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FINANCE

Accountants' roles expand beyond numbers

Firms offer bevy of advisory services in addition to tax, audit work

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When Britton-Gallagher & Associates Inc. needs accounting services, its people call the accountant.

When the Solon insurance broker needs marketing help, it calls ... the accountant. And for information technology guidance, it dials, yes, the accountant.

Britton-Gallagher isn't the only firm relying on its accountant for more than accounting: CPA firms increasingly are meeting client needs by providing advisory services, something that's required a shift in their business model.

In fact, it's really become the norm for regional and national firms to offer a menu of advisory services on top of traditional tax and audit work, said Greg Skoda Sr., chairman of Skoda Minotti in Mayfield Village, which is Britton-Gallagher's go-to firm.

"There are very few firms that would be a midsize firm or larger that would only be accounting and tax," Mr. Skoda, whose 130-person firm was founded in 2001 and has added advisory offerings throughout the years, most recently a marketing group in 2009.

Allan D. Koltin calls it an evolution. Firms and their clients are placing a greater value on the types of services the client needs and wants, versus the tax and audit services they simply need, said Mr.

Koltin, CEO of the Koltin Consulting Group, a Chicago firm that specializes in consulting for the accounting profession.

Plus, profit margins for compliance and tax work are diminished, Mr. Koltin said, and technology is a factor, too.

"What used to take hours takes minutes," Mr. Koltin said. "Today's world, you can push a button and it can make all the calculations in a millisecond."

So, he said, clients are demanding more.

Not just for CPAs anymore

Offering advisory services has changed the DNA of firms.

Since its evolution from a tax and accounting firm to one that also offers, among other things, health care and technology consulting, SS&G has become multiple companies, not one, said Mark Goldfarb, managing director of the Solon firm.

"It's a much different business model to run and manage, providing all these different service offerings," Mr. Goldfarb said. "There's a challenge to find all the professionals and consultants you need to hire to provide all these services."

Indeed, whereas many CPA firms historically hired the standard CPA, today they also are hiring people away from other professions.

Twenty years ago, attorneys, certified fraud examiners and marketing professionals weren't part of Skoda Minotti's roster as

they are today, Mr. Skoda said.

Likewise, at KPMG, recent hires include engineers and people who've worked for the FBI and the Bureau of Alcohol, Tobacco, Firearms and Explosives, said John MacIntosh, managing partner for KPMG, Northeast Ohio.

Advisory work tends to be more profitable, accountants said.

"It is a significant opportunity to separate the services that you offer from a commodity type service to a true value-add or niche-type service," said Rick Fedorovich, managing partner of Bober, Markey, Fedorovich & Co. based in Akron.

The lucrative nature of the consulting business is clear in recent revenue growth posted by KPMG: In the 12 months ended Sept. 30, 2011, the Cleveland region's consulting revenues grew 157% over the 12 months ended Sept. 30, 2010, Mr. MacIntosh said. In the same period, tax revenues grew 62% and audit revenues, 7%.

KPMG advises clients on risk, management, and transactions and restructuring.

Works in progress

The industry's biggest firms, recalls Mr. MacIntosh of KPMG, began building consulting capabilities decades ago. Then, in the late 1990s and early 2000s, most of the large firms sold off their consulting arms, he said.

That happened, in part, because many firms had grown their consulting businesses significantly during the Y2K scare and saw opportunity to sell after such growth, he said.

Additionally, regulatory change prohibited firms from doing both auditing and consulting for any given public company, Mr. Koltin said.

Now that there's a feeling the worst of the economic downturn is over and that companies will spend again for advisory services, many larger accountants have returned attention to beefing up advisory offerings, continuing to rebuild the consulting arms they once spun off.

"With the downturn in the economy, businesses are looking to firms like ours to provide advice or validate what they're doing," said Mr. Fedorovich, whose firm has offered many of its advisory services since its founding in 1959. "They're looking for a second set of eyes to provide a sanity check on their thinking."

Moving forward, Mr. Fedorovich and others expect the metamorphosis of CPA firms to continue.

"We have a mature marketplace here in our area, we have severe competition and we have little growth," he said. "If you keep doing things the same ... my guess is you're not going to be in business for long."

One-stop shops

Accounting executives say the change is positive for the profession and clients.

Though it creates a more complex business model, offering advisory services carries intangible benefits, particularly the reward of doing work beyond "mundane tax and auditing services," said David Gaino, chairman of Apple Growth Partners Inc. in Akron. The firm has layered on services over the decades, but shed some in recent years because the businesses proved to be unviable.

Firms want to offer a laundry list of services because it makes clients more dependent on the firms, said Kathleen Seitz Watson, director of accounting, tax and advisory services for CBiz MHM LLC in Independence, which since its inception has offered accounting and advisory.

On their end, clients seem to appreciate having the one-stop shop.

Recall, for example, Britton-Gallagher: Over the years, Skoda Minotti has helped the insurance broker draft a strategic marketing plan and develop the branding for a division Britton-Gallagher rolled out called NewScience Insurance.

"Here's where I see the value: These folks know us," said Bruce H. Ball, chairman of Britton-Gallagher. "So when we sit down and start talking to the Skoda people, they've got a history with our company. They understand who we are, where we've been and where we want to go." ■