HMWC CPAs & Business Advisors
Celebrates 50 years

Part IV

“Strategic Growth”

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Decade IV – 1998-2008

Strategic Growth

The fourth decade would be characterized by strategic growth, both at the core accounting firm level and for the expanded enterprise as well. By the end of the decade, accounting firm revenue would more than double to $7 million, while personnel for the combined enterprise of companies would double as well, from 47 to 94, including 41 at the accounting firm and 53 at affiliates. Managing this growth called for a broadly planned progression during the decade, leading to a more sophisticated, corporate-style structure.

But first, the nation prepared celebrations commensurate with the once in a thousand-year occasion of a new millennium, the year 2000. Known commonly as Y2K, the approach of January 1, 2000 also generated fear in the hearts of the business world, since many computer programs had been developed years earlier, and only provided two-digit place holders for the year. When the year 99 (1999) changed to 00 (2000), how would the computer know if that year was 1900 or 2000? Programmers raced to update their systems to incorporate four placeholders for the year. But no one was sure if the fixes would be adequate or on time.

HMWC surveyed company programs and made all updates considered necessary to weather the storm. As head of the firm’s computer operations, Gerry Herter was confident that all appropriate precautions had been taken. He was so confident that he spent New Year’s Day, January 1, 2000, at the Rose Bowl, watching his alma mater, the University of Wisconsin Badgers, win their second consecutive rose Bowl championship. As things turned out, Y2K was not anywhere near as catastrophic as had been predicted. Either the preparations by the firm and the country had staved off disaster, or the anticipated impact had been way overblown.

But then, the time had come for the firm to address the threat posed by the American Express Corporation (as described in the preceding chapter covering the prior decade). With the lifting of the regulatory restrictions that prevented CPAs from providing investment advice, HMWC was poised to enter the field of investment management services. Recognizing the specialized expertise required, HMWC partners trained and passed the licensing exam. Further expertise was put in place by the hiring of Paul Heckler, in the year 2000, to head up the newly formed affiliate, Yosemite Capital Management, LLC (YCM). A seasoned registered investment adviser, having years of experience with a national financial firm, Heckler brought the high level of background and knowledge that gave YCM a solid base from which to function successfully.

Another welcome event in that year was the announcement of HMWC's sixth partner: Curtis Campbell. Having excelled in his role as Manager of the Tax Department, Campbell was now well qualified to stand beside Department Head, Marilyn Millare, as the two led the firm's largest department forward.

As the year 2000 drew to a close, HMWC (then still known as Sterman, Higashi & Herter Accountancy Corporation) held a retirement party for firm founder, Bob Sterman. An open house at the company's specially decorated offices was enjoyed by Sterman's family, friends and clients, along with the partners and staff, complete with refreshments and a photographic display of Bob's life from childhood forward.

Over the next two years, the partners would analyze the firm's basic structure to ascertain the best approach for managing an operation that had become unwieldy. Consultant Carol Richmond was brought in to lead the process. By 2002, the firm was bursting at the seams. The beloved Centennial Way facility had become inadequate to contain the burgeoning numbers. Moving out of the Tustin City Center, the firm acquired a 20,000-plus square foot building designed with southwestern architecture, on Seventeenth Street, a couple miles away, adjacent to Enderle Center and close to the Newport (55) Freeway.

About this time, the firm name was changed and modernized to HMWC CPAs & Business Advisors, along with a new logo. Completion of the restructuring process brought more formalization and accountability for the departments, as well as the establishment of the new chief operating officer (COO) position, reporting directly to managing partner/president Herter.

Carol Richmond agreed to initially fill the COO position, while helping the firm implement and refine the new functions. Once the COO position was fully operational and working smoothly, Carol led an extensive search to bring in just the right person to serve as the permanent COO. Andrea Ferran topped the list of candidates and was hired in 2003. Ferran had substantial prior experience, having fulfilled a similar role at a computer technology firm for the prior 15 years.

The firm's push to diversify services continued over the following two years. In late 2003, a part ownership interest in Charitable Trust Administrators, Inc. (CTAI) was acquired from Chuck McLucas, who would continue as president. CTAI brought additional expertise in the trust and estate arena.

Building on a well-established pension consulting practice, the firm expanded coverage by teaming with the TriEqua Group. The two companies in 2004 formed Creative Retirement Solutions LLC (CRS), which added pension plan administration, with the capability of forming and maintaining plans, to complement the planning and compliance roles. Physically, CRS fit well in the firm's office facility, enabling down-the-hall availability between the parties and their mutual clients. Doug Jones was installed as president.

By this time, the firm's health care services division was humming along, augmented by the related medical billing and group purchase companies that had been formed in the prior decade. Adding to this broad menu, the acquisition in 2005 of ownership in MedDirect Executives, Inc., headed by President Debra Beauregard, added specialized consulting and credentialing services for physicians, groups and other healthcare organizations.

Key additions were made in the core accounting practice as well. Jodi Ristrom was hired in 2005 as Department Manager of the Audit & Accounting Department. Ristrom brought extensive audit experience gained from her work with other CPA firms in Orange County, as well as proficiency from a number of years in accounting functions with private and public companies. Jay Wikum was added as Department Manager to the Health Care Services Department in 2007. Having started his career with a CPA firm, Wikum then spent 20 years in medical practice finance and administration, which would provide much needed expertise for HMWC's physician clients.

On a sad note, the firm's second partner, Jerry Higashi, died suddenly on May 25, 2006. Jerry had been the first accountant that firm founder Bob Sterman hired, as well as the first one to be made a partner. Higashi was on the brink of retirement when he passed. A celebration of his life was well attended by many from his family, friends, colleagues and clients. Two of Higashi's closest friends and clients, Dave Schmidt and Geza Szayer, gave touching and heartfelt eulogies.

With the firm's fourth decade winding down in the summer of 2008, Gerry Herter stepped down as managing partner, as he started his transition to retirement over the following three years. Steve

Williams was installed as the firm's third managing partner. The significance of this event was captured at the firm's annual breakfast. In his new book, ***From Ledgers to Ledges,*** *Four Decades of Teambuilding Adventures in America's West*, Herter reminisced about the breakfast, the firm's Death March tradition, then celebrating its 30th year, and the implications for the firm, in the following excerpt:

Chapter 2 - From Ledgers to Ledges - *A retrospective of the first thirty years*©

"Our 'Leading the Firm to New Heights Award' goes to our new Managing Partner, Steve Williams," I proudly announced to the rousing applause of HMWC's forty employees and partners gathered at Disney's Grand Californian Hotel for the annual firm breakfast in September, 2008. This event gave us the opportunity each year to share our Tustin, California CPA firm's accomplishments and goals, while enjoying a weekend at the Magic Kingdom.

The award mug I held up bore Steve's likeness standing at the top of Ball Pass, near Shadow Lake Lodge, in Banff National Park, Canada. There twenty firm members, family, friends and clients had converged that July for the thirtieth rendition of a tradition ironically named "The Death March." More award mugs were given out for fun aspects of this adventure, such as "Swiss Family Robinson," "Stop and Smell the Roses" and "No Stone Left Unturned." These provided a fitting counterpoint to the impressive staff productivity awards that accompanied record results for the firm's fortieth year.

As the breakfast festivities continued, my mind wandered, contemplating what was the glue that held the firm and its members together with such a loyal bond. A major factor had to be the many special times like this that we spent together relishing triumphs and enduring challenges; the long hours during winter months sharing dinners and weekends working together, diligently serving our clients; bi-weekly Partner Meetings; Annual Planning Retreats, all assured that we had ample time together. But along with those was the firm's unique team building experience that we celebrated this morning: "The Death March."

It all started more than thirty years ago, as recorded in my journal...

Hail pelted my brow, icy winds chafed my cheeks, yet with chest heaving, I staggered the final gut wrenching steps to the majestic, 13,600 foot summit of Trail Crest. Rain soaked through my clothes as it had all day. A day where the impact of fifteen miles of *trekking across the barren rocks of the High Sierra, burned into shoulders that grudgingly supported my forty pound pack. "All we wanted to do was climb Mt. Whitney," I pondered. "This has become a death march." I surveyed the breathtaking panorama spreading out below in all directions, as the deepening shadows raced across the landscape. I shook my head, wondering how I would manage to complete the final ten miles to Whitney Portals. My fellow backpackers had gone ahead hours ago. Would they wait for me? The prospect of hypothermia loomed closer with every step. It would be dark before long. How would they find me...? How would anyone find me...? What would they find...?*

Somehow I made it out to the trailhead in the pitch blackness of that moonless night so long ago. No one was there. Totally exhausted, I collapsed into a ditch, vaguely thinking as I started to doze off, that dealing with the predicament of how to get home from this wilderness would have to wait until my weary body rested.

Ten minutes later, lights pierced the darkness. Before my half-open eyes could focus, colleagues were out of the car gathering me up along with my pack. In my weakened state, I had forgotten that they would need to drive to the beginning trailhead miles away to pick up the other car we had left at the outset. Since our hiking route was one way, cars had to be left at both ends.

Little did we know at the time, but important team building lessons were being learned, even then. Among them were the importance of proper preparation (or lack thereof), and that all members of the team mattered and needed to be accounted for.

Arriving safely home well past midnight, we swore we would never do that again. Funny how the mind works. Several months later, the hardships and misery we felt on the trip had faded, while the thrill and adventure of the mountains called again. We eagerly started planning the newly named Second Annual Death March.

This time we would do it right. We lowered our sights to more realistic levels. Again our objective would be the High Sierra, just not quite so high. And our packs would be not quite so heavy. No more cans of tuna or baked beans. Freeze dried meals and Gore-Tex gear would lighten the load. Getting in better shape was in order, also.

In mid-June we set out from Onion Valley trail head, on the east side of California's Sierra Nevada mountain range. Before long we were trudging through increasingly deeper snow covering the trail. At one point a colleague started slipping on the icy path through the collapsing snow. He headed uncontrollably toward the edge, just barely gaining a foothold at the brink of a sharp slope. Another step would have launched him down a thousand foot vertical slide. That was it for him. Regaining his composure, he turned around and headed back to the trailhead, never to join us again.

I was further along the trail with my newly hired staff accountant, Steve Williams. We were oblivious to our colleague’s predicament and pushed on. We would be pushing on together on the trail and in the firm for many years to come. Later, as we looked out from atop 11,823 foot high Kearsarge Pass, we could not even have dreamed that twenty-nine years later, I would be passing on the mantle of Managing Partner to Steve.

However, dreaming was not an option as we surveyed the frozen landscape before us. We had anticipated deep blue hued lakes surrounded by bright green meadows welcoming us. But all we saw were ice-covered ponds amidst a dull white backdrop of snow covered trees and rocks. The view sapped what little resolve we had left. There was no use pressing on. But the snow-slowed climb left us with little energy for hiking back. We had no choice but to make camp here on the icy pass, bracing ourselves against the constant stinging wind. Fortunately, we had no appetite, since at this altitude our stove took forever to melt snow into a warm enough liquid for soup.

Hiking back down the next morning, we hoped we would glean from this experience the importance of learning all we could about the factors that can impact an anticipated endeavor, before forging ahead.

The third year would be the charm, we told ourselves. We would surely get it right this time. We decided to return to the same High Sierra locale as the prior year. We would be familiar with the terrain and know to go a month later, giving the area time to thaw out. The shift in tactics rewarded us. Peering over Kearsarge Pass after a grueling but dry climb, we saw the vibrant color of the previously frozen lakes: deep green at the centers, translucent near the shallow edges; snow only in the highest mountain crevices; a stream rippling vigorously through the valley.

Exhilarated, we hiked into the wilderness, accompanied by elusive marmots along forested slopes, moving confidently like the bighorn sheep that paralleled our route high above. On the next day, fascination with this remote back country captured our spirits so thoroughly that we had gone three miles out of our way before realizing a trail junction had been missed. The miscue and backtracking cost valuable time, causing us to fall short of the day’s destination, and requiring the makeshift clearing of a campsite after dark. The lessons learned this year were the need to have well delineated trail maps and the sense to follow them closely. Back at the office we also found that thoroughly developed plans, that were well monitored, succeeded best.

Having conquered the High Sierra, we were ready to broaden our horizons the following year. The Grand Canyon beckoned us. Traversing the twenty-four miles from the North Rim to the South Rim would require the support of an additional team member. George's wife, Kay, once an HMWC employee before she married George, agreed to drive the car around to the South Rim after dropping us off at the North Rim. The arid terrain of the canyon contrasted sharply with the verdant slopes we remembered of the Sierras. After two days of smothering heat and blistered feet, tramping through the canyon's steep, rugged grandeur, we arrived to rejoin a relieved Kay at the South Rim. She got a little too anxious driving us home, drawing the attention of an Arizona highway patrolman, who promptly issued her a speeding ticket. That trip, Kay learned both the key role and the personal responsibility that a team member shoulders.

With mountain and canyon adventures behind us, we proceeded to river rafting, selecting the Kings River for the Fifth Annual Death March. Over the next twenty-five years, we would tackle four more river rafting trips, three island adventures, treks on horseback and sea-going vessels, through volcanic terrain, desert and seaside, along with several sojourns crisscrossing the farthest reaches of Yosemite National Park. We endured hot and cold, wet and dry, high and low, bears, rattlesnakes, a mountain lion, and scorpions, a helicopter rescue, and a near fall from a cliff.

Along the way, we shared stories with fellow adventurers at remote wilderness lodges. We hiked with rangers, one of whom helped us to slow down, while showing us how to match up our diverse personalities to distinct tree groups such as quaking aspen and lodgepole pine. We paddled with river guides who deciphered mysteries for us, like that of the multi-hued layers of rock spanning billions of years of time on canyon walls. Most of all, we learned to revere nature. Each experience taught us new ways to work together, depend on one another and value the special bond that deepened with each passing year.

A round of applause brought me back to the present. With the annual firm breakfast nearing completion, Steve energized the audience with challenging new goals for the year ahead, along with poignant quotes, such as “We must risk going too far to discover just how far we can go.” (Jim Rohn).

A feeling of satisfaction filled me, knowing that our firm had reached record results without the highly aggressive, hard charging marketing strategy that had seemed the norm in the profession for a long time. Over the years, our approach contended that an insightful attention to the development of people and sound management practices shared equal importance with, if not more, than the ongoing push for new business. I was pleased at recent industry conferences to hear methods like ours gaining more prominence. We also surrounded our efforts with an affirming sense of mutual respect, which had been a key to our success.

It finally struck me that the glue holding these factors together was brought home at our Partner retreat early in that summer, when facilitator Steve Erickson reported the results of a survey he had given to each Partner independently. On the question that asked what the trust level was within the firm, all Partners had given the highest rating. Erickson was duly impressed. Considering the many firms he’d worked with through the years, this was the first time he’d seen such consensus. We had not fully grasped the rarity of the special camaraderie the Partners shared. An added vote of confidence in our practices came that October, when the industry publication, Inside Public Accounting, named HMWC one of the 25 best managed accounting firms in the United States.

While many factors go into building a successful team, the confidence that comes from trusting relationships forged on jointly shared wilderness adventures, can have a lasting impact. Looking back thirty years, one of the reasons these adventures succeeded in building our team was that we didn’t look at them as such. For us, they were merely a means to share a mutual love for nature and adventure. That they did, along with so much more.

From Ledgers to Ledges, *Four Decades of Teambuilding Adventures in America’s West* is available on Amazon.com.