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Q&A on accounting

Marcum example of CPA M&A boom

The New York-based firm just completed another major acquisition

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When New York-based accounting and consulting firm Marcum completed its second major acquisition in the Philadelphia market in December by acquiring Smart Devine & Co., it added 85 professionals six years after entering the Philadelphia market through buying 70-person Bala Cynwyd-based Margolis & Co. The two deals combined move Marcum into the top 10 accounting firms in the Philadelphia region based on number of CPAs (see list on page 12). I recently sat down with [Jeffrey Zudeck](#), Marcum's Philadelphia partner-in-charge, to discuss his firm's growth plans and his view of M&A activity in the accounting industry.

What is the firm's growth plan moving forward? We are activity seeking opportunities locally and nationally and we want to be the acquirer and not the acquiree. We are building a national platform and infrastructure. But we don't want to grow for the sake of growth. It's about people first and not critical mass. It's sort of like dating. You have to see if there is a cultural fit and a business fit. With Smart Devine, we liked forensic accounting and consulting, surety, higher education and insurance. We think we can be thought leaders in those areas.



Jeffrey Zudeck of Marcum.

How important was it for Marcum to get someone in Philadelphia with the local cachet of [Jim Smart](#), who has built two firms here? When we did the deal, we brought Jim in as the partner in charge of M&A. He has grown two successful firms and knows a lot of people in Philadelphia. Our phone has been ringing off the hook. His brand in this marketplace has opened some doors for us.

You have three local offices in Philadelphia, Bala Cynwyd and King of Prussia. How are you resolving that situation? We don't want three locations within seven or eight miles of one another and we ultimately want to be a Center City firm but there is a process we have to follow. The deal went down on Dec. 1 and we don't want to disrupt anyone's work during the busy season. We do hope the city can provide us with some of the same incentives for creating jobs in Philadelphia as it did for our competitors (Eisner Amper being the latest). We also have multiple leases that expire between 2017 and 2022. So it will take some time to sort things out.

With all of the indigenous Philadelphia CPA firms being acquired recently, 2015 was the first year where a firm headquartered here did not appear among the 100 largest U.S. firms. What does that say about this market? I think it says something great about Philadelphia. National firms realize this is a place where they have to be. Larger firms see there is a lot of commerce done here and they need to be here if they want to have a national platform.

What do you think you need to add to the Philadelphia office as presently constituted?

What we needed to add was traditional accounting, assurance and tax. We are always looking to bolster all of those areas. But I think firms are becoming more niche oriented these days. Like with our Smart Devine deal. But we really want to continue to grow our real estate and construction practice, our financial services practice which includes hedge funds, private equity and broker-dealers, micro cap publicly traded companies, family offices of ultra high net wealth individuals and health care.

Jeff Blumenthal covers banking, insurance and law.