

Foreign contacts

The global marketplace means SMPs have to follow their clients into the foreign fray and move out of their comfort zones

By Robert Colapinto

Illustration: Michelle Thompson



When Richard Purcell retired in 1999 after a 30-year run at national firms and a successful small Vancouver practice, he worried about going to the dogs. So he agreed to keep his hand in by accepting a consulting position with a small 12-firm association of CAs that was trying to figure out how to support the overseas aspirations of small to medium-sized accounting practices (SMP) and their small to medium-sized enterprise clients (SME). It was to be a hobby of sorts: golf,

bridge and drinks with the guys, chewing the fat over how to extend the small practitioner's reach. Today, Purcell is being happily run ragged as administrator of the Americas, Asia, Australia division of what is now Integra International, an alliance of 128 accounting and consulting firms with representation in 70 countries.

Something is afoot. The increasingly interconnected global economy is clearly influencing where SMEs do business. Yet, despite the growth of Purcell's alliance, it seems the SMP sector may not be adapting quickly enough to its SMEs' interest in the world marketplace. A recent study determined that almost 75% of its surveyed SMPs have clients with some exposure to international commerce, yet only one in five SMPs are offering their SMEs services related to becoming global players. A curious inconsistency. If it is based on SMPs' belief that they do not have the expertise or resources to effectively represent their international clients, there are tools at hand offering concrete solutions to entry into foreign markets that should instill confidence not only in SMPs but also their clients.

The survey was produced by the Edinburgh Group, a coalition of 14 accountancy bodies from around the world — including CGA Canada. Entitled *Growing the Global Economy Through SMEs*, the report estimated that 95% of all worldwide enterprises are SMEs. With three-quarters of that commerce international in scope, SMPs have much to gain if their global ambitions mirror those of their SMEs. If their aspirations do not coincide with their SMEs, says Purcell, "you're probably going to lose a client if they feel you're just keeping your blinders on and not expanding your horizons. Poof, they're suddenly gone and you wonder, Hmm, why?"

Andrée Lavigne, SMP national practice area leader at CPA Canada, is convinced this scenario can be avoided by SMPs availing themselves of one or more of the many formal SMP international alliances, networks and one-off firm-to-firm contractual relationships SMPs can access with a simple call or click of their computer mouse. It is not possible for an SMP to know everything; the volume of information is just too great, notes Lavigne. A large firm would go to its branch in the other country. An SMP must go to a network — formal or informal.

DFK Canada Inc. is Canada's top-ranked association of independent accounting firms. It is part of a wider global association, DFK International, which includes 212 firms and 386 offices world-wide. Nonprofit, with dues-paying independent members, it provides a conduit to the wider world of

business. These networks of closely vetted SMPs allow any member of the consortium to call on the technical expertise and business advisory of professionals familiar with the foreign market the SMP's SME is looking to access. "Many also offer professional development, education, conferences and the like," says Lavigne. "You connect. You learn. You expand your abilities and expand your reach beyond our borders."

Despite its size, the 80-person-strong WBLI Chartered Accountants of Halifax also takes advantage of internationally networked accountants. Indeed, its managing partner, Kirk Higgins, is DFK Canada Inc.'s president. He and other Canadian members evaluate SMP applications to DFK, visit the prospect's offices and either accept or deny membership based on its ability to service the needs of member SMPs and their clients. Higgins is convinced that without a far-reaching network, it is near impossible for a non-Big Four firm to assist customers on complex issues of foreign risk, compliance, tax requirements and any number of overseas business issues. "I got back in July from DFK's annual conference in Tokyo," he says. "One of its main purposes was to get to know my fellow members. So when it's required to draw on their expertise or when a client has a matter in one of their jurisdictions, you can actually go to that member and say, 'This is our client, these are their issues, how can you help us out?'"

For Lavigne, this type of resource and interconnection with the globalized world should allay many of the SMP/SME fears that seem to be at the heart of the Edinburgh study's revelation about SMP inactivity in foreign territories. By their very size, she says, SMPs are hard pressed to develop the depth of specialized knowledge in foreign exchange and currencies risks, international banking and investment funding and foreign regulatory regimes. It is an expensive and time-consuming proposition for SMPs to acquire these competencies. As Lavigne notes, an SME typically has a close and trusting relationship with its SMP. The SME will go to the SMP for continuity when it begins in a foreign venture.

The confidence of SMEs in their SMPs is bolstered by their associations' ability to monitor and alert SMPs to new international business opportunities that may be of interest to their clients. Most international associations maintain databases that store members' past interactions in foreign markets. As new opportunities arise that fit past needs of a particular SMP/SME relationship, the SMP can request a notification of potential new business for its client from local association members working in the targeted region. The SMP can assess the opportunity's applicability to its SME and move forward based on its investigation and consultation with association members. Therefore, rather than being reactive to an SME's needs, the SMP is out in front, providing timely information and value to its globally minded client.

"Our clients are very much more sophisticated when dealing with international situations now," says Michael Adams of Vancouver's Adams & Wong. "Whether it's partnering with groups in Korea that want to do real estate ventures in Canada, or work from the US, we've had to grow with them." Along with partner Dickson Wong, the five-person firm specializes in strategic tax planning and consulting for privately held enterprises, including the domestic and international real estate sectors. The reason, he explains, is that technology — email, Twitter, the cloud, electronic filing and data searches — has made the world smaller and more accessible. "Information is just so much more available now, and so people are understanding and wanting to understand what's happening in other parts of the world. So they place their monies in the places where the highest opportunity is," he says. "With information so much better, that money moves, capital moves and people move so much more easily than they ever have in the past."

And with this movement, the SMP must become more agile and forward-looking via its interaction with its strategic networks, says Pasquale De Civita,

managing partner at Montreal's De Civita Haubenreisser CPA (DCH). "I truly believe the CPA 10 years from now should be one who is global-minded, one who understands different cultures and understands different business practices; and one who is not narrow-minded, but visionary. This is the CPA of the future." DCH's two-partner practice specializes in accounting, tax and consulting services to Canadian subsidiaries of European corporations. As well, DCH relies on strategic alliances and contacts with both the European business community and its governments to ensure the firm develops and maintains up-to-date information on present and potential clientele. DCH has the dual task of recognizing how the European parent company operates under its native regulations and compliance standards and helping it adapt to Canadian practices. "One of our most important roles is to help local management here in Canada understand the business philosophy of the foreign parent company," he says. A simple, but important, example is DCH's understanding that salaries in Europe are traditionally paid on a monthly net basis; the parent company must configure its Canadian payroll, tax and benefits based on annual gross salaries offered to personnel in the new subsidiary. "The foreign companies are not here, they're in Europe," he says. "So they rely on our professionals very heavily. They need a trusting relationship that they know is ahead of the curve."

The key for Purcell is for SMPs to understand that the complexities of the global marketplace are, indeed, daunting but can be overcome by developing effective relationships abroad. More and more SMEs are joining the global business community and the SMPs have little choice but to follow their clients into the fray. "It's inevitable," he enthuses. "More than ever, people have to do work beyond their normal boundaries and therefore out of their comfort zones. Accountants always want to learn, so they should relish this challenge."

Robert Colapinto is a freelance writer based in Toronto