

Straight Talk Pays Off

Stressing integrity, CEO Nusbaum has turned Grant Thornton into accounting's fastest-growing firm

By Ann Meyer

The failure of accounting giant Arthur Andersen was nothing less than "a very unfortunate event in the history of this country," says Edward E. Nusbaum, chief executive of Chicago's Grant Thornton. But it's proving to be a very fortunate event in the history of Nusbaum's fast-growing partnership. Since Andersen's collapse in 2002, the U.S. unit of Grant Thornton International has nearly tripled its top line, outpacing its nearest competitors. Crossing the \$1 billion mark in revenue in fiscal 2007, it is now No. 6 among U.S. accounting firms.

Nusbaum's star has shot up, too. Not only has he won business for his Chicago firm; he has assumed the role of his profession's conscience. The 52-year-old numbers geek responded to the post-Enron crackdown on accounting with straight talk, self-interest be damned. For instance, Nusbaum pushed for including employee stock options on profit-and-loss statements (or stock-option expensing), even when high-tech clients blanched.

Grant Thornton's "do the right thing" credo ultimately helped the firm as much as the profession as a whole, says Jonathan A. Hamilton, editor of the *Public Accounting Report* in Las Vegas. "Certainly, everyone had the same opportunity to pick up the pieces after Andersen," he notes. "The others, for whatever reason, didn't."



Of course, taking the high road only works if his firm lives up to high standards. And those have proved difficult to meet in the accounting industry lately. Grant Thornton International took a hit in 2003 for its Italian unit's audits of an offshore financing arm connected to Italy's scandal-ridden Parmalat Finanziaria.

More recently, Grant Thornton's neighbor, BDO Seidman, got walloped. BDO, a quieter, second-tier firm with \$589 million in annual revenue and a more traditional culture, is still reeling from a ruling last summer that it must pay \$521 million in damages after a jury found it to be grossly negligent for failing to notice a fraud that bankrupt-

ed E.S. Bankest, a financial services company headquartered in Miami. Two former Bankest executives were convicted of criminal charges connected to the fraud.

SPECIAL PROTECTION

BDO has appealed the verdict. But if it sticks, the judgment is so large it could put the firm out of business, says Roman L. Weil, professor of accounting at the University of Chicago Graduate School of Business. BDO Chief Executive Jack Weisbaum says accountants can protect themselves only so much: "There's always a chance that a bad apple will sneak in," he says. "Hopefully, you catch the bad apple before it gets rotten."

Even the possibility of bankruptcy for BDO offends Nusbaum's sense of fairness. "I'm not suggesting an accounting firm shouldn't take responsibility for its actions," he says. "But to destroy firms, and put thousands of innocent people out of work, is not in the best interests of our capital market system." His solution: liability protection for accounting firms.

Nusbaum is a builder. The U.S. firm's employment has doubled over the past five years, to 5,600, while its parent organization has almost 20,000 affiliates in 112 countries. Nusbaum recently opened a Miami tax office for multinational companies and started a recovery and reorganization practice for businesses in need of restructuring. He expects revenues to shoot up nearly 20% this fiscal year, which ends next July 30.

Nusbaum's straight-and-narrow business values were formed working in his father's hardware store in Cleveland. He went on to study business at Ohio State University and received his MS in management from Purdue University, then focused on auditing assurance services, which included assessing risk management and controls. He rose to a national managing partner at Grant Thornton before his fellow partners elected him to head the firm in 2001. "Treat people with respect, work with integrity, and value what you have," Nusbaum says. In accounting's new age, it's working just fine. **|BW|**