.

13. Principle of Decision Making

It is our intent to maintain a timely yet thorough decision-making process, with decisions made at the most appropriate level. We will strive to be effective by keeping a balance between participation and efficiency.

14. Principle of Common Good

It is our intent that the firm shall not be operated for the personal advantage of any one member or group, but for the common benefit of all staff members.

15. Principle of Balance

It is our intent to provide an atmosphere where balance is sought and celebrated: balance between work and family, between work and play, between professional accomplishments and personal pursuits, between head and heart, and between individual freedom and the good of the team. Inherent in this is the understanding that balance varies for each staff member and is a lifelong, constantly changing challenge.

able to give clients is a result of two things: the expertise of our staff and the depth of our relationships with our clients. Deeper knowledge and expertise and effective relationships enable us to move to higher and higher levels of service with our clients. To retain our staff, which leads to better service, we are committed to growth. Growth provides staff the opportunity for development and advancement." However, Murphy cautions that the firm will not grow at a rate that cannot be effectively managed because that does not help clients in the long run.

Profitability

"We are not driven to profitability for profit's sake," explains Murphy. "We are driven by appropriate financial rewards. By appropriate, we mean fair to ourselves and fair to our clients, but also balanced with investment in the future. In order to generate the profitability that we think is necessary, we optimize profits. Strong financial results are necessary to attract and retain the best people and to reward us appropriate and fairly for our efforts and our work. They are also necessary to sustain the long-term success of the firm because we need investments in technology, training, and staff resources that will ultimately benefit our clients."

SURVEY RESULTS

	Fiscal Year End 1999	Fiscal Year End 1998	Fiscal Year End 1997
Net revenue	$121,600,000	$109,000,000	$91,500,000
Revenue split: A&A/Tax*	60%	62%	60%
Consulting	40%	38%	40%
Number of mergers	4	2	1
Percent revenue from mergers	1.4%	7.4%	3.6%
Number of— Partners	142	134	117
Professionals	758	753	575
Offices	17	17	17

*Plante & Moran does not track A&A and tax revenues separately.

Managing Partner: Bill Matthews
Number of years in this position: Seven
Length of term: Four years
A CPA: Yes
Age: Fifty-nine

Number of partners: 148
Average age: Forty-five
Average tenure with firm: More than eighteen

Full-time marketing director: Yes
Full-time salespeople: Yes
Full-time chief financial officer: Yes
Full-time firm administrator: No
Full-time human resources director: Yes

Formal marketing plan: No
Marketing budget (percentage of net revenue): 1.25 percent
Marketing budget includes marketing staff salaries: No
Other items included in marketing budget: Advertising, printing, and graphics

Number of Top 20 clients with the firm before 1996: Twelve
Percentage of firm's recurring revenue: 50 percent

Percentage increase of net income per partner from 1996 to 1999: 31 percent
Percentage increase of net income per professional from 1996 to 1999: 23 percent

Comparative Survey Results of Profiled Firms

appendix

	Crowe Chizek	Crisp Hughes Evans	Dixon Odom	Doeren Mayhew	Elliott, Davis	Friedman Alpren & Green	King Griffin & Adamson	Mohler Nixon & Williams	Plante & Moran	Schneider Downs	SS&G Financial Services	Withum Smith & Brown
Fiscal year end 1999 net revenue *(in millions, rounded)*	$144.0	$21.4	$28.9	$20.5	$19.7	$14.5	$3.2	$9.8	$121.6	$18.4	$14.0	$18.4
Percent change from 1998 (excluding mergers)	23%	19%	18%	11%	14%	11%	44%	17%	10%	18%	22%	20%
Fiscal year end 1998 net revenue *(in millions, rounded)*	$117.0	$17.4	$23.8	$18.4	$17.3	$13.1	$2.3	$7.6	$109.0	$15.6	$11.2	$15.4
Percent change from 1997 (excluding mergers)	17%	36%	10%	16%	10%	26%	21%	36%	12%	26%	24%	21%
Net revenue per partner: *(in millions)*												
1999	$1.30	$1.00	$0.90	$1.10	$0.82	$1.10	$1.10	$0.97	$0.86	$1.10	$1.00	$1.20
1998	$1.20	$1.10	$0.85	$1.00	$0.66	$1.00	$0.75	$0.95	$0.81	$0.92	$1.00	$0.96
1997	$1.00	$1.10	$0.86	$0.88	$0.65	$0.80	$0.62	$0.70	$0.78	$1.00	$1.00	$0.91
Net revenue per professional: *(in thousands)*												
1999	$118	$169	$190	$146	$112	$148	$98	$153	$160	$116	$113	$196
1998	$117	$161	$190	$140	$102	$143	$72	$169	$145	$106	$106	$193
1997	$114	$161	$191	$132	$111	$132	$77	$136	$159	$104	$102	$169
Percent change in consulting revenue: 1997–1999	71%	19%	53%	43%	72%	(17%)	840%	0%	33%	11%	466%	63%

(continued)

	Crowe Chizek	Crisp Hughes Evans	Dixon Odom	Doeren Mayhew	Elliott, Davis	Friedman Alpren & Green	King Griffin & Adamson	Mohler Nixon & Williams	Plante & Moran	Schneider Downs	SS&G Financial Services	Withum Smith & Brown
Percent net revenue from services started after 1996	30%	3%	10%	10%	10%	10%	33%	1%	10%	5%	25%	n/a
Percent recurring revenue	Less than 40%	60%	70%	75%	80%	70%	50%	90%	50%	80%	80%	90%
Number of current top 20 clients with firm before 1996	Less than 10	10	10+	18	15	20	Very few	10	12	18	10	12
Percent change in average income per partner: 1996–1999	28%	18%	30%	26%	35%	27%	50%	49%	31%	Would not disclose	50%	40%
Percent change in average income per professional: 1996–1999	10%	14%	Not available	23%	5%	8%	15%	41%	23%	Would not disclose	50%	20%
Average partner age	46	45	49	47	49	48	43	45	45	44	42	46
Marketing director	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
Salespeople	Yes	No	No	No	No	No	No	No	Yes	No	No	No
Chief financial officer	Yes	Yes	No	Yes	Yes	No	No	No	Yes	Yes	Yes	No
Firm administrator	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes
Human resources director	Yes	Yes	No	No	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
Client satisfaction program	No	No	No	No	No	No	Yes	No	No	No	No	No
Written marketing plan	No	Yes	Yes	No	Yes	No	Yes	No	No	Yes	Yes	No
Marketing budget	5.70%*	1.60%*	2.60%*	1.50%	2.25%	2.00%*	3.00%*	1.00%	1.25%	1.63%	1.50%	2.00%*

*Includes marketing salaries

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