



iLab: Leadership in Action

A Strategic Thinking Simulation

Larson & Reed LLP

Leading the Leap from \$25MM to \$50MM

Purpose of this Exercise

This **Strategic Thinking Simulation** is designed to challenge you to think and act like the leadership team of a growing accounting, consulting, and advisory firm at a defining inflection point.

You will step into the role of the **Executive Strategy Team** supporting **Alex Morgan**, the newly elected Managing Partner of Larson & Reed LLP. Alex is a next-generation leader preparing to lead their first annual partner retreat.

Larson & Reed is a successful \$25MM regional firm with strong client relationships, a loyal culture, and meaningful growth potential. But Alex believes the firm must evolve if it wants to become a sustainable, thriving \$50MM enterprise.

Your role is to help Alex lead the partner group through a strategic planning conversation that defines the firm's North Star, identifies the strategic priorities required for the next stage, and builds a practical growth plan that creates long-term enterprise value.

Group Project Structure

You are the Executive Strategy Team supporting the new Managing Partner of Larson & Reed LLP

- ▶ Your audience: the firm's partners and shareholders
- ▶ Your task: develop a five-year strategic plan to help Larson & Reed grow from \$25MM to \$50MM
- ▶ Your goal: earn partner buy-in around the North Star, strategic priorities, growth plan, operating model changes, and execution roadmap.
- ▶ Your mindset: you are not making recommendations from the outside; you are leading the firm from inside

In your 15-minute presentation, with 10 minutes for Q&A, communicate as if you are already part of the leadership team helping Alex lead the firm's next chapter.

Your presentation should include:

- ▶ The strategic moment facing Larson & Reed
- ▶ A proposed North Star for the firm.
- ▶ The enterprise value thesis: what will make the firm more sustainable, scalable, and valuable over time.
- ▶ Three to five strategic priorities
- ▶ A growth plan to move from \$25MM to \$50MM.
- ▶ The operating model changes required to support the transition.
- ▶ A practical execution roadmap with owners, milestones, and KPIs
- ▶ The commitments needed from the partner group before leaving the retreat.
- ▶ When possible, align your plan with the **MPB | Leadership Accelerated pillars**:
 - ▶ Human Capital
 - ▶ Growth
 - ▶ Practice Management

Judging Criteria

“Judges” are firm’s partner group members and shareholders whose buy-in you are seeking. They will vote “Yes” or “No” on whether your plan gives the new Managing Partner a credible path forward. They will evaluate your plan based on:

1. **Strategic Clarity:** Does the plan clearly define what Larson & Reed must become to move from \$25MM to \$50MM?
2. **Enterprise Value Thinking:** Does the plan build a more sustainable, scalable, profitable, and valuable firm over time?
3. **Growth Logic** Is there a credible growth path, including organic growth, client expansion, service mix, pricing, and accountability changes required for the next stage?
4. **Operating Model Realism:** Does the plan address the leadership, governance, talent, technology, pricing, and accountability changes required for the next stage?
5. **Execution Detail:** Is there a clear implementation plan with owners, milestones, KPIs, and accountability?
6. **Leadership Presence:** Does your team present with the confidence, judgement, and ownership expected of firm leaders?
7. **Partner Buy-In:** Would the partner group understand the case for change and commit to the plan?

The Situation

Larson & Reed LLP is a successful \$25MM regional accounting and advisory firm with a strong reputation, loyal clients, and a culture that has served it well.

The Firm has recently elected **Alex Morgan**, a younger, next-generation partner, as Managing Partner. Alex is respected across the firm and viewed as a capable leader, but this year’s annual partner retreat is Alex’s first major opportunity to lead the full partner group through a conversation about the future.

The firm is not broken. In many ways, Larson & Reed is stronger than ever. But Alex believes the firm has reached a stage where the habits, structures, and leadership model that helped it become a \$25MM firm will not be enough to become a sustainable \$50MM Firm.

The Partner retreat will focus on one central question:

What Must Larson & Reed become to grow from \$25MM to \$50MM while remaining independent, sustainable, profitable, and attractive to the next generation of leaders?



Your Role and Expectations

You are a member of the Executive Strategy Team supporting Alex Morgan, the newly elected Managing Partner of Larson & Reed LLP. Alex is preparing to lead the annual partner retreat for the first time. The retreat is designed to align the partner group around the firm's future direction and the changes required to grow from \$25MM to \$50MM. Your team must develop a strategic plan that Alex can use to lead the partner group through this conversation. Be prepared to answer questions from partners who are supportive, skeptical, or undecided.

Firm Profile

- ▶ **Name:** Larson & Reed LLP (*a fictitious firm*)
- ▶ **Revenue:** \$25 million
- ▶ **Offices:** 2 regional offices (Midwest & Southeast)
- ▶ **Staff:** 150 team members (90 in Midwest; 60 in Southeast)
- ▶ **Partners:** 18 total (13 in Midwest; 5 in Southeast)
 - ▶ 3 senior legacy partners age 60+ (planning retirement within 3 years)
 - ▶ 5 partners in their 50s (technically strong with deep client relationships)
 - ▶ 7 partner in their 40s (including the new MP and several emerging leaders)
 - ▶ 3 partners in their 30s (rising stars with strong growth and technology instincts)
- ▶ **Service Lines:** Audit, Tax, Client Accounting Services, Advisory
- ▶ **Niche Specialties:** Privately Held & Family-Owned Businesses, Professional Services, Healthcare & Medical Practices, Real Estate & Construction
- ▶ **Tech Stack:** Aging infrastructure, limited automation, fragmented cloud usage
- ▶ **Market Position:** Well-regarded in its regions, but facing increased competition from larger firms, PE-backed platforms, and niche boutiques
- ▶ **Key Market Differentiators:** Client-centered, deep regional roots, strong legacy relationships, collaborative across service lines, strong staff continuity on engagements, entrepreneurial, loyal culture

The logo for Larson & Reed LLP is displayed within a dark blue square. The text "LARSON & REED" is in a large, white, serif font, with "LLP" in a smaller, white, serif font centered below it.

- ▶ **Support Tools and Resources:** *(see attachments, p.4-8)*
 - ▶ Sample firm P&L (anonymized)
 - ▶ Simplified organizational chart
 - ▶ Staff demographics and talent overview
 - ▶ High-level technology landscape
 - ▶ Primary Market Pressures
 - ▶ Key competitor profiles
 - ▶ Current service line mix
 - ▶ Initial partner observations from Alex's first 90 days as Managing Partner

- ▶ **Alex's First 90-Day Observations:** *(Alex has completed several information conversations with partners, directors, and key administration leaders. Several themes have emerged)*
 - ▶ Partners are proud of the firm, but not fully aligned on what growth should look like.
 - ▶ The firm has strong client relationships, but client segmentation is inconsistent.
 - ▶ Advisory is viewed as a growth opportunity, but capacity and ownership are unclear.
 - ▶ The firm's technology stack is limiting efficiency and scalability.
 - ▶ Partners value the culture, but accountability expectations vary.
 - ▶ The managing partner role has historically carried too much client-service responsibility.
 - ▶ The firm wants to remain independent, but independence will require more investment and discipline.

Tools Provided

Alex and the Executive Strategy Team have the following resources available for year-one planning:

- ▶ **\$200,000 in initial discretionary investment capacity** for strategic initiatives
- ▶ Support from Winding River Consulting to help facilitate strategy, partner alignment, governance, and execution planning
- ▶ Outside technology advisory support to help assess workflow, automation, AI, and systems modernization.
- ▶ Access to an outside advisory board, including a banker, accounting industry advisor, attorney, and technology advisor
- ▶ Ability to recommend additional investment if the partner group agrees to a clear business case and implementation roadmap



Presenting Your Strategic Plan

Your team's presentation should answer:

1. What is the North Star?

- What Future should Alex ask the partners to commit to?

2. What are the strategic priorities?

- Which three to give priorities matter most and why?

3. What is the growth plan?

- How does the firm credibly move from \$25MM to \$50MM?

4. What must change in the operating model?

- What leadership, governance, talent, technology, pricing, and accountability changes are needed?

5. How will the plan be executed?

- What are the milestones, owners, KPIs, and cadence?

6. What is the partner ask?

- What decisions must the partner group make before leaving the retreat?



Larson & Reed P&L Summary

Annual Operating Overview (in \$000s)

Category	Amount (\$000)	Notes
Revenue – Audit	8,000	Steady client base, slow growth
Revenue – Tax	7,000	Seasonal spikes, margin compression
Revenue – CAS	4,000	Modest growth, high staff churn
Revenue – Advisory	6,000	Growth potential, but capacity-constrained
Total Revenue	25,000	
Partner Compensation	7,500	Flat year over year
Salaries & Benefits	10,500	Includes rising healthcare and recruitment costs
Technology	850	Aging systems, limited investment
Occupancy	1,200	2 offices, mid-market rent
Training & Development	175	Underinvested
Marketing & BD	375	Minimal strategic investment
Other Operating Expenses	1,250	Travel, insurance, admin overhead
Total Expenses	21,850	
Net Operating Income	3,150	NOI Margin: 12.6%

Strategic Planning Notes

The P&L raises several questions for Alex and the partner group:

- ▶ Is the current 12.6% NOI margin sufficient to fund the investment required to become a \$50MM firm?
- ▶ Is the firm underinvesting in training, technology, and marketing relative to its growth ambition?
- ▶ Advisory already represents a meaningful revenue base, but what must change to make it scalable?
- ▶ How should the firm balance partner compensation today with enterprise value creation for the future?
- ▶ Which investments are required to create capacity, improve margin, and support sustainable growth?

Larson & Reed Organizational Chart

Managing Partner [and Executive Committee]



Larson & Reed Staff Demographics & Talent Overview

Level	# of Staff	Turnover (Annual)	Average Age	Comments
Entry-Level Associates	40	28%	26	High attrition to larger firms
Seniors	35	20%	32	Competitive poaching
Managers	30	15%	38	Mixed commitment
Directors	12	8%	45	Stable, but some disengaged
Admin & Support	15	10%	41	Efficient, loyal team
Partners	18	0%	47	Few rainmakers, strong technically
Total Staff	150			

Organizational Model Considerations

Alex believes the current organizational model reflects the firm of Larson & Reed has been, not necessarily the firm is must become. Questions for the Executive Strategy Team:

- ▶ What should the Managing Partner role look like in a \$50MM firm?
- ▶ What responsibilities should sit with the Executive Committee?
- ▶ Should the Executive Committee function as a management team, a board, or both?
- ▶ Are current service line leaders equipped to drive growth, quality, talent, and accountability?
- ▶ What administrative or C-suite roles are needed to reduce partner heroics?
- ▶ How should decision rights change as the firm grows?

Larson & Reed Technology Landscape (High-Level)

Function	System / Status	Observations
Core Accounting	ProSystem fx – on-premise	Aging system, limited integration
Tax Prep	CCH Axcess	Fragmented usage
CAS/Client Portals	Intuit/QBO/Canopy (varied by client)	No consistency, low efficiency
Document Mgmt	SharePoint & local servers	Mixed adoption
CRM/Marketing	Basic Constant Contact list	No formal CRM
Time & Billing	Practice CS	Functional, but siloed
Reporting / KPIs	Excel	Manual, time-consuming

Primary Market Pressures

- ▶ Rapid Acceleration of AI & Technology Disruption
- ▶ Intensifying Competition for Talent & Leadership
- ▶ Evolving Client Expectations Toward Advisory & Specialization
- ▶ Shifting Ownership Models & Rising Partner Expectations

Technology & AI Strategic Questions

Alex does not want a technology project for its own sake. The questions is:

What technology and AI capabilities are required to help Larson & Reed become a \$50MM firm?

- ▶ Which processes should be standardized or automated first?
- ▶ How can technology create capacity in audit, tax, and CAS?
- ▶ How should AI support advisory growth and client insights?
- ▶ What data and reporting does leadership need to manage the firm?
- ▶ What skills will future professionals need as compliance work changes?

Larson & Reed Key Competitors

1. Patterson Miles Advisory Group (PMAG)

- ▶ **Revenue:** \$48M
- ▶ **Employees:** 160
- ▶ **Offices:** 5 (Northeast, Midwest, Southeast, South Central, Virtual HQ)
- ▶ **HQ Location:** Virtual HQ
- ▶ **Specialty Areas:** Transaction advisory, private equity-backed growth consulting, and healthcare compliance
- ▶ **Key Traits:** Aggressively tech-forward with strong AI integration across audit and tax. Known for talent poaching from regional firms.
- ▶ **Competitive Edge:** High comp structure for lateral hires and aggressive digital transformation playbook.

2. Everlane & Fox LLP

- ▶ **Revenue:** \$12M
- ▶ **Employees:** 60
- ▶ **Offices:** 3 (Atlanta, Charlotte, Tampa)
- ▶ **HQ Location:** Atlanta, GA
- ▶ **Specialty Areas:** Real estate, construction audits, and outsourced CFO services for family businesses
- ▶ **Key Traits:** Very strong culture and DEI focus; recently implemented a 4-day workweek pilot in two offices.
- ▶ **Competitive Edge:** Rapidly gaining market share in Southeast due to employer-of-choice reputation.

3. Harlan, Brent & Co. (HB&C)

- ▶ **Revenue:** \$60M
- ▶ **Employees:** 200
- ▶ **Offices:** 6 (Chicago, Milwaukee, Indianapolis, Columbus, Cleveland, Remote)
- ▶ **HQ Location:** Chicago, IL
- ▶ **Specialty Areas:** Manufacturing, logistics, R&D tax credits, and ESG assurance
- ▶ **Key Traits:** Known for detailed technical expertise and national-level speakers on industry issues.
- ▶ **Competitive Edge:** Deep bench strength and proprietary benchmarking tools in mid-market manufacturing.

4. Altus Edge CPAs

- ▶ **Revenue:** \$22M
- ▶ **Employees:** 88
- ▶ **Offices:** 2 (Nashville & Louisville)
- ▶ **HQ Location:** Nashville, TN
- ▶ **Specialty Areas:** Entertainment, high-net-worth advisory, and virtual CFO for startups
- ▶ **Key Traits:** Niche-focused, with a curated boutique feel and strong Gen Z/Millennial staff pipeline.
- ▶ **Competitive Edge:** Digital-native firm — no paper, all clients portal-enabled, with Slack/Zoom integrations.

5. Monroe Daniels Group (MDG)

- ▶ **Revenue:** \$38M
- ▶ **Employees:** 225
- ▶ **Offices:** 4 (Boston, Raleigh, Cincinnati, St. Louis)
- ▶ **HQ Location:** Boston, MA
- ▶ **Specialty Areas:** Nonprofit audit, higher education, and wealth transfer strategies
- ▶ **Key Traits:** Family-oriented leadership style with a tradition of promoting from within.
- ▶ **Competitive Edge:** Broad partnership with regional universities, and talent pipeline from local MBA programs.

6. LegacyBridge Advisors

- ▶ **Revenue:** \$75M
- ▶ **Employees:** 335
- ▶ **Offices:** 8 (NYC, DC, Miami, Austin, Chicago, LA, San Diego, Denver)
- ▶ **HQ Location:** New York, NY
- ▶ **Specialty Areas:** Global tax strategy, cybersecurity risk consulting, and M&A advisory
- ▶ **Key Traits:** PE-backed firm executing a roll-up strategy — acquiring regional firms to build national scale.
- ▶ **Competitive Edge:** Very capitalized, aggressive in tech spend, and offering equity to new partners from acquired firms.

Strategic Planning Inputs

1. Growth Must Become Intentional

Larson & Reed has historically grown through reputation, referrals, and strong partner relationships. That model has served the firm well, but year-over-year growth has slowed to under 3% after several years of stronger expansion.

Alex believes the firm still has a credible path to \$50MM, but growth must become more intentional. The firm needs to clarify where it will grow, who it will serve, what services it will emphasize, and how partners will contribute to growth.

Planning Reflection Prompts:

- ▶ What is Larson & Reed's growth thesis?
- ▶ Where should growth come from: organic growth, cross-serving, advisory expansion, pricing, M&A, or new markets?
- ▶ Which clients should the firm prioritize?
- ▶ Which clients or services should be redesigned, repriced, or exited?
- ▶ What does the firm need to become known for?
- ▶ What growth expectations should exist for partners?
- ▶ What infrastructure is needed to support growth?

2. M&A as a Strategic Choice, Not a Distraction

Everlane & Fox, a respected \$12MM competitor, is quietly exploring succession options. The firm has a strong culture, attractive Southeast market presence, and several emerging leaders. Larson & Reed has been invited into a confidential conversation before the opportunity goes to market.

Alex does not want the partner group to chase a deal simply because it is available. The question is whether M&A should be part of Larson & Reed's path to \$50MM and, if so, what kind of deal would advance the firm's North Star.

Planning Reflection Prompts:

- ▶ Should M&A be part of Larson & Reed's \$25MM-to-\$50MM growth plan?
- ▶ What acquisition criteria should the firm use?
- ▶ Does Everlane & Fox advance the firm's strategic priorities?
- ▶ What capabilities, markets, or talent would the deal add?
- ▶ What would need to be true before Larson & Reed could integrate another partner group well?
- ▶ How should the firm think about culture, governance, pricing, technology, and leadership integration?
- ▶ What should Alex ask the partner group to decide on at the retreat?

3. Economic Alignment and Enterprise Contribution

PE-backed firms and alternative ownership models are creating new questions about partner economics, enterprise value, and long-term independence. Some Larson & Reed partners are asking whether the current compensation model rewards the behaviors needed for the future. Others worry that changing the model could damage the culture.

Alex believes the firm does not need to copy PE or overhaul everything at once. But the firm does need a clearer philosophy for how partners create value and how that value should be recognized.

Planning Reflection Prompts:

- ▶ What partner behaviors will matter most in a \$50MM firm?
- ▶ How should Larson & Reed define enterprise contribution?
- ▶ How should the firm balance client service, growth, leadership, talent development, technical excellence, and firm-building?
- ▶ What should be measured before compensation is changed?
- ▶ How should the firm maintain trust while increasing accountability?
- ▶ How should the partner group think about current income versus future enterprise value?
- ▶ How should independence influence the firm's economic model?

4. Technology, AI, and Capacity for the Next Firm

Larson & Reed's technology environment is functional but fragmented. The firm has aging systems, inconsistent cloud adoption, no formal CRM, manual KPI reporting, and uneven client portal usage.

Alex believes technology and AI must be part of the path to \$50MM, but the firm needs a strategy, not a collection of tools. The question is how technology can create capacity, improve client experience, protect margins, and enable new advisory services.

Planning Reflection Prompts:

- ▶ What is the North Star for technology and AI at Larson & Reed?
- ▶ Which workflows should be standardized or automated first?
- ▶ How can AI create capacity in compliance work?
- ▶ How should the firm use data to support client insights and advisory growth?
- ▶ What technology investments are required in year one?
- ▶ How should adoption be governed and measured?
- ▶ How should talent development change in an AI-enabled firm?

A Note from Alex Morgan, Managing Partner

Executive Strategy Team,

I am honored to serve as Managing Partner of Larson & Reed. We are a strong firm because of our people, the clients we serve, and the reputation we have built over many years.

As we enter an important new stage, we have the opportunity to grow from \$25 million to \$50 million over the next five to seven years. Achieving that goal will require us to think differently about how we lead, invest, grow, and operate. The model that brought us here has served us well, but it will not be enough to take us where we want to go.

I am asking each of you to help develop the strategic foundation that will guide our discussions with the full partner group at the upcoming retreat.

As the Executive Strategy Team, our role is to develop an initial point of view, frame the firm's most important strategic choices, and create a process that allows every partner to help shape Larson & Reed's direction. We should not arrive at the retreat with every answer, but with clarity around the questions we need to resolve together.

Our work is to define our North Star, identify where growth will come from, determine which clients and services matter most, and prioritize the investments needed in technology, talent, leadership, and accountability. Together, we will build a firm that is more sustainable, scalable, and valuable.

This is not about criticizing the past. It is about honoring what has been built by preparing the firm for its next chapter and deciding what kind of firm we want the next generation to inherit.

I ask you to approach this work not simply as partners protecting what we have built, but as owners helping shape the firm's next chapter. Your leadership, perspective, and commitment to engaging the broader partner group will be essential to creating a plan that is both ambitious and supported across the firm.

I look forward to building it with you.

– Alex Morgan
Managing Partner

