

practice profile

All kinds of diverse

Milligan & Co. offers a model for the firm of the future

BY TAMIKA CODY



Milligan & Co.'s Denise Bailey (left) and John Milligan

AT A GLANCE

Firm:

Milligan & Co.

Headquarters:

Philadelphia

Managing principal:

John Milligan

No. of staff/principals:

40/3

Year founded:

1985

Services:

Audit and assurance; tax and accounting; management advisory; transportation and capital project consulting; supplier and workforce diversity consulting

Industry specialties:

Small and midsized businesses; public corporations; nonprofit organizations; government entities; individuals

While Philadelphia-based Milligan & Co. is well-established now as a provider of not-for-profit auditing and government compliance services, founder and managing principal John Milligan had to push through a few racial barriers in order to get his firm off the ground nearly 28 years ago.

Prior to launching his own firm, Milligan spent nine years cutting his teeth at a Big Eight firm in Philadelphia. Milligan joined the firm in 1975 and worked his way up to manager level. "I was the only manager of color," he recalled, explaining that back then, only three of the then-Big Eight firms in the Philadelphia area had people of color who reached the level of manager. "There had

never been a minority partner in any of those firms in the history of the city."

Milligan's mentor, who was the first Jewish partner in the firm's Philadelphia office, informed him that it took extraordinary measures for him to become partner. "He had to bring in a lot of business. He said it would be even more difficult for me," shared Milligan.

The warning didn't go unheard, and Milligan decided that it was time to consider other opportunities: "Because I enjoyed the profession as much as I did, I decided to leave the firm and either join a firm that I could help grow to be a quality firm that valued diversity, or start my own firm." Initially, Milligan chose to join a smaller firm, but he soon real-

ized that it didn't have the understanding of what it took to be a quality firm: "Even though there was diversity, I didn't think the commitment to excellence was there because they did not have the opportunity to get the same exposure that I had gotten while working at the Big Eight firm."

Racial barriers created a lack of opportunities for the aspiring CPA. There was an incident where Milligan was introduced as the new manager on an engagement, but by the time he returned to the office he learned that he was no longer on the account. "The partner received a call saying that they did not want an African-American manager on the account. This took place in the mid-1980s," Milligan recalled. "This partner was being candid and told me exactly why I was being removed from the account. That was a situation where the partner did what he needed to do to maintain a relationship with their clients." This was a clear indication that it was time for Milligan to establish his own firm.

TIME TO BUILD

"As I started to discuss starting my own firm, there were people who were excited about seeing a quality minority CPA firm in [Philadelphia]," Milligan said of the launch of Milligan & Co. in 1985. "There were people who said, 'If you do this, we will help you bring in opportunities,'" he recalled. The encouragement came from a broad base of people throughout the city, and Milligan wanted to make sure to keep the momentum of diversity and entrepreneurialism front and center. "If you are a person who is creative and ambitious, we don't have these walls set up that say that you have to stay inside this particular corridor," he explained.

Enter Denise Bailey, principal and leader of the firm's government consulting practice, who took a walk down that same corridor. Bailey earned a BS in Commerce & Engineering from Drexel University, which gave her the opportunity to work for a regional engineering firm in the city of Philadelphia where she specialized in construction management and worked on infrastructure projects.

After five years in the business, Bailey

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Diverse

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started to look for opportunities where she could grow and build something for herself. Little did she know that Milligan & Co., which only had 10 people at the time, was right in line with what she was looking for. “I have to say how refreshing it was when I came to the interview. Even though the firm was small, it showed a wide range of diversity,” said Bailey, who joined the firm 22 years ago. “There was diversity in ethnic background, in age, in gender. It was a sea of change for me back then. ... Within a year or so, [John] was able to let me grow a whole different practice for him. It’s an opportunity that I don’t think I would have gotten at a large firm or a firm that didn’t really value diversity.”

By the time Bailey joined Milligan & Co., the firm had contracts to help women and minority businesses succeed in construction, contracting and engineering. “It was kind of fate,” said Bailey. “Between the two of us, my engineering, construction and deep knowledge I learned in contracting while working at an engineering firm, along with John’s knowledge and experience in helping businesses grow, was a perfect combination.”

BREAKING BARRIERS

Milligan & Co. has grown into a staff of 40, with three principals. Although it may look like a small firm from the outside, it manages to get quality engagements that it probably wouldn’t have been offered 20 years ago for a number of reasons, race being one of them. “I think back to when I first started, it was almost impossible to get cream assignments. You were going to get work that they do not consider to be very risky,” said Milligan.

However, the racial barriers are disappearing. “Sometimes the barriers we see broken down first are within the clients that we serve, before the industry as a whole,” said Bailey, who noted that she is seeing more minority leaders and female leaders on the other side of the table. She also gives credit to Generation X, who she considers to be less sensitive to the racial obstacles because they are more multicultural than ever before. “For a somewhat conservative industry, I think we are being pulled into that direction almost by necessity, because as the clients get more diverse, they want to see more diversity in the people who are serving them. But as an industry I think we are still lagging.”

The accounting profession is still viewed as being very conservative. Milligan pointed out that some people who are in the position of leadership are “traditional folks who don’t see the benefits that diversity could bring to

their organization.” On the other side of the coin, when firms do hire minorities, they are expected to become part of that culture. “If you don’t, you’re frowned upon. You’re not given the cream engagements, and you just don’t get the feeling that you are a part of the organization’s family,” said Milligan, who speaks from his own personal experiences. “I think there’s a much higher turnover with women and minorities at CPA firms within the first five years than you would see with a white male.”

The accounting profession does not represent a diverse mix of minorities, especially African-Americans. “Most of the other minorities I knew who were younger didn’t know any African-Americans who were accountants,” said Milligan. “I never envisioned being an accountant until I went to college and took an aptitude test. Based on the results, my counselor said I should try accounting.”

Milligan, who majored in accounting, hit the books and worked hard in the classroom, which led him to graduate Magna Cum Laude with a 4.0 GPA from Temple University. “I think my accounting instructor saw some potential in me. It got to the point where he was expressing confidence in me and I didn’t want to let him down.”

RECRUITING THE YOUNG

The firm has built its staff through referrals and by word of mouth. It also conducts traditional college recruitment, co-ops and internships. It recruits from historically black colleges, including Lincoln University and Cheyney University. It also heads out to the private and state schools, including Drexel University and Temple University. “Denise and I compete on how many Drexel grads we have versus Temple grads,” Milligan quipped. The firm also sponsors a group in the Westchester area of Philadelphia, which has a student chapter of the National Association of Black Accountants.

Even though the team is out and about recruiting fresh talent, finding and holding on to recruits can be challenging. “There are fewer mentors and role models across the board for young people making career choices,” explained Bailey. “There are not a lot of people who say, ‘I want to grow up and be like him one day.’ Historically, the accounting profession has not marketed itself well. The career potential of auditing, accounting or compliance work was not really highlighted.”

The firm is now taking steps to attract future CPAs by introducing them to the profession at an even earlier age. Milligan & Co. used to be a part of the Inroads Program, where it assigned students internships at the firm. Milligan is heading back to the drawing board

OPPORTUNITY KNOCKS

One of Milligan & Co.’s premier service areas is in monitoring infrastructure and transportation projects, grants, and contract compliance through its government consulting practice, which is led by principal Denise Bailey.

Milligan said that the service began as an opportunity that just knocked on his door. After he decided to start his firm, a former colleague who left the Big Eight firm to go work for the Federal Transit Administration reached out with a lead: “I got a call from a co-worker and friend saying, ‘John, I’m down here at the Federal Transit Administration and we are starting a new program where we are assessing internal controls of transit agencies who receive grant funds. We are hiring CPA firms to audit those agencies.’”

Milligan told his friend that his firm didn’t have any experience in transit. However, this didn’t deter his former colleague, Milligan shared: “My friend said, ‘Neither does anyone else but you’re smart. Come on down. Get started. I’m sure you’ll do well.’”

Milligan & Co. was then paired with one of the Big Eight firms to take on the assessments of the transit agencies. “It was a great opportunity because we were auditing New York City Transit, transit agencies in San Francisco and pretty much all around the country,” said Milligan. Generally speaking, government work is not very profitable for larger accounting firms, but Milligan said his firm performed beyond expectations and was asked to conduct more transit audits. The government then advised the firm to get certified as a small minority business because it would allow them to easily assign more work to the firm. “They understood they were going to get a good product from us,” said Milligan. The firm soon earned a five-year government contract.

As the firm began to learn the transit industry, which also includes infrastructure and construction programs, it began to see opportunities where Bailey’s expertise came into play. Milligan & Co. worked on more than a half a dozen financial compliance reviews for several transit agencies, including the Federal Aviation Administration, the Federal Railroad Administration and the U.S. Department of Housing and Urban Development.

“What we did was build a level of expertise that very few firms of our size have,” explained Milligan. “We have audited more transit agencies than any other firm in the nation. This to me is huge, because that is a bold statement coming from a small firm of our size.”

to see if they can collaborate with another company where they would start a similar program. “We would take a group of five to seven high school kids, and have them visit the firm and interact with our young accountants,” said Milligan. “I think that accounting is a great profession, but there are a lot of inner city kids who don’t have the vision because they don’t know people who are professionals. If we just expose them one time, they’ll open their eyes.”

ORGANIC GROWTH

Milligan & Co. is currently in its comfort zone. “We don’t want to grow beyond the ability to continue providing the quality of service that we’ve been providing,” said Milligan. “What we would like to do is target more work where we feel we are uniquely qualified because we have specific expertise. There are many larger consulting firms that we can partner with and

leverage our expertise with their resources to make our expertise more valuable.”

With the M&A wave sweeping the accounting industry, Milligan said the firm has been approached about a deal approximately a half a dozen times within the last four years. Given that he is adamant on sticking to his core values of diversity and excellence, he said that a strategic move is not a high priority short-term goal for the firm. “If I can’t get assurance that those qualities will continue then we won’t do it. If there were a proposed relationship like that, then I’m listening.”

On a final note, for individuals hoping to create a diverse CPA firm of their own, Milligan warns that it will take a lot of hard work. “Understand that in your initial years, you’re probably not going to make a lot of money. Be prepared for disappointment, but don’t let the disappointments be a deterrent to achieving your dreams.” AT