

SPECIAL REPORT

INSIDE THE TOP 100 FIRMS

IN-DEPTH LOOKS
AT FOUR OF THE
MOST SUCCESSFUL
FIRMS IN THE
COUNTRY:

- BROWN, EDWARDS & CO.
- CLARK NUBER
- GURSEY | SCHNEIDER
- LUTZ



Brown, Edwards & Co.: A 'large small firm' thinks big in the Virginias

Large firms might get all the attention with their towering offices in major cities, but sometimes even being a "large small firm" is enough to make waves, according to Jason Hartman, CEO of Virginia-area firm Brown, Edwards & Co.

"We have the feel — to the clients, to the staff, to the partners — of a large local firm because we are a 10-office firm," said Hartman. "And we'd like to try to keep that culture, that feel, as we continue to grow."

Founded in 1968 when two predecessor firms merged, Brown Edwards has now expanded to 10 offices across the Virginias and Tennessee, with "all but one of those offices" a result of a merger or acquisition, according to Hartman. This year, the firm also earned a spot on *Accounting Today's* 2019 Top 100 Firms list.

Over the last three years, the firm's acquisition activity has ticked up, though mostly in small markets. (Roanoke, Virginia, with a population of approximately a quarter of a million people, was the firm's largest market until only a few months ago.) Recent acquisitions include Dixon Hughes Goodman's Roanoke practice in February 2017, Gibbons & Kawash in Charleston, West Virginia, in January 2018, followed by DHG's Newport News office last November. "My hunch is that we'll have two to three more [acquisitions] over the next year or two," Hartman said.

"We [have] offices with roughly \$14 to \$15 million in revenue down to \$2.5 million in revenue," Hartman added. "We've been lucky to capitalize on the focus of the super-regional firms, who are moving towards major metropolitan areas, and the types of clients and work in smaller markets doesn't fit as well [for them], but it fits well for us."

Hometown heroes

Brown Edwards' bread-and-butter industries include construction, community banks, private colleges, state and local government, and benefit plans, with those five areas equaling roughly half of the firm's generated revenue, according to Hartman, with "a little bit of everything else with the other \$25 million in revenue."

Chief operating officer Laura Sprouse estimates that 60 percent of the firm's work is in A&A, with another 35 percent in taxes and 5 percent in consulting (though consulting is also a part of A&A and tax work, she said).

"We've had substantial growth through mergers, and we've had pretty significant organic growth," said Sprouse. "I think a lot of that organic growth can be attributed to just the quality and reputation ... in our local areas, as well as the principalities outside our local areas, clients know that we are very diligent in providing quality product, that we're very service-oriented. I think that word has spread as we continue to build upon those



JASON HARTMAN

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There's good reason as to why the good word has spread, as Brown Edwards has prided itself on trying to leave its acquired firms feeling independent.

"The culture of the firm is such that we try to make partners feel like the business owners that they are," said Hartman. "Our management is still largely individual-office-focused, so a lot of decisions are made at that level and the partners feel like partners, as opposed to ... [when] management is more across service lines and industries and most decision-making is centralized [so] partners tend to feel more like employees. I know in some of the acquisitions we've done, firms have talked to other firms like us, and they have come away from Brown Edwards feeling that the culture suited them better. They could merge their firm in, get a lot of the advantages of being a Top 100 Firm, but not lose the culture or the feel of a big local firm."

A cybersecurity niche and a K-12 education program have also helped drum up interest in the practice. "The K-12 program was just another avenue of education for us," said Sprouse. "We've got two partners who have been involved with that. We've picked up new K-12 clients who our partners are out talking to at events. It's just really been impressive to see how fast that really has grown. Our cybersecurity group ... just the way that [they] can talk to our clients in a very down-to-earth manner and explain the risk and issues [is] just a great

add-on for us trying to do any cross-selling to our clients."

"Through a couple of these acquisitions, we have significantly increased our depth in practice areas we were already in, like higher education," added Hartman. "We had a large local government practice, but as a result of one of the transactions, we now have a pretty significant state government practice. So we hope to see organic growth in areas like that where we've added bench strength, but I also think that continued merger and acquisition activity is likely. We are getting more inquiries and expressions of interest now than we have ever seen."

Staying ahead

Looking ahead, the firm's future is bright, but retention is still a major concern, as it is at most practices. "We don't have much of an issue hiring entry-level staff, but we have a problem holding them past that three-, four- and five-year level," said Hartman. "And I think a challenge we have is very likely a narrowing of the pyramid at the top — I think in 10 years, for the same volume of revenue, the partner count is going to be lower, partly because of fewer people being interested in that role. Partners are going to have to learn how to work and manage differently than they do today to get us there."

"If the predictions come true, that compliance work and hours are going to drop off significantly due to technology, how do we replace that revenue?" Hartman continued. "We've had partners who have recently retired and partners who will be retiring in the next few years, and we've got to buy them out. Our concern is that the practice we're buying from them through their retirement payments may not be there to fund those payments. So ... how do we keep it going if that compliance revenue does significantly shrink?"

Internally, Brown Edwards will continue to develop staff members by letting them find their niche — a defining characteristic of the firm.

"The opportunity that the firm affords the staff, just the ability to try different things and be different things to find your own path through the firm, is something that worked well for me for years," said Sprouse. "I started out as a staff member and am now up to the role of COO — you just never get put into a box and always have the opportunity to try other things and be other things with the firm."

And despite having big ambitions and a growing list of acquisitions, Hartman is comfortable resuming Brown Edwards' focus on the mid-market and smaller clients: "We think [it's] good work, we enjoy it, and we appreciate and respect the communities we serve." **AT**

— Sean McCabe

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Clark Nuber: 20 miles a day in Washington

Walk 20 miles a day, every day, regardless of the weather or how you feel, and you'll soon find yourself outpacing those who may run faster in fairer weather, or who only take to the road when they choose. That's the theory of the "20-mile march" created by business thinker Jim Collins — and it seems to be paying off for Bellevue, Washington-based Clark Nuber, whose steady, ground-eating pace brought it into the ranks of the Top 100 Firms this year.

"We really haven't focused on M&A as a growth strategy, which is unusual for a firm our size," said president and CEO Rob Wheeler, who joined the firm in 1985 and took the helm in 2014. "We've really focused on consistent organic growth for years and years. Our business strategy is like the 20-mile march from 'Great by Choice' — consistent, persistent growth year after year after year."

Founded in 1952, Clark Nuber took its current name in 1980 — "but the firm we know today really had its foundation in 1972 when Bob Nuber joined," Wheeler said. "He brought the initial vision of the firm that's continued through today." That steady growth has seen the firm blossom to its current 21 partners and more than 200 employees, with clients across the country and around the world — though all are served from a single office.

Since the firm doesn't rely on M&A for growth, it carefully nurtures it through deep understanding of its clients and their markets, and an extremely collaborative culture. "We find opportunities where we identify a client need, and we focus on it, and our partners work together on it," explained Tom Sulewski, shareholder-in-charge of the audit & assurance group, who joined the firm after graduating from college in 1990. "Take our benefit plan audit practice area — our competition was dabbling in it, and we saw an opportunity to get really deep in our knowledge base. We now perform over 200 audits, and it's a big chunk of our audit practice in the off-season."

The formal process for new service offerings starts with the firm's elected management board, which is focused on new opportunities and strategies for the business, according to Wheeler. "Any major new investment we would discuss with the shareholders to see if we see a broad need, so we have information from all parts of our practice," he said. "That's one of the benefits of being in one office: It's easy to talk to one another — you just walk down the hall."

Among the areas the firm has been focusing on are a wide range of opportunities in tax, from state and local taxes to the international arena, as well as outsourced accounting, IT services, and growth with grant-making organizations and international nongovernmental organizations. It explores the possibilities and then develops them with expertise and insight culled from



ROB WHEELER

across the firm, hiring experts from outside the firm when needed. "Our international group has people with individual, corporate and nonprofit expertise," noted Sara Elizabeth Hyre, shareholder-in-charge of the tax services group, who joined the firm in 2005. "A lot of our niche groups are cross-functional."

Added Sulewski, "The cross-department functionality of niche teams has been fun to watch, to see those groups get together with a common focus on how to effectively bust open opportunities in technology, or real estate, and so on." The teams meet every week, he explained, with assigned tasks and a high degree of accountability. "The 20-mile march is possible because of that degree of discipline."

That consistency relies in part on a highly collaborative culture. "Almost 20 years ago, we embarked on changing the culture of the firm to being more collaborative," recalled Wheeler. "We made a commitment to really working together. ... We talk a lot about unselfish collaboration, and the whole being bigger than the sum of the parts — we really work together toward a common goal."

Hyre echoed that sentiment: "It's not 20-odd people doing their own thing," she said. "We're not a bunch of Lone Rangers; we work collaboratively, and we do it well. We agree on the fundamentals."

Balancing act

One key point about Collins' idea is that it's 20 miles every day — not 20 some days and 40 on others — and Clark Nuber has taken major steps to even out its workload across the year.

Take, for instance, the not-for-profit practice that it launched 25 years ago, and which now accounts for 40 percent of its revenue. "The reason the partners at that time pursued that strategy was to create a more balanced business model," Wheeler said. "We used to be really busy the first half of the year, and not so busy the

second half. It was created specifically to address that issue, and it's been very successful. It really adds to the overall health and balance of our firm."

"With 40 percent of our revenue from nonprofits, one of the byproducts of that is work-life balance — many of those clients tend to have off-cycle year-ends," Sulewski explained. "It allows our staff to not go through the normal busy season loop. The audit group doesn't have the big spike that most auditing firms have. That's a nice recruiting advantage."

That interest in balance extends to the individual level, too, with Wheeler noting that the firm was an early adopter of flexible schedules and remote work. "That's helped us attract both male and female people in our workforce who are trying to balance work and family. ... That's at least part of why our number of female owners and leaders is higher than average. We're also fortunate to have some really strong women leaders who became leaders early on, so they became role models and other people could follow their paths."

The firm is well ahead of its peers in terms of advancing women: They make up half of its senior leadership, and 38 percent of the shareholder group (compared to an average of 22 percent across the profession).

The next stages of the march

A focus on steady organic growth doesn't mean Clark Nuber isn't also keeping an eye on the long-term horizon. "We make significant investments in people first, and also in tools," said Wheeler. Among other things, the firm has an outside executive coaching program for rising leaders to fine-tune their leadership skills, and it is in the process of installing a new practice management system.

It also recently expanded its office by 25 percent. "We're remodeling and repurposing our space, with more collaborative space, with more space for remote audits to reduce travel time so people can conduct audits here, rather than at the clients' office," Wheeler said. "We also doubled the size of our learning center — we do a lot of training. That space is used all the time — it also has state-of-the-art technology so people can attend remotely. The new space is just terrific — it really upgraded our ability to serve clients and people, and takes advantage of all the technology that's out there, and the changing ways we're serving clients and the ways people learn. ... That's been a real lift for us."

Initiatives like these are meant to propel Clark Nuber forward both in the short term and the long term. "We intend to be a permanent business, so that drives decisions about investments in people and infrastructure, and gives us a longer-term view," said Hyre. "We're concerned about this year, and next year, and the year after that, and the year after that." **AT** — Daniel Hood

Gursey | Schneider: Hitting on all cylinders in Los Angeles

As Gursey | Schneider marks 40 years in business this year, the Los Angeles-based firm can also celebrate its inaugural ranking on *Accounting Today's* Top 100 Firm's list, with its \$44.88 million in annual revenue vaulting the firm to No. 96. Much of this is owed to the firm's most successful niche service line, which managing partner Steve Wasserman calls its "claim to fame."

The firm's litigation support services practice was established by founding partner Donald Gursey when he formed the firm with Stanley Schneider in 1979. Gursey was a pioneer in family law forensic accounting and the practice, which accounts for 55 percent of the firm's business, has flourished for the four decades since, with the firm recently opening new California offices to support its growth.

The firm also provides tax, accounting and a small amount of audit services, though Wasserman said the firm's history of consultative services is a large factor in its growth, which has been primarily organic, though supported by a few acquisitions over the years.

"A major portion of our business is not in a commodity business such as audit," Wasserman explained. "A lot of traditional firms have a higher percentage in audit services and tax compliance. We have very little on the audit side, [which] from a firm perspective, from an economics perspective, is a good thing. There is significant price pressures on the commodity side of our business, and less pressure on the consulting side."

The firm's consulting services also include business management, which was Schneider's specialty when his practice merged with Gursey's to form Gursey | Schneider. The business management service line is now led by partner Marie Ambrosino, an entertainment-industry business manager who joined the firm when her practice was acquired in 2005.

Both specialty services — litigation support and business management — cater to a similar clientele of high-net-worth individuals, providing ample opportunity for cross-selling, Wasserman said.

A portion of these wealthy individuals are celebrities and public figures, meaning the firm handles "very high-profile cases you read about in *People* magazine," Wasserman explained. Cases range from divorce proceedings to the ex-spouse of a celebrity hiring the firm to provide business management services, he shared.

The firm's expertise in this area makes it an especially attractive option for clients requiring financial help in family law matters. "We have lots of experience," Wasserman said. "Probably no other firm in the country, on a combined basis, has as much experience as us. We have lots of knowledge — we don't dabble in this area. We have 90 full-time people dedicated to this. We can assist attorneys, bring ideas and value add — it's all



STEVE WASSERMAN

about service."

The tabloid-worthy clients compose a fraction of the roughly 300 to 500 family-law cases the firm handles in a year, and in every one, Gursey | Schneider relies on maintaining a strong referral network. "Typically all partners have relationships, working relationships, with various attorneys who have referred work to us," he explained. "Tax and accounting, audit, annuity-based work, serves the same function year after year. On the family law side, it's project-based work, one divorce, you do the work, you have to be hired on the next matter. At the end of the day, attorneys make recommendations to clients on who to hire as a forensic accountant. If we provide good service, they hire us next time. That's always what we're trying to do, because we know it's the attorney's decision on who to hire on the next matter."

Under a family law attorney's direction, Gursey | Schneider assists on the many tax and accounting issues that arise out of a divorce. These can include determining the cash flow available for support, doing business valuations, preparing a community property asset sheet, determining marital standard of living, tracing assets, and applying community property law.

The last issue is relevant to the firm's operations in a community-property state, and in fact, "back in the early 1970s, Don Gursey was one of the first CPAs in California — when California became a community-property state — to provide forensic accounting for divorces," Wasserman recalled.

Placing the right people

That legacy lives on, with continued success that recently expanded the firm from its Studio City headquarters to a total of six offices.

"We didn't open a new office for the first 30 years," Wasserman said. "We've expanded now, in San Diego, [a satellite office in] Torrance, Encino and San Francisco.

The opening of the offices was not a plan, that we wanted to have offices in all big cities, but was driven by client demand. On the family law side, there are family law attorneys in San Diego, Irvine and San Francisco. It got to the point where it made business sense to have office locations to serve the businesses we already had."

While those expansions — including a move of the firm's Irvine office to a bigger space — have supported staff growth, identifying and recruiting those employees has been a challenge, Wasserman reported.

One effective solution was opening the Encino office, which caters to employees the firm recruited in California's San Fernando Valley who were reluctant to commute "over the hill" to LA in the city's notoriously bad traffic. Another solution was hiring an internal recruiter. Gursey | Schneider brought two others on board before finding the right fit with its current recruiter, who Wasserman said has been "very effective."

Finding the right people is the first step of many, Wasserman acknowledged, in building a strong workforce.

"We try to hire talented people, and then train them, mentor them," he said. "On the litigation side, what we do, and our competitors don't do, is I'll take professionals to court with me, even when I don't bill time. I take them to settlement conferences, meetings — even if they're not billing time, it helps them grow and develop. We could keep them in the office billing, making money on the short term, but we are trying to grow and develop the firm. We invest in giving them this experience, make them perform jobs better now, with the opportunity to grow into leaders in the firm."

Further down the line, those leaders will have a mandatory retirement age of 70, which is just one way Gursey | Schneider is addressing another major challenge facing all accounting firms.

"I expect the firm to last — on my list is succession, you never complete succession planning," Wasserman said. "Every year, the existing partner group is a year older. We have annual partner retreats in June, and we're talking about succession, who is in the pipeline, when we're ready to make a commitment, what we do to grow, and to get them ready. Overall, we've done a really good job of succession planning. Don Gursey retired 12 to 13 years ago, and we've grown; we didn't miss a beat. Numerous partners have retired — Stan Schneider retired. We are growing and developing people to carry on the business, and grow the business."

The firm's significant service-line growth, office expansions, and strategic planning are all milestones in its continued upward trajectory, according to Wasserman: "In the past year, in all business lines, we're hitting on all cylinders." **AT**

— Danielle Lee

Lutz: In Nebraska, rising fast from a strong foundation

The last five years or so have been particularly eventful for Nebraska-based Lutz: It has rolled out a couple of major service areas since 2014, went from a single-office firm to one with four locations across the state in less than a year, finalized a major merger in 2017, and then another in 2018, with the latter giving the firm a growth rate last year of 25 percent — as well as a spot among *Accounting Today's* Top 100 Firms.

But while this recent growth spurt is impressive, it wouldn't be possible without the strong emphasis on being forward-thinking, entrepreneurial and technology-focused that was instilled in the firm by its founder, Ralph Lutz, at its inception in 1980. "Ralph's vision was around technology even back then," recalled current managing shareholder Mark Duren. "At the time, he understood that technology would have a major impact on accounting. He started Lutz with a punchcard reader the size of an office. It all began with monthly bookkeeping. Lutz grew from there — a number of strong practicing CPAs joined the firm and it began to flourish."

In the years since, the firm has steadily expanded on Ralph Lutz's original vision, launching its Lutz Tech division in 2000 and Lutz Financial in 2001 to go along with the core Lutz Accounting, and then, following the establishment of a new strategic plan in 2013, Lutz Talent in 2014 and Lutz M&A in 2015, as well as completing those two major mergers — with McDermott & Miller in 2017 and with Shonsey & Associates last year.

"The firm itself has been growing at a clip of 8 to 12 percent, and these acquisitions were on top of that," noted Duren, who joined the firm as Employee No. 20 in 1992, and has been managing shareholder since 2015. "Growth has been fairly steady for us."

Lutz now finds itself in a leading position in the Nebraska market, with 37 shareholders, more than 275 employees, four offices — and a new definition of itself.

"We refer to ourselves as a business solutions firm, rather than a CPA firm," Duren explained.

Accelerating into the future

Lutz Tech is one of the cornerstones of the firm's ability to deliver non-accounting business solutions. It provides managed IT services, as well as system design including engineering of clients' networks and servers, as well as serving as clients' help desk. Lutz Tech also develops software applications for clients to computerize processes, to gain efficiencies and reduce exposure to errors.

Tech's services aren't just available to clients, though. "We build applications for clients — but we do it for ourselves as well," Duren said. "We have a pretty robust practice management system, for instance."

"Being a smaller firm, we have limited resources to make major investments in data analytics and big data,



MARK DUREN

but we are experimenting daily. I think we have a bit of an advantage with our tech division as they provide the horsepower and expertise accountants may be lacking," he added. And the firm isn't letting its size get in the way of finding innovative ways to keep up with technological change. Last fall, for instance, Lutz brought in a number of professors from an East Coast university for a week-long "big data" training session for 25 or so of its employees. "It was wonderful exposure to what you can do and everything that's changing and evolving throughout the whole AI field," Duren recalled — and the firm is now working on developing new products like dashboards and key performance indicators to help clients "grab untapped management information that businesses haven't been able to get their hands around in the past."

Leveraging its skills to both its clients' and its own internal benefit is a recurring theme at Lutz. Take its Lutz Learning Live program, where firm employees give classes to clients and referral sources on everything from how to read a financial statement and how to retain employees, to instruction on using QuickBooks, or a session on the different aspects of the new tax law. The firm has held over 50 of the sessions, which are generally an hour long, and now records them for its website.

Or consider Lutz Talent, the placement and staffing unit that the firm established in 2014, which has been one of its fastest growing areas of late. It concentrates on helping clients fill accounting, finance, HR and administrative positions, which makes sense, since one of its original clients was the firm itself.

"One of the items on the firm's 2013 strategic plan included an emphasis on finding and retaining the best talent," Duren explained. "Lutz Talent's focus for the first 18 months was more internal than external, and then we allowed them to look outside. Once we opened the door they really took off, and we've added 10 more professionals in the Talent division since."

Internally, the firm recently added a performance advisor in the HR area, whose primary purpose will be to offer career and performance coaching to team members — even if that means a career elsewhere.

"We're to the point now where we talk to staff — especially our two-to-seven-year accountants — about the opportunities in the market. We understand they may eventually consider those opportunities, and we have said, 'Don't be afraid to talk to Lutz Talent; let's help you make the right career decisions,'" Duren said. "The point is, as we've grown, we're all facing the challenges of turnover. There are just so many different opportunities — you're naïve to think they're not getting phone calls every week, every month. If their career moves in a different direction they may turn into a great customer."

Attitudes like that, along with an openness to the workplace expectations of millennials, who make up close to 60 percent of the firm's staff (to say nothing of its annual "12 Days of Lutzmas" where the firm gives back to the community), help explain why Lutz frequently appears on "Best Workplace" lists (including constant annual appearances on *Accounting Today's* Best Firms to Work For ranking for the past decade).

The road ahead

As it looks to the future, Lutz has no immediate plans for more mergers or significant physical expansion in Nebraska; instead, it will focus on filling out the business solutions it offers. "We're going to continue to fill out the offerings we have," Duren said. "We have many products that need to be developed and finished in terms of what we can bring to market and offer to our customers." In particular, he noted that the firm just started a family office service line that complements Lutz Financial as well as the firm's client accounting services offering.

The firm will also be working hard to get the word out about what they've built. "One of the problems with our gradual conversion to become a business solutions firm has been making sure prospects and customers are fully aware of what we can offer," he said. "It's not unusual for someone to say, 'I forgot you did that.' In response we created the Lutz Network to show who we are and what we offer. It allows our people to explain what we do in a quick, concise manner." The network includes a single-sheet explanation of all the many ways the firm can help clients.

"A big part of our growth strategy is brand awareness," added Duren. "We're not a household name in Nebraska; we're large enough that people notice us, but we still have work ahead of us in terms of market penetration and name recognition — along with our efforts to exceed client expectations at every step along the way." **AT**

— Daniel Hood