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## Overview of Presentation

- 1) Common Success Attributes of Great Firms
- 2) What Makes for High Performing Partners
- 3) Common Success Characteristics of Great Leaders
- 4) Questions and Answers

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## Common Success Attributes of Great Firms

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## Taking Risks to Obtain Rewards

Successes	Failures
1. <i>Lead</i>	1. <i>Lead</i>
2. <i>Lead</i>	2. <i>Lead</i>
3. <i>Lead</i>	3. <i>Lead</i>
	4. <i>Lead</i>
	5. <i>Lead</i>
	6. <i>Lead</i>
	7. <i>Lead</i>
	8. <i>Lead</i>

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## Your Firm's Current Market Share!



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## Why Does Talent go Elsewhere\*?

- Work / life balance
- No future
- No connection
- "A partner (or manager) is a jerk!"
- Money

\*Business Week Article – Highest Pay, Quickest Advancement and Best Training

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## 2013 Rosenberg MAP Survey Percentile Analysis for Multi-Partner Firms Only

Percentile	Grouping	Realiz %	Ratio of Pro Staff & Paras to Ptr	Utiliz Percent	Partner Billable Hours	Pro Staff Billable Hours
10th	Upper 10%	101.5%	12.4	66.3%	1,664	1,812
9th	Next 10%	97.3%	7.0	60.0%	1,396	1,667
8th	Next 10%	92.9%	5.7	57.5%	1,301	1,610
7th	Next 10%	90.3%	4.9	55.3%	1,232	1,573
6th	Next 10%	87.8%	4.3	53.2%	1,148	1,531
5th	Next 10%	85.3%	3.8	51.6%	1,082	1,484
4th	Next 10%	82.9%	3.3	50.1%	1,020	1,444
3rd	Next 10%	79.7%	3.0	48.2%	953	1,393
2nd	Next 10%	75.5%	2.5	46.5%	854	1,336
1st	Lowest 10%	69.6%	1.7	42.4%	687	1,184

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## 2013 Rosenberg MAP Survey Percentile Analysis for Multi-Partner Firms Only

Percentile	Grouping	Income per Equity Partner	Equity Partner Billing Rate	Net Firm Billing Rate	Net Fees Per Equity Partner	Net Fees Per Person
10th	Upper 10%	788,621	427	207.34	2,801,890	240,101
9th	Next 10%	529,695	363	173.47	1,650,230	200,757
8th	Next 10%	442,239	333	160.72	1,393,475	184,597
7th	Next 10%	378,923	309	150.41	1,223,471	173,939
6th	Next 10%	339,749	294	140.51	1,090,243	165,401
5th	Next 10%	309,589	273	132.49	962,043	157,087
4th	Next 10%	272,366	254	125.19	858,892	148,582
3rd	Next 10%	240,380	234	117.56	771,541	139,988
2nd	Next 10%	204,694	215	105.83	647,356	127,734
1st	Lowest 10%	151,107	176	89.05	472,399	110,201

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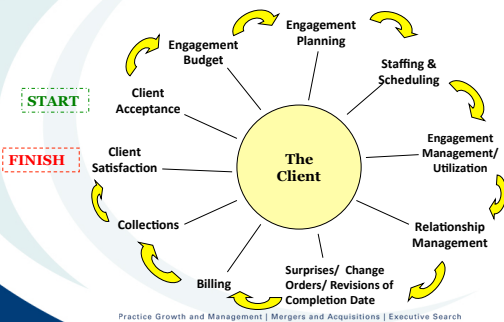
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## Ten Passions for Engagement Profitability



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## The Top 10 Issues That Won't Show Up in a MAP Survey

- Too many unproductive partners
- Partners not on the same page
- Not enough emphasis on practice growth
- Too eager to accept any and all clients
- The wrong mix of client service staff
- Not enough emphasis on profitability
- Autocratic or not enough leadership
- Too much or too little autonomy
- Not enough young superstars (associate & partner ranks)
- Little to any available capital to reinvest in the firm

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## The Quest to Conquer the "C" Client

### • How to know when you have a "C" Client:

- The client causes staff to continually grumble about them at lunch.
- The client doesn't meet our minimum realization requirements for firm profitability
- The client continuously causes chaos and disruptions related to scheduling and preparation.
- The client does not pay on time and is typically an AR problem.
- The client is a high-risk client and of questionable integrity.
- All of the above!

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## Guerilla Marketing Strategies are Back!



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## Strategies for Growth

### The Triangle Offense

**Free Agency/Lateral Talent**

- Rainmaker
- Industry/Service Line Expert
- Leadership
- Client Service
- Geographic Opportunity

"If you don't grow, you'll die (worse yet, it will be a slow death)!"

**Organic Growth**

- New Clients
- New Products/Services
- Raise Rates
- Cross Sell
- Invest in Sales/Marketing

**M&A**

- General Practice
- Niche Practice
- Geographic Opportunity
- Merger of Equals
- "Out of the Box" Merger

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## History Lesson 101

## The Accounting Today 1993 Top 60 Firms

Rank 1993 1992	Firm	City	Revenue 1993	Δ% 92-93	FYE
1	Arthur Andersen & Co., S.C.	Chicago	\$2,921.9	9%	Aug
2	Ernst & Young	New York	\$2,400.0	5%	Sept
3	Deloitte & Touche	Wilton, Conn.	\$2,055.0	5%	May
4	KPMG Peat Marwick	New York	\$1,822.0	1%	June
5	Coopers & Lybrand	New York	\$1,642.0	5%	Sept
6	Pricewaterhouse	New York	\$1,430.0	4%	June
7	Grant Thornton	Chicago	\$224.0	1%	July
8	McGladrey & Pullen	Davenport, Iowa	\$196.6	4%	April
9	Kenneth Leventhal & Co.	Los Angeles	\$192.7	2%	Sept
10	BDO Seidman	New York	\$182.3	0%	June
11	Baird Kurtz & Dobson	Springfield, Mo.	\$61.3	2%	May
12	Crowe, Chizek & Co.	South Bend, Ind.	\$58.2	11%	March
13	Clifton Gunderson & Co.	Peoria, Ill.	\$50.3	-2%	May
14	Plantz & Moran	Southfield, Mich.	\$50.3	1%	June
15	Moss Adams	Seattle	\$49.0	4%	Dec

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## History Lesson 101 - continued

## The Accounting Today 1993 Top 60 Firms

Rank 1993 1992	Firm	City	Revenue 1993	Δ% 92-93	FYE
16	Altshuler, Melvoin & Glasser	Chicago	\$48.0	-12%	June
17	Geo. S. Olive & Co.	Indianapolis	\$38.0	6%	May
18	Richard A. Eisner & Co.	New York	\$32.4	9%	Jan.
19	IDS Financial Services	Minneapolis	\$32.3	127%	Dec.
20	Goldstein Golub Kessler & Co.	New York	\$30.2	2%	Oct.
21	Friedman, Eisenstein, Ramer & Schwartz	Chicago	\$30.0	8%	Dec.
22	Larson, Allen, Welshair & Co.	Minneapolis	\$29.0	16%	Oct.
23	J.H. Cohn & Co.	Roseland, N.J.	\$22.5	-2%	Jan.
24	Checkers Simon & Rosner	Chicago	\$22.4	22%	May
25	Wipfli, Ulrich, Bertelson	Wausau, Wisc.	\$22.2	5%	Sept.
26	David Berdon & Co.	New York	\$22.0	9%	Dec.
27	Campos & Stratis	Teaneck, N.J.	\$21.3	10%	Dec.
28	Parente, Randolph, Orlando, Carey & Assoc.	Wilkes-Barre, Pa.	\$21.1	10%	Oct.
29	Cherry Bekaert & Holland	Richmond, Va.	\$20.6	-13%	April
30	Thomas Havey & Co.	Chicago	\$19.5	3%	Dec.

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## History Lesson 101 - continued

## The Accounting Today 1993 Top 60 Firms

Rank 1993 1992	Firm	City	Revenue 1993	Δ% 92-93	FYE
31	Reznick Fedder & Silverman	Bethesda, Md.	\$19.2	10%	Sept.
32	Ursach, Kahn & Werlin	Albany, N.Y.	\$17.8	-5%	Oct.
33	M.R. Weiser & Co.	New York	\$17.2	0%	Dec.
34	Hausser & Taylor	Cleveland	\$16.9	9%	Dec.
35	Virchow Krause & Co.	Madison, Wisc.	\$15.8	6%	May
36	Schenck & Associates	Appleton, Wisc.	\$15.7	4%	Sept.
37	Margolin Winer Evens	Garden City, N.Y.	\$15.0	-16%	Dec.
38	Mitchell/Titus & Co.	New York	\$14.0	0%	Dec.
39	Charles Bailly & Co.	Fargo, N.D.	\$13.5	-4%	May
40	Eide Helmeke & Co.	Fargo, N.D.	\$13.5	5%	Dec.
41	Kemper CPA Group	Robinson, Ill.	\$13.2	1%	April
42	Blackman Kallick Bartelstein	Chicago	\$13.0	0%	Dec.
43	Kennedy & Coe	Salina, Kan.	\$13.0	-5%	March
44	Mahoney Cohen & Co.	New York	\$13.0	8%	March
45	Dixon Odum & Co.	High Point, N.C.	\$12.9	8%	May

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## History Lesson 101 - continued

## The Accounting Today 1993 Top 60 Firms

Rank	Firm	City	Revenue	%	FYE
1993 1992			1993	92-93	
46	Follmer, Rudzewicz & Co.	Southfield, Mich.	\$12.8	5%	May
47	Rehmann Robson & Co.	Saginaw, Mich.	\$12.6	3%	Dec.
48	Webb Lipshitz	Maya Heights, Ohio	\$12.6	-9%	Dec.
49	Robert H. McCann	Kansas City, Mo.	\$12.5	1%	May
50	Rubini, Brown, Gornstein	St. Louis	\$12.3	1%	Dec.
51	Tofias, Fielesham, Shapiro & Co.	Cambridge, Mass.	\$12.2	4%	Oct.
52	Edward Isaacs & Co.	New York	\$12.1	3%	Sept.
53	Joseph Decosimo & Co.	Chattanooga, Tenn.	\$12.1	1%	Dec.
54	Rothstein, Kass & Co.	Roseland, N.J.	\$12.0	9%	Dec.
55	McMaster & Daniels	Spokane, Wash.	\$11.7	3%	May
56	Anchin, Block & Anchin	New York	\$11.6	0%	Sept.
57	Blue & Co.	Indianapolis	\$11.4	21%	June
58	D.W. Ames & Co.	Baltimore	\$11.3	10%	June
59	Habif, Aronoff & Wynne	Atlanta	\$11.0	11%	Aug.
60	Blum Shapiro & Co.	West Hartford, Conn.	\$10.5	11%	Dec.

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## Which Firm is Yours?

***A question for firms and individual partners to address.***

### Door #1

## Ground Hog Day

## No Pain – No Gain

**Hint:**  
The to do list from this year's retreat resembles the to do list from a prior retreat.

## Door #2

### Major Reconstructive Surgery

Will look better,  
but at what cost?

**Hint:**  
Some partners want change, some want to stay as is, and some are unsure and/or want to avoid conflict.

### Door #3

**High Performing Firm**

- ❖ They understand spending money to make money
- ❖ They understand the principals of risk and reward.
- ❖ They have a cohesive partner group with great leadership.

**Hint:**  
They may appear a bit dysfunctional, screwed up and in constant chaos, but that is because of their continual commitment to change and greatness.

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## The Critical Ingredients of a Great Firm



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## The Five Life Cycles of Firm Growth

LIFE CYCLE 1	
Revenue	Up to \$2 million
Governance	Committee, if at all!
# of Partners	1 – 3
Biggest Worry	Making payroll!
Strategy	“Anyone who can pay our bills is a worthy client.”

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## The Five Life Cycles of Firm Growth

LIFE CYCLE 2	
Revenue	\$2-\$5 million
Governance	Our compensation formula IS our governance.
# of Partners	2 – 6
Biggest Worry	How do I find time to work ON the business (vs. IN the business)?
Strategy	Differentiation – “With us you’ll get a ‘hands-on’ working partner vs. the ‘bait and switch’ that larger firms try to use.”

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## The Five Life Cycles of Firm Growth

LIFE CYCLE 3	
Revenue	\$5-\$10 million
Governance	Managing partner elected (more administration than real management). Also, management is not valued as highly as client service or new business.
# of Partners	4 – 12
Biggest Worry	Do we go out and invest in professional management or keep the partners doing “non-billable” things? How do we recruit, retain and grow younger talent?
Strategy	“Let’s start to specialize and really focus on industry/functional niches.”

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## The Five Life Cycles of Firm Growth

LIFE CYCLE 4	
Revenue	\$10-\$30 million
Governance	Managing Partner position gaining traction and trying to develop Department leadership.
# of Partners	8 – 40 (two-tiered partnerships more prevalent)
Biggest Worry	Now competing for larger clients/projects vs. larger (and more sophisticated competition)/ pending retirement issues
Strategy	"Should we stay independent or merge up?"

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## The Five Life Cycles of Firm Growth

LIFE CYCLE 5	
Revenue	\$30 million+
Governance	True CEO and high-level, professional management.
# of Partners	Number based on revenue per partner. Typically between \$1-\$2 million revenue per partner.
Biggest Worry	How do we create: real depth and industry/service-line specialization, one-firm concept, and integrate mergers?
Strategy	"Should we expand geographically, be more aggressive in mergers and recruit lateral partners (free agents)?"

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## The Journey Called "Partner Compensation"



\*Includes Department, Office and Industry Team Goals

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## Is Your Firm a Book-of-Business Firm?

Originating Partner  
(Aggressive Alvin)

Client

Relationship Partner  
(Loveable Larry)

Service Partner  
(Billable Bob)

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## Do Our Strengths and Goals Line Up Just Like High Performing Football Teams?

**Chart NFL salaries by position**  
Average annual salary in the 2004 season for position (includes bonuses)

Position	Average Annual Salary
Wide receiver	\$1.21 million
Quarterback	\$4.44 million
Running back	\$1.35 million
Offensive lineman	\$1.25 million
Defensive lineman	\$1.35 million
Linebacker	\$1.10 million
Safety	\$1.02 million
Cornerback	\$1.51 million
Defensive back	\$1.35 million
Quarterback	\$2.28 million
Running back	\$1.35 million
Wide receiver	\$1.21 million
Offensive lineman	\$1.25 million
Defensive lineman	\$1.35 million
Linebacker	\$1.10 million
Safety	\$1.02 million
Cornerback	\$1.51 million

Source: USA TODAY research

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## The good news about a lot of firms' growth strategies is that...

"Average partner compensation will increase, but for the average partner, it will probably stay the same."

Daryl Ritchie, CEO of Meyers Norris Penny LLP

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## Mergers, Acquisitions & Divestitures

- M&A Frenzy of 2013 is continuing in 2014
  - 2013 was a record year for mergers and acquisitions
    - Top 100 firms continued their record pace
      - Locals are becoming Regionals, Regionals are becoming Mega-Regionals, Mega-Regionals are becoming Nationals, and Nationals are becoming Internationals
    - Firms in the \$10-\$30million fee range probably have the greatest challenges in the M&A area
    - Mergers in the under \$10 million size range are "off the chart!"

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## Size Has Its Benefits and Opportunities

- Access to more profitable clients
- Access to larger clients
- Access to larger projects
- Ability to leverage each other's industry and service line expertise
- Ability to recruit, retain and grow talent at all levels
- Ability to make deeper investments in areas such as growth, technology, talent and specialization
- Higher profits per partner (firms over \$20 million average income per equity partner of \$472,838 vs. firms under \$20 million which average \$321,558)

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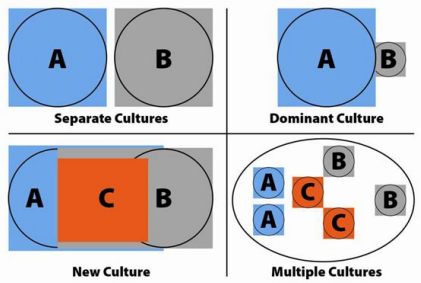
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## What Culture is Expected?



Source: [challengedirect.com](http://challengedirect.com) (Rick Horvath)

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Common Success Characteristics of Great Leaders

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The Four Corners of Firm Governance

CEO/Managing Partner  
COO/Firm Administrator

Partners  
(Equity & Income)

Management Committee/  
Department Heads/  
Team Leaders

Board of Directors/  
Executive Committee

Firm Governance

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Critical Factors Influencing Firm Governance

• Size of Firm

• Trust and Respect

• Business Savvy of the Partner Group

• Firm History

• Leadership Talent

• Available Time to Lead

• Speed and Quality of Decisions

• Firm Culture

• Single vs. Multi-Office Firm

• First vs. Second (or Greater) Generation Firms

• Compensation/Value Placed on Leadership Position

• Firm's Life Cycle and Gas in the Tank

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## What Makes Great Leaders?\*

The 10 "C's" of great leaders  
(How would you score on a 1 – 10 scale?)

- |                          |                             |
|--------------------------|-----------------------------|
| _____ Competitive spirit | _____ Crystal-clear vision  |
| _____ Clutter            | _____ Curious               |
| _____ Cohesiveness       | _____ Contagious enthusiasm |
| _____ Communication      | _____ Change Agent          |
| _____ Candidness         | _____ Crazy!                |

\*Published by Allan Koltin in the June 2013 issue of  
The Journal of Accountancy

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## How Much Time Do You Spend In These Areas?

	Leadership	Management	Administration
CEO/ COO	\$\$\$	\$\$	\$
Executive Committee	\$\$\$	\$\$	\$
Dept. Heads/PICs	\$\$\$	\$\$	\$

- ❖What value do you place on each of these areas?
- ❖How hard do you want to "push the gas pedal?"
- ❖What kind of management talent do you really have?

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## What Makes for High Performing Partners

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## What They Taught (and didn't teach!) Me at the University of Wisconsin\*

### They taught me:

- Accounting, auditing and tax

### What they didn't teach me:

- How to build relationships
- How to communicate
- How to take risk
- How to make money
- How to manage the clock
- How to play with passion

\*Recent CEO Survey of Fortune 500 Companies  
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## What They Didn't Teach Me

### How to build long-lasting relationships:

- **Externally** - How to move Customers to Clients and move Clients to Cheerleaders
- **Internally** - Learn to treat your peers and staff like you would treat your clients and referral sources
- The Balance Sheet vs. The Income Statement - You can make the time if you want to!

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## What They Didn't Teach Me

### How to communicate:

- Active listening
- Ability to read people
- Positive energy
- Take criticism
- Constructive confrontation
- Ability to negotiate
- Ability to compromise
- Ability to "sell" your ideas

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## What They Didn't Teach Me

### How to take risk:

- Create work for others
- Develop new niches and service areas
- The only "constant" is change – learn to embrace it!
- Make decisions – even if you only bat .600!
- Remember that great firms appear to be in a constant state of chaos!
- Don't "climb down" the corporate ladder
- It's okay to fail or be a little paranoid and insecure!

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## What They Didn't Teach Me

### How to make money:

- "Let's just pretend for a moment that we're in business to make money!"
- Profitability is the lifeblood of the firm
- Perfection is the death-blood of profitability
- You only get to play the game called "business" once!

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## What They Didn't Teach Me

### How to manage the clock:

- Use of investment time
- Disciplined goals
- Ability to think quick on your feet
- Ability to manage stress
- Ability to execute
- "No matter what" attitude!

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## What They Didn't Teach Me

### How to play with passion:

- How to become famous at something
- How to believe you're worth your billing rate
- Wanting it more than the next guy
- Willingness to play injured
- Push yourself when no one is looking
- It's not always fair
- It's not how you celebrate the highs, it's how you bounce back from the lows

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"The difference between success and mediocrity is very little when you look at it in terms of each day.

But when you look at it in terms of a week, a month or a year, it all adds up.

That little extra effort makes a world of difference.

Here's to your success!"

**Allan D. Koltin,  
CPA**

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**Please give Allan your business card if you would like to receive copies of his most recently published articles.**

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