

# INSIDE Public Accounting

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May 2008

Volume 22, Number 5

## Association Executives Weigh In On The “Association” Versus “Network” Debate And Staying Relevant

Intense scrutiny on accounting associations and networks is resulting in a similarly hard look inward.

Firms that are members of accounting groups have been weighing the risks and benefits of being included in an accounting network – with unified branding, a centralized governance structure and common procedures – versus an association of independently owned and operated firms united by the desire to share ideas, training and other resources.

Leaders at **IGAF Worldwide**, **Leading Edge Alliance** and **Moore Stephens North America** – all keenly aware of the potential impact of developing guidance from regulators and pending litigation – say their associations have reviewed or changed their governance structure, marketing materials and bylaws to ensure it is “eminently clear,” as one said, that they are associations and not networks.

In fact, **IGAF Worldwide** was heading toward becoming a network four years ago, with the idea that member firms, particularly those in Europe, could jointly market themselves as IGAF Worldwide firms. “We were thinking of going down that route, but when the risk side of that equation then increased because of those issues around

vicarious liability and independence checks and all that, the risks outweighed the opportunity for us,” says Executive Director **Kevin Mead**.

North American Board of Directors Chairman **Ken Baggett**, who is also MP of the Bethesda, Md.-based **Reznick Group**, says: “We literally did an about-face and pulled back.” IGAF Worldwide leadership has spent the majority of its time over the last 18 months on the association versus network issue,

*IGAF has completely rewritten its membership standards and the boards in the individual regions handle decision-making. “We wanted to make sure it wasn’t just window dressing on our part,” Mead says, but that the governance structure truly reflects an association, not a network.*

which was examined by law firms in the U.S., Europe and Canada, all recommending that a network affiliation was too risky. In fact, Reznick, which is the largest firm of the 46 in IGAF North America, drove some of the debate, Baggett says. “We said, ‘We can’t live with this, we’ll have to withdraw from the affiliation.’”

Mead now jokes that IGAF doesn’t even use the word “networking” to describe what happens when member firms gather. “We don’t network; we exchange ideas.” If IGAF had decided to go the way of a network, a number of members would have felt that they were giving up autonomy and opening themselves up to risk, Mead says. If member firms feel “unsafe,” he says, “you’re sunk.”

Unlike IGAF, the **Leading Edge Alliance** (LEA) did not discuss the possibility of a network structure to present a united brand internationally. LEA was formed in 1999, and the 140 member firms in the group are all large – the average size is \$27 million – and well established in their communities, says President **Karen Kehl-Rose**.

**Steven E. Sacks**, Executive Director of **Moore Stephens North America Inc.**, says, “We have to make sure that it’s eminently clear to member firms, and the users of the services of member firms, that the firms are independently owned and operated. They just belong to an association to help them improve service and their knowledge base and to better serve their clients.”

**Changing With The  
Times To Address  
Member Needs**

If the litigious nature of the profession doesn’t keep these association leaders awake at night, it at least gives them pause. The more immediate issue all accounting associations face is staying relevant to member firms, staying ahead of upcoming challenges and providing services the firms can use to improve their businesses.

Baggett says firms are looking for specifics. They say, “ ‘I’ve got a business and I want to run it better and therefore I really need concrete information about that.’ They want to be able to drill down and talk to other MPs, who have either been successful or who have failed.”

Leadership development is a huge issue throughout the profession, with its worker shortages and the upcoming wave of baby boomer retirements. At IGAF, consultants are helping firms with an association-wide partner leadership program, a women’s initiative and a young leader development program.

Sacks says Moore Stephens firms are exchanging ideas on how to create the right environment and the right career paths for their employees. “Identifying future leaders is easy, it’s keeping them in the firm that’s a different story.”

LEA has created more than 90 special interest groups that provide constant feedback on a range of issues, leadership development included, Kehl-Rose says. The interaction is useful because firms are similar in size, service offerings and growth. "They all have a lot in common."

When Kehl-Rose looks at the association versus network issue, she said it will be interesting to see how networks will meet mandates of the International Federation of Accountants (IFAC) and AICPA. The formal public process of defining accounting networks has generated discussion about common brand names, mandatory quality control procedures and the independence requirements applicable to network firms. Kehl-Rose questions how networks can guarantee that member firms are following the same requirements and quality controls. "I don't know how you do it. I'm glad I don't have to do it, put it that way."

Baggett predicts that in 10 years, networks will still exist, but they will be limited by size and geography. "I would not join a network that was made up of 150 firms. I don't think there's any way you can take the liability concerns you have in a network and not be in a very, very controlled group."

Sacks says, "At the end of the day, if you're the user of a CPA service, do you really care if it's an association or a network? You really care that the service provider is competent, understands the rules and has an ethical underpinning. That's what it really comes down to." ■

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