We were initially surprised and stumped that in a continually improving economy, the 2014 CPA firm growth rate (including mergers) remained the same as 2013 at 6.7%.

Firms are projecting much of the same for 2015.

Given the following growth rate history in the years since the recession, one would expect the trend of higher growth rates to continue:

- 2010 1.7%

Many CPA industry observers have viewed aging Baby Boomers almost entirely from the perspective of partners in CPA firms and succession planning. But CPA firms are telling us that their Baby Boomer *clients* are aging as well. As a result, firms have been rapidly losing long-standing, significant clients who are selling their businesses.

It’s all in the math. Since the dawn of CPA firms a revenue increase of 5% really would mean that the firm brought in 10% of new business but lost 5% due to special projects that did not continue, firms going out of business and losing clients to other firms. But when huge clients leave, this revenue gap usually cannot be replaced in one year. 2014 seemed to be a particularly tough year for big clients being sold.

Firms have been so active in the merger market and the ensuing efforts to absorb the sellers that their attention is being diverted from the focus necessary to achieve organic growth. Says Gale Crosley:

> “Some firms believe merged growth is easier than organic. They quickly find this is not the case. The integration of merged firms almost always takes longer than expected and can only be achieved through hard work.”

Firm after firm tells us that the endemic staff shortage is holding back capacity. When this happens, partners invariably curtail their practice development efforts.

Partners at typical, local firms are increasingly delaying retirement past the traditional retirement ages of 65 or 66. They love what they do, love the money and enjoy a mutual love affair with their clients. They are not eager to give this up. So as a result, they are working longer and longer, with 68-70 now being a targeted age for some to retire. Unfortunately, this can negatively impact the firm:

- These post-65 partners may love what they do, but they readily admit that their

and sizes of businesses. Says Jeff Pawlow of The Growth Partnership:

> "The "recovery" hasn't happened on Main Street like it has on Wall Street. Many of our clients are not seeing the same level of economic strength as other sectors of our country. As a result, we are all fighting for a slice of the pie that isn't getting any bigger."

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.

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