CPA
Practice Advisor

specific job it is to merge in firms.

Marc Rosenberg • Apr. 09, 2015

Used with permission. Originally published on The Marc Rosenberg Blog.

This question has been posed to me by several partners over the years. As you might guess, the partners raising the question all had a hand in identifying firms that were either merged in or came close.

Note: This question applies only to line, client service partners, not to partners

Here are some of their comments:

- "Identifying merger candidates is a job for all the partners and should not be separately compensated for."
- "If a merger is good for the firm, every partner benefits. No need for separate compensation."
- "It takes a ton of time to pull off a merger: Identify merger candidates, meet with them, analyze their data, perform due diligence, negotiate merger terms and then assimilate the firm. It's not fair to compensate separately for identifying merger candidates and ignore the hard work it takes to perform all the other merger functions."
- "There is a potential conflict of interest. A partner might push for a merger that's not good for the firm."
- "A fair gesture might be to pay a flat fee to the partner who identifies the merger partner, perhaps in ratio to the size of the firm."

My thoughts:

I hear what the firms above are saying, but I find myself asking what the difference is between bringing in a new client and bringing in a merger. Both are great for the firm, make money for the partners and are hard to do for most partners. Bringing in clients is clearly a compensation factor; why shouldn't bringing in a merger be financially rewarded in some manner?

In subjective partner compensation systems such as a compensation committee, managing partner-decides or paper-and-pencil, many contributions to the firm's profitability, growth and success are taken into account in allocating income. We know them all: production metrics, leadership positions and intangibles such as helping staff grow, teamwork and loyalty. It would only seem fair to recognize a partner who brings in a merger as an intangible that should impact compensation.

Usage of the compensation committee system to allocate partner income continues to gain in popularity. If your firm is ready to adopt this method consult our monograph How to Operate a Compensation Committee.

————————

Marc Rosenberg is a nationally known consultant, author and speaker on CPA firm management, strategy and partner issues. President of his own Chicago-based consulting firm, The Rosenberg Associates, he is founder of the most authoritative annual survey of mid-sized CPA firm performance statistics in the country, The Rosenberg Survey. He has consulted with hundreds of firms throughout his 20+ year consulting career. He shares his expertise regularly on The Marc Rosenberg Blog.

Accounting • Firm Management • Mergers and Acquisitions