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MARKETS

BDO USA Chief Looks to Grow Through Deals

Under Wayne Berson, the Accounting Firm Has Acquired Seven Firms

By MICHAEL RAPOPORT

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Accounting firm BDO USA LLP is convinced that the road to growth leads through other firms.

BDO, one of the midtier accounting firms below the Big Four, has been aggressively trying to grow faster under Chief Executive Wayne Berson, and it believes a flurry of acquisitions is the best way to do it. BDO has acquired seven firms since Mr. Berson became CEO in November 2012—more than any other major accounting firm over the same period.

More deals may be on the horizon. From BDO's perspective, the strategy is helping the firm thrive in a competitive market. The deals helped BDO add more clients than any other accounting firm last year, recently compiled figures show.

Mr. Berson says BDO's acquisitions not only help the firm bulk up, they also help it make it more competitive. For instance, he says, before BDO bought a Pittsburgh firm in December, the firm had been trying to land a private-equity firm as a new client, but had been told "you're not national enough." A week later, he said, after the BDO acquisition was announced, the Pittsburgh firm called the private-equity group back, and got the account.

"I don't understand why other firms aren't seeing it the same way," Mr. Berson said in an interview with The Wall Street Journal. "What we are seeing is that M&A growth fuels organic growth."

If a firm wants to grow quickly, BDO's approach "is about the only way to do it," said Joseph Carcello, a University of Tennessee accounting professor who monitors the auditing profession.

But Mr. Carcello also cautioned that—in general—"managing a larger organization is a lot harder." Integrating acquisitions, he said, "almost always turns out to be a longer, more arduous process of combining the entities than you thought beforehand."

BDO's seven recent acquisitions span Philadelphia to Alaska, firms with as few as 25 employees and as many as 250. Largely as a result of the deals, BDO says its staff has grown by 37% since Mr. Berson took over, and the firm expects to report about \$800 million in U.S. revenue in the fiscal year ending June 30, up from \$683 million in fiscal 2013.

But that is still short of its closest midtier rivals—Grant Thornton LLP, which had \$1.27 billion in fiscal 2013

revenues, and McGladrey LLP, which had nearly \$1.4 billion. Globally, BDO is bigger than those firms, with \$6.45 billion in fiscal 2013 revenues, but that is still a fraction of the size of the Big Four—PricewaterhouseCoopers, Deloitte Touche Tohmatsu, Ernst & Young and KPMG. (Each major firm, including BDO, is structured as an international network of separate member firms in each country in which it does business.)

Mr. Berson, who also became chairman of BDO's global board on Jan. 1, says BDO isn't trying to challenge the Big Four, but to become the most-prominent No. 5. "Our strategy is to grow faster—both organically and through practice expansions—to draw us closer to Grant in the U.S. and separate us from the rest of the midtier."

BDO's string of acquisitions helped it add a net 57 audit clients in 2013, according to figures from consulting firm Audit Analytics—by far the most of any accounting firm, including the Big Four. By comparison, KPMG added a net five clients, and PwC, Deloitte and Ernst & Young all had net client losses. McGladrey added eight clients; Grant Thornton lost 19.

Even without the acquisitions, BDO added a net 23 clients, the most among larger firms; it won a net 10 audit clients away from Big Four firms as well as six from Grant Thornton and two from McGladrey, according to Audit Analytics.

The Big Four firms either declined to comment about BDO or didn't respond to requests for comment. Grant Thornton said it doesn't comment on other firms' initiatives.

Joe Adams, McGladrey's CEO, said that while he is aware of BDO's push, "we're really taking care of ourselves. Our intention is to build on our lead position in the middle market."

Mr. Berson said for potential clients who aren't familiar with BDO, "size is one of the first things they'll look at"—hence the desire to expand. BDO wants to attract new clients from regional and small accounting firms who need a bigger, more-experienced auditor, as well as small and midsize Big Four clients who feel as if they might be getting lost in the shuffle, he said.

BDO traces its U.S. history back to 1910, when Maximilian L. Seidman founded it as Seidman & Seidman. (Until 2010, BDO USA was known as BDO Seidman.) Globally, BDO now has more than 1,200 offices in 138 countries.

Mr. Berson himself joined BDO when his firm merged into BDO in 2001, and he uses that as a selling point when trying to win over merger partners. Acquirees "want to know if they're going to become an afterthought" if they sell to a larger firm, he said, and "I can tell them I came in in their situation."

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