

A New Chapter

i'm 82 years young and I still enjoy my job. Being in public accounting all of my professional life has been exciting and rewarding. I've been a sole practitioner, a partner with two other CPAs and a partner with a non-CPA accounting professional. I've helped large clients, famous clients and small clients. And I've been deeply involved with CalCPA.

A few years ago, I realized that I could no longer do it all. Being the positive sort, I focused on what I could do, instead of what I couldn't. I hired an adviser to help me clarify my value to other CPA firms. I wanted to know my options. What could I do for others? How could I fit into another organization?

It took a while to decide on and execute a plan, and it wasn't simple. I had to understand the value of my client base and my practice—for myself and others. I needed to clarify the condition of my practice. How technologically sophisticated were we? How efficient were we? What was needed to become most attractive to other firms?

To continue my career, I knew I needed to change for myself—not just for new associates. I had to understand my value to clients, a different firm and myself. As we progressed, I realized more changes were to come—within myself and my practice.

My learning process included three major avenues:

- Put my personal house in order. I'd been a smaller practitioner for much of my life and I needed to revise my way of doing business as part of a larger firm.
- Make changes in the practice so that, when we did transition, it wouldn't be a shock to clients or staff. To help ease the transition, and ensure more clients and staff stayed with me as I moved, I involved them in the process.
- Understanding my options and the pros and cons of each. I had to look at whether I was combining with this new firm or being purchased. How was I going to be paid? What was I going to do for the firm?



What was I going to learn? How would I contribute? What would the intangible benefits be, such as more intimate client time and additional value-added services, including estate and succession planning?

An Orderly House

Putting my house in order was most

is it time?

If you're thinking "Do I need a succession plan?," then consider the following:

- What is age/condition of our clients?
- Where do we stand with leases?
- Is there a funded buy-out program?
- Have we considered a Continuation Agreement?
- Are there partners or associates to help?
- Are we attracting new clients?
- What have my family/friends been saying?

Taking One Step Closer to Retirement—Lessons Learned

important. I had to consider my financial needs and how much flexibility I had in my cash flow to explore new opportunities. What kind of deal did I need? What was I willing to give up for a new career?

Also, I had to address key issues:

- How strong were my client relationships? Would my clients follow me?
- Had I been procrastinating too long? Could I create a new career for myself?
- How well had I been maintaining my marketing and referral sources? Could I continue as a revenue generator?
- What new marketing approaches could I adopt in a different firm? What could I do to prepare for that?
- How could I delegate my work to subordinates so I could take on different tasks, and make more profitable contributions to my clients and others?
- How real was my connection with my team members? Would they follow me?
- What would I take with me? How could I shrink office assets that I would not be moving?

Embracing Change

Making changes to the practice to ensure the transition and the long-term viability of the move was essential. One of the first places I had to look was firm culture—mine and the buyer's. The word "culture" took on a new meaning for me. I never had paid attention to my firm's culture or what made it unique and special for me, my clients and staff. I had to look at the landscape of my firm and ascertain whether I could fit into a new landscape. Also, as I met with firms, I realized I needed to make changes in my organization to be more attractive:

- Our billing policies and procedures were lacking; we had become too accommodating with our clients. We put new policies, procedures and disciplines in place: requiring retainers on special projects, billing when returns were completed and not at the end of the

The New Chapter

wantmore?

Due Diligence Considerations

- What is the viability of the buyer?
- Does the buyer have experience with acquisitions?
- Is the buyer too big or too small for our practice?
- Will our clients mix well with their clients?
- Will we be able to expand services to our clients?
- Can we guarantee a pay-out?
- Will our team members fit in with the acquiring firm?
- Is our operational platform ready for a merger/acquisition?
- How much work will we have to complete to get ready?
- How much help will we get from the buyer to make our move?
- How detailed will the transition plan be?
- What will my responsibilities be?

month, following up with clients at over 30 days and every 15 days thereafter, doing more client reviews and not just tax reviews—is this really a client for us, etc.

- Client information was inconsistent and incomplete. We cleaned up gaps so that a new owner could use our information.
- Though computerized, we were behind in our technology and it was time to modernize. We upgraded our computers and software, and enhanced our policies and procedures. To come into the computer age, we got rid of files, prepared for paperless and cleaned up off-site storage.
- Some clients were not going with me. I helped those clients transition to work with a team member who was not moving into the new environment with me.

Know Your Options

Understanding my options, benefits and what I needed to give up was a combined effort between myself, my adviser, my attorney and the firms I met with. For instance, most firms wanted my clients, not me. But it was imperative to understand what each firm could offer my clients and me. I was unique in that I wanted to stay and work. I needed to know:

- What were their specialties? Could they help me sell or become a specialist?
- Did they have any client concentration that could put them at risk? Would it be a secure place?

- How were they growing and why? How could I help or assist with new clients?
- What was the client history with the firm? Had clients been with the firm forever or were many of them new?
- In particular, did they process returns offshore? Did they have other efficiencies and how did those impact clients?
- What areas of service were they lacking and could I be of assistance?

In the end, I chose to merge with a much larger firm than my own. I thought I might be a small voice in a big hall, but I'd chosen my new way in the world and I positioned myself as unique.

I had more time in my new role. I reached out to new referral sources and new clients. I helped existing clients in ways I couldn't have before. The first year was one big change after another. I had to learn to adjust or fail.

Lessons Learned

As I experienced this adventure, I learned what was critical for success:

Engage an experienced team of professionals to help work through the process. I worked with my adviser/consultant and an attorney; both are knowledgeable in the merger/acquisition arena for CPAs. Their experience and guidance helped orchestrate all of this.

Conduct due diligence. I had to learn about other firms and about future associates to evaluate options.

Clarify organizational changes necessary for the transition. Who would stay and who would go? What would clients need to follow me? What did I need to do to get better organized?

Be clear and forthright with associates and partners. It was important everyone knew about what we were doing and where we were going.

Define and document relevant plans. A business plan and a personal plan supported success for my new life. We are now creating the beginnings of a succession plan so that, when I again transition the services, new services that I have developed will remain, thrive and be successful. Things that we needed to consider in developing my future included:

- Define the types of clients I can help, in this case owners in their late 50s or older who have businesses or substantial wealth.
- Collaborate with referral sources and help them understand how my new firm and I can be of unique value.
- Create an expanded relationship with

partners, senior management and other personnel in charge of clients at my new firm so I can build their trust and help them understand how we can help our clients.


- Use many of the marketing tools I had in my previous firm, such as my personally written newsletter, and convert them into activities more conducive to the new firm.
- Identify how to work more effectively with outside professionals who can help in the succession and estate planning area, where I've chosen to work with my clients and my firm's clients. I have been working specifically with insurance and investment management experts in how we can best assist clients together.

Finalize basic business details and considerations. Attention had to be given to leases, employees, "tail insurance" coverage and transition planning so clients would be happy to follow, etc.

Stay connected to referral sources. We implemented a marketing plan that helped them see this move as beneficial to them and to me.

Formalize a strong accounts receivable collections process. This ensured I got A/R from my old practice.

Now, five years later, I'm in a new place in a new environment with new career. My background as a generalist practitioner, my new insights and experience in my own succession/transition and my desire to create a new value point for my clients have allowed me to create my new future.

This was a job from the inside out—and it worked. 

Irwin Pomerantz, CPA is an associate at Kellogg & Andelson and a member of the CalCPA MAP/MCS Committee. You can reach him at ipomerantz@k-a.com.

Mark H. Fowler, president of Stowe Management Corporation and member of the CalCPA MAP/MCS Committee, contributed to this article. You can reach him at estowemangement@aol.com.