THE ROAD TO BECOMING THE SECOND FASTEST GROWING FIRM IN AMERICA

The staff at My Office Today were delighted to hear that our friends at Kabat, Schertzer, De La Torre, Taraboulos & Company—a full-service accounting, advisory, and consulting firm based in Miami—were named the second-fastest-growing firm in the United States by AccountingToday. KSDT has over $10 million in annual revenue, nearly a hundred employees, and a growth rate of 35 percent, so we decided to sit down with managing partner Jeffrey Taraboulos to ask him for the secret to their incredible success.

Q: **Give us a little background. How did you get started in the accounting industry?**
A: I started out at a small firm and then went to Deloitte & Touche in Miami (now Deloitte). While I was there, one of my biggest clients was DirectTV. The firm was about to move me from being a regular senior accountant to being a manager in the forensic accounting group. I told DirectTV that I was going to be off their account, and they made me an offer I couldn't refuse, so I ended up going to work for them for two years in-house as their controller. But then, as things go with corporate accounting, they downsized. I went on to work for another large corporate client for an additional two years, and then, same thing—they downsized. And I said that's it, I'm done with this, with the insecurity of corporate accounting, and I'm just going to start my own firm.

Q: **Can you tell us about your first acquisition?**
A: My brother and I were looking to start our own firm, and we ran into another group of guys that wanted to do the same thing. We all wanted to do something bigger than just having a one-man practice, and so we got together. At the time, we didn't know how we were going to quit our jobs and start a firm, and we came up with the idea of acquiring another firm. We acquired a small accounting practice, and after the first year we did so well that we all had to quit our jobs much sooner than we expected. We said, wow, this acquiring-a-firm thing worked really well—we should do this again. And so the following year we did it again, and then the next year we did it again.

Q: **Was it a conscious decision at that point to pursue acquisitions as your chief growth strategy going forward?**
A: We did a lot of networking at the beginning, going out and meeting people and putting so much effort into trying to bring in business. At the end of a month doing that, you're bringing in maybe four or five clients, whereas in acquisitions you're bringing in four or five hundred clients. My thinking was why are we going to break our heads for twelve months and network like crazy only to bring in five clients a month, when we could acquire one firm and do many times that in one shot?

Q: **How did you get the word out that you wanted to acquire more firms?**
A: One of the ways we did it was placing an ad in FICPA magazine letting people know we wanted to acquire firms. Another thing was, instead of networking with potential clients, we started networking with other CPAs and asking them, what's your retirement strategy? What's your exit strategy? It's funny that as accountants we give all this advice to our clients, but we don't think about that for ourselves. It's kind of like the shoemaker walking around without shoes.

Leadership Team at KSDT & Co.

Q: **What advice would you give a firm owner who's looking to be acquired?**
A: If you're looking to be acquired, it's about proving your realization—getting the technology, the software, to first of all prove and secondly improve your realization. Also, have a good bottom line, be efficient, and have good people. Sometimes we'll acquire firms that we wouldn't otherwise just to get the people. The hardest thing for us as a firm is finding good people.

"ACQUIRING FIRMS HAS BEEN IN OUR DNA FROM THE VERY BEGINNING."

Q: **Were there any horror stories along the way of acquisitions that went south?**
A: We honestly haven't had any acquisitions that went bad. It's all in how you structure the deal. We structure it so there's benefit on both sides. In our experience, there's very little downside if the person selling the firm doesn't help transition the clients, which is what people are most worried about. We always find a way to make it work; we get the job done and save as many clients as we can.

Q: **In the post-acquisition process, what are some of the challenges you've faced or solutions you've come across in terms of getting your team and the acquired team to work together?**
A: Generally, we start all our acquisitions/mergers in November or December. This way, almost all WIP has been billed for the year, and all deliverables are usually complete for the year, so it's a good time to make the transition.
During this two-month period prior to the start of tax season, we spend a lot of time training the new staff on our systems and software and ways of doing things. Rather than opt for external training, we have our current staff do all the training, so the new staff can get used to dealing with the other staff members. I believe this really helps to integrate the group and get everyone used to working with each other.
During the first busy season, the new group does all the work they would have done in their former firm. The stress of learning new systems and software is stressful enough without also having to learn new clients. After the first busy season, we then start to shift work to staff in both directions based on each team member's core competencies.

Q: **Post-acquisition, what systems do you use to manage and track relevant data for the purposes of the acquisition agreement? I'm thinking of paying out the acquired partners and tracking the success of any given acquisition.**
A: Essentially, we use two programs: OfficeTools WorkSpace and QuickBooks. All client data is uploaded into OfficeTools via the Excel import feature; then we export those clients into QuickBooks. We then track all relevant data about the acquisitions in OfficeTools as it relates to realization rates of clients as well as revenue and A/R, which is exported to QuickBooks and combined with the related costs, such as payroll and overhead in using the classes in QuickBooks. Each acquisition/merger is tracked as a separate class in QuickBooks. As far as calculating the amount due each quarter to the acquired partner, the information is exported from OfficeTools and QuickBooks, and the calculation is done in Excel.

Q: **Knowing what you know now, is there anything you'd do differently?**
A: I wish I hadn't been so afraid to take chances. I would've done a lot more and sooner. Even after the success of that first acquisition, we were still nervous taking chances. Knowing what we know now, I think we would have done a lot more and invested in our own technology and software sooner. When you're a smaller firm, you're afraid to spend money on technology because you don't yet realize what that investment is going to bring back.

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