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Leveraging Strategic Partnerships

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Creating strategic alliances has become an invaluable practice for many public accounting firms regardless of their size or the scope of their services. Such alliances or partnerships can take several different forms — all of which, when effectively leveraged, can produce significant benefits to the CPA firm and its clients.

Goals

Before entering into any alliance or partnership, whether through a legally binding agreement or an informal handshake, we must answer:

- What do we hope to achieve through this strategic partnership?
- Is this strategic partnership meant to:
 - Fill an increasing or recurring client need or demand?
 - Expand the bottom line?
 - Provide an entrée into a new practice area, target market or industry niche?
 - Create practice area expansion or industry niche growth through cross referrals?
 - Offer value-added services and a greater depth of resources to CPA firm clients allowing the firm's partners to play a larger role in their financial lives?
 - Realize any combination or all of the above?

Once the strategic partnership's objectives and mission have been defined, the next steps are to decide what form the strategic relationship should take, identify the most suitable partner, formalize the terms and conditions of the relationship and, most importantly, determine what mechanisms will monitor the partnership's life cycle and successes.

Types of Partnerships

A Separate Entity - is the most formal of the strategic partnerships. Here, the CPA firm and an organization or individual enter into a legally recognized relationship as a separate entity to provide services to the CPA firm's clients that are outside the firm's traditional core competencies. Examples include wealth management, business/management consulting, payroll administration, technology

consulting, family office services, recruitment and placement, marketing and appraisal/valuation services.

Because of the investment of resources and formality of a separate entity, it is critical that a clear business development plan is created, not only to identify the entity's purpose, goals and objectives, but to define each party's respective roles and responsibilities. For example, the business development plan should answer who is responsible for generating new business for the entity — the CPA firm's partners, the organization/individual whose expertise supports the entity or some combination?

An Exclusive Relationship - can be agreed upon through contract or handshake, and is often one of reciprocity affording both parties exclusivity in cross referring business. For example: a CPA firm and payroll administration company may enter into an exclusive partnership where all of the clients needing payroll services will be referred only to the payroll administration company and all clients needing an accounting firm will be referred only to the CPA firm. Exclusive discounts for clients can also "sweeten" the deal.

There are times, however, when exclusivity is a more of a one-way street, and reciprocity is less important than being able to offer specialized services to clients. Such is typically the case with technology consulting or software re-selling and/or installation. While technologists are not likely to have access or make introductions to CFOs and controllers for accounting services, they do afford the CPA firm the opportunity to offer value-added services and resources to clients without having to carry these technology experts on the payroll full time.

Geographic Exclusivity - extends beyond traditional accounting and tax services to the national and international affiliations of accounting firms. While many firms consider themselves members of these organizations, the benefits mirror those of a strategic partnership rather than simple membership, as each firm is provided greater resources, referrals from firms outside the area and exposure to markets where it would otherwise be cost prohibitive.

Outside member organizations, geographically exclusive affiliations and firms in the same market with distinctively different expertise have strategically partnered without merging. Sarbanes-Oxley has played a considerable role in fostering these relationships as 404, FAS 109 and FIN 48 consulting might not be handled by a company's auditors.

The Consortium or Network - is advantageous for small and mid-size CPA firms that simply don't have the time and personnel for practice development. Here, a group of service and product providers come together, one from each industry, to cross sell and cross refer each other's wares. Often, there is a monthly quota as to how many referrals each partner must make.

Who to Partner With

Once a CPA firm has determined what type of specialty service they wish to provide their clients and why, the next step is to search for and select the strategic partner best suited to deliver the service to your clients. If you are starting this search without any existing relationships in this particular area of expertise, the best places to start looking are (1) the vendor relationships of some key current clients that are already utilizing this service; (2) colleagues such as attorneys or other professionals that may be in a position to recommend a strategic partner; (3) your own vendor relationships who may provide the service or be able to recommend a suitable partner; and (4) professional associations to which you or your firm belongs (i.e., Chambers of Commerce, NJSCPA, etc.) who may be able to guide you in the right direction. With potential partners identified, the process thereafter closely resembles the recruitment interview process whereby parties exchange information, ask for references, explore mission and objectives, and see if a synergy exists.

Formalizing the Relationship

Again, much like the conclusion of the recruitment interview process, the CPA firm will decide what the most appropriate type of relationship will be. Maybe at initiation, the relationship may be a handshake agreement to test the waters as it relates to the strategic partner's client service, deliverables, and synergy with the CPA firm. Conversely, the nature of the specialized service, the firm's objectives, and the client demand may merit a more committed, serious relationship from the onset.

Monitoring Success

Crucial to the success of any venture is planning, monitoring, and adjusting. Goals, objectives, quotas, budgets, and timelines must be shared with your strategic partner so that the commitment is defined and the roles and responsibilities are clear. There should be reports distributed on a recurring basis whether they are simple excel spreadsheets of what's "in the works" and "in the pipeline" or something more detailed. Same goes for face-to-face meetings scheduled either monthly or quarterly just to stay abreast of the life cycle of the relationship and remain on track.

Regardless of your alliance or what services outside of your core competencies you wish to offer, the key to an effective strategic relationship is planning. Identify expectations, define roles and responsibilities, and clarify goals, objectives and timelines. The strategic partnership requires trust,

comfort, open communication and like-mindedness for the relationship to flourish. Your strategic partner is also the gateway to a host of other relationships and contacts which can greatly benefit your firm and clients.

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