THE BUSINESS OF BOOKKEEPING

Forming Alliances, Partnerships and Collaborations to Grow Your Firm

BookkeepersHub
Connecting Australia's bookkeepers with business

THE ALLIANCE, PARTNERSHIP & COLLABORATION OPTION

Introduction

Most bookkeeping service businesses work in isolation from other firms. For sure they may join and partake in networking or association-sponsored meetings and events. That is all fine and good but these are not business development activities that can enable a bookkeeping business to make leaps rather than baby steps in their development and growth. So too is organic growth fine and good but it too has its natural limits to growth.

Look around at the great growth stories in professional services – the law firms, the medical services firms, the accounting firms, consulting engineers and so on. What do we see? We see massive growth from those firms that formed alliances, partnerships and collaborations. It may not 'fit' the self-image of many bookkeeping professionals but there is another way to grow your business. And that is in forming strategic alliances, partnerships or collaborations. These can be with other like-minded and complimentary firms but they can also be firms from other disciplines. Accounting firms and bookkeeping firms are a 'natural' fit and so too are many others.

There are other strategic interests that can drive a decision to form an alliance or partnership – such as geographic spread and niche sectors.

There is also the exit strategy driver, where a bookkeeping business owner may use the alliance or merger or partnership as a means to exit and capitalise on the goodwill established in their current business.

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The Business Owners Collective ('BOC') is Australia and New Zealand's first alliance of bookkeepers who are also business owners with at least one employee. We believe business owners have unique needs that the profession does not cater for. Our mission is to support the business development of bookkeeping business owners through unique array of resources, programs and processes and to help you develop the skill sets and practices to grow your business, grow your profits and the value of your business. Our methodology and resources are specifically designed to overcome the key challenges that bookkeeping businesses face.

For more guides read: www.bookkeepershub.com.au/boc as well as in guides on our resources page (www.bookkeepershub.com.au/free-reports/)

To your success,
Morris Kaplan, MBA

Co-Founder, Business Owners Collective

THE ALLIANCE, PARTNERSHIP AND COLLABORATION PATH TO GROWTH

So why do some businesses seem to grow much more easily than others? One answer is that they know how to partner up effectively. Strategic partnerships are THE most effective way to lock out your competitors and grow your business faster than ANY form of traditional marketing.

Partnerships can be effective because they can enable you to achieve your marketing objectives without you needing to invest more in marketing: recruitment, promotion costs and time to get to your goals. Forming the right strategic partnerships is powerful as it leverages the network of a strategic partner to generate quality leads and more sales by marketing to a fully-qualified audience, provided to you by a business who operates in a complimentary market space. But it doesn't stop there - when you understand how to do this properly, you can also use your strategic partnerships to increase profits - and have more fun.

Business which collaborate via partnerships, alliances or simple collaborative agreements are already collaborating and experiencing higher revenues. And most firms that move towards partnering experience at least partial achievement of their alliance objectives.

Collaboration: Having a Partner yet not "Having" One

It is almost certain that your firm and another like-minded firm could collaborate while continue running their own practices' you don't necessarily have to "merge" to be partners. Many believe it's a "You're In or Out" scenario, but they both came up with the idea without a conflict.
As you grow your practice, you will no doubt, work on what you love and are good at, refer what you aren't good at to others who specialize in it.
For the bookkeeping firm that has built a niche or specialty, there is opportunity to collaborate. If there are other bookkeeping firms which are in the niche; that's good because it is proving that the niche is working. This does not need to be a purely competitive situation. Have an abundant mindset and realise there are more complimentary opportunities than competing losses. Work together and help one another to serve the niche; there are likely collaborative opportunities. Your competition may turn out to be your biggest ally and provide you a massive growth in your business

So what makes a good alliance?

Should you form an alliance with another bookkeeping firm? Perhaps one that's based in another state? Or maybe an accounting firm? Or a law firm? These are realistic questions for a bookkeeping practice, particularly one that is looking to grow beyond the one-person alliance earning average revenue.
Rule number one is that the (potential) sum of the total must be more than the sum of the parts. In other words each partner must end up better off than they would individually. It's too easy to forget that time, energy and money goes into maintaining a successful alliance.
Whatever your motives, here are some things you might want to think about.

Trust

Alliances are all about relationships built on trust and mutual interest. They require the respect and interaction of people in each business. Strategic alliances, like good personal relationships, require effort to build.
All relationships are based on a degree of 'give and take'. It is no different for strategic alliances in business. Each party has to give something and get something in return. If you are the instigator, it's important to be clear about what you have to offer your potential partner.

Resources

Each party needs to contribute resources to the arrangement. This does not necessarily have to be money but each needs to be prepared to dedicate people and time to the alliance. Someone in each business needs to be recognised as having responsibility for the strategic alliance.

Time

Alliances take time to build and also to maintain. The optimal path is to work together on a small project or at least establish a beach head that can be named as a strategic alliance – some activity that can be readily translated and scaled later after some "chemistry" is established and parameters defined.

Communications

Good communications are always more about listening than telling. Be all ears. Listen to your potential partners. What they tell you will not only give you clues about their needs but may influence your thinking in ways you've never even imagined. A great spin off can be the "mastermind" effect.

Strategic thinking

While alliance building does always have immediate benefits (although you should set out with that intention), it can be ruinous if not thought about in a strategic manner. When all is said and done both sides want something out of the deal. Strategic alliances have to create a situation where both parties gain something; otherwise, they're not partnerships.

Expectations

Business owners and managers like to negotiate. They bargain for who contributes what; haggle over share of revenues (if they are to be shared) and iron out detailed exit clauses. But while the parties might agree to the same terms on paper, they may actually have very different expectations about how the agreement will work in practice. Without their arriving at a true meeting of the minds, the deal they've signed or verbally agreed on may sour.

The most common cause of problems with alliances is the lack of clearly defined expectations. The parties invariably form expectations about how the agreement will be carried out, whether they discuss it or not. Even if initially compatible, those expectations can silently shift in response to actions taken, even though no overt negotiation takes place. It's clearly in the parties' best interest to make their expectations explicit and negotiable

Formal partnerships

Many partnerships work successfully for the obvious reasons that they allow the workload to be shared, and time to be taken off while leaving the business in the hands of a trusted person. There is also the benefit of complementary skills, where one person is good at marketing while the other specialises in finance and administration, for example. These are commendable, understandable rationales for bringing in partners or continuing partnerships. But partnerships raise some serious challenges, not the least of which is inevitable personality issues, and they will come up just as they do in any long-term relationship.

Partnerships are fraught, as there is often a real sense of neither partner having outright control. For many business people, this is unacceptable as it cuts against the very reason many seek to be in business; to have a position of control over their own destinies and fulfil their ambitions. A partnership is a shared ownership, shared decision-making venture, so partners need to enter such an arrangement with the greatest of consideration.

What to look for in a formal partnership

All of the best partnerships are based on a single-minded pursuit of a joint deal. However, business owners are generally confronted with the partnership issue when they realise that they lack some of the skills that will turn a start-up venture into a successful business. Somebody who has an entrepreneurial drive to kick off a business idea but who lacks follow-through and administrative ability would theoretically fit with someone who fills those gaps – but filling the gaps needs more than matching business skills. You need to ascertain whether your respective personalities and operational modes are compatible.

If you believe that you can work well with the right partner, the next step is to identify the qualities your partner must possess. If you find the right prospect, you will have to draw up a partnership agreement. This includes provisions which recognise that even a well-planned partnership may not work; in effect, it is a pre-nuptial agreement for the partnership. Even with a well-written agreement, dissolving a partnership can damage a business, so proceed with care.

A buy-sell agreement should be part of the partnership pre-nups. A buy-sell agreement is a contract between the owners that details what will happen if one of the owners should die, become disabled, retire, quit, or leave the business. Without a buy-sell clause, you may disagree about how to relieve the departing owner of equity.

Even worse, if one of the partners dies and no such agreement is in place, his estate will be the new owner of the stock. In that case, you could end up in business with your partner's widow, widower or children. Creating a buy-sell agreement avoids this sort of worst-case scenario.

Some final thoughts

- *Is the arrangement equitable?*
- *Are you dealing with an "equal" in the other business?*
- *Is your time horizon long-term or a short-tem?*
- *Is it for a specific project or is it open-ended?*
- *Is it a likely prelude to a larger or different arrangement?*
- *How fully, formally, and frequently do you expect to consult with the other side?*
- *Who will be involved in decision-making on each side?*
- *How will disputes be resolved?*

ABOUT BUSINESS OWNERS COLLECTIVE

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