

FORBES INSIGHTS | 12/01/2015 By: Russ Alan Prince

When Small Accounting Firms Team Up With Other Accounting Firms

The business environment for small accounting firms (five or fewer equity partners; maximum of \$10 million in annual revenues) is difficult. In fact, in a survey of 301 managing partners of small accounting firms, about 70 percent of them expect 2016 to be a less profitable year than 2015. A number of issues, such as staffing and fee compression, are making it harder for small accounting firms to succeed. One of the results of these pressures is a decrease in partner compensation.

A considerable problem is that many small accounting firms are unable to effectively compete against larger or more specialized rivals. Almost three out of five of the managing partners surveyed said there were times when their firms have been unable to address significant business opportunities over the last three years. The solution for many of these firms is to team up with other providers including other accounting firms. Of the managing partners that report missing out on substantial business opportunities, four out of five said they have or are looking to align themselves with other accounting firms.

One solution along these lines is joining a network like the BDO CPA Alliance. When the situation is limited to a single or a few clients, the small accounting firm might choose to work with a peer just on these few clients. "We are periodically called in by other accounting firms because of our expertise at addressing complex estate and income tax planning," says **Daniel Geltrude, Managing Partner of Geltrude & Company and Director of the firm's Family Office Practice.** "When we work on these cases, we clearly understand that we are a resource and that our only connection with the ultra-wealthy client is around the planning. We are sure not to encroach on the services the referring accountant is already providing. Loyalty is critical in these types of arrangements."

It is very likely that a meaningful number of small accounting firms, to remain competitive and be able to grow their businesses, will need to be able to deliver greater expertise than they have in house. The solution is to create strategic alliances enabling them to broaden the services they can provide. Depending on the circumstances, aligning with other accounting firms is the optimal solution.