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INSIGHTS

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THE TOP MID-MARKET NETWORKS & ASSOCIATIONS

Top Network

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2018

Top Association

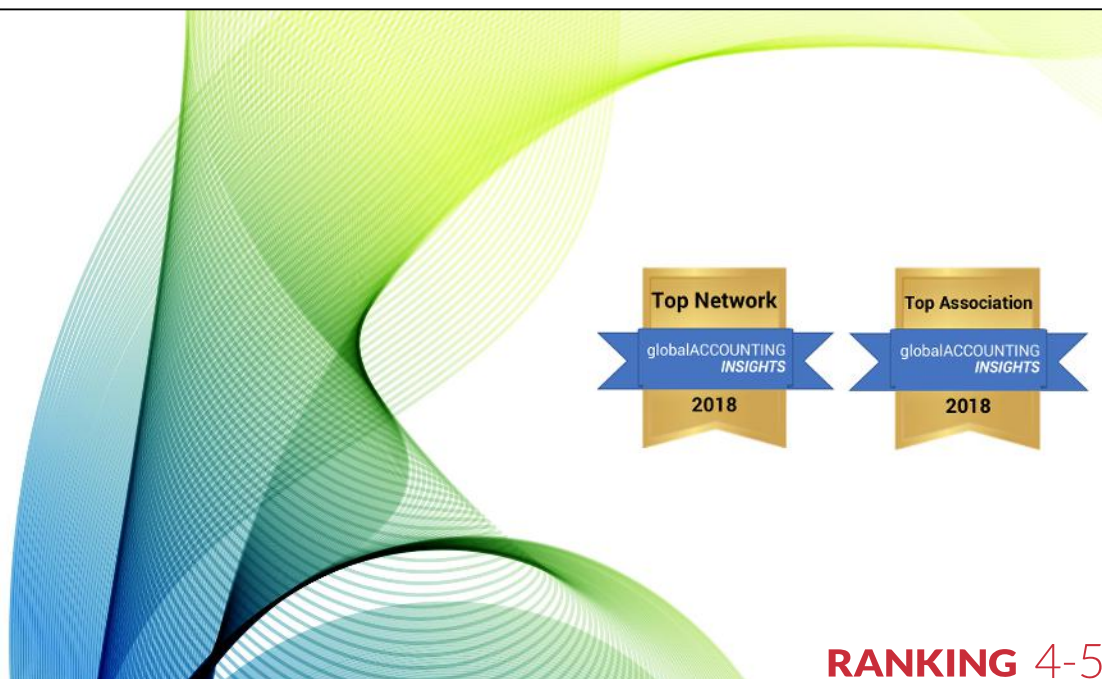
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2018

A quarterly report by:

 RiveraAdvisors

CONTENTS



RANKING 4-5



REGIONAL BREAKDOWN 8

IN EVERY ISSUE

- 2** From the Editor
- 12** Firm Management Column: [Getting the most value from your network](#)

CURRENT ISSUE

- 3** Top Networks and Associations Report
- 9** Methodology
- 10** Top three by category
- 11** A new association model

Global Accounting Insights

is a quarterly report published by RiveraAdvisors, LLC.

RiveraAdvisors is a practice management consulting firm focused on guiding high performing accounting firms through transition.

FROM THE EDITOR

Thank you for reading the first issue of *Global Accounting Insights*—a quarterly report focused on the international accounting profession. We designed GAI with your firm in mind as the premier source of data, in-depth analysis, and insights that will shape your firm's strategy.

As a leader in the profession you are exposed to an avalanche of data and news on a daily basis. The GAI Report will cut through the clutter and give you **meaningful data, clear analysis, and insights that will challenge the way you run your business.**

We know you work hard to solve problems for your clients in an ever changing environment. As the profession changes we partner with you as you chart the course through transition and change. We hope this quarterly report will provide meaningful analysis that will help you chart the strategy of your firm or network.

This first issue analyzes the top networks and associations of middle-market accounting firms and how they provide their members with tools to grow and serve their clients well. We've created a ranking of top networks and associations based on individual firm needs and how those firms rate the value they receive from being members. Our unique benchmarking tools are designed to help you navigate through changes and find opportunities for growth.

Dive into the data and feel free to send me your thoughts and comments. We'd like you to be involved in this process.



Ed Rivera

RiveraAdvisors, LLC

**Clear
Insightful
Analysis**

Customized data and guidance that will help you grow

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 **RiveraAdvisors**



TOP NETWORKS & ASSOCIATIONS IN GLOBAL ACCOUNTING

A ranking of mid-market networks and associations by RiveraAdvisors, LLC measuring four areas: value provided to members, member services, management of networks and associations, and international connectivity.

Nearly a quarter of local accounting firms would leave their network or association if they came across the right opportunity. Over 5% are actively looking to leave their network, and 8% are not sure what to do. The inaugural Top Networks & Associations Report yielded this information and many insights into how networks serve their member firms and ultimately deliver results for clients.

The report rates the value individual firms receive from their networks based on direct feedback from managing partners, international contact partners, and other users of the network who are partners in their local firm.

The key objective of this report is to provide firms, associations and networks with valuable data they could use to evaluate their business and set their strategy. Having the right information is important in evaluating future business changes and may help networks and associations determine

where key investments should be made.

The report seeks to understand what individual accounting firms need from their network or association to help them run their business and serve their local clients well. It was put together by sending a survey over 4,000 independent accounting firms around the world. The survey was sent directly to managing partners and international partners of each firm and was conducted independent of any network or association. The participants were contacted via their

direct email.

Overall, the survey had an 11.2% response rate, providing significant data on each association or network to create an index that allows for a ranking.

The survey includes networks of middle-market firms and excludes the Big 4 firms. Other networks and associations were not included if sufficient contact data was not disclosed (see ranking list for organizations not included).

Baker Tilly International tops the list as the top-rated network and Praxity Global Alliance tops the list as the top-rated association.

The ranking is different than other "best of" lists or revenue rankings in that it does not measure financial metrics such as revenue, profits, or productivity. Instead, it seeks to measure network or association effectiveness in serving its member firms, examining how members

continued on page 6



Top Rated Mid-Market Networks

A ranking of international mid-market networks by RiveraAdvisors, LLC measuring value provided to members, member services, management of network, and international connectivity

#1	 Baker Tilly International Ted Verkade, CEO	
62.3 Overall score	66.5 Value to members 61.7 Management 58.3 Member Services	
#2	Grant Thornton International Ed Nusbaum, CEO ¹	
56.3 Overall score	53.1 Value to members 50.8 Management 62.2 Member Services	
#3	Nexia International Kevin Arnold, CEO	
56.0 Overall score	51.7 Value to members 59.4 Management 57.2 Member Services	
#4	PKF International John Sim, CEO	
55.0 Overall score	54.7 Value to members 61.0 Management 52.5 Member Services	
#5	Moore Stephens International Richard Moore, Chairman	
52.9 Overall score	53.2 Value to members 48.8 Management 51.6 Member Services	
#6	Crowe Horwath International Kevin McGrath, CEO	
51.9 Overall score	55.1 Value to members 52.2 Management 51.2 Member Services	
#7	RSM International Jean Stephens, CEO	
48.5 Overall score	53.4 Value to members 47.6 Management 43.9 Member Services	
#8	HLB International Marco Donzelli, CEO	
46.7 Overall score	47.5 Value to members 44.1 Management 40.3 Member Services	
#9	UHY International Rhys Madoc, Executive Director	
44.2 Overall score	39.2 Value to members 45.0 Management 55.6 Member Services	
#10	Kreston International Jon Lisby, CEO	
40.2 Overall score	41.2 Value to members 45.0 Management 41.2 Member Services	
#11	Russell Bedford International Stephen Hamlet, CEO	
37.8 Overall score	39.4 Value to members 34.6 Management 36.1 Member Services	
DND	Data not disclosed BDO, MGI Worldwide, Ecovis International, and Reanda International	

The fact that an association is ranked toward the bottom does not mean it provides little value to its members. The ranking is relative based on the networks whose members participated in the survey and the lowest ranked firms on this list still performed well on many key metrics.

The Top Networks ranking, developed by RiveraAdvisors LLC, measures network effectiveness by examining performance in four areas: value delivered to members, management of the network, member services and international capabilities. The ranking is based on an analysis of 17 data inputs that were compiled by surveying partners of accounting firms that belong to each network. The four areas are weighted nearly equally in calculating a score that is the basis of the ranking.












¹Peter Bodin succeeded Ed Nasbaum as CEO on 1 January 2018



Top Rated Associations

A ranking of international associations by RiveraAdvisors, LLC measuring value provided to members, member services, management of network, and international connectivity

The fact that an association is ranked toward the bottom does not mean it provides little value to its members. The ranking is relative based on the associations whose members participated in the survey, and the lowest ranked firms on this list still performed well on many key metrics.

#1		Praxity Global Alliance Graeme Gordon, CEO	
59.8 Overall score		61.9 Value to members 55.1 Management 59.2 Member Services	
#2		TIAG - The International Accounting Group¹ Richard Attisha, President & CEO	
59.6 Overall score		57.3 Value to members 58.8 Management 63.2 Member Services	
#3		DFK International Martin Sharp, CEO	
55.5 Overall score		54.7 Value to members 57.0 Management 56.7 Member Services	
#4		Morison KSi Liza Robbins, CEO	
52.6 Overall score		51.7 Value to members 50.6 Management 53.4 Member Services	
#5		Leading Edge Alliance Karen Kehl-Rose, President	
50.1 Overall score		46.9 Value to members 40.1 Management 58.1 Member Services	
#6		PrimeGlobal Kevin Mead, CEO	
48.8 Overall score		50.8 Value to members 54.7 Management 46.5 Member Services	
#7		MSI Global Alliance¹ Tim Wilson, CEO	
47.7 Overall score		47.4 Value to members 58.9 Management 40.2 Member Services	
#8		CPA Associates International² Michael Parness, President	
47.4 Overall score		46.8 Value to members 47.5 Management 48.5 Member Services	
#9		Geneva Group International¹ Michael Reiss von Filski, Global CEO	
46.8 Overall score		47.1 Value to members 47.3 Management 45.0 Member Services	
#10		AGN International² Malcolm Ward, CEO	
32.2 Overall score		36.6 Value to members 30.0 Management 29.3 Member Services	
DND	Data not disclosed Allinial Global, BKR International, IAPA, Allriott Group, INAA and others		

The Top Associations ranking, developed by RiveraAdvisors LLC, measures network effectiveness by examining performance in four areas: value delivered to members, management of the network, member services and international capabilities. The ranking is based on an analysis of 17 data inputs that were compiled by surveying partners of accounting firms that belong to each network. The four areas are weighted nearly equally in calculating a score that is the basis of the ranking.

¹Law firms were not included in the survey - only accounting firms that belong to this association were included.

²CPAAI and AGN had a low response rate and results may not be representative of the association as a whole.

continued from page 3

perceive the value they receive from their current network or association. This was done by asking members to rate their network's performance in four key areas: value delivered to members, management of the network, member services, and international services.

The ranking is based on an analysis of 17 data inputs provided by leaders of independent firms.

Overall Value

Firm leaders were directly asked how they would rate the overall value their network or association provides. It was the leading question of the survey to get each respondent's initial evaluation before thinking through all of the other questions in the survey.

The index score of "value to members" was computed through additional data points including how members felt about the dues and fees they pay relative to the value they receive. Other measures of value were included (see page 7 for specific items measured in this category).

Regional differences

The survey that yielded the data for the Top Networks & Associations report was global in nature. People in various regions tend to score or rate differently than others.

How would you rate the overall value your network or association provides your firm?



A breakdown of the overall value members receive by region is provided on page 9. The three most important benefits members receive from networks is also broken down by region on page 9.

Turnover and transitions

One of the most interesting data points collected from the survey is the number of firms that are actively considering a change in affiliation from their current network or association.

Firms may be considering a change for a variety of reasons, and not necessarily because a firm is unhappy with their current network. The data points to the need for further analysis into why these firms that are looking to change affiliation and what needs they feel are not currently being fulfilled.

Conversations with some firms yielded some anecdotal evidence pointing to reasons some firms are seeking a change. It is clear that as the profession changes rapidly and client expectations change, what firms need and expect from their network is also changing.

Initially, networks and associations had two key objectives: (a) business networking and getting to know colleagues that could drive new business, and (b) to vet the quality of international firms and provide confidence when referring business overseas.

The needs of member firms are increasingly complex. Quality and international connectivity remain critical. But in addition to these basic elements, firms seek robust tools that help local firms conduct international engagements. Knowledge sharing and firm management tools are also important to help firms grow their business.

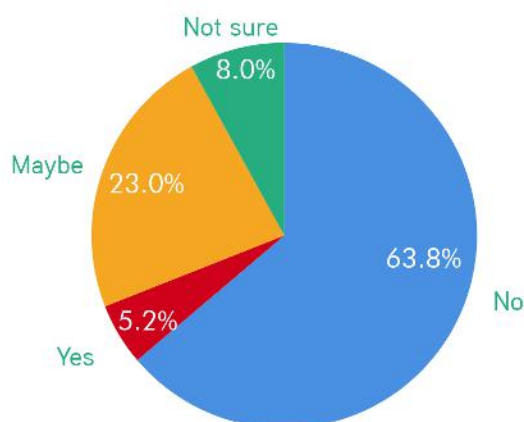
As new technologies continue to create new opportunities for accountants, networks and associations will need to continue to evaluate how they respond to these changes. Guiding members through these changes through pooled resources will be critical to add value and retain and attract high quality members.

Client needs will ultimately determine which network a firm joins or whether a firm decides to change affiliation. Networks that are continually looking to add value to their members and help them solve their clients' problems will create the right opportunities for growth.

Most important benefits

There are many reasons firms join an

Are you considering a change in your affiliation to a new network or association?



association or a network. Some of the key benefits firms receive became evident in the survey.

The benefits that are most important to local firms vary based on whether they decided to join an association or a network. They also vary based on their market. For purposes of this survey, we evaluated this based on the region a firm is located in (see page 8).

The power of branding

A global brand is an important benefit for firms around the world. Firm leaders that are part of networks report it is the top benefit they receive. Even members of associations report that access to a global brand is the third most important benefit they receive.

The benefit of a brand is important even if member firms use their own local brand alongside the global brand. Most networks either offer, strongly recommend, or require

members to use the global brand as their primary brand. While associations generally do not offer this feature, a global brand is still important as it communicates to clients that the firm is a part of a larger global organization and able to serve international clients effectively.

International opportunity

The ability to conduct business throughout the globe is a critical element of an accounting association or network. Locations and coverage are a key aspect of this.

However, beyond locations, networks must be able to have an efficient system for firms to work together on international pitches and engagements. Efficient processes are ultimately what gives members the ability to conduct international engagements.

Coverage around the world remains an important feature. Without developing a critical mass, it is

difficult to provide members the critical services they look for in their association or network.

It is possible, however, to provide global coverage without having direct members in every country. Allinial Global, which launched internationally in 2015, has found innovative ways to provide global coverage as it builds critical mass (see page 11).

Conferences and resources

For most organizations networking conferences are the focal point where member services, international connectivity, and resources offered to members come together.

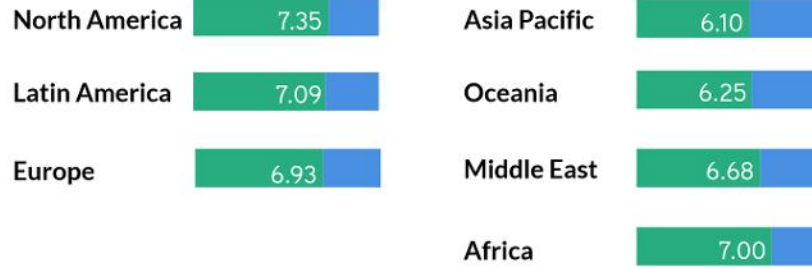
This is rated as the fifth most important benefit because as members are able to network, get to know each other, and talk about business opportunities, each aspect of their association's value proposition comes together. This directly impacts local firms and allows them to grow.

What are the most important benefits you get from your network or association?

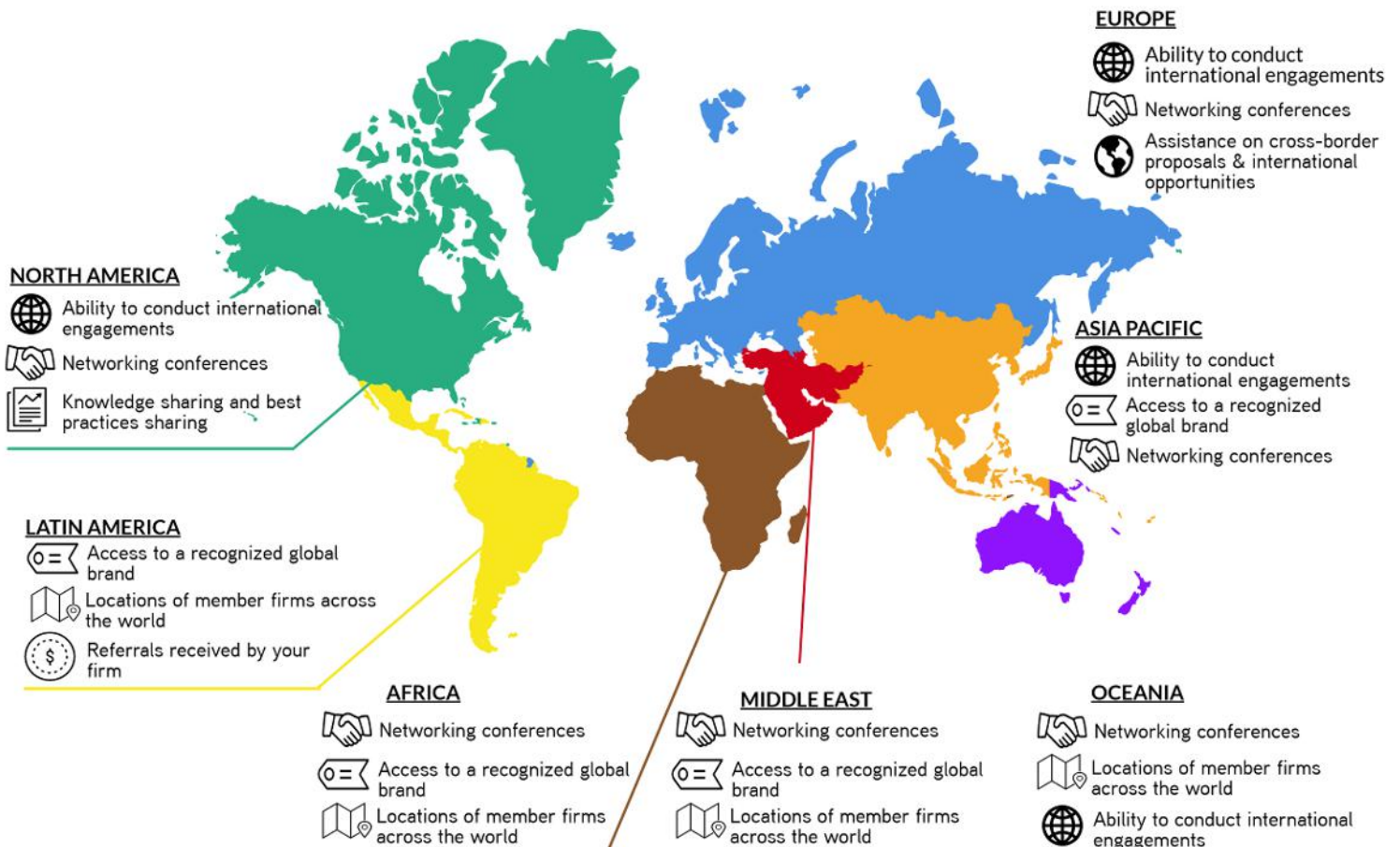


Regional Breakdown

How would you rate the overall value your network or association provides your firm?
(average response by region)



Three most important benefits networks/associations provide
(ranked in order of importance)



How to read the ranking

Methodology

To measure a network's success in each of the four dimensions mentioned above, RiveraAdvisors scored how networks and associations were rated by their members in 17 specific metrics. Only one financial metric was used to evaluate value provided to member firms: annual growth rate reported in 2017.

The ranking is based on a holistic measure of value provided to members. The ranking does not seek to rank networks objectively, but rather in relation to each other.

Therefore, all scores are expressed as T-scores. They are standardized so that the range is 0 to 100, the mean is 50 and the standard deviation is 10.

The fact that a network is ranked toward the bottom the the Top Networks Ranking does not mean it provides little value to its members.

Due to the limited number of networks and associations included in the ranking, and a wider universe of networks and associations, the ranking itself does not compare one network's overall performance and only compares networks included in the survey.

The survey ran from September to December 2017. In certain cases a limited number of responses from an association did not allow for a representative sample.

Results will be made available for leadership team of their own network only.

Who responded to the survey

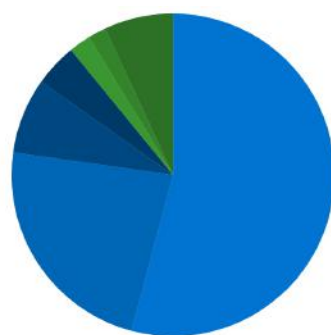
By the numbers

The survey was sent to:

7,500 firm leaders from
4,000 accounting firms in
187 countries with an
11.2% response rate

What best describes your role in your firm?

Note: the survey link was sent directly to the emails of firm partners.



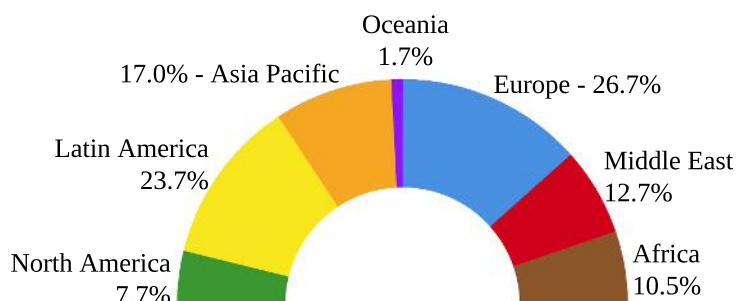
Partners

54.2% Managing Partner/CEO
23.1% Partner
7.6% International Partner
4.3% Director

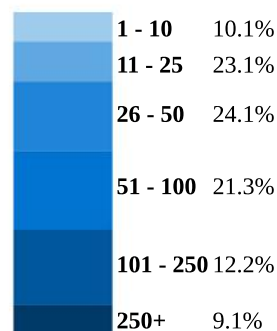
Other

2.5% Senior staff
1.8% Administrative
6.5% Did not respond - but link was only sent to partners

Firms participating by region



Size of firm by staff



TOP THREE BY CATEGORY

Best Managed



These groups had the highest rated management

Networks:

1. Baker Tilly International
2. PKF International
3. Nexia International

Associations:

1. MSI Global Alliance
2. TIAG
3. DFK International

Best Managed

Networks and associations are tasked by their members to accomplish ambitious goals with constrained resources and scarce talent.

We used three measures to rank "best managed" organizations. Members were asked to rate their organization's management by responding to the statement: "My network/association has a strong management team." We also asked if members believe that their network/association has the resources to accomplish its strategic objectives.

The third component used to measure "best managed" organizations was the member's

perception of independence and whether it's network allows the local firm to manage their business with minimal interference.

Virtually all members of mid-market accounting networks and associations are independent firms. However, it is a difficult balancing act for network leaders to move a group of firms toward common goals, provide them with resources, and still let members feel like they are not giving up a piece of their autonomy.

Middle market accounting firms are led by partners with a strong sense of independence. They want to provide their clients with options that fill *their* needs and control the decisions they make locally.

Best Member Services

Providing effective member services that help members grow is tricky in any international organization. Large firms have different needs than smaller firms and needs vary by geography (see page 8).

The top three networks and associations have developed a set of resources that firms across their organization use consistently. Member firms often credit those tools as a reason for their growth.

Firms with the best member services provide a host of resources focused on building their member firms. Their networking conferences may have compelling content and easy access to resources in addition to providing opportunities to network.

This also includes firm management tools, technical training, robust leadership development programs, client referrals, knowledge sharing between firms, and global experts that can help local clients solve complex issues.

Best Members Services



These groups provided the highest rated member services

Networks:

1. Grant Thornton International
2. Baker Tilly International
3. Nexia International

Associations:

1. Praxity Global Alliance
2. TIAG
2. Leading Edge Alliance

Best Value to Members



These groups provided the highest overall value to members

Networks:

1. Baker Tilly International
2. Crowe Horwath International
3. PKF International

Associations:

1. Praxity Global Alliance
2. TIAG
3. DFK International

Best Value to Members

In order to measure value, we asked survey respondents to rate the overall value that they get from their network or association. However, beyond that rating, we considered several other factors in the index.

We asked firms to rate their organization on whether the dues and fees they pay are adequate for the value they receive.

We also asked firms if they perceive to get equal standing with their local competitors by virtue of belonging to their current organization. They also rated their ability to

access to a globally recognized brand, and if being members provides their firm with a competitive advantage.

The only financial metric we included in the index was the growth rate reported by a network or association in 2017. We believe that belonging to a growing organization is significant to the value members get. If the organization as a whole is growing, members are often able to participate in that growth.

Growth rates were standardized just as the other metrics were (see page 9).

A NEW ASSOCIATION MODEL

Allinial Global launched a new model for an international association in 2015 and has been growing rapidly since.



Allinial Global's unique model powers 42% growth in 2017 bringing collective global revenues to \$2.55 billion USD.

Allinial Global (AG) launched as a new international association in 2015 with a goal of differentiating itself as a client centric association. AG has developed a portfolio of tools and resources for members and boasts the ability to be a firm's "back office" if needed. The wide array of resources is more typical of a branded alliance than of an association of independent firms.

Beginning in 1969 a group of accounting firm leaders who left the then Big-8 to start their own firms joined forces to form what is now AG. Since then, AG has grown its member services model to include support in Firm Management, Growth, Marketing, Information Technology, Human Resources, and international connections.

It was originally an association with members in the United States alone and later became the North American arm of PKF International. Due to diverging strategies and its fiercely independent member base, AG members voted to part ways with PKF International. AG's leadership saw the opportunity to fill a need for firms around the world and decided to become an international association.

HIGH SPECIALIZATION FOR CLIENT FOCUS

AG is focusing its international model on providing highly specialized solutions to clients that are referred between international members. Terry Snyder, CEO of

Allinial Global said, "We think we have created something special in the network/association world in that we are not only member driven but also client focused.

Your clients are where we focus our energies."

In an effort to provide clients innovative solutions that account for both location and skill-set, AG allows multiple members in the same market and actively seeks boutique and specialized firms in addition to full service accounting firm members. This approach sometimes concerns new members who are used to having market exclusivity in previous associations they have been a part of.

AG aims to provide solutions that benefit the client by referring international clients to a specialist and not just referring based on location. Snyder provides an example of a client who approaches a U.S. based accounting firm searching for a mining industry solution in Chile.

"The first instinct for most firms facing this type of request is to connect the client with a destination-only solution in Chile," says Snyder. Essentially the firm chooses the Chile-based member of his association. "If the connection in Chile lacks mining expertise, the client's needs are only partially addressed," added Terry. "In this example the client chose the 'destination only' solution but was impressed that we offered the destination-niche solution."

FIERCELY INDEPENDENT FIRMS

The AG model is designed for firms that are strongly independent and yet want the opportunity to network and

share resources to improve their firms and provide specialized solutions for their clients.

Many firms increasingly merge upstream expressly because their clients have outgrown them. AG attempts to help firms with growing clients remain independent yet still able to provide highly specialized solutions. For independent firms in particular, "responding to a broader range of specialized client needs can be legitimately challenging," said Snyder.

RAPID GROWTH

Though membership remains North America centric, a growing number of firms around the world have joined the association - most recently including Walter France (formerly Baker Tilly France) and firms in Hong Kong, Mexico and Mauritius. AG noted that 37 new members joined in 2017 – only its second full calendar year as an international association. The quick growth brings AG's membership to over 50 countries around the world and is ranked the 5th largest association by combined revenues of member firms.

If the high growth rate continues in AG's quest to grow its coverage to more countries, it may be an indicator that there is a market need in a segment of mid-market firms for increased resources, tools and member services from their associations.

Snyder remarks that their model has always been member-driven. He adds, "we listen when our members tell us that in addition to quality, they want more commerce, efficient connectivity, additional locations, networking opportunities, and brand recognition. It is our goal to deliver 100 percent on those initiatives." GAI



GETTING THE MOST VALUE FROM YOUR NETWORK

Over 36% of local firm leaders are not sure that the value their current network provides is worth the investment.

By Ed Rivera, RiveraAdvisors LLC

What is your network or association worth to your firm? You may not be able to easily quantify the value, but networks and associations provide tremendous value to their members and empower firms to serve clients exceptionally well. They provide tangible and intangible benefits that help firms grow.

When local firm leaders do not see the benefits, or are unable to quantify the intangible benefits, it becomes difficult for partners that are not involved with international clients to continue to invest in the network they are a part of.

This creates a significant lost opportunity to drive value and growth to your firm. Accounting firms that utilize the resources and networking connections of their network can leverage them to solve client problems that a single firm often cannot. It is impossible to have all the answers for our clients in one single office.

What is most important

When the local firm is responsible for generating and servicing its own business, what value does the firm get from their network? Local partners who are not very involved with the network often wonder what the network actually does for their firm.

Networks provide value in two key ways:

- Provide international capabilities and access to specialized experts,
- Provide tools to local firms to help them perform more effectively and serve their

clients well.

Both of these are two different value propositions to local (member) firms that require different management approaches from the network.

Firms usually have a more predominant need for one over the other. Though networks have firms in both camps.

In order for firms to get the best value from their network, they must look beyond the added international capabilities.

Cutting edge services

Networks provide tremendous value when firms rely on specialists within the network to serve clients on forefront issues and developing new service lines.

Technology is creating new opportunities to serve clients in areas such as data analytics, assurance services around technology including SOC and understanding how block-chain technology will impact accountants.

Firms can leverage experts from other firms within their network by learning how to build out these services from firms that are already developing them.

This strategy can significantly reduce the investment needed to provide a new service. Over time, it also allows firms to grow in their market as they are able to pursue global and/or more complex clients that usually bring in higher margins.

These opportunities arise through networking with other members at the network's events. However, top performing networks work to create the environment that facilitates the transfer of knowledge between members.

around specialty service lines or industries. Since networks are a collection of autonomous firms, this is both difficult and expensive to accomplish.

Often, at the network level, this is best accomplished when three conditions are present: (a) a client pays to generate the expertise if a service is new to a firm, (b) two or more member firms are involved, and (c) individuals make the intentional decision to preserve data and make it available to other members.

Networks with a truly effective knowledge sharing system have a significant competitive advantage.

Institutional Knowledge

Opportunities to utilize specialists and experts from across your network are often limited to the extent that which the client is willing to pay for that expert's fee and travel costs. This may depend on your current market and the market the expert is coming from.

In order to truly create valuable access to expertise, networks must strive to build institutional knowledge

To the extent which independence rules, confidentiality agreements and other regulations allow, without preserving data on a project in a way that can be shared across firms, it becomes difficult to maximize this benefit.

Networks with a truly effective knowledge sharing system that are able to effectively share experiences on specific service lines or industries have a significant competitive

advantage.

Knowledge sharing can go beyond client service. Benchmarking and sharing operational metrics helps firms improve their business.

Leveraging the brand

Firms can derive incredible value by leveraging the global brand of their network. Whether the firm is fully branded or uses the network's brand along with its local brand, the value is clear. It communicates to the market that the firm is capable of conducting business internationally and has access to critical resources that will help solve their clients' problems.

This is more true in some markets than others, but remains an important benefit that firms don't always leverage in their marketing.

As beneficial as the network's brand may be, it would be a mistake to rely too much on it for client acquisition. A strong brand may help you *begin* a relationship, but the local firm has to cultivate the relationship and do the hard work of converting a prospect into a client.

GAI

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Guiding accounting firms through
transition, toward growth and profitability

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