

A CONVERSATION WITH BAKER TILLY

“Many large companies are currently approaching us”

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A little more than one year ago, Baker Tilly has reorganized its partnership. In an interview with JUVE Steuermarkt, Oliver Hubertus, Managing Partner Tax, talks about the new structure, the advantages of organic over inorganic growth and why the next-seven firm is automatically joining the phalanx of the Big Four

For almost seven years, Oliver Hubertus has been responsible for Baker Tilly’s tax consulting business as Managing Partner. The Munich-based consultant is a lawyer and tax advisor and has been part of the next-seven firm for almost 18 years (then still Richter & Partner). Previously, he worked, among others, for Ernst & Young.

JUVE Steuermarkt: Mr. Hubertus, how was your past year?

Oliver Hubertus: For our tax practice, 2022 was a quite successful year. All colleagues have worked really hard for this success, and we certainly intend to continue this positive development in the current year.

Despite or even because of all the crises?

It is true that everyone at Baker Tilly is approached by an increasing number of companies in distress – which is quite positive for our consulting business. I travel a lot, visit clients and am in contact with my colleagues in all our German offices. The tax consulting business is developing very positively.

However, at least the transaction business is currently weakening considerably.

Actually, we cannot confirm that. That impression may be partially true in relation to deals in the large cap segment – but take a look at the industries mainly advised by us: healthcare, sports, energy, infrastructure – there is still a lot of movement. Especially with strategic buyers, things are still going very well. I am very satisfied with our advisory activities in the transaction business. We currently have several signings and closings underway.

For your colleagues engaged in particular in real estate transactions, these are probably just warm words.

The real estate sector may be under pressure because it is harder for property owners to sell at

the moment. In some segments, especially real estate in the healthcare sector, transaction business has also weakened noticeably. But there will be acquisitions again, just certainly not at the old prices. Even companies that are currently struggling will invest again – I am sure of that. What's more: none of our consultants is limited to real estate transactions. Among other things, our colleagues have recently supported many restructuring projects with our specialist teams.

And is this business going to increase?

This year, numerous companies have already run into difficulties – as you could see in the press. Given the rise in prices, this is almost inevitable. However, I no longer expect a sweeping wave of insolvencies.

“We want partners from our own ranks”

Consulting for the public sector, for example, would ensure stable business. What are your ambitions in this regard?

Just over two years ago, we strengthened our Public Sector Competence Center with Rainer Schindler in Leipzig. A strategic expansion that has completely worked out as planned. And ultimately, advising the public sector involves group tax law – with its various challenges. In this respect, we will continue to expand in the Public Sector. However, I also have to mention that the awarding of contracts in this segment is very price-driven; we therefore do not want to and will not participate in every tender procedure.

Talking about financial taxes: Both the former practice group leader Marc Lebeau and the long-standing consultant Dr. Götz Weitbrecht have moved to Ernst & Young (EY). You have suffered some losses recently...

...and immediately found an experienced and well-versed successor in Bartosch Tomczyk.

Mr. Tomczyk came from Berenberg Bank. Doesn't he still have to learn the ropes in the consulting world?

Not at all – before joining Berenberg, he spent eight years as a consultant in the financial services tax practice of PricewaterhouseCoopers. Bartosch knows both sides, fits perfectly into the team, and is a real stroke of luck.

However, in order to keep up with or get close to the aforementioned competitors, you still need to grow.

We will – also with further experienced partners. And not only in Financial Services Tax, but above all in Group Tax and Transactions.

Other companies have recently been much more active when it comes to lateral hires.

In contrast to others, we rely more on organic growth. We attach great importance to building up

new partners from our own ranks. Our talents embody our spirit, which is very important to us. In 2022, we promoted a total of eleven colleagues in the Legal & Tax area to partner or director. This year, we have already promoted another seven colleagues, including three partners. At the same time, we are keeping our eyes open to selectively strengthen our team with additional external top professionals.

To what extent do you benefit from the new partner model?

Actually, it's not that new anymore. All partners have been equity partners since January 2022 – and have equal rights accordingly. The fact that we now have a “naked-in-naked-out model” helps immensely. And acceptance is very high.

"A small commitment is still important to us".

So no more capital contributions?

A contribution in the very low six-digit range is still part of a partnership. As a small commitment, this is still important to us. However, the days when lawyers and tax advisors were willing to pay one or two million euros to become part of a partnership are definitely over.

And how do you keep your employees happy?

On the one hand, we want to develop our colleagues further. We support them in deepening their professional expertise in the form of advanced training and continuing education programs. The aim is to show our employees: With us, you have a real, long-term perspective. This brings us back full circle to the issue of organic and inorganic growth. We have also introduced a new compensation system for the start of 2023.

But money alone will not solve the shortage of skilled workers.

This is not just about financial aspects, but also about giving young colleagues more freedom of choice. Since the beginning of the year, we have adjusted our managers' salaries: They now receive a fixed thirteenth monthly salary and can also receive up to a fourteenth monthly salary as bonus. What's special about this is that they can also choose to convert the additional salaries into time off in lieu. All in all, this almost corresponds to a four-day week with no change in salary. This option has been extremely well received, especially by young colleagues. Not every employer offers this. We will also harmonize our exam support in the same way. In addition, we offer benefits such as sports and leisure activities. We're coming up with a lot of ideas – and we have to.

How do you handle the home office issue?

Naturally, we offer our colleagues flexibility in choosing their place of work. At the same time, this is a balancing act between flexibility and corporate loyalty. Of course, it's good if our partners can inspire their teams to come to the office often and gladly.

Back to business: For what do you need staff above all else?

The outsourcing of global tax functions is becoming an increasingly important issue. Currently, many large enterprises are approaching us asking us whether we can assume major parts of the processes. This starts with the declaration and doesn't stop with transactions. Such mandates often entail all kinds of issues – including controversial ones, of course. When it comes to global minimum tax, we have a renowned expert in Dr. Klaus-Jörg Dehne, whom we brought on board two years ago and who has more than 20 years of in-house experience at Bayer.

How is the outsourcing business going to develop?

The big driver is the global minimum taxation, the implementation of Pillar 1 and Pillar 2. That is a tax department issue but implemented by Accounting. That's why interface consultants are needed – and that's what we are.

“Specialization helps us”

Does this mean you're finally joining the phalanx of the Big Four?

Yes, and this happens quite automatically. Businesses are outsourcing more and more services. However, many Big Four companies already serve as their auditors. And even if they do not: Some businesses do not want one of the Big Four companies as their tax advisor. Larger medium-sized companies in particular tend to be reluctant to do so. This is a huge opportunity for us. The specialization of recent years is helping us immensely.

Are we talking more about inbound or outbound business here?

Both and. The outsourcing process usually starts at the respective headquarters. And depending on where the headquarters is located, we are involved in the process. Colleagues from our global Baker Tilly network also involve us; in these cases, we advise the respective national companies – this is, of course, a smaller-scale business.

You just mentioned the growing specialization. In Munich and Düsseldorf, you have a wide range of tax consulting staff – and can offer specialized disciplines. What is the situation in Hamburg, for example? The merger with TPW took place more than seven years ago.

In Hamburg, for example, we have Christian Hensell, a specialist in reorganizations, tax litigation and, above all, reorganization tax law – he came directly from TPW. We also have Matthias Chuchra, who focuses on international tax law and real estate.

And you can afford a comparatively small location like Dortmund – not far from Düsseldorf?

That is not a contradiction. Westphalian clients feel they are in better hands with Dortmund consultants. Regional presence plays an extremely important role in consulting. For example,

clients in Stuttgart cannot be supported sustainably from Frankfurt or Düsseldorf. Some locations are historically part of Baker Tilly with consistently good business. However, they are all parts of the whole and therefore only have their own infrastructure to a limited extent. In other words, they are already seamlessly integrated.

The local color you mentioned is particularly important for advising family-run medium-sized businesses – and thus also for succession consulting. An area in which Baker Tilly used to be one of the leading firms.

And continues to be. We still provide high-net-worth individuals and entrepreneurs with top-quality advice on inheritance tax and succession issues. In addition to long-standing partners such as Roland Hoven, we also have two experts in Munich, Marcel Lemmer and Dominik Halbmeyer, who are particularly responsive to the increasing internationalization of the business. And the other offices – for example in Stuttgart and Hamburg – also still have specialists for these very demanding clients.