

# COLLABORATE, CONSOLIDATE & GROW

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By CA Khozema Anajwalla

# Overview

I. Networking & merger guidelines

II. Collaborate, consolidate and grow

# *Networking & merger - guidelines*

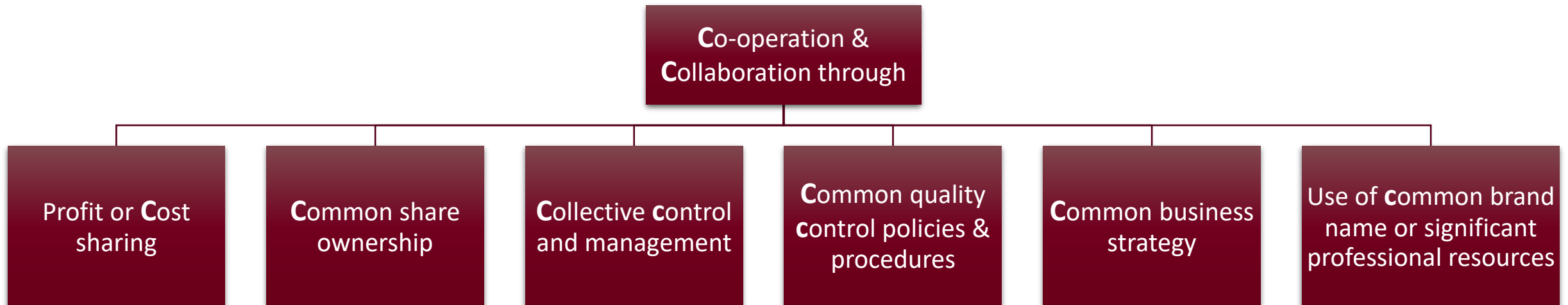
# What is a Network?

- The ICAI has prescribed guidelines for networking and rules for merger and demerger for members and member firms.
- A Network is a larger structure aimed at **C**o-operation and **C**ollaboration. Such structures enhance *a Practioner's Ability* to provide professional services.
- An entity is not treated as an affiliate member of the Network for the mere reason that it shares professional knowledge or refers certain professional assignments.
- However, there are various cases where an entity may be deemed to be a part of a Network. For instance:
  1. Sharing of material costs may lead to the larger structure being deemed to be a Network;
  2. If an entity uses a common brand name or even common initials, then the larger structure is deemed to be a network. This may be evident from various cases; for instance, signing of an audit report under a common brand name;

# What is a Network?

- Sharing of important data, training manuals, audit methodology, technical department and staff would tantamount to sharing of important resources and hence the larger structure would be deemed to be network.

The following chart summarises various ways in which two or more entities can **C**o-operate and **C**ollaborate to form a Network:



# Formation of a Network

- Forms of Network (allowed by the ICAI): Mutual entity, partnership firm, LLP or company (as a management consultancy services company). *In case of a mutual entity, the Network cannot carry out any professional practice.*
- Members: Sole practitioners, partnership firms or any other professional entity permitted under the Act may constitute a network.
- A firm can join only **one** Network. Firms having common partners shall have only **one** Network.
- After deciding the structure and the constituent members, an application should be made to the ICAI for approval of the name of the Network.
- The Network must register itself with the Institute within 3 months of approval, failing which the name shall be cancelled. Registration of a Network with the Institute is mandatory.

# Name of a Network

- The name of a Network shall be suffixed by ‘& Affiliates’ to distinguish it from other professional firms.
- The words “& Co.” /“& Associates” shall not be used.
- Even if a name is approved and subsequently it is found that the same is undesirable then, the said name may be withdrawn at any time by the Institute.
- Mere approval of the name of the Network shall not entitle the Network to carry on practice in its own name. Registration is mandatory.
- The Institute shall reserve such a name for a period of 3 months from the date of approval. It shall be granted to the Network once registration is complete.
- Note: The Network & its constituent members must comply with all the **Ethical Standards** prescribed by the Council.

# Merger

- The Partnership Act does not prescribe merger or demerger of firms. The Institute, to imbibe the **C**onsolidation creed amongst CA firms, has provided guidelines related to merger & demerger.
- Merger is the fusion of two or more existing entities into one.
- Mergers should be effected to develop **C**ore Competencies and to render professional services of a larger range spread over bigger geographical areas. A merger entity will always be superior to a Network arrangement.
- For an orderly & sustainable growth of CA firms, it is desirable that the firms come together commencing with 'networking' and then mature to the step of 'merger'. Networking will enable to develop *working relationships* with each other.





# Demerger

- A demerger may be demanded within a period of **5 years** from the date of merger.
- The **merger agreement** should contain the terms and conditions for demerger.
- In case **75% or more** of the partners of the Merged firm give notice to other partners, then the merged firm shall come to an end. The remaining partners, if desired, may continue through a fresh Merger Agreement.
- The demerged firm is entitled to practice its **old trade name**, which existed at the time of merger.
- The Constitution Certificate issued by the Institute to the demerged firm shall state the original date of establishment, date of its merger and date of its demerger. For the purpose of **seniority**, the total period from the original date shall be reckoned.

*Collaborate, consolidate and  
grow*



# Business | Vision & Alignment

- Does your current organization have a **vision and mission** statement?
- Do you work or intend to do so towards a **C**ommon and aligned goal and direction?
- Does your current organization have some **perennial problems** which have remain unresolved? What do you intend to do as regards the same? Do you really want to solve them at the soonest?
- Do you trust your partner/partners? Do you have confidence in their strengths and **C**apabilities?
- Do you think **alike**? If not, do you deliberate? Do you resolve conflicts? Do you come to a common understanding? Do you accept each other's comments, suggestions whole-heartedly?

# Business | Entrepreneurship & Innovation



- Are you ready to **C**HALLENGE and **D**ISRUPT yourself?
- Do you want to lead your existing firm by following the ‘lead from front philosophy’?
- Do you strategize and create brimming ideas from time to time? Do others do so within the firm? Yes that’s great. The key is how well do you **execute**? How well do you **implement**?
- Are you a proprietor? Do you intend that you want to partner with like-minded professionals?
- Do you know what it takes to be in partnership with others? Do you have the courage to perform for the **C**OMMON good and **C**OMMON goals and achievements? Are you ready to be led and where necessary to lead an area that best suits your abilities as opposed to the proprietor mind-set of ‘BE ALL – KNOW ALL’?
- Have you felt the urge to **reinvent** yourself as a professional and the profession as a whole?
- Do you feel the threat of **survival**?

# Business | Market & Customers



- Are you **CLIENT-CENTRIC**?
- Do you want to provide services to all and sundry or do you have a **Choice of Category of Clients**?
- Are your clients shouting for help in various facets? How much help are you able to garner on your own? If you can render assistance for one or two aspects – what do you do about the rest?
- Have your clients requested for varied services from time to time? Have you been able to fulfill these services yourself?
- Have your clients made you feel that as they are growing larger in size and expanding nationally and globally and thus hinted to you that they would need their advisory firm with a larger positioning and capability in most of the service offerings – suggesting the requisitioning for a **full service firm**?
- Have your clients continued to request you to reduce your professional fees rather than provide an increase? Have you questioned yourself why? Are you not able to deliver and they are being nice by not asking you to move on and are getting most of their advisory needs serviced by others? Are you not able to cater to their **ever-increasing demands**?



# Business | Product & Services

- Do you offer services that the market needs? Have you thought of turning these offerings into a **PRODUCT**?
- Are you a specialist? Can you CROSS your heart and truly respond to this question? If not, what is it that you are TOO GOOD AT? What is your strength? What do you want to do with this **strength**?
- Are you distinctive in each service area? Are you **distinctive** in any focused area? The normal response to this question without an exception would be YES. **Is that true?** Then what should your question be? Shouldn't it be what is your real **differentiator**? That clients have trust in you, that they have confidence in you, that you have great and knowledgeable partners, that you are swift in providing responses, that you have a great culture? Are these your distinctive points?



# Business | People

- Are you **PEOPLE- CENTRIC**?
- Who should have an answer to these questions and many more that you raise? Have you ever shared your thoughts with the 'to be leaders' or '**NEXTGEN**' leaders of your firm? Have you ever made efforts to seek opinion from these folks for operational, functional, technical, administrative, technology aspects?
- Do you have like-minded partners, NextGen leaders, young, dynamic and enthusiastic go-getters? If not - do you feel that this **team combination** is a pre-requisite for a committed effort to provide an unparalleled service proposition to clients and to support the profession?
- Are you open to **listen** to suggestions and follow them in the true professional spirit?

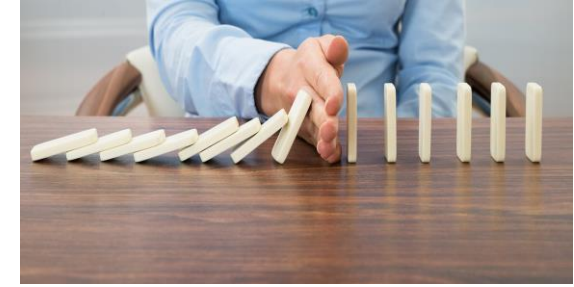


# Business | Growth

- Is your business model scalable? If not; do you think **scalability** is essential and a must for growth?
- Have you felt the need to expand to different **locations** within the country? Have your clients requested help from you in different locations? Are you able to provide such services in the requested locations?
- Have your clients discussed the expectation of more efficiencies and **investment** by you in appropriate resources and if yes; what have you done when faced with these questions?
- Do you feel that you have the expertise to bid for **larger engagements** but lack the size and the strength to pitch for the same?
- Have you done an **introspection** to check whether your firm is doing well? If yes, is this consistent or erratic? Is it on a downhill? If yes, how do you know? Have you ever calculated realization on each engagement? Have you measured firm productivity? Do you know whether you have spent lesser time year after year audits or vice versa? Have you found the reasons for either? Have you taken a deep dive into the performance of yourself, your employees, your coworkers, partners? Have you questioned each other's contribution and challenged one another for performance?



# Business | Disruption



- Do you have the desire and yearning for **forward thinking** and **future learning**?
- Do you have the desire and yearning for becoming or leading the mission to be a **game-changer** for the profession?
- Yes you have the entrepreneurial adrenalin within you and that's why you are running a practice – small or medium – now question your self – are you willing to **innovate and stay ahead** of the CURVE while keeping your entrepreneurial and AGILE edge?
- Is your firm ready to deal with the ever changing and ever evolving technology needs? Do you perform audits manually? How will you face the technology wave which has been hitting you hard for years but nearly destroyed your confidence during this pandemic when you were not ready for the same? Will you be able to service your clientele with the **new demand in technology**?
- Are you ready to fight a fierce and strong war with your **thoughts, habits, mannerisms, work style and accept change** and be part of the global disruption?

# Merger....Yes! What Next?

1. Document the merger with necessary terms and conditions followed by execution of the agreement and most important step thereafter – FOLLOW IT to the fullest. No COMPROMISES at all. Decision making, governance parameters, roles, duties, responsibilities, accountability, timeliness and several other attributes should be well-defined. Avoid ambiguity. There is surely a need of a managing structure. Everything cannot be run on **CONSENSUS**. Select your leader and then **TRUST**. Learn to look at the larger picture and do not micro-manage.
2. Practice daily by reminding yourself that you are no longer 'I'. '**WE**' is your motto, strength and success methodology. Put it into action on DAY ONE – there is no tomorrow for this aspect. Delete the word BUT from your vocabulary and communication.
3. Efficiency and effectiveness at all levels. This should be PRIORITY. The moment you treat it with non-priority – it will be counter-productive. You need to make it COUNT to make it work.
4. Work towards harnessing the synergies in growing revenues, minimizing costs, completely deleting duplicative costs, learn to obtain benefits from a common pool of resources, learn scheduling, invest in technology and set goals to achieve these in the order of chronology that is best suited to the merged firm and **over a period of time**.
5. Learn to **leverage** and always be careful in the communizing the billing rates for varied levels – you have merged not to demerge because of these inconsistencies and follies.

# Merger....Yes! What Next?

6. Commence to work on a few clients and slowly and steadily make larger moves.
7. Share market data, market intelligence, client relationships, client contacts, introduce your partners to your network for a win-win situation, think **C**CROSS SELL and develop a tool whereby all key management personnel are aware of the important aspects of the firm on a regular basis.
8. Never get into a situation that two partners of the same service line end up at a **P**ROSPECTIVE **C**LIENT at different times or same time to **P**ITCH for the firm. You would have miserably failed altogether even before you started off.
9. Key is **C**OMMUNICATE, **C**OMMUNICATE, **C**OMMUNICATE and keep all well informed.
10. Learn to **C**COURSE **C**CORRECT as often as necessary. This is another key to remaining **C**CURRENT all the time.
11. Never bring your baggage of problems from your erstwhile firm to the merged entity with a thought that these issues will resolve on their own when they get mingled in the large ocean. Clean up operation drive should have been completed **P**RIOR to entry into the new set-up. You are the best judge of those issues and it is best that the old and dirty linen is not washed in the new atmosphere.

# Merger....Yes! What Next?

12. Learn to **C**ONTRIBUTE for the **C**OMMON good. Participate and do not sit on the fence.
13. Trust your partners and have confidence in them. Make your point without the **professional EGO**. Never try to prove a point as a reaction.
14. Learn to be ALWAYS **P**ROACTIVE and never reactive.
15. Spend quality time to understand each other, be observant of how others perform the engagement/task at hand, imbibe the ways that help you improvise.
16. Learn to be **P**ATIENT, ACCOMODATIVE and do not AUDIT each and everyone's moves or work ethics or be on the PROWL for finding errors or mistakes. Remember; you have decided to **C**OLLABORATE, **C**ONSOLIDATE AND GROW.
17. Learn to be **C**OMPASSIONATE.
18. Offer suggestions, make comments with a **P**OSITIVE outlook and not by giving examples and or naming your colleagues due to which you had to come up these recommendations.

# The 3Ps for growth and...success

**P**assion

**P**ersistence

**P**erseverance

# Thank you

*Email: [khozema.anajwalla@knavcpa.com](mailto:khozema.anajwalla@knavcpa.com)  
+91 9820199196*