

# Creating a Competitive Advantage Through Innovation

By Joseph A. Tarasco

Firms continue to experience significant competition in traditional commodity-driven services; yet, few are attacking the marketplace with the new and innovative services necessary to survive. In fact, many accounting firms have been providing the same services to the same geographic areas for years—resulting in very little growth. As competition intensifies, traditional compliance services are quickly commoditizing, causing firms to primarily compete on fees. This is taking its toll on profitability and, therefore, forcing firms to come up with new survival strategies such as joining forces with other firms (*e.g.*, through an mergers and acquisitions [M&A]). Because traditional local practices are then forced to compete with much larger firms, many need to rethink their service model and how they position themselves in the marketplace.

## Service offering strategies

One way for a firm to stand out from the competition is to develop solutions-oriented specialty services in growing niches and become noted experts in those niches. Another way for firms to stand out is to bundle existing services and market them under one label (*i.e.*, family office practice, litigation support, or personal financial business management), or promote bundled solutions to clients rather than present clients with a long list of individual services.

Here are some examples of new and innovative services that firms can provide to their clients:

- *LGBT services.* These services are for same-sex marriage couples in the areas of tax compliance or financial estate planning, customized to deal with complex state-by-state laws. Currently, 25 states allow same-sex couples to file a joint state income tax return and this number is growing. These services are excellent examples of bundling new services with a firm's existing technical expertise and addressing the needs of a new and growing marketplace.
- *Divorce advisory services.* These services include having a certified divorce financial analyst on staff to assist in pre-divorce planning, needs analysis,

## Innovative Services Offered By Firms

The following firms have targeted segments of the marketplace with innovative services:

- *Clark, Schaefer, Hockett & Co.* An Ohio-based regional firm that launched a private equity group to assist clients in M&A activity as a nonbanking option for financing.
- *Aronson LLC.* Located in Rockville, Maryland, this firm formalized a new technology practice line to meet the needs of high-tech biotech companies.
- *Armanino LLP.* A West Coast regional firm that developed AMF Media Group, which provides clients with marketing, branding, public relations, and social media strategies.
- *CohnReznick LLP.* A national firm that created its Capital Markets Advisory Consortium to better serve clients looking to raise capital and grow their businesses.
- *Kahn, Litwin, Renza & Co.* Located in Providence, Rhode Island, this firm launched KLR Emerging Business Center to provide co-working office space and accounting services to start-up and emerging companies.
- *CBIZ.* A national firm that launched its new service lines, a Derivative Assistance Group, IFRS Solutions Group, and Fair Value Solutions Group. The firm also acquired a payroll provider, Diversified Industries.

and goal-setting planning and implementation. According to Jennifer Baker, Psy. D., of the Forest Institute of Professional Psychology, 50 percent of first marriages, 67 percent of second marriages, and 74 percent of third marriages end in divorce. Divorce attorneys can be a significant referral source for these clients.

- *Risk advisory services.* These services provide information technology assurance and compliance services in areas, including Statement on Standards for Attestation Engagements (SSAE) No. 16, *Reporting on Controls and a Service Organization*, Service Organization Control (SOC) audits, and HIPPA/HITECH compliance.
- *Medical marijuana business owner services.* These services address a newly created marketplace with new issues and problems (e.g., best practices for proper compliance in areas of taxation and financial regulations for city, county, state, and federal government). They include consulting on entity selection issues depending on state law and interpretation and IRS Code Section 280E (i.e., expenditures in connection with the sale of federal illegal drugs).
- *Economic claims and disaster recovery services.* These services target individuals and businesses, including monitoring and oversight services to governmental entities and agencies that are required to show accountability for relief or compensation funds provided by the federal government or the private sector.
- *Outsourced corporate development services.* These services range from researching and identifying M&A transactions for clients to closing the acquisition.
- *Comprehensive workforce management services.* These services include employee assessments, human resources management, benefits, and insurance. (See Sidebar 1 on page 15.)

### Suggestions for gathering innovative ideas

Where does innovation come from? Innovation starts with ideas from partners, staff, clients, or referral sources (e.g., attorneys, bankers, or insurance professionals). Taking these ideas from planning to implementation requires several steps, including: research; design; marketing; and delivering the final product.

Suggested ways for gathering new and innovative service ideas include the following:

- review competitors' brochures describing their services and specializations;
- discuss with bankers and attorneys which special services they believe are needed by businesses in your area;
- review business newsletters, trade periodicals, and chambers of commerce publications for business growth trends and industry problems;
- solicit ideas from clients and nonclients through surveys or focused meetings;

## Recent Mergers and Acquisitions

Firms that were recently part of a merger or acquisition include:

- *Insero & Co., CPAs in Rochester, N.Y., acquired Marquise Business Solutions, LLC.* The acquisition is part of the firm's initiative to expand its Small Business Practice. Marquise specializes in accounting, finance, and strategic business consulting for start-ups and small- to medium-size businesses.
- *Cohen & Co., a regional CPA firm located in Cleveland, Ohio, acquired the family office practice of The Lipson Group.* The Lipson Group services focus on tax and financial and estate planning for affluent, multi-generational families.
- *Weaver, a regional South West CPA firm, merged with Delong Consulting Services.* Delong provides outsourced regulatory compliance, internal audit, and IT audit services to banking institutions throughout Texas. The merger supports Weaver's growth strategy in the financial services area.
- *Skoda Minotti, CPAs, Business and Financial Advisors, based in Cleveland, merged with Assurance Concepts, a national assurance solutions and compliance company.* The merger combined the expertise of two established advisory firms to offer a total complement of information security, risk advisory, and technology services.
- *CliftonLarsonAllen acquired Kirklín, Indiana-based firm, merged with Nonprofit Financial Solutions.* Nonprofit Financial Solutions provides nonprofits with CFO, consulting, and outsourcing services. The blend of expertise across both firms is expected to further enhance the firm's presence in the nonprofit niche area.

- engage an outside marketing consultant to perform a market research study; and
- request that partners and staff provide suggestions and perform research.

When firms offer new services to clients, they increase their exposure to a broader base of prospective clients and referrals, which can expand their network,

thus leading to additional growth in traditional service areas. One way for a firm to expand its services is to merge with or acquire a company to combine/replace products to answer the needs in the marketplace. (See Sidebar 2.)

There is a fundamental shift in the playing field as marketplace needs and demands change and consolidation reshapes the landscape. It is time to play the game to win. Develop a contemporary marketing strategy that targets segments in the marketplace that are underserved, but require value-added services.

While the mainstream accounting firms may be slow to adapt, there are firms around the country aggressively carving out opportunities for new kinds of engagements that the marketplace is ready to em-

brace. In focusing on nontraditional examples, this article does not set out to diminish the need and importance of traditional services, but rather to add to firm's service offerings and to complement and enhance existing services.

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**About the author:** Joseph A. Tarasco is the founder of Accountants Advisory Group, LLC, ([www.accountantsadvisory.com](http://www.accountantsadvisory.com)), a consulting firm that incorporates state-of-the-art practice management, marketing, and human-capital strategies to assist CPA firms in achieving long-term success and profitability. Voted "Top 10 Most Recommended Consultants" by INSIDE PUBLIC ACCOUNTING. Joe can be contacted at [Joe@AccountantsAdvisory.com](mailto:Joe@AccountantsAdvisory.com) or 845-265-9046. †

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