



Collaboration central: Taking cross border cooperation to a new level

By Sarah Willington

With multinational companies operating more and more in a global context, Swiss Praxity member firm Haussmann Treuhand AG earlier this year instigated what's believed to be the Alliance's most expansive and successful cross border multi-firm audit tender to-date.

Having been approached by PwC Switzerland, Partner Lars Haussmann coordinated a 26-entity audit pitch in early 2019, sourcing quotes and proposals from 14 Praxity member firms scattered across the globe. It is Lars' second international pitch of this scale in the last twelve months, which came about via a longstanding contact and former colleague based at PwC Switzerland.

The Praxity member firms involved in the initial proposal included:

- 1.Belgium: Mazars
- 2.Canada: MNP
- 3.China: ShineWing
- 4.Spain: Mazars
- 5.Finland: Oy Tuokko
- 6.France: Axe Conseils
- 7.UK: Rouse Partners
- 8.Italy: Pirola
- 9.Netherlands: Mazars
- 10.Norway: Mazars
- 11.Poland: Mazars
- 12.Sweden: Mazars
- 13.Turkey: Yeditepe Bagimsiz Denetim
- 14.USA: DHG

Forging this type of alliance with an accountancy titan like PwC might at first glance seem a bit unconventional. Yet, as Lars has discovered, it is becoming increasingly common practice and it makes perfect commercial sense for international groups, like Zehnder Group, when they have dozens of subsidiaries worldwide.

This model will become more widely adopted in Europe and beyond, believes Lars. In addition to offering an alternative to the French-style joint audit system, this flexible multi-firm model helps to counteract the Big Four's audit stranglehold, addresses the rising issue surrounding conflicts of interest and enhances.

Lars explains: "Most of the Big Four are being challenged on price sensitivity when tendering for audit work with an international group. For Swiss listed groups especially, they feel comfortable appointing

a Big Four firm to conduct their group audits. However, these clients often prefer to appoint smaller, more localised firms to carry out audits on their smaller subsidiaries..”

The David & Goliath effect

Like any small and large businesses, accountancy firms can learn a lot from each other. There’s also a mutual advantage to be had when two (or in this case 14) put aside their competitive differences to collaborate together for the benefit of clients.

As reported in the recent online leadership feature ‘Why audit is still big business’ the agility and independence of Praxity member firms is driving clients to adopt a more flexible approach to audit arrangements. Nicholas Benbow, Director of Audit and Assurance at William Buck, says: “The Big Four and large mid-tier firms are increasingly getting into non-audit services that create independence conflicts, and it is more lucrative for them to pursue these revenue streams. This has opened up an opportunity for Praxity participant firms within audit.”

“Aside from being swamped by protocols and processes, the larger accountancy firms recognise that smaller, independent firms can often be more responsive,” states Lars. “As well as being impressed with our strong global footprint, PwC has been extremely complimentary about how swiftly the Praxity firms responded.”

From the original proposal, Praxity firms in three countries - China, Canada and Poland - have been appointed to audit nine client entities.

Although successful this audit submission wasn’t without its obstacles or divergent political interests, notes Lars. “As Group auditor, PwC understandably held all the cards. We had no direct contact with the client or their subsidiaries. The information presented to us was extremely vague. Especially in the first tender when we couldn’t even share the clients’ name with Praxity colleagues.”

This limited the amount of fieldwork the Praxity member firms could do. Nevertheless, each ran with the information available, presenting quotes with provisos.

PwC also sourced quotes from its own international firms. “We would be naïve to think they wouldn’t compare quotes. However, PwC did try and use it as a bargaining chip to negotiate lower quotes and discounts, which caused some difficulty,” explains Lars. “The experience taught me how disconcerting it can be when you aren’t privy to regular client communications. Even now, we are reliant on PwC providing updates.”

Nevertheless, PwC finds the Praxity approach to collaboration interesting. Leading to speculation that this could potentially set the precedent for more multi-firm cross border audit, due diligence and tax assignments.

Lars comments: “PwC’s awareness of Praxity was previously limited to Mazars, who they’ve regarded as a mid-tier competitor for some time. However, being asked to contribute to assignments like this proves that the Praxity global footprint and point of difference is as widely respected by professional peers as it is by clients.”

Lessons learned

The first tender, while unsuccessful, provided Lars and the Haussmann team with a valuable

learning experience when it came to the PwC/Zehnder Group pitch. Contacting 22 Praxity firms to source and present quotes for 27 unknown entities was a mammoth communication and coordination undertaking, reflects Lars.

He clarifies: “Even if successful, we knew at the outset that Haussmann wouldn’t gain a Swiss audit client, as PwC Switzerland would handle this. Yet, having been on the receiving end of referrals from Praxity colleagues globally, it felt good to be giving something back to the firms. Nevertheless, we were still unprepared for the time and resources the first tender project ended up absorbing.”

An upfront coordination fee was agreed for the Zehnder tender, to ensure Haussmann was remunerated for its efforts. “For any firm undertaking a coordination project of this scale, do factor in time, effort and communication,” recommends Lars.

What was encouraging for Lars was the speed in which the Praxity member firms collated and submitted quotes. To make life easier for PwC, Lars presented all this information in a single template spreadsheet. Each of the firms also had to complete and return a non-disclosure template.

“Having standard proformers and templates are useful when drawing upon an extensive network of contacts, as it ensures all of the information is sourced and presented in a consistent way,” adds Lars.

For the Zehnder project, PwC was confirmed as the elected auditor in late Spring 2019. Praxity was recently informed that ShineWing will audit six group entities in China, MNP one entity in Canada and Mazars in Poland two group entities. Although less than originally anticipated, PwC has confirmed that they will continue to carefully monitor the service performance of the non-Praxity locally appointed firms, particularly in the Nordic and US territories, and may revisit some of the original proposals in the future.

Haussmann’s collaboration tips

Drawing upon his recent experiences, Lars offers six tips that can drive better and more effective collaborations between firms:

1. **Shared understanding and synergy:** Take time to understand and respect people’s workloads, different perspectives and motivation for collaborating.
2. **Stay flexible:** Don’t expect a larger partner to bend their rules to you. Be patient, maintain a degree of flexibility and know that a decision won’t be reached overnight.
3. **Project tools:** Add deadlines, goals and give people visual reminders for when certain tasks need to be completed.
4. **Communicate:** Keep everyone in the loop on progress. Even if the project doesn’t come off, provide feedback.
5. **Be gracious:** When inputting to a larger project, remember that the goal is not to receive credit, but enrich your overall business.
6. **Think future:** Look at the bigger picture, not just the instant wins. Often an unsuccessful tender has led to bigger, more lucrative projects.

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