



# PRACTICE DEVELOPMENT STRATEGIES

CA Jiger Saiya

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# AGENDA





# CHANGING SCENARIO





# CHANGING SCENARIO

## Practice Dynamics...

### BUSINESS DYNAMICS

- Indians looking to set up abroad
- Foreign companies increasing investments in India
- Favorable fund raising jurisdictions
- Expansions in Europe and other emerging countries
- Protecting and valuing Intangible properties

### EVOLVING REGULATIONS

- Direct tax code, GST
- Sector specific regulations such as Insurance bills, etc
- Exchange control policies
- BEPS, International tax
- FATCA
- GAAR
- Solutions under one regulation may not fit in other regulation



# CHANGING SCENARIO

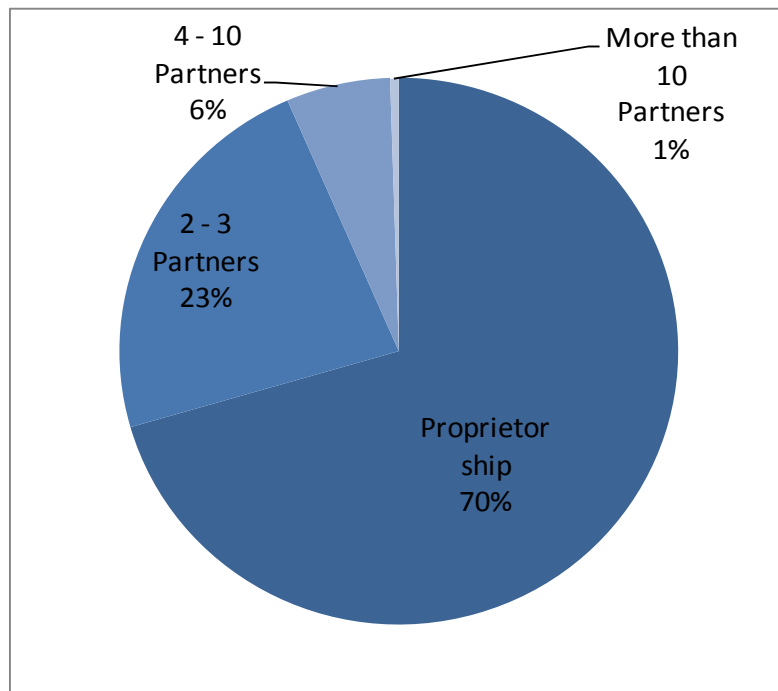
## ...Practice Dynamics

### CLIENT PREFERENCES

- Talk to expert
- One-stop-shop
- Holistic analysis
- Packaging important
- Commercial perspective
- Global support
- Effective communication - globally

# CHANGING SCENARIO

## Key Challenges



STRENGTH OF ACCOUNTING FIRMS

*%s are approximate*

- Partner driven and not team driven practice
- Ever-changing relationships
- Lack of specialized knowledge
- Update on regular basis
- Knowledge Management
- Best practices
- Lack of risk assessment
- Succession issues
- Geographical scalability
- Sector insights



# PRACTICE AREAS

## Conventional Services

### AUDIT & ASSURANCE

- Statutory Audits
- Internal Audit
- Concurrent Audit
- Tax Audit
- VAT Audit
- Management Audit
- Stock Audit
- Special Audits

1

### DIRECT TAX

- Corporate & Personal tax Compliances
- Transfer pricing compliances
- Representations and litigations
- Compensation structuring
- Capital Gains
- Advisory on tax incentives

2

### INDIRECT TAX

- Multi State VAT Services
- Taxation of Goods & Services
- Foreign Trade Policy
- Customs Duty Assistance
- SEZ Compliance & Advisory
- STPI & EOU Compliance & Advisory
- Representation & Litigation Support

3

### ACCOUNTING SUPPORT

- Bookkeeping
- Management Reporting
- Payroll Processing
- TDS Management
- Project Report for Bank Loans

4



# PRACTICE AREAS

## New Products

### DIRECT TAX

1

- Cross Border Taxation
- Structuring Inbound/ outbound investments & income
- Effective Tax Rate (ETR) minimization strategy
- Human Capital Services
- Information Exchange compliances
- Value Chain Advisory
- BEPS Advisory

### INDIRECT TAX

2

- Health Checks
- Contract structuring
- International Transaction Advisory
- Location specific strategy for setting up new business/ industry in India - Special Incentive Schemes
- Supply Chain structuring
- Outsourcing and Compliance

### ACCOUNTING SUPPORT

3

- IFRS & US GAAP Reporting
- Fraud Investigation
- Forensic Accounting

### ADVISORY SERVICES

4

- Exchange Control regulations
- Due diligence
- Valuation

### BUSINESS ADVISORY

5

- Business Plan Forecasting- Structuring-Implementation & Review
- Project Finance
- Implications/Assessment
- Business Viability Studies
- Project Performance & Management Studies
- Litigation Support / Arbitration
- Financial Strategy





# PRACTICE AREAS

## Emerging Avenues

### RISK ADVISORY SERVICES

1

- Standard Operating Procedures
- Performance Improvement Studies
- Enterprise Risk Management
- Corporate Governance
- IT Advisory
- ERP Advisory & Implementation
- Forensic Advisory Services

### TRANSACTION ADVISORY SERVICES

2

- M&A, JV and Hive-offs- Structuring, Negotiation, Documentation & Implementation
- Corporate Restructuring
- Corporate Finance & IB
- Capital Markets
- India Entry Advisory & Support

### OUTSOURCING

3

- Treasury operations
- Business Process Outsourcing
- Knowledge Process Outsourcing
- Legal Process Outsourcing
- Audit assistance
- Accounts Receivable / Payable Management
- Design / Set up of accounting systems

### CROSS FUNCTION ADVISORY

4

- Project Structuring
- Transfer Pricing & Custom



## PRACTICE AREAS

### Presently Untapped

- Consulting initiatives in the Enterprise Risk Management (ERM) framework,
- Global political risk assessment with the political risk advisory firm
- Actuarial Management Solutions Actuarial covers mainly 4 areas: pensions, life insurance, non-life insurance, and investments.
- Information security and privacy, data quality and integrity, project risk, business continuity management and IT control assurance
- Dispute, personal and commercial bankruptcy, forensics, e-discovery, document review, advisory, capital projects consulting
- Corporate Social Responsibility
- Private client practice
- Asset restructuring / turnaround strategy



# GENERALISATION VS SPECIALISATION



# GENERALISATION vs SPECIALISATION

## A Tough Choice

### GENERALISATION

#### Benefits

- Broader Perspective
- Ability to comment on various aspects
- Adaptability
- Larger Target Audience

#### Limitations

- Jack of all traits & master of none scenario
- Lack of Focus
- Ambiguity /Vagueness
- More Competition

### SPECIALISATION

#### Benefits

- Produces Excellence
- Complete Mastery over subject
- Leads to division of labour
- Enables higher level of productivity
- Lesser Competition

#### Limitations

- Narrow range of endeavor
- Repetition/Monotony
- Question of Long -term Sustainability
- Smaller Target Audience



# INTERNATIONAL AFFILIATIONS






# INTERNATIONAL AFFILIATIONS

## The Scenario

- An International Network is an association of independent accounting and consulting firms from different parts of the world
- Through this association, the member firms share resources- from practice management solutions to marketing initiatives, client referrals and staffing concerns
- Currently, the landscape of Affiliations seem as under:



Big 4s



Network -  
1 Firm Per Country



Network -  
Multiple Firms Per  
Country



# INTERNATIONAL AFFILIATIONS

## The Scenario

Network/ Association	Revenue (Bn USD)	No of Offices	No of Partners
• Deloitte	32.40	896	9,538
• PwC	32.09	749	10,002
• Ernst & Young	25.80	709	8,244
• KPMG	23.42	700	7,677
• BDO	6.45	1,264	4,111
• Grant Thornton	4.52	498	2,500
• RSM International	3.71	732	3,113
• Mazars	3.50	400	2,998
• Baker Tilly	3.40	738	2,576

\* Numbers reported for 2014  
Source: Public data / Web sites



# INTERNATIONAL AFFILIATION

## Indian Firms - Professional Opportunities

- Indian Firms, being part of an International Network, get the opportunity to **network** with firms across the Globe
- International Affiliation brings in referral work amongst member firms:
  - **Inbound** Referrals : Member firms refer work to the Indian firm
  - **Outbound** Referrals : Indian firm refers work to the Member firms
  - **Joint** Work: Indian firms could work with Member firms on cross border transactions
- Indian firm can provide better services to its clients in terms of a **holistic and a one stop shop advice** on international transactions
- International affiliation brings in **better visibility** to the Indian firm
- Indian firm would be in a position to capitalise upon the branding of the global network, which would translate to **better billing rates**





# INTERNATIONAL AFFILIATION

## Benefits

- International Affiliation provides an opportunity to **network with peers** in other countries
- Work involving cross border jurisdictions gives an exposure to a wide **spectrum of clients and overseas regulations**
- Affiliation facilitates development and usage of **Audit tools** that are commonly used across the world
- Member firms are able to **share knowledge and other resources** (marketing material, software licenses, manuals etc)
- Access to global **conferences & trainings**
- Adoption of the Network's **proven system** and **best practices**
- Employees are provided with an opportunity to work outside India on **secondment** assignments



# INTERNATIONAL AFFILIATION

## Key Requirements for a Network ...

### Local Presence

- Global networks prefer a single firm presence in the local market as opposed to multiple firms
- Preference to firms having presence in key geographies in the local market

### Service Verticals & Levels

- Member firms should be in a position to provide the minimum core services i.e. Audit, Tax and Advisory
- Quality services at a reasonable turnaround time

### Infrastructure & Setup

- Networks require firms to invest in infrastructure such as office space, information technology, human resources etc



# INTERNATIONAL AFFILIATION

## Key Requirements for a Network

### Broad based Partnerships

- Firms are expected to have partners having expertise across a spectrum of verticals

### Risk Management & Insurance

- Member firms should ensure that they have adequate risk management and insurance provisions at a local level

### Internal Governance

- Member firms are expected to observe a high standard of integrity, independence, professionalism and ethics



# INTERNATIONAL AFFILIATION

## Challenges

- Member firms are mandated to refer assignments to member firms within the Network; which may translate into an additional cost for the client
- Even though the Indian firms may not legally bound by the work carried out by the other member firms, they may still be accountable for such services to the Indian clients
- Most networks may not turn out to be effective, including involving a long gestation period
- The cost incurred to be a part of the network may not be commensurate to the benefits derived being a part of the network





# INTERNATIONAL AFFILIATION

## Regulations - A snapshot

- The ICAI has issued Guidelines for Networking for firms registered with ICAI
- The definition of 'Network' under the said guidelines is as follows:
  - A larger structure
  - Aimed at co-operation
  - Aimed at profit, cost sharing or
  - Shares common ownership, control or management, quality controls policies and procedures, business strategy, brand name or a significant part of professional resources
- As per the said Guidelines, the Indian firm constituting a networking arrangement with an entity outside India has to file a declaration in Form D with the ICAI within 30 days from the date of entering into such arrangement
- Indian member firms to continue to comply with all the ethical applicable standards prescribed by ICAI



# INTERNATIONAL AFFILIATION

## General Perception and Current Scenario ...

- Under the ICAI regulations, Indian firms registered with the ICAI are permitted to carry out attestation and regulatory functions
- Further, such firms are subject to the standards and guidelines issued by ICAI from time to time
- The Code of Ethics issued by the ICAI does not permit any practising member to pay or accept any share, commission or brokerage or profits of a professional business from any person who is not a member of the ICAI
- ICAI registered firms are restricted from paying referral fees to member firms
- Accounting firms have come under ICAI's scanner in recent times as a fallout of one of the largest scam of an Indian IT service provider



# INTERNATIONAL AFFILIATION

## Competition Landscape

- Multinational Clients prefer to work with a single service provider globally, which means significant work of multinational is not open to competition in each country
- On assignments where there is no compulsion to work with a service provider, the competition tends to get compartmentalized as under:
  - Choose from one of the Big 4s
  - Opt to work with Global Firms outside the Big 4
  - Choose to work an domestic Firm
- Competition is intense in all the 3 segments which means fee rationalization, pushing up quality and deliverables



# PRACTICE MANAGEMENT ... IN CHANGING TIMES





# PRACTICE MANAGEMENT

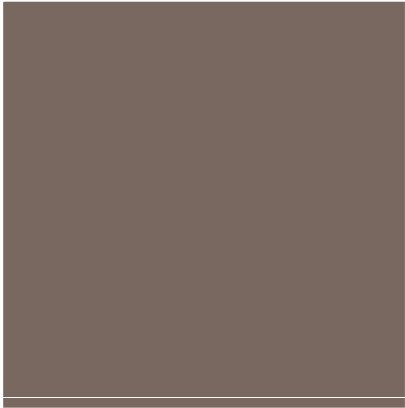
## Changes & Challenges



### CHANGES

- Evolving Technology
- Newer & complex business models
- Dissolving borders for cross border business
- Newer regulations
- Increasing compliances
- Information Exchange amongst Regulators

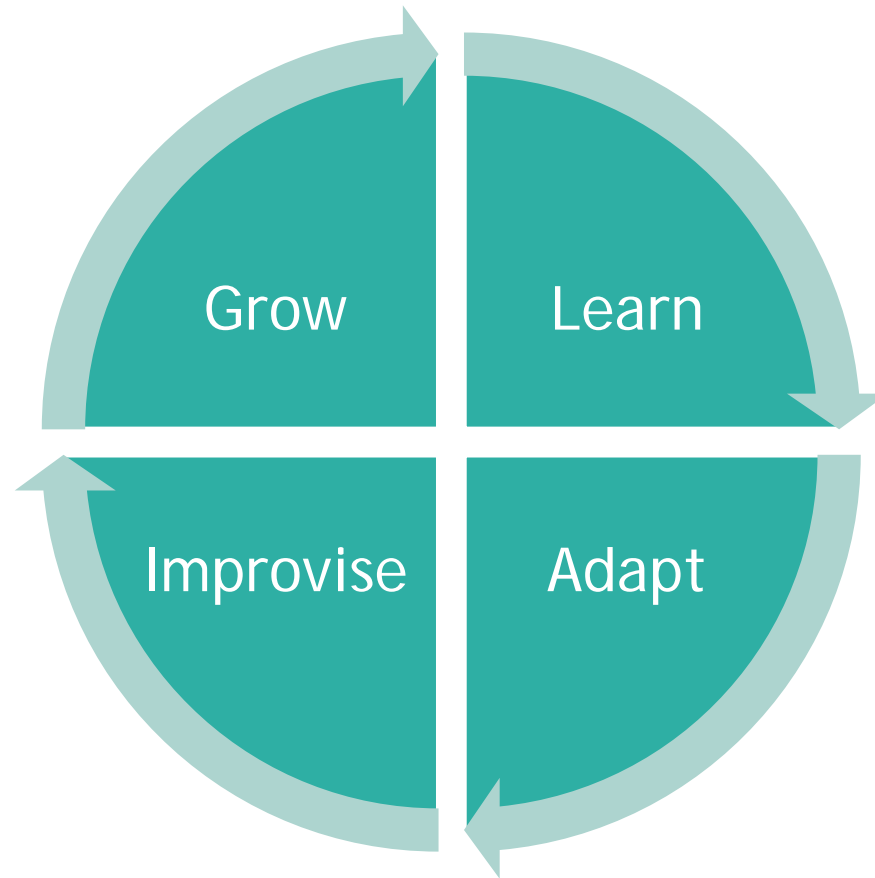
### CHALLENGES

- Local demand for Global expertise
  - Higher knowledge thresholds
  - Greater client expectations
  - Fierce competition
  - Mergers & Consolidation
  - Institutionalise Practice
- 



# PRACTICE MANAGEMENT

## An Ongoing Process



**THANK YOU**

**CA JIGER SAIYA**

Contact details

e: [jigersaiya@bdo.in](mailto:jigersaiya@bdo.in)

t: +91-22-24393600

m: +91-93-23108666

