



# HMWC CPAs & Business Advisors Celebrates 50 years

Part III

## **“Affiliations”**

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## **HMWC CPAs & Business Advisors**

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#### **Decade III – 1988-1998**

##### **Affiliations**

Having reached the milestone of 20, both in years of service and in total personnel, the firm celebrated the successful completion of the startup and stabilization stages of organizational development with an open house in 1988, showcasing newly remodeled office facilities. The whole of Orange County was festive that year, as the county celebrated its 100<sup>th</sup> anniversary.

Then conditions and timing were right for the firm to look outward for new ways to grow and prosper. The third decade would become the decade of affiliations. The importance of marketing and the threats of industry consolidation would be the motivating factors.

But first, to best position the firm for the ambitious plans ahead, several strategic decisions were in order. Firm leadership and management were eager to broaden their ranks, to assure ample capacity for handling the growing workload. The partners recognized the need for greater horsepower at the top. So with a surprise announcement at the annual firm breakfast in the summer of 1989, the up and coming accounting manager, Jeff Hipshman, was elevated to the level of Partner, joining the five other partners as they set their sights on prospects for the 1990's.

At the manager level, Susan Levinstein was hired in 1993, moving from Coopers & Lybrand (now PwC) in Florida, to fill the newly created position of Audit & Accounting Department Manager, under Department Head, Gerry Herter. Following that, in 1995, Curtis Campbell was hired away from Deloitte & Touche in Orange County to take on the new Tax Department Manager position, under Department Head, Marilyn Millare. Filling out the tax staff, another future manager/partner, Sheila Ashrafi, was hired in 1996.

With the management team filled out, the next priority was assuring adequate office space. The firm had operated from Stonebridge Court in Santa Ana for ten years. The wide-ranging plans that the partners were contemplating called for a facility that was flexible and large enough to adapt as new services developed. Considering those factors, coupled with the importance of creating a distinctive firm image, the partners acquired an attractive two-story

office building in the heart of Tustin's city center. That property on Centennial Way would provide the base for the emerging new services that were to come.

A key strategic affiliation that opened the way for other new endeavors in the 1990's involved an innovative accounting firm in Kansas City. Mayer Hoffman McCann (MHM) was substantially larger and further along in their development at that point than HMWC (then known as Sterman, Higashi & Herter Accountancy Corp). MHM saw the potential for sharing with other firms what they had learned over the years, while at the same time advancing specialized niches of their own. Three promising opportunities for HMWC traced their roots back to MHM: advanced marketing tools, healthcare industry services, and international alliances.

The public accounting profession is not known for marketing prowess. Much of the public may still envision most CPAs as cautious introverts with green eyeshades, sitting in a corner adding up rows of numbers, much like Bob Cratchit in Charles Dickens' *A Christmas Carol*. That may be a little bit harsh in this day and age of online social media and artificial intelligence. But the point is, CPAs often need to work harder to become good marketers.

Recognizing the challenges and the possibilities, MHM engaged seasoned marketing professionals to produce programs designed to bring CPAs out of their shells and into the world of promotional success. HMWC acknowledged the need for proactive steps that would facilitate desired growth. Accordingly, the partners journeyed to Kansas City for the first of several sessions with MHM, where practical, hands on methods turned the partners into surprisingly effective marketers.

Some of the techniques employed included speaking in front of a TV camera, creating client seminars, and gaining publishing skills. Client seminars would become a staple that the firm has mastered and employed frequently over the years, often partnering with a local bank or law firm. Occasionally a TV or radio broadcast has come along. But the most unique undertaking, made possible with MHM's creative support, ventured into the publication of the firm's own book.

Well known by now in Southern California for tax planning expertise, the firm partners put their heads together with other CPAs around the country. The result was ***96 Ways You Can Save Taxes in '96***. Chock full of tips covering all aspects of personal and business taxes, the book was a hit with clients and prospects in the community. The book was published as Congress and the President were battling

over the budget (sound familiar). Consequently, the firm put out an update later in the year. 1996 was a busy year for governmental matters affecting taxes. So the update covered provisions of legislature as diverse as the Small Business Job Protection Act of 1996, the Health Insurance Portability and Accountability Act, and the Taxpayer Bill of Rights 2, which empowered taxpayers in disputes with the Internal Revenue Service.

The healthcare services industry was a natural fit for the firm's desire to expand its reach. MHM was instrumental in helping HMWC develop this niche in the mid-nineties. Since its founding, the firm had been known for providing innovative support to a rapidly increasing number of physicians, dentists and medical groups. By keeping healthcare clients abreast of tax laws and sophisticated planning techniques, while also offering necessary bookkeeping and payroll assistance, the firm's reputation grew.

With the gradual, but incessant advances in automation, economies of scale began to free up time, allowing the partners to consider added services for healthcare clients. MHM helped the firm recognize the wealth of knowledge that had been acquired from working extensively with the tax and accounting needs of the clients in this field. This expertise would prove to bring priceless benefit to all aspects of their clients' healthcare practices.

A key to success in any new endeavor for an organization can hinge on the early appointment of a champion: a person motivated with passion and the ability to take charge. Rising to the potential and with the challenges envisioned, Steve Williams stepped forward and offered to take the lead. The other partners supported Steve with the time and funds needed to expand his expertise and venture forth into the untapped area of medical practice consulting.

Before long, the firm excelled in offering "cradle to grave" services to practitioners. Even before medical students graduated, Steve would give classes on financial basics at nearby University of California, Irvine. These introductory sessions would bring a dose of reality to the soon-to-be doctors, of an aspect of practicing medicine that had not even been on their radar through the long, rigorous years of medical school. Further aiding their transition, Steve offered to prepare their tax returns for an extremely modest fee. That gave Steve a further opportunity to mentor potential future clients on the fine points of business, but with no obligation on the new doctor's part.

When the doctor was ready to take a first position, the firm was there to help guide and negotiate with an existing medical practice. If

the doctor planned on hanging out a shingle independently, the firm knew the ins and outs of leasing office space, hiring qualified employees, establishing credentials and negotiating provider contracts. Setting up the books of account and dealing with the endless complications of medical billing rates were a natural for HMWC, as were the various business licenses and tax forms required.

Along the way would come tax and eventually retirement and estate planning. Then when the time came to retire, negotiating the practice sale and planning the transition were dealt with together.

Having refined these various functions over the course of several years, with numerous healthcare clients, the firm determined that some of them could be more efficiently and effectively handled through separate, affiliated entities. Thus were born Medical Management Resources (MMR) and GroupSource (originally ILS West).

First came the medical billing company in 1988. Merging together the business acumen of HMWC and the medical background of client, Mission OBGYN Medical Group, the two companies formed MMR. An experienced general manager and billing staff were hired and the word went out to the medical community. Soon a substantial group of billing clients were on board, served by MMR from offices that were separate but not far away from the accounting firm's headquarters.

With the high cost of medical supplies, medical group purchasing became another desirable offering. An entrepreneurial firm in Kansas City was working with MHM to establish a national network of regional firms to serve the demand. HMWC established the GroupSource affiliate, also in 1988, which then acquired rights to the southern California and Arkansas regions. Though Arkansas would not normally fall into the purview of a west coast accounting firm, one of HMWC's physician clients, Marc Richmond, M.D., had relocated to Little Rock around that time. His wife, Carol, agreed to head up the initial operation, while his son, Jeff, became the sales manager.

The third endeavor that can be traced back to the MHM relationship, albeit indirectly, was the establishment of an international alliance. During the 1990's, the ongoing challenge independent, local accounting firms faced from the national firms took an ominous turn, when the new trend of CPA firm consolidation threatened to create even more national firms. Also, the American Express Corporation (AMEXCO) saw huge potential for new investment and insurance clientele by acquiring accounting firms, and in effect, their clients.

HMWC had always prided itself on its ability to compete successfully against CPA firms of comparable size in southern California. That record of winning clients started to change when HMWC's competitors began getting acquired by the national firms, the consolidators, and AMEXCO. The only thing that had substantively changed with these other local firms was that they now had a national firm name above their door. The staff and capabilities were virtually the same as when HMWC won out against them in the competition for prospective clients.

Even so, the prospective clients were swayed by the notion that the national firm's name meant that HMWC's competitors now had country-wide and international stature and reach. Something radical was called for to stem this new level of competition.

About that time, Jerry Higashi met a CPA from New York, Bill Zeronda, who was also attending an MHM conference. Zeronda shared with Higashi about the quest his partner, Richard Glickman, was on. Their firm had been a member of a national alliance of accounting firms that had just merged with a similar alliance. Since the newly combined organization only allowed one member from each city, Glickman's firm was forced to leave. Recognizing the value of associating with other CPA firms, and not finding another suitable one, Glickman decided to form a new alliance.

Glickman was a Navy veteran who had graduated from the Naval Academy in Annapolis years earlier. He had contacted his former classmates from all over the country, seeking names of high quality accounting firms. From this effort, he had located a dozen firms interested in a new alliance. In order to launch as a truly national association, a West coast firm was needed. At Zeronda's invitation, HMWC agreed to join. With that, the Alliance of Accounting and Consulting Firms (AACF) (now known as Integra International) was formed in 1994.

The first meeting of the new association took place in the spring of 1996, in Toronto, Canada. Representing HMWC, Gerald Herter was elected Vice President and became a founding Board member, which was led by President Glickman. In a stroke of serendipity, Glickman had recently been approached by a chartered accountant (CA) (the European equivalent of CPA) in Dublin, Ireland, whose client needed assistance in New York. The Irish accountant just happened to be part of a group of CA's across Europe that were forming an alliance similar to AACF. Before long, the two groups agreed to work together. Thus, in short order, HMWC was part of a world-wide association. The name

was initially changed to the Alliance of Accounting and Consulting Firms International, and then shortly thereafter to Integra International.

HMWC's membership in Integra International proved to be a transformative experience. Now the firm could tell prospects that they had offices all over the world, just like the national firms. Also, within the membership were individuals and firms with expertise in most industries and specialties, that could be drawn upon by all the members as needs arose. Member firms worked together, while each retained its independent ownership.

After four years, Herter was elected President of the American branch. He worked with his European counterpart and the Board to establish a formal global federation to legally unite the two branches with a domicile in London, England. The Global Federation Agreement was signed at the world conference in Buenos Aires, Argentina, in 2003. In subsequent years, Steve Williams would be elected President of the American branch, and currently serves as a Global Board Member.

Integra has grown and flourished. Approaching the quarter century mark, the association has expanded from the original 13 members to over 110 members globally.

The other challenge that AMEXCO's entry into the accounting firm market presented was its ability to provide a wide range of financial services, including investment and retirement plan offerings. Though a legal prohibition from accepting commissions had stymied CPA firms from hitherto entering in this arena, a change lifting the prohibition as of January 1, 1999 opened the door. The next decade would see HMWC launching new affiliates to respond to this new frontier of financial services.

As the third decade of HMWC's life drew to a close, personnel in the core practice numbered 29, while the healthcare affiliates added an additional 18 individuals, bringing the total personnel to 47, a substantial increase over ten years earlier.