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Rick Sgarlata

## Growth spurt

By: [Claude Solnik](#) January 22, 2016

A little more than a year ago, Frost, Rittenberg & Rothblatt, a regional firm in Chicago with around 20 shareholders and principals and 90 professionals and staff, began looking to merge.

After narrowing potential partners over nine months and following meetings in Chicago in April and New York in August, the firm last November joined [Marcum](#).

Manhattan-based Marcum, which has 29 offices, including a large office in Melville, has been on a growth spurt.

It has grown from 130 partners to 200 and from 1,300 to 1,500 staff members since November and was ranked 16th nationwide based on revenues by Accounting Today in 2015.

“A lot of our clients had been expanding out of the Midwest to other states,” said Rick Sgarlata, president of Frost, Rittenberg & Rothblatt, now partner in charge of Marcum’s Illinois region. “We realized we needed a more national presence.”

Long Island has long been a hub of regional firms, but Marcum has gone national – not by being acquired, but by acquiring.

After New York metro deals in 2007 and 2008, the firm expanded into Philadelphia, Miami and New England via deals in 2009 and Los Angeles in 2010.

Marcum expanded into China in 2011. In 2012 it added firms in Boston and New Haven before adding firms in Massachusetts, Manhattan and California in 2013 followed by Connecticut and Rhode Island in 2014.

In addition to Frost, Rittenberg & Rothblatt, Marcum last year merged Philadelphia-based Smart, Devine & Co. and DGLF CPAs & Business Advisors in Nashville and Orlando into its operations.

“This gives them the opportunity to have resources in different areas,” said Carolyn Mazzenga, partner in charge of Marcum’s Long Island office, of the firms that were acquired. “They don’t have to keep sending their own people out on the road. They can draw on the people in Marcum.”

While mergers are complex, Marcum has developed a system, after adding 17 firms since 2007.

“They’ve got that down to a science,” Mazzenga said of information technology. “It’s been done so often that it happens pretty seamlessly.”

Marcum looks at whether locations and specialties are a good match before digging deeper into due diligence.

“In many respects, you’re marrying, joining forces,” Mazzenga said. “There has to be a personal chemistry between at least some of the partners.”

Marcum executives meet with those at potential partners during the courting process.

Once a deal goes through, the firm sends staff to locations to ease the transition.

Firms get resources such as marketing, financial, human resources and technical help as well as expertise that Mazzenga described as a “deep bench.”

“I’m getting a lot more information to better manage our practice in our region,” Sgarlata continued. “We’re getting operational information to drill down in a lot more detail. It’s more sophisticated software reporting.”

Marcum also is able to recruit more easily nationwide for various offices than smaller firms might, due to its wider reach.

The firm typically does geographic or strategic mergers, expanding in practice areas, although many deals involve both.

“It’s not just growth for the sake of growth. There really is a rhyme and reason for the mergers that we do,” Mazzenga said. “We don’t just arbitrarily find a firm and say we want to add another 15 percent to the top line.”

Marcum’s expansion is driven in large part by a desire to expand in certain markets, including key metropolitan areas.

“We wanted to be in Chicago,” Mazzenga added of the Frost Rittenberg match. “We felt given our strategy that it would be important to be there.”

When Marcum merged with Smart Devine, it already had a Philadelphia practice, although Smart Devine let it grow rapidly there and gave it a new regional headquarters.

“As a plus, their location is in the heart of Philadelphia,” Mazzenga added. “Prior to this, our location was slightly outside of Philadelphia.”

Marcum also looks for matches based on specialty, such as healthcare, a sweet spot for Frost Rutenberg and Marcum.

“We have a very large healthcare practice,” Mazzenga continued. “They also have a financial services industry in Chicago. We have a financial service expertise in the New York area. We believe we can build up that practice in Chicago, now that we have a home base.”

Frost Rutenberg liked Marcum’s real estate, private equity and hedge fund business as well. Marcum did a deal with DGLF CPAs & Business Advisors because of its specialty.

“We hadn’t thought about Nashville as a geographic area. It wasn’t on our top-10 list,” Mazzenga said. “But this particular firm is exclusively construction. In fact, it had a relationship with our construction leaders.”

A construction accounting specialist, DGLF has clients in 23 states, including many where Marcum does business.

“When the idea came about of talking about merging, they were very interested,” Mazzenga said.

Marcum and DGLF have complementary construction practices. DGLF was strong in infrastructure, such as roads and bridges.

“Strategically, we see that industry as a very vibrant growth area,” Mazzenga continued.

Marcum is interested in mergers in the South, in states such as Texas, as well as California and in numerous industries where it has a robust business.

“Long Island continues to grow,” Mazzenga added. “A lot of that is not necessarily because of merger activity, but from organic growth.”

In addition to the United States, Marcum already has international offices in Grand Cayman and China.

Although acquisitions abroad are always possible, CEO Jeffrey Weiner has said the firm is focusing on the United States.

Marcum’s expansion into Chicago is only a few months old, but Sgarlata said it’s moving ahead faster than he expected.

“We got over the initial integration,” Sgarlata said. “We’re looking forward to a busy season. We’ve had a lot of synergies not only between the two firms, but referral sources.”