

State of the Profession with a Window to the FUTURE!

Presented by:

Philip J. Whitman, CPA

President & CEO

Whitman Business Advisors LLC



A little bit about Phil Whitman

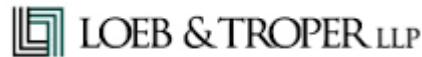
- ▶ CPA



- ▶ Chicken Man



- ▶ 18 years running professional service firms



- ▶ Started Whitman Business Advisors in 2008



- ▶ Named 10 Most Recommended Consultants by Inside Public Accounting



- ▶ Married to Mia



- ▶ Three sons, Charlie, Jake and Alex



- ▶ 11/3/2008 - 11/3/2018



Agenda

- ▶ State of the Profession
 - ▶ Top Issues that firms are facing
 - ▶ People Trends
 - ▶ State of M&A Landscape
- ▶ Hallmarks of a FUTURE facing World-class CPA Firm
 - ▶ Four Pillars
 - ▶ Sustainability & Viability
 - ▶ PGM^X



Private Companies Practice Section (PCPS)

2019 PCPS CPA Firm Top Issues

	Sole practitioners	2-5 professionals	6-10 professionals	11-20 professionals	21+ professionals
1	Keeping up with changes and complexity of tax laws	Finding qualified staff	Finding qualified staff	Finding qualified staff	Finding qualified staff
2	Managing privacy / security risks	Keeping up with changes and complexity of tax laws	Keeping up with changes and complexity of tax laws	Keeping up with changes and complexity of tax laws	Retaining qualified staff
3	Keeping up with changes in technology and managing associated costs	Managing privacy / security risks	Seasonality / workload compression	Seasonality / workload compression	Managing work / life balance initiatives
4	Technical training of owners/partners and staff	Seasonality / workload compression	Managing privacy / security risks	Retaining qualified staff	Owner/partner accountability and unity
5	Seasonality / workload compression	Developing and executing a succession plan	Developing and executing a succession plan	Managing privacy / security risks	Seasonality / workload compression Managing privacy / security risks

2019 PCPS CPA Firm Top Issues Survey



People Trends



PEOPLE TRENDS IN FIRMS

- ▶ Talent wars
- ▶ Retention strategies
- ▶ Cost of turnover
- ▶ Performance management
- ▶ Employee Engagement
- ▶ Outsourcing - Onshoring/Offshoring
- ▶ Robots



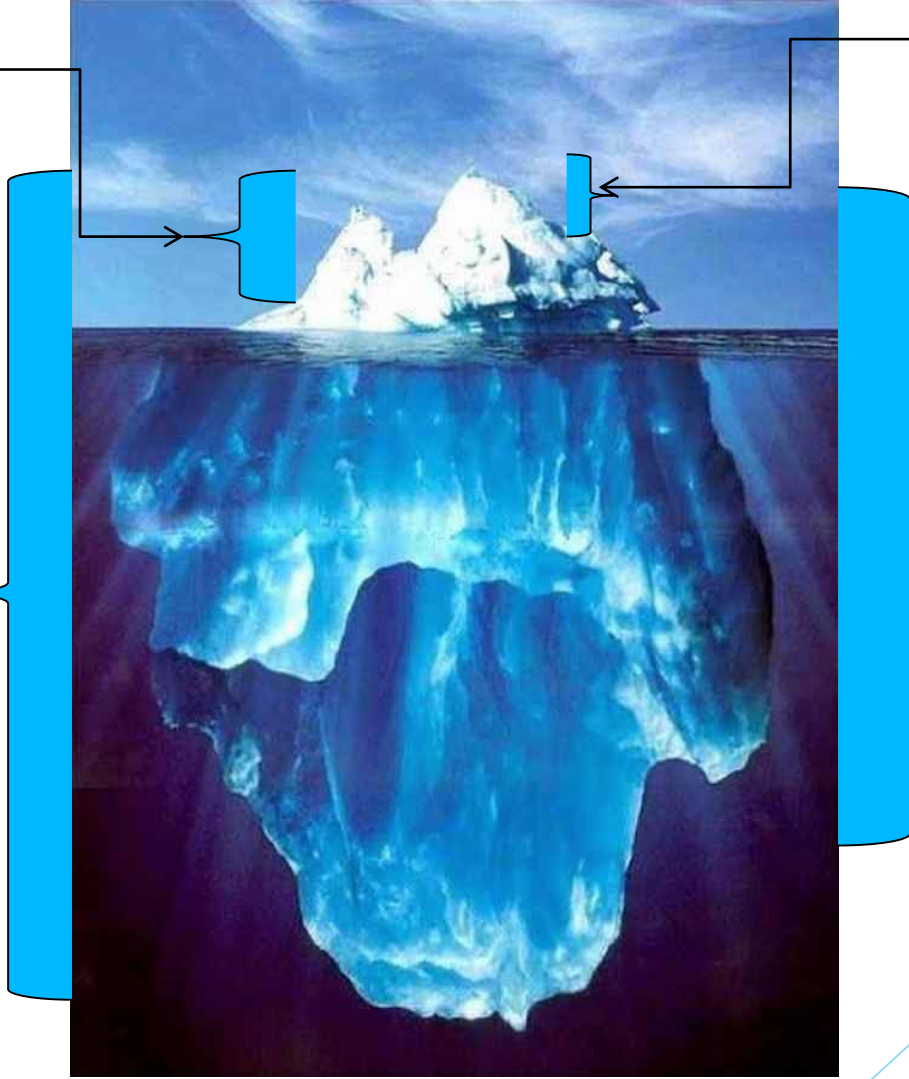
THE ICEBERG OF IGNORANCE

Manager Awareness
9%

Partner Awareness
4%

Staff Awareness
100%

Supervisor Awareness
74%



CURRENT STRATEGIC CHALLENGES

- ▶ Labor intensive
- ▶ Increasing cost of labor
- ▶ Inefficient use of technology
- ▶ Shrinking margins
- ▶ Not sustainable



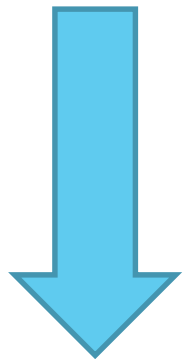
AS PARTNERS, WHAT TASKS ARE YOU DOING THAT YOU SHOULDN'T BE DOING?

- ▶ Scanning
- ▶ Admin duties
- ▶ Setting up files
- ▶ Making copies
- ▶ Inputting 1099s
- ▶ Typing letters
- ▶ Write up work
- ▶ Payroll reports
- ▶ Chasing client info
- ▶ Data entry
- ▶ Data imports
- ▶ Filing PDF docs
- ▶ Ordering supplies
- ▶ Deliveries
- ▶ Filing
- ▶ Bank reconciliations

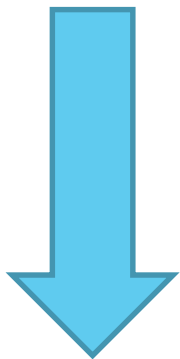


SHRINKING MARGINS

▶ CLIENTS PRESSURE ON FEES



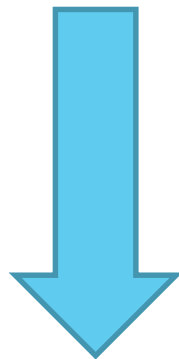
▶ NEW FIRMS ENTERING NICHEs



▶ ALTERNATE SERVICE PROVIDERS



▶ TALENT WARS



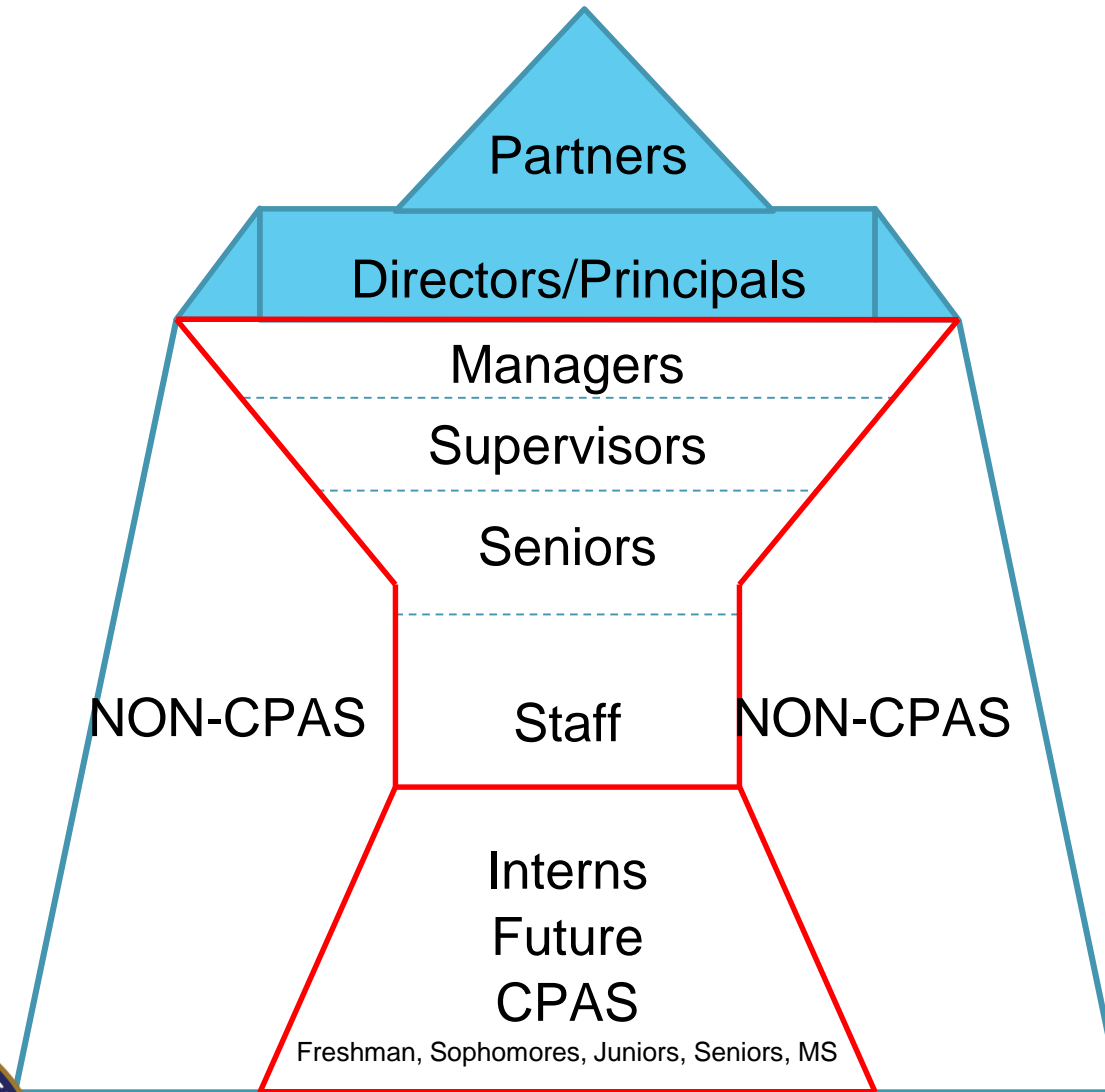
Current Model



What Kind of House Have You Built?



FIRM OF OUR FUTURE



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THE M&A LANDSCAPE



ORPHAN FIRMS



The Choice is Yours!



2008-2019 OBSERVATIONS



LOOKING BACK...

2009 100TH Largest Firm in Country \$31MM

2018 100TH Largest Firm in Country \$38MM

2015 300TH Largest Firm in Country \$7.7MM

2018 300TH Largest Firm in Country \$10.0MM

2009 Firms with revenue greater than \$100MM 26

2018 Firms with revenue greater than \$100MM 45

2009 Firms with revenue greater than \$500MM 9

2018 Firms with revenue greater than \$500MM 15



Do you know?

96

??? percent of business owners agreed that having an exit and succession strategy is important, yet

87

??? percent did not have a documented exit or transition plan.



A DOZEN REASONS TO MERGE

1. Build Critical Mass
2. Exit Strategy/Succession
3. Capitalize on lost opportunities
4. Diversification of Practice Niches
5. Cross-selling
6. Ineffective Leadership
7. More Robust Administration
8. Increase earnings
9. Security/Shared Risk
10. Staff Recruitment
11. Staff Retention
12. Deepen Expertise



Like Buying a Diamond

CUT → CHEMISTRY
COLOR → CULTURE
CLARITY → CORE NICHEs
CARAT WEIGHT → CLIENT BASE



Five Critical Factors

- ▶ Compensation
 - ▶ Equity
 - ▶ Buyout/retirement
 - ▶ Governance
 - ▶ Firm name
-
- ▶ Everything else is best practices!



Hallmarks of a FUTURE facing World-class CPA Firm

Culture of **TRUST**

Excellent **COMMUNICATIONS**

ALIGNMENT of Goals

High **ACCOUNTABILITY**

GROWTH oriented

PLUS ...

Staff Engagement

Client Satisfaction



DEFINITION OF “WORLD-CLASS”

ADJECTIVE

ranked among best in world: ranked among the best or most prominent in the world

Thesaurus Synonyms:

first-rate, first class, superlative, topnotch, outstanding



TRUST

WHAT IS THE COST WHEN IT DOESN'T EXIST?

In important matters, when we decide to distrust...

a relationship usually ends or continues under duress unless it can be repaired.



COMMUNICATION

**Communication at a “one-firm firm”
is a remarkably open and is clearly
used as a bonding technique to
hold the firm together**

***“The single biggest problem in
communication is the illusion that it has
taken place.”***



ALIGNMENT



ACCOUNTABILITY



*The most Critical Key to Peak Performance
and Success*



Everybody, Somebody, Anybody & Nobody

This is a little story about four people named Everybody, Somebody, Anybody, and Nobody.

There was an important job to be done and Everybody was sure that Somebody would do it.

Anybody could have done it, but Nobody did it.

Somebody got angry about that because it was Everybody's job.

Everybody thought that Anybody could do it, but Nobody realized that Everybody wouldn't do it.

It ended up that Everybody blamed Somebody when Nobody did what Anybody could have done



The Problem
With “Personal
Responsibility”
Is... Most
People Aren't.



ACCOUNTABILITY

Webster's definition of accountability:
**“subject to having to report, explain, or justify;
being answerable, responsible.”**

**“A personal choice to rise above one's
circumstances and demonstrate the ownership
necessary for achieving desired results – *to see
it, own it, solve it, and do it.*”**



Roger Connors and Tom Smith



SUSTAINABILTY & VIABILITY

- ▶ Current and Future Governance
- ▶ Core Niches
- ▶ Business Development
- ▶ Recruitment and Retention
- ▶ Next Generation Leadership
- ▶ Culture - Engagement
- ▶ Technology
- ▶ Input from Firm Leadership



GROWTH STRATEGIES

M&A

Lateral hires

Organic

Practice Growth Multiplier™

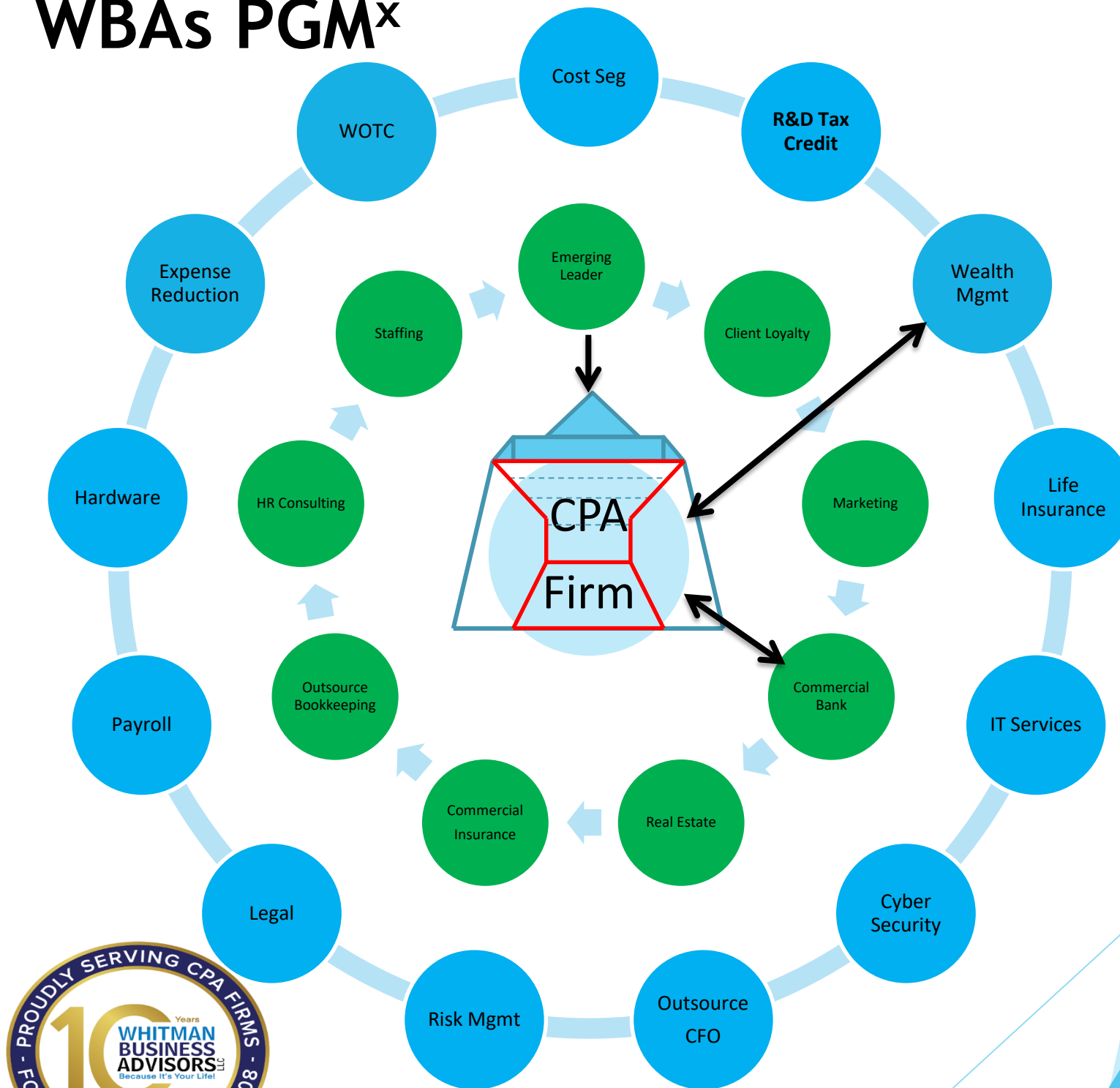


PGMTM

PRACTICE GROWTH MULTIPLIER



WBAs PGM^x



OUR FUTURIST VIEWS



WBA PREDICTIONS

M&A Activity will continue and Top 500 firms today will be Top 250

Return to an extremely Leveraged Model

Non-CPA Leadership and Ownership

Business Development Partners

Outsourcing of Non-core services

Multiple non-traditional revenue sources



WBA PREDICTIONS

Some New Non-CPA Roles

Director of Goal Setting & Accountability

Director of Strategy & Vision

Director of Relationship Management

Director of Workflow



WBA SUGGESTS 10 ACTION STEPS

1. Assess Employee Engagement
2. Be Entrepreneurial
3. Take a Multi-pronged Approach
4. Organic Growth alone is not enough - take some meetings
5. Enhance Communications
6. Ensure Partner Alignment - Partner Retreat
7. Is Your CPA Firm Sustainable with Coming Changes
8. Review Your Recruiting and Onboarding Process
9. Get a Coach
10. Call Me -212-983-0035



YOUR PRACTICE MANAGEMENT RESOURCE

Leadership Development Coaching



Retreat Facilitation

Consulting & Speaking

Mergers & Acquisitions

Talent Acquisition

INSIDE Public Accounting
■ **2015 MOST RECOMMENDED CONSULTANTS**

PRACTICE GROWTH MULTIPLIER

1-844-WBA-TEAM

Philip J. Whitman, CPA

Whitman Business Advisors LLC

Making Best Practices Even Better

Connect with me on LinkedIn

pw@whitmanbiz.com

