



Collaborate to Grow

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Agenda

Need

Size Matters

What to look out?

Case Study

Reasons for CA firm merger failure

- The practicing CA firms in India have generally done well.
- The common features noticed with Indian CA profession are – Majority CA firms are small sized firms. Many firms have confined practice to audit and taxation.
- Many firms have audits allotted through the ICAI-PDC empanelment process.
- Members have attachment with their firm name and do not want to go for Merger or Network due to fear of loss of identity. When client grows bigger, they tend to switch over to a larger firm with an expectation that a larger firm will better cater to the diversified and growing needs.
- Firms that have ventured into newer areas of practice have found success and have been able to scale up.
- Firms that have developed expertise or specialization have prospered.
- Firms that have networked and formed a larger structure have by and large scaled up.

Typical issues related to growth of Indian CA firms

Need is profoundly *Experienced*

- Increasing costs, growing competition, decreasing rate of large value client acquisition and retention, etc.
- Disruption by Technology advancement and ability to invest in Technology initiatives
- High staff turnover, attracting & retaining talent
- Funding growth and working capital
- Inability to offer superior quality and diversified set of services



Need is profoundly *Experienced*

- Pace of legal amendments and ability to advise clients
- Maintaining work-life balance
- Developing next generation of leadership
- Effective staff utilization



What Matters?



- Appearing bigger gives you the added muscle to command higher fees
 - Pooling of capabilities and multi-layered structure enabling possibilities of superior quality of services
 - Focus and specialization through carve outs and center of excellence projects
 - Practice diversity builds resilience and risk management
 - Client proximity through multiple offices
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- Attracting and retaining staff
 - Developing shared knowledge, systems, IPR and shared services helping you free up your time

Larger Structure for... as per ICAI Networking Guidelines

GENERAL CO-
OPERATION

COMMON OWNERSHIP
& GOODWILL

COMMON QUALITY
CONTROL

PROFIT OR COST
SHARING

ONE BUSINESS
STRATEGY

ONE BRAND NAME

CA Firms – Networking Models

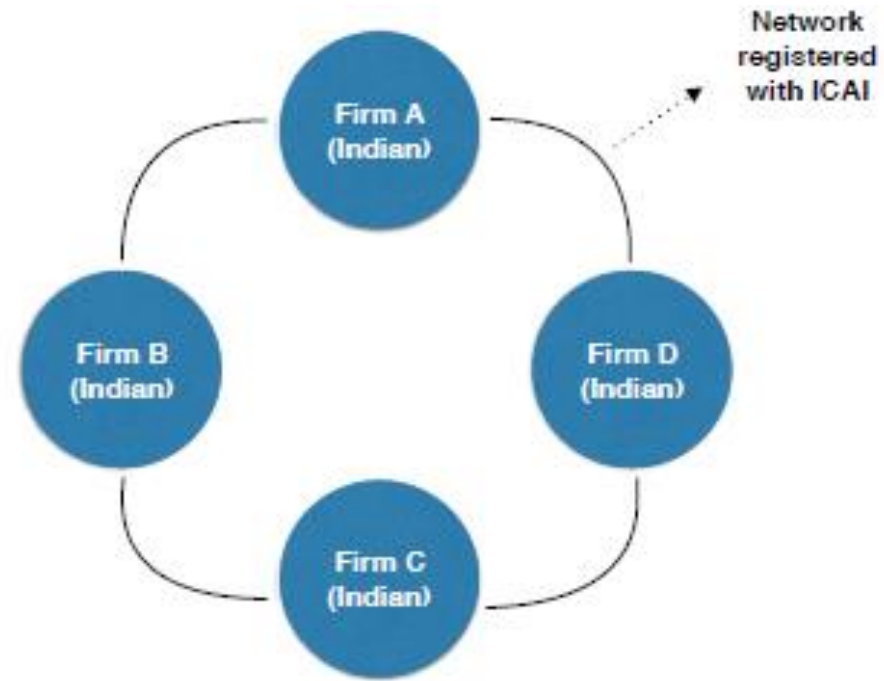


Figure 4.1.: Type 1 Network

Type 1 Network: A domestic network could be formed by CA firms set up by CAs registered with ICAI (see Figure 4.1). The name of such a network must be approved by ICAI. Within 3 months of such approval, the network must be registered with ICAI.⁴²

Source: - MCA Expert Committee Paper

CA Firms – Networking Models

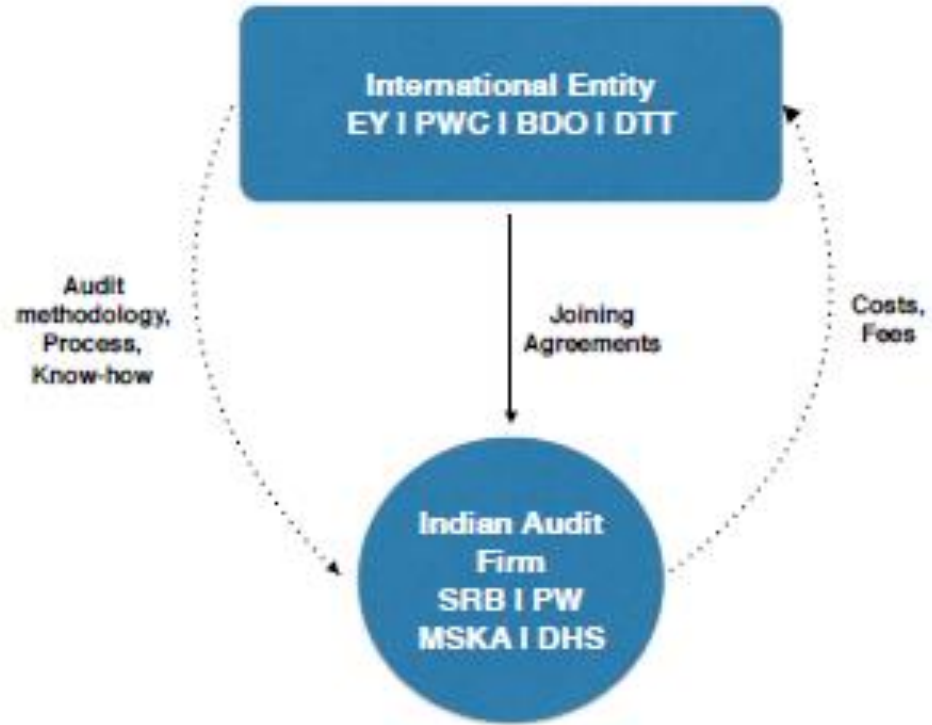


Figure 4.2.: *Type 2 Network*

Source: - MCA Expert Committee Paper

CA Firms – Networking Models



Figure 4.3.: *Type 3 Network*

Source: - MCA Expert Committee Paper

What to look out for?

COMPATIBILITY &
CULTURAL FIT

VALUES &
COMMONNESS

DESIRE TO GROW

COMPLIMENT
ARY SKILLS

REGIONAL
PRESENCE

ENRICHMENT



Compete or Ally

1. Buddy Association to develop growth connects
2. Form alliances with Specialists & Promote with proper fee sharing models
3. Forums to discuss head aches and uphill challenges
4. Develop practice management SOPs and cross review
5. Pooled investments on non-CA firms



Compete or Ally

6. Forming JV for practice development purposes
7. Forming JV for use of assets or resources



Collaborate – Work Jointly on an Activity or Project

- Product or Solution MoU
- Sharing of Resources
- Cross-toss
- Affiliate & Associate
- Merge to create scale & synergies



The way to get started is to quit talking and begin doing.

CASE STUDY



10 Reasons - Why CA firm mergers fail?

Impatience

Staff Transition

- Compensation
- Change of roles
- Expectations mismatch

Communication

Poor
transitioning
plans

Change leading
to loss of Clients

Technology
adoption

Capacity
imbalance

Ego

Firm name

Culture



Thank you

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This contribution acknowledges various public sources of information including AICPA Journals, ICAI literature, MCA and general articles published on WWW.