

Networking Guidelines

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Over the years, our Members have adopted different models of practice viz.

1. Practice in individual name
2. Practice as a sole proprietary firm
3. Practice as a partnership / Limited Liability Partnership firm
4. Merger of two or more firms
5. Network firms

PRESENT PRACTICE SCENARIO

1. Majority CA firms are small sized firms.
2. A large number of firms have confined practice to audit and Taxation
3. Many firms have audits allotted through the ICAI-PDC empanelment process.
4. Members have attachment with their firm name and do not want to go for Merger or Network due to fear of loss of identity.
5. When client grows bigger, they tend to switch over to a larger firm with an expectation that a larger firm will better cater to the diversified and growing needs.
6. Firms that have ventured into newer areas of practice have found success and have been able to scale up.
7. Firms that have developed expertise or specialisation have prospered.
8. Firms that have networked and formed a larger structure have by and large scaled up.

ICICI Bank is having Currency Chest at 35 Locations Pan India. They want physical verification of cash to be done by a Chartered Accountant at all the location within a time frame of 30 days.

FEES 30 LACS

Fixed Asset Verification

Fixed Asset Tagging

Inventory Verification

Representation with Tax Authorities

Client with working sites at multiple

locations

ALLIANCE MODEL

The Alliance Model is a collaborative framework where firms come together under a new alliance name while maintaining their independence.

Key Features:

Independent Operations: Each member firm retains its individual identity and practices independently.

Alliance Branding: Firms can use a common name with a suffix such as “& Alliance” (e.g., ABCD & Alliance).

Mutual Cooperation: The alliance enables firms to showcase their combined strength and leverage shared resources.

Non-Audit Services Focus: The alliance primarily aims to pool resources for non-audit assignments like consultancy, taxation, and other professional services.

IDEAL FOR

Firms that value their independent identity but seek collaborative advantages.

Firms looking to showcase collective strength without merging their operations.

NETWORK MODEL

The Network Model is a more integrated structure where firms operate under a unified network name and follow common policies and practices.

Key Features:

Unified Branding: All firms in the network operate under a single name, such as “XYZ Network” or “XYZ & Affiliates.”

Shared Resources: Member firms pool knowledge, infrastructure, and technology, enhancing operational efficiency.

ICAI Registration: Networks must register with ICAI and are allotted a unique Network Registration Number (NRN).

Quality Control: Standardized policies, methodologies, and quality controls are implemented across the network.

Collaborative Operations: The network enables member firms to serve larger clients with wider geographical reach.

IDEAL FOR

Firms willing to integrate more closely for a common brand and policies.

Firms looking to enhance their market visibility and credibility through shared branding.

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LEAD FIRM MODEL

The Lead Firm Model combines elements of the Network Model with a centralized leadership approach, where one firm takes charge as the lead.

Key Features:

Centralized Leadership: A lead firm represents the network and coordinates assignments.

Client Engagement: The lead firm is the primary point of contact for clients and secures professional assignments on behalf of the network.

Task Allocation: The lead firm distributes work among member firms based on their expertise and capacity.

ICAI Registration: Like the Network Model, the Lead Firm Model requires ICAI registration with a unique NRN.

Strategic Focus: This model is designed to attract large assignments where a single point of accountability is required.

IDEAL FOR

Firms that prefer centralized leadership and coordination.

Networks with diverse expertise requiring task allocation based on specialization.

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COMPARATIVE ANALYSIS

BASIS	ALLIANCE	NETWORKING	LEAD FIRM NETWORKING
1. Name (suffix)	"& Alliance"	"& Affiliates " or "Network"	" & Affiliates" or "Network"
2. Applicability of Regulation 190	Yes	Yes	Yes
3. Registration	Compulsory	Compulsory	Compulsory
4. Registration – Centralised/Decentralised	Centralised	Centralised	Centralised
5. Use of Firm’s name in Network stationery	Allowed	Allowed	Allowed
6. Use of Network name in Firm’s stationery	Allowed	Allowed	Allowed

COMPARATIVE ANALYSIS

BASIS	ALLIANCE	NETWORKING	LEAD FIRM NETWORKING
7. Unique Registration Number	ARN	NRN	NRN
8. Membership of multiple networks	Not allowed	Not allowed	Not allowed
9. Firm with majority common partners in different network	Not allowed	Not allowed	Not allowed
10. Restrictions in practice as individual firms	NIL	Subject to internal agreement of Network	Subject to internal agreement of Network
11. Empanelment by Individual Firms	Allowed	Allowed	Lead Firm will apply on behalf of entire Network
12. ICAI Efforts for recognising Combined Strength	No effort as Alliance is basically for non audit services	Yes	Yes

COMPARATIVE ANALYSIS

BASIS	ALLIANCE	NETWORKING	LEAD FIRM NETWORKING
13. Internal/ Statutory Conflict	Not Allowed	Not Allowed	Not Allowed
14. Rotation inside network	Not Allowed	Not Allowed	Not Allowed
15. Referral of work	Allowed	Allowed	Allowed
16. Sharing of Fees/ Profits	Allowed	Allowed	Allowed
17. Network Bye Laws/ Agreement	Mandatory	Mandatory	Mandatory
18. Submission of Bye Law/ Agreement to ICAI	Mandatory	Mandatory	Mandatory
19. Quality Control documentation and compliance	Not Compulsory	Compulsory	Compulsory

COMPARATIVE ANALYSIS

BASIS	ALLIANCE	NETWORKING	LEAD FIRM NETWORKING
20. Code of Ethics	Fully applicable	Fully applicable	Fully applicable
21. Advertisement Guidelines, Website Guidelines	Applicable	Applicable	Applicable
22. SCQ-1	Applicable	Applicable	Applicable
23. Combined Financials Statements	Allowed	Allowed	Allowed
24. Consent of clients	Not needed	Not needed	Not needed
25. Accountability of firms in case of delinquency	All firms jointly	All firms jointly	All firms jointly

Which Model to Choose?

- **Alliance Model:** If you want collaboration without compromising independence.
- **Network Model:** If you aim for enhanced branding and resource sharing.
- **Lead Firm Model:** If centralized leadership aligns with your strategic goals for large-scale assignments.

Each model offers unique benefits tailored to different firm sizes and goals, empowering Indian CA firms to grow and succeed collectively.



Once upon a time a tortoise and a hare had an argument about who was faster.

They decided to settle the argument with a race.

They agreed on a route and started off the race.

Next what happened we all know.....



The moral of the story is that **“SLOW AND STEADY WINS THE RACE.”**



- The hare was disappointed at losing the race and he did some Root Cause Analysis (RCA).
- He realized that he lost the race only because he had been over-confident & careless.

The **REVISED** moral of the story:

**“Fast and Consistent will always
Beat the Slow and Steady”**

But the story doesn't end here.



The tortoise did some thinking (RCA) this time and realized that there's no way he can beat the hare in a race the way it was currently formatted.

***“First identify your core competency & then change the playing field to Suit your **core competency**. It’s good to be Individually Brilliant and to have strong Core Competencies but unless you’re able to **Work in a Team** and Harness each other’s Core Competencies, you’ll always Perform below par because there will always be situations at which you’ll do poorly and someone else does well.*”**

There are more lessons to be learnt from this story.....

Note that neither the hare nor the tortoise gave up after Failures

The hare decided to **WORK HARDER** and put in More Effort after his Failure

The tortoise **CHANGED HIS STRATEGY** because he was already Working as Hard as he could

In life, when faced with Failure,

***Sometimes it is appropriate to **Work Harder** and put
in More Effort***

***Sometimes it is appropriate to **Change Strategy** and
Try something different***

And sometimes it is appropriate to do both

Key Strategies for Successful Firm Transformation and Network Alignment

1. Strategize and transform holistically.
2. Commit to growth, quality, and client value.
3. Align strategic, operational, and cultural dimensions.
4. Define the network's core purpose.
5. Develop sustainable business and financial models.
6. Establish clear admission criteria.
7. Implement transparent governance structures.
8. Maintain independence while fostering coordination.
9. Build a strong, recognizable brand.
10. Enforce robust risk management practices.
11. Adhere to high-quality standards.
12. Enhance client reach and service delivery.
13. Develop competitive products and services.
14. Promote technical support and knowledge sharing.
15. Harmonize cultural differences for cohesion.

It is acknowledged that no model of network will be successful, unless the firms meet some reasonable economic considerations. Unless networking can result in substantially more earnings to all the firms in the network, any model presented to the firms will only remain on paper. Therefore, it is imperative that ICAI through its relevant Committees should make all out efforts to secure recognition to the Network model of practice from appointing authorities by making representations to different Government Departments, PSUs, autonomous bodies etc. Initially, the networks may achieve limited success, but consistent and sustained efforts will secure governmental recognition to them, and this in turn will encourage the stand alone practitioners to upgrade their model of practice