

# SPECTRUM

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## watson rice LLP: **an american dream come true**

By Bill Schechter

*From the 70s to now: The making  
of an accounting firm*

The firm of Watson Rice opened for business in 1971, in a one-room office located in downtown Cleveland. Two fledgling accountants -- Tom Watson and Bob Rice--worked in space scarcely large enough for one desk, which they shared, sitting face to face. They operated with a single adding machine and one telephone line.

Their first fees came from keeping books and reporting taxes for a dry cleaner, grocery store and funeral home. It was a modest beginning, far from Watson's long-held vision of founding a firm with national offices, where excellence and integrity would attract some of the best and brightest in the field.

The two first met in 1967 as employees earning their first paychecks at Elmer J. Whiting, a small accounting firm in their native Cleveland. Watson had earned a CPA from Ohio's Miami University and Rice was a moonlighting apprentice intent on earning his degree at nearby Cuyahoga Community College. Their friendship lasted long after Watson left to become a corporate accountant for General Motors, and Rice - by then a CPA - joined the accounting staff at Picker X-Ray, a manufacturer of hospital supplies.

From the outset of their partnership, Watson was the personable "rainmaker," making connections and networking with great enthusiasm. Rice was "Mr. Inside," making sure that clients were fully served and satisfied. It was a time when the



Federal government welcomed the services of firms that were qualified and staffed with multicultural professionals. And that spelled opportunity for the African American founders of Watson Rice, LLP.

But not before they reached out to the regional offices of the established "Big 8" accounting firms such as Deloitte Haskins (now Deloitte Touche, LLP Rutgers University) to learn from experienced senior professionals. "We called for appointments with several of them and not one turned us down," recalls Rice, now 58. "They gave us as much time and shared their expertise with us as we needed, not only to show us how to qualify for government business, but also how to develop long-term relationships."

Watson Rice's first sizable contract, from the U.S. Department of Labor, enabled the firm to move to their own offices in downtown Cleveland and add staff. Business from the U.S. Department of Commerce and the Environmental Protection Agency followed, and then from several other Washington agencies. Watson Rice had developed an important government niche, which they sustain to this day.

The firm grew steadily, initially by recruiting talent from graduating seniors from universities as far away as Florida A&M, and as near as Cleveland State and Ohio State, down the road in Columbus. In 1976, Watson met Ron Thompkins, an impressive, Florida-based professional with solid Big 8 experience. Thompkins was a partner of Koon, Thompkins &

Washington, LLP, which became Thompkins & Co. in 1982. Over the next 10 years, that firm developed a considerable practice specializing in healthcare services, a particularly lucrative market in senior-citizen-laden south Florida. When Thompkins & Co. merged with Watson Rice in 1992, the newly integrated accounting firm built on their specialties to strengthen their operations in government, nonprofit and joint venture practices.

The connection with Thompkins was not the only significant development for Watson Rice back in the 70s. During that time, Watson met Bennie Hadnott, founder of a firm bearing his name that specialized in quality control and training for government audits. These were timely topics during the Carter administration, which actively sought qualified minority-operated firms to provide accounting services for federal agencies.

The meeting led to a merger in 1982 and soon thereafter, Hadnott was named the firm's New York managing partner. Watson Rice's government practice grew rapidly, generating \$1 million in fees during the first two years after the merger. Contracts with the Departments of Labor and Energy provided substantial revenue, especially from reviews of oil companies pricing practices during the Middle East embargo.

The growing New York practice generated an impressive and diverse client roster, including the New York City Health & Hospital Services, Coca-Cola Bottling Co.,

the NAACP Legal Defense Fund, the New York City Department of Aging, and eight McDonald's fast-food franchises. As the company expanded, they moved offices several times, finally making One Park Avenue their home. Hadnott also served on former New York City's Mayor David Dinkins' Financial Committee.

Other milestones include Watson Rice's 1982 contract with the Resolution Trust Corp. to help close the Carteret Savings, one of New Jersey's largest banks. The firm opened offices in Rutherford, New Jersey, at first for the 60 members of its staff assigned to the program, and later to outsource the Watson Rice accounting department. The office also worked with the Newark Public Schools, the Urban League and statewide long-term care facilities.

Today, Hadnott leads Watson Rice -- with billings of \$8 million in the spirit of the company's co-founder and visionary leader, Watson, who died in 1999. The emphasis continues to be training and excellence in the development of cutting-edge operations. The firm is smoothly moving toward a paperless practice, producing its own software - systems and technology - with continuous infusions of the profession's latest techniques. The journey from their humble origins, when two men shared a desk, telephone line and adding machine, to twenty-first century, state-of-the-art operations has been long, but steady and highly successful.

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