Rainier Accounting Associates, Inc. – Case Study by Bob Ernest

Background

Rainier Accounting Associates was established as a small, Seattle-based accounting firm in 1994. Over the course of the next several years, the firm developed a favorable status among companies in the region. Overall, they were viewed as a small but hard-working group that would go the extra mile to meet client needs. Rainier had good branding in the area and its associates tended to focus on core accounting activities such as auditing and tax compliance.

The Seattle area flourished during a business boom in the late 1990's and Rainier experienced corresponding benefits. Their hard work and market reputation allowed them to build substantial assets. Gradually, the firm established a fun environment that focused on collaboration and a passion for building business. One partner in particular, Bill Simons, had been especially effective at bringing larger accounts to the organization. Bill had joined the firm in 2007 and in 2014 he was selected to serve as Managing Partner and President. Colleagues found Bill to be a great business developer who was likable, collegial, and a great supporter of Rainier's entrepreneurial culture.

Bill's vision for the firm was to seek out various other established accounting practices and acquire a controlling interest in these firms. Bill reasoned that this would extend Rainier's geographical reach while avoiding some of the challenges associated with "setting up shop" in new markets. At the same time, Bill felt that expansion by acquisition would also contribute to growth by diversifying the firm's "industry niches." With sufficient support and buy-in among senior partners, Rainier proceeded with the acquisition strategy.

Rainier's Acquisitions

In 2015 Rainier acquired a controlling interest in Accu Count Ltd., a Sacramento firm that had developed a specialization for working with the region's technology companies. Their core practice involved consulting with emerging businesses to organize the financials in advance of their initial public offering, and they had experienced phenomenal success. Bill's strategy was to allow the office to continue on its own course with the current directors. He saw no need to meddle with an operation that was successful. Other than a name change, operations in Sacramento continued pretty much as they had over the past decade.

On the heels of the Sacramento merger, Bill and senior partners at Rainier began to look for firms that would expand the organization's geographical diversity. Their search took them to Atlanta where they found Zalesney Associates L.L.C., a 45-person firm that was not overwhelmingly successful and had seemed to stagnate over the past few years. Some at Rainier were enthusiastic and had visions of growing the firm into a player that could compete with the "big four," while others were skeptical given Zalesney's flat performance in an expanding economy. After substantial internal deliberation, Rainier acquired a controlling stake in Zalesney. Bill selected Marcy Eckert, a Seattle partner, as the person to take over the Atlanta office.

Rainier's third and most recent acquisition was completed in 2016. The move to purchase New York-based Porter & Remington Enterprises was the most debated within Rainier's Seattle office. The controversy stemmed from the fact that P&R's core practice area was drastically different from other

Rainier offices. Their specialization involved consulting with organizations orchestrating mergers and buy-outs to help determine the fair purchase or sale value of various entities. Rainier kept Porter, their current managing director, in place and hoped to leverage his presence and reputation to expand its services into the New York market.

Challenges Emerge

All offices were functioning pretty much as they had prior to becoming part of the Rainier confederation. However, Sacramento was starting to sputter as investment capital for technology companies became scarce. Atlanta remained flat with marginal changes in revenue and profit since being acquired. The New York office seemed to be thriving, but Seattle continued to experience modest growth and was still viewed as the core operation for Rainier.

Recently some critical events occurred. The great recession in the early 2010’s had created competition and huge cost pressures in the industry. As a result, clients were placing Rainier under increased scrutiny as they evaluated their relationship with the firm. Further complicating matters, Rainier’s latest acquisition target, located in Philadelphia, had contacted Bill. The firm was initially enthusiastic about joining Rainier but called for a 45 day tabling of further merger discussions. Bill learned that Philadelphia’s stakeholders were concerned that their historical focus on customer service would potentially be in jeopardy if they joined a growth-oriented organization.

Bill had also recently taken a call from Marcy Eckert, the Atlanta partner. Marcy expressed some concern about the location’s ability to meet Rainier’s 10% revenue growth objective for the foreseeable future. Marcy assured Bill that this was not due to a lack of effort on her part. She had spent substantial time with the office’s managers in an effort to rally the troops. Marcy also noted that, in principle, all members of the Atlanta office agreed that growing the business was important. Given Marcy’s track record with Rainier, Bill was confident that she was doing all that could be done. However, during the call Bill sensed that she didn’t seem as enthusiastic about growing the business. He reinforced the need for Marcy to be persistent and suggested that perhaps he could schedule a personal visit to Atlanta in order to further emphasize Rainier’s mission.

Bill was concerned about the current state of Rainier. He was disappointed that the acquisitions had not served to expand the firm’s reputation or presence in the market. In addition, the financials were not as outstanding as he had hoped. At the same time, Bill was almost relieved that the acquisitions had not done significant damage or placed the company in jeopardy, yet.

Bill retained the services of an independent consulting firm to perform an investigation of each office and determine current challenges or issues facing each location. Upon receiving the consultant’s report Bill was increasingly worried and planned to arrange a meeting with the firm’s senior partnership to lay out a strategy for the future.

The following provides a segment of the consultant’s report. Additional reference materials are presented in an appendix. Upon reviewing these materials work through the discussion questions at the end of this document.

RAINIER ASSOCIATES LOCATION ASSESSMENT

Executive Summary

The following summary points are based on interviews conducted with leadership at each Rainier office. Samples of associates and support staff from each location were interviewed as well. The lists present consistent themes or particularly provocative issues and/or concerns by location.

Concerns & Issues Within Rainier Offices

Seattle

Directorship concerned that Rainier has lost direction as a result of acquisitions that differ from core business.

Small minority of partners want to divest underperforming offices.

Managers frustrated about having to balance earnings against underperforming offices.

Throughout office there is a sense that firm doesn't have a strong vision beyond a desire to get bigger.

Location feels pressure to introduce existing clients to specialty services of other offices.

Confusion with Atlanta function given that a number of clients hold offices in both cities.

Underlying concern that Rainier's core culture of collegiality and entrepreneurship has been compromised and washed out.

Sacramento

Office highly dependent on tech sector and no secondary market is identified.

Name change to Rainier has negated value of Accu Count brand in the region.

Few support staff or resources for office size.

Across the office there is frustration about working with companies until their IPO, then their clients move on to one of the "big four."

Managers discouraged by lack of collaboration across offices, in particular with opportunities in New York.

Associate staff upset that Seattle has not provided more resources or direction since the acquisition.

Atlanta

IT systems and infrastructure are antiquated and prohibit growth.

Managers resent the insertion of Marcy Eckert as director.

In general, staff are frustrated by having a growth objective without intermediate goals.

Stigma that they are "second rate" since Rainier couldn't buy a stronger firm in the area – still feel like stepchild.

In general, staff are tenured and comfortable in their roles – there is a sense of contentment with little desire to work on business development.

New York

Clients concerned about the office's capability to meet their needs following Remington's departure.

Office fears that Rainier will step in and turn New York into a general accounting practice.

Assessment of office talent does not reveal an apparent successor if Porter decides to pursue other opportunities.

Wall Street is waiting to see if the office will fold.

Associate staff feels that all partners come out of Seattle and, therefore, their prospects for a future with Rainier are limited.