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## Co-opetition: Partnering for Better Business

*When spider webs unite, they can tie up a lion.*

—Ethiopian proverb

**W**hen you combine the words “cooperation” and “competition,” a new word emerges: co-opetition. Co-opetition works when normally competing organizations come together cooperatively to serve a client. Competition for the best clients and staff members has never been fiercer. Today’s clients are demanding more value at less cost. Technology is turning many traditional services into commodities. The national and global economy brings competitors you never heard of and don’t know how to compete against. A new graduate can command a signing bonus, a new car, and rapid advancement. Banks and insurance companies are giving away tax advice to get our clients. Business consulting firms are offering our clients technology planning, strategic planning, mergers and valuations, expert testimony, and many other services that compete directly with services traditionally provided by CPAs.

The emergence of companies that offer clients a range of financial resources, such as business credit, travel, employee benefits, and more, will only become more prevalent. These firms, including American Express, are organizing around a multidisciplinary approach to become one-stop shops.

Many CPA firms lack an approach that will enable them to prosper from these challenges rather than being victimized by them. The big secret is joining with others to serve your client in innovative ways. Working with your clients’ other service providers is the key to serving the highly evolved client of the future. Partnering approaches let you create a continuing stream of opportunities. The result is a true win-win-win situation for you, your partner, and your client.

*A competitive world has two possibilities for you. You can lose.  
Or, if you want to win, you can change.*

—Paul Thurow<sup>1</sup>

## Examples of Partnering

Partnering can be as simple as sharing office space with other CPAs, or it can be a multifaceted approach, such as sharing offices and clients with other professionals. Partnering can be low tech or high tech. It also can be joint venturing with your clients. It can be among separate CPA firms or among different types of professional services firms.

Partnering with your clients can be as simple as thinking as if you were their in-house accountants, or as complex as taking an equity interest in a new entity or joint venture.

Creating the best perception to your end client is a challenge every firm faces, with or without partners—but partners add a level of complexity. The way your service is promoted and supported influences how the end client views and experiences the service.

Kevin Poppen, president of Enterprise Network, an alliance of leading CPA firms in the United States, says, “Strategic partnering is one of the foundation stones of the Enterprise vision. CPA firms are challenged to meet the many needs of their clients today. Enterprise members (CPA firms with \$1 to \$12 million in annual revenue) cooperate with each other to provide client services they could not provide on their own. Cooperation actually strengthens our member firms’ competitiveness. The opportunities for financial planning, technology consulting, international assistance, M&A capabilities, and many other services are impossible for the small firm to develop on its own.”

That is where the new associations are having such an impact. Partnering helps firms overcome a lack of skills and capital. It permits forward-thinking owners to be highly successful in the new marketplace.

Enterprise Network has developed an alliance with an international association of CPA firms that provides members access to several hundred office locations around the world. “Now, when one of our member’s clients needs help in London or Hong Kong, we have a great relationship in those places,” says Poppen. Another example of an innovative partnering is the Enterprise Network Financial Services Solution. Enterprise partnered with Oppenheimer & Company and its broker dealer to provide money management, investments, insurance, financial and estate planning, and employee benefits to their clients. “We competed with the life insurance guys for years

for financial and estate planning engagements. Now we can compete and cooperate at the same time.”

Accounting firm clients often consider selling their businesses; heretofore we could only make limited contacts on behalf of our clients. Now, with the Enterprise Network–Duff & Phelps investment banking partnership agreement, the two groups are working together to offer clients an international outlet for selling those businesses.

### **Partnering for Profit**

*The best partnerships between companies come when these conditions exist:*

- **True mutual need.** *This is more important than control in an alliance.*
- **Shared objectives.** *Rather than just buying and selling to each other, partners should have objectives that they hope to accomplish by working together.*
- **Shared risk.**
- **Building relationships and trust.** *It's not enough to just be partners on paper; people have to feel comfortable with each other.*
- **Handling disputes.** *Partners should have an agreement at the beginning to bring up tough issues to each other.*
- **Exit strategies.** *Ways of dissolving your contract should be defined at the start.*

—Jordan Lewis, *Partnerships for Profit*<sup>2</sup>

Enterprise Network is working with other CPA firms and associations to provide their members' clients a broad array of services. The international alliance mentioned above is being used by member firms in the larger cities right now, but we are becoming a global economy, and I believe the smaller firms in smaller markets will need international help. Enterprise is cooperating with RSM McGladrey for the latest in practice management improvements for firms with large audit practices. Enterprise members are cooperating with smaller (mostly sole practitioners) accounting firms through the CPA Link program.

Enterprise offers its member firms cutting-edge partners' conferences, a client newsletter, and a Web page hyperlinked to each member. The mission

of Enterprise is to challenge its members to think about their futures and to help them adopt strategies that empower members to improve their lifestyles and profits.

### **Partnering Is All Around Us**

All you have to do is look around to see cooperative ventures in other businesses. American Airlines has numerous travel partners from whom passengers can earn frequent flyer miles. Frequent flyer miles have become a strong travel currency, good at hundreds of hotels, restaurants, auto rental agencies, and airlines. Food establishments, once stand-alone franchisees, are banding together in food courts, interstate stops, and convenience markets, and cooperating to serve the customer. Microsoft and IBM cooperated around software. Microsoft and Intel cooperated around the computer chip. These cooperative ventures helped both the companies and their customers.

I remember snickering at a sole practitioner a few years ago, when he talked about competing with the Big Four accounting firms. Concerned that one of the Big Four firms was going to take his largest client, he was like a gnat competing with an elephant. But when CPAs are too focused on competition, they fail to see the possibilities in cooperation, and that usually ends up hurting both the CPA and the client.

Coopers & Lybrand, now PricewaterhouseCoopers, reported in 1995 that strategic alliances were becoming increasingly important to business growth. At that time, 55 percent of the nation's fastest-growing companies were involved in an average of three alliances.

Here is an example of how cooperation can work to everyone's advantage. A client of Jim Belew, whom we met in Day 3, went public a few years ago. He says, "They were one of our largest clients, and we knew they were going public at some point. We could face up to reality and help our client, or we could bury our heads in the sand. We chose to work with our client on their IPO plans. We introduced them to one of our Big Four friends and began to facilitate a relationship. The IPO was delayed about a year, and we kept all the work. When the IPO finally occurred, we assisted and received larger fees than ever during the registration process. We ultimately lost the audit work, but we still do a substantial amount of work for the client today, and they are still one of our top 10 clients. We could have been shortsighted and lost the client. I believe that our partnering type of relationship with the Big Four firm really helped our client and helped us."

Kevin Poppen says, "If the CPA firm is not primarily interested in serving the client's best interests, we cannot work together well. We partner with

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CPA firms of the Enterprise Network through an alliance. Oppenheimer and Enterprise make certain that the client's best interests are at the heart of every service we provide."

Consultant Bill Reeb says, "Mid-sized CPA firms do not have the capital to develop skills and deliver the range of services that larger-sized clients need and want. The only way is to collaborate with other CPAs or other professionals to serve the client."

### **Produce Results for Clients**

CPAs must be able to drive financial results for clients now. Doing this takes a much higher level of competence than filling out a tax return. To drive financial results, you will be called on to provide assistance to your clients in areas in which you are not competent. I witnessed this situation several years ago when one of my clients decided to get into the financial services business. One of the client's partners was recruited to get his securities and insurance license, which he very diligently did. He affiliated with a well-known broker dealer with a line of financial products. Twelve months later, however, he had sold very little. Even his partners wouldn't invest with him. They certainly wouldn't recommend him to their clients. Only when this firm partnered with a financial services professional did it begin to prosper in the financial services business.

Larry Wilson, author with Hersch Wilson of *Stop Selling, Start Partnering*, says, "Creating significant advantage for customers is the only game played by the individuals and organizations that are serious about keeping customers." Wilson describes the need for firms to become customer-keeping organizations. To do this, a firm must organize around client needs rather than around the hierarchy of the firm.

RSM McGladrey, a national CPA firm, has been operating an alliance of CPA firms for years. Dan Brooks, president of the 80-member RSM McGladrey Network, says, "Clients of our member firms are the real beneficiaries of the partnering relationships we have with our firms. A local 50-person firm cannot possibly provide the range of services their best clients want and need. Cooperating with McGladrey & Pullen and the local firms has been win-win-win. In fact, most of our members can point to a handful of their best clients which they have obtained or retained specifically because they have McGladrey Network resources available."

With the McGladrey Network, members can access the global resources of the national and international offices. This adds great credibility to the CPA for larger clients of smaller firms. I once interviewed an accounting

### **Benefits of Belonging to a Network**

*Some of the benefits of associating with CPAs from across the nation and around the world include:*

- *Marketing*
- *Conferences*
- *Cooperative advertising*
- *Information technology ideas*
- *International staff exchanges*
- *Member databases*
- *Niche and specialty services*
- *Peer review*
- *Public relations*
- *Referrals*
- *Seminars and CPE*
- *Special projects*
- *Vendor discounts*
- *Joint Web site*

—Richard Glickman<sup>3</sup>

firm's client whose revenue had grown to over \$300 million. The CEO said, "We were considering changing to a Big Four accounting firm because of our size relative to our local CPA firm. But when the local firm introduced us to their worldwide resources through RSM McGladrey Network, we felt we had the best of both worlds—great local service with people we knew and trusted, and access to deep tax research and international connections."

Members of a major alliance were convened. Here is what they reported as very important in their relationships:

- Training at CPE courses
- Staff sharing
- Access to national and industry technical experts.
- Assurance—including SEC
- Tax
- Technology

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- Specialized services such as business valuation, litigation and financial recovery
- Ability to jointly compete for larger engagements
- Marketing assistance
- Recruiting
- Access to proprietary software
- Online access to other firms

In addition, the members listed ways they have profited from the relationship:

- Involvement with the firm's financial services partner
- Access to specialized tax solutions
- Referrals to and from each other
- Management of accounting practice information sharing
- Group buying power for tax software, office furniture and supplies, accounting and tax manuals, and practice aids
- Greater fee realization on joint engagements
- A revenue-sharing arrangement with each other for general consulting and other services

### **Form Your Own Network**

A number of midsize firms have developed networks of smaller practitioners. Joint-client projects, CPE sharing, technical research, and ideas are all part of such a network. Many informal organizations of competing CPA firms work together to help clients prosper.

International services is a growing sector throughout the United States. Most CPAs are not prepared to help a client with a tax problem in California, much less Canada or Chile. International affiliations of CPA firms are preparing CPAs to help clients throughout the world. Consultant Gary Boomer uses an analogy when he asks audiences, "When did you first buy a fax machine? Most people respond when my client wanted to fax me something and I didn't have one." The same will be true with international services unless CPAs connect with an international alliance. A client will have an international need; if you cannot supply it, the client may change CPAs.

Creating synergistic partnerships with other professionals to serve your clients' needs is a way to improve. This is true everywhere you have a wide array of services. David Morgan says, "The key for us winning many new

accounts is the wide array of nontraditional services our firm can provide a client. And yet, with almost 200 employees, we can't do it all. We belong to the Leading Edge Alliance and Kreston International to give us ideas and support in better serving our clients globally.”

### **Summary**

True synergy can be had through an alliance. True synergy is where the whole is greater than the sum of its parts. When you quarterback a team of professionals to drive business results for your clients, you provide better service and retain your clients longer. Competing is usually a zero-sum game. But with cooperation, done right, there is more of a win-win-win situation. In cooperating, everyone gets a larger piece of the pie—and the pie grows.

When you are providing services to a client through a cooperative relationship with other professionals, you make it easier for clients to use you as a one-stop shop—and you make it harder for them to switch CPAs.

Some of the most effective sellers in the accounting industry today use cooperative alliances to attract better clients. Cooperation is the spirit of the new economy. It is the way in which we will master change and make the future work for us.



