grooming a successor who has put in years of hard work and knows the staff, clients, and firm practice overall inside and out. But, if your firm does not have a well-groomed ...

Sep. 29, 2016

When most firm leaders think about succession planning, it typically involves grooming a successor who has put in years of hard work and knows the staff, clients, and firm practice overall inside and out. But, if your firm does not have a well-

acquisition—an increase of 3.5 percentage points over 2014. With more than one-third of respondents considering this option, M&A in the accounting profession is certainly a trend that continues to be on the rise.

Understanding the drivers of accounting firm mergers and acquisitions

From market conditions to geographic expansion, many diverse factors are driving accounting firm mergers. For medium-sized firms, acquiring a smaller firm could aid in achieving growth targets. And because many small firms don't have a succession plan in place, owners who are nearing retirement are seeing value in selling.

Allan D. Koltin, CPA, CGMA and CEO of Koltin Consulting Group, Inc., specializes in working with professional and financial services firms in the areas of practice growth, practice management, human capital, and mergers and acquisitions. He will be speaking at Thomson Reuters 2016 Synergy Conference this year.

"When I'm asked whether it's a buyer's or a seller's market, I universally respond 'yes'," says Koltin. "The truth is that if you're a high-performing acquirer or acquiree, you can make it work to your advantage."

Other factors contributing to the rise of accounting firm mergers include advances in technology and gaps in talent. With many firms operating in the cloud and through client portals, the post-merger client and staff transition process is light years easier than in the past. Further, with many firms struggling to find talent, acquiring a fully vetted and experienced staff is certainly appealing.

"A firm that's done well in terms of growth and profitability is obviously going to catch the eye of a potential buyer," continued Koltin. "But other factors, like talent, use of technology, scalability and niche specialty, can further increase interest."

Making your firm more attractive

If you're considering selling as an exit strategy, consider these tips to make your firm

a specialty or niche. Providing consulting and advisory-based services is clearly the future of the profession–and developing a specialty in a particular area will make your firm much more attractive to prospective buyers.

Last, but not least, make sure you have a client retention strategy that demonstrates results. Whether its customer satisfaction surveys, incentives or testimonials, buyers will want evidence of your longstanding relationships with clients.

2. **Get organized.**

According to the *Journal of Accountancy*, many M&A roadblocks involve unorganized firm information. This can include incomplete or nonexistent partner agreements, entrenched lease and location matters, and equity issues.

To avoid these pitfalls, make sure your documentation is complete, you're open-minded in terms of office location matters, and equity issues are sorted out ahead of time.

3. **Utilize technology.**

Firms with standardized and streamlined processes that utilize the latest advances in technology will no doubt be more attractive to prospective buyers.

From using cloud accounting software to end-to-end paperless workflow systems, firms with a deep understanding of how technology can transform workflow processes, improve accuracy and efficiency, and deepen client relationships present many strategic advantages for potential buyers. It also makes the transition much easier from a client and staff perspective.

Ensuring a good fit

If you're nearing retirement age and considering selling your firm, you don't have to

"Many people ask me whether or not M&A is working—and it's probably the easiest question to answer," said Koltin. "In the last 10 years, there's been more M&A in the accounting profession than in the last 100. And in the last 5 years, there's been more M&A activity than in the past 25. If it weren't proving accretive, the door would be closing—and that's certainly not the case."

"Firms are getting good at it," Koltin continued. "They're doing their homework and asking the hard questions upfront. That way, there's no surprises come closing time."

In the end, seeking out a buyer for your firm can be an excellent succession plan if you prepare ahead of time and work to develop a firm that is attractive to potential buyers. By finding a firm that's a good fit, you'll guarantee continuity for your clients, a good home for your staff, and the ability to rest easy in your retirement.

————————

Jon Baron joined the Tax & Accounting business of Thomson Reuters in 1992. Prior to his current position as Managing Director of the Professional segment, Jon held the positions of President of Professional Software & Services, and Vice President of Development, where he was responsible for the design and development of all Professional products and services. Jon has three decades of technology development and management experience. Jon holds a BBA in Accounting from Siena College and an MBA from Boston University.

Advisory • Firm Management • Technology

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy