

At the Crossroads

The Remarkable CPA Firm That
Nearly Crashed, Then Soared

Gale Crosley, C.P.A.
and
Debbie Stover



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*To God our Father
Who has given special gifts to each one of us,
so that we can help each other to do His good work on earth.
And who has given me such rich blessings in my family:
Erica, Jeff, Kim, Kristin, and husband Steve
G.C.*

*for Chris and,
always, throughout time,
for Cleveland
D.S.*

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INTRODUCTION

The last few years of my career have been the most interesting and fulfilling I've ever experienced. Since I started working again with CPAs and their firms, I feel like I've "come home." These are my people.

When I began my career as an auditor, working for Arthur Andersen and then Price Waterhouse, I was constantly being reprimanded for talking too much to the clients. Eventually I found my way into corporate America, working in the "growth" disciplines: sales, marketing, and product management. After 25 years, circumstances caused me to return to my roots—but this time my clients are CPA firms. And this time, talking is allowed!

In returning to the profession, I made a very interesting discovery. I found that the few largest CPA firms had developed sophisticated approaches to driving and managing growth. But I also found that outside this handful of largest firms, there was little understanding of how to sustain efficient and effective growth. Most CPA firms just "got out there and did good work." There's nothing wrong with that, of course, but it is *not* the whole story, because it doesn't take into account the processes, methodologies, and consistent execution of best practices that are so necessary to smart growth.

Not only leading CPA firms, but corporate America as a whole, is way ahead of most CPAs in understanding and managing effective growth approaches. And with the paucity of CPAs, we can scarcely afford to waste time on approaches that don't work!

We have only to look outside our profession to identify the best techniques; there's no reason for trial and error or starting from scratch. But most CPAs haven't worked in corporate America, so they don't know this wealth of knowledge exists.

As I've consulted with CPA firms, helping them understand and implement these proven growth techniques, I've found the same issues cropping up, and seen recurring themes in terms of behaviors and levels of understanding. These themes, the people involved, and the success I've seen them ultimately achieve—using corporate America's growth techniques, adapted for the CPA environment—form the foundation of this book.

It's been great fun to breathe life into these characters. They're an amalgamation of people with whom I've worked in countless firms, where I've seen managing partners and partner groups grab the reins and craft their own wonderful destinies. The most fulfilling part of being a consultant lies in witnessing this transformation. In firms that make the commitment to grow, the firm grows as the people grow, and they reach their full potential together.

Finally, this book is about hope. Whether your firm is experiencing real growth or not—whether, to jump a few pages ahead, your story more closely resembles Alex's or Joe's—you will surely recognize the partners and others you meet here. You may wince once or twice, but I think you'll also smile along the way. I know you'll go away understanding that, armed with the right knowledge, you can steer your own firm into a bright and prosperous future.

—*Gale Crosley*

CAST OF CHARACTERS

At Our Mythical Firm:

The Main Partners:

Joe Abriola, managing partner of Crandall & Potter, a Minneapolis CPA firm that's going nowhere

Eric King, the firm's brightest niche rainmaker; he's still young, so no one takes him too seriously

Charles Krueger, the auditor's auditor

Kevin McCoy, the tax guru

Harold Brumlow, who's retired in place, the firm fossil

...and assorted other partners, 24 in all, among them:

Ben Spencer, an outgoing guy with a sense of humor, but very nuts and bolts

Smith Smoot, smart, but a bit defensive about his name

Durwood Poole, a senior partner, he's solid but unexceptional

Frank Pierce, the original no-nonsense guy, who never has a good word to say

Matthew Hanover, the youngest partner, who's very earnest

Jake Billings, a young CPA who's never at a loss for words

Joshua Huberman, the quietest member of the firm

The Key Staff:

Jackie Brown, COO, efficient and by the book, she came up through the ranks

Tiff Hollister, marketing director, who does great brochures, but that's about it

Ty Dukes, third in a line of business developers, who's got no get up and go, but he's a terrific gladhandler. What does he do all day?

Other Staff:

Sarah Brandeis, a senior tax manager

Josie Fitzmorris, a young manager in real estate

Thaddeus Cox, the mailroom supervisor

Earlier:

Albert Potter, founding partner (deceased)

Later:

Philip Van Landingham, new partner and audit segment leader

Michael Cunningham, business developer; Ty's very able successor

Lisa Olson, C&P's first-ever recruiting director

Elsewhere:

Alex Weinstein, of blockbusting Philadelphia CPA firm Weinstein & Federman

Katherine Witt, the very savvy director of practice growth at Alex's firm

PART I

NO DISCIPLINE, NO GROWTH

Some Bad News

Joe Abriola looked up from his desk as his favorite “son” in the firm, Eric King, slipped quietly into the room and took a seat.

Joe leaned back, linking his hands behind his head. “What’s going on, Eric?”

Eric leaned forward, brought his hands up, and opened his mouth, but no sound came out at first. Finally he shook his head and spoke. “I feel bad about telling you this, Joe. I want you to know that up front.”

“What’s the problem?” Joe asked. “Is it a client?”

“No,” Eric said, and then the words came skittering out of his mouth in a terrible rush. “It’s the partners. It’s a problem with the *partners*. *You’ve* got a great big problem with your partners.” Eric paused. “And I don’t think you even know it.”

The Problem

Joe had leaned forward in his chair as Eric spoke, but now he settled back cautiously. “No,” he said at length, “I’m not aware of any problem with the partners. What kind of problem?”

Eric took a moment to collect his thoughts, shook his head briefly, then spoke. “Joe, I want you to know, as I said, that I feel really uncomfortable doing this. You brought me into this firm, you’ve given me a terrific chance to succeed here, and . . . It feels, I don’t know, not like disloyalty, but like . . . carrying tales, maybe. But I really think you need to know what’s going on, and nobody else is going to tell you. So I feel like I’m elected.”

“Spit it out, son,” Joe said.

“It’s like this,” Eric said, leaning forward again, elbows on his knees. “There are these . . . I’d call them rumblings—and they’re just sweeping through the partner group. I think they started with Harold and Kevin, but it seems like every day, one more person chimes in. We’ve got—what?—24 partners in this firm, and I swear half of them are grumbling about ‘changes.’” Eric drew quotation marks around the word with his voice. “They say ‘changes’ need to be made. And at first it was generic, but now people are specifically mentioning you.”

“All right,” Joe said cautiously. “What kind of changes?”

Eric shifted in his chair uncomfortably. “To be perfectly honest, Joe, I’m afraid some of this may have started with me.” Joe frowned, but Eric plunged ahead with his story.

“You remember last month, when I went to that niche meeting”—Eric had his own niche, health care, well in hand within the firm—“and they were talking about growth and comparing notes. And one guy’s reporting eighteen-percent growth year to date at his firm, and the other fellow has twenty-one. One guy said his health care practice grew twenty-five percent last year!

“You remember I told you about that, right, Joe?” Eric pressed.

Joe nodded.

“Well, I mentioned it to some other people around here as well. And it turns out that I’m not the only person who’s hearing it. We all know

what started it—Sarbanes-Oxley back in '02—but it's gotten bigger since then, much bigger. It seems like every CPA firm in the country—or in Minneapolis, anyway—is growing like wildfire.

“But it's not just Minneapolis, because, well, you know what people've been reading over the past few months. *IPA*, *PAR*,¹ *Accounting Today*, *Practical Accountant*—everybody reads those publications, and you know what last year's figures were, that they reported. The CPA profession had its best growth year since the late '90s, but Crandall & Potter did not.”

Displaying the kind of sure-handed knowledge Joe had grown to expect from Eric, the younger man ticked off the alarming details. “Aggregate growth for the top one hundred firms of more than sixteen percent; many firms growing at well over twenty. Compared to us—we grew just seven percent last year!

“So at first it was just a couple of people talking, but then they started asking around, checking with their friends. And it sort of took on a life of its own.

“And you know how it is, there's grumbling about one subject, and then pretty soon there's something else that's wrong. And I do think, in all honesty, that in some ways they have a point. We aren't experiencing the kind of growth we could. But somehow, the problem's being simplified, and it's become *you*, Joe. As managing partner of the firm, you're responsible for everything, so that means you're responsible for this too.”

“Specifics?” Joe asked.

“Well, everybody's got their own ax to grind. Harold, he's been threatening to retire the whole time I've been here. Well, now he's finally close enough to read the writing on the gold watch, and he doesn't like what it says. He's seen all these growth numbers floating around, and he's thinking his share of the Crandall & Potter pie isn't worth what it should be, because the pie itself should be bigger.”

Eric tapped another finger as he went through the list in his head. “Kevin,” he continued. “Kevin's beef, best that I can make it out, is that he's carrying his load, he's doing his share to bring in business, and what

¹*Inside Public Accounting*, *Public Accounting Report*.

is everybody else contributing? ‘I make rain; everybody should make rain!’” Eric imitated Kevin, pumping his arm and speaking in an exaggerated tone.

“Even Charles chipped in yesterday afternoon,” Eric finished. “There were a couple of guys kicking around the new auditing standards that just came out, and the talk started up again. And Charles had to toss in his two cents’ worth.”

Joe’s eyes narrowed in surprise. “Charles?”

“Yeah, I know. Charles doesn’t even bother to notice the rest of us unless he has a gripe. Well, he’s got one now. He was kind of light on the details, but his point seemed to be that we missed the boat on 404 work, and again, somehow, that’s your fault.”

Joe slapped his desk in frustration. “That was in *his* bailiwick—404! I asked him about it a long time ago, even pressed him on it, and he blew it off completely. Said we ‘didn’t need to go there.’”

“Well,” Eric said, “he wishes we’d gone there now. Maybe he was just piling on, but . . .” His voice trailed off.

“The thing is, Joe, I do think they have a point—at least some of them do. This firm is not growing the way it should. The opportunities are there—hey, it’s like a stampede, they’re coming at us so fast—and we’re just not grabbing on. We’re not even *trying*. We sit around doing the same old things, chasing leads the same old way, and making the same old excuses when we lose out.

“How are the other firms doing it? How are they racking up those kinds of gains? Do you have any idea?”

“Do *You* See It, Joe?”

Joe took a deep breath. As a matter of fact, he did have a pretty good idea what some other firms were doing. He’d attended an association meeting in June, and the whole focus of the meeting was disciplined growth and how to achieve it. A few key phrases floated back: best practices, disciplined growth, pipelines, revenue segmentation, product management.

Joe stirred in his chair. “Well, a number of ways, I guess. There are some new kinds of business available today, that’s true. And some firms are going after them very aggressively. But that’s not the way we do things here at Crandall & Potter. That’s *never* been the way we do things.”

He leaned forward to press his case. “And the way we do things is not half bad, Eric. All the partners here make a very good living. We’re all in this together, we all work very hard, and everyone is more than comfortable—”

“Maybe we’re a little too comfortable,” Eric cut in. “Comfortable may not cut it anymore.”

“Think about what you’re saying, Eric! It’s only been seven years since Old Man Potter died! That’s the biggest transition this firm has ever gone through. I’m not sure we’re ready for another major shake-up.”

“Joe,” Eric said, his voice trembling from the effort to speak as calmly, as persuasively, as he could, “I’m afraid you’re not hearing me. This is not about whether or not people like each other, it’s about business! Just look at the way things work around here. It’s like all the partners are in cocoons; people barely talk to each other except to shoot the breeze. There’s no rhyme or reason to our business development efforts—it’s just not there. Tiff finally got the new brochure done, and it’s a beauty, but there has to be more to marketing than that. And Ty. How much have we gotten out of Ty over the last twelve months?”

Joe started to say something in defense of Tiff Hollister and Ty Dukes, their marketing director and business developer, but Eric was on a roll. “Still, that’s just staff, and the weight should really be on the partners’ shoulders. So let’s look at how our partners go about their business. First, every partner feels like he’s in business for himself, so we compete against each other for clients and sometimes one partner will lock another one out of an opportunity—just to maintain control!

“There’s no effective division of labor or delegation of work to junior members of the firm, so partners end up doing work like 1040s—which