How a Company’s Relationship With Its Accounting Firm Changes as It Grows

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Every company in every industry has accounting needs, and those needs change dramatically as a company grows and expands. When a company has a true partnership with an accounting firm, it’s able to think multiple steps ahead and make sure there’s a plan in place.

While each company is unique, some general qualities tend to define a successful relationship with an accounting firm at each stage.

Companies engaging an accounting firm for the first time

If your company is reaching out to an accounting firm, it’s likely because you are reacting to a need such as tax compliance requirements or an arrangement that now requires a financial statement audit, review or compilation.

The first step is to explore if your need extends further than what prompted the initial call. For instance, it’s important to consider how tax compliance decisions being made for the business will impact the individual owners.

Make sure that the firm you engage can move beyond that

immediate need and help you get in front of the next challenge or question that is going to arise. Ideally, that firm will not just react to questions or problems, but help you structure your growth and guide decision making in a way that is best both for current operations and the future.

Tax and compliance in growth mode

As your company adds new product lines, enters into different types of agreements, starts selling into different states or holds inventory in multiple locations, the need to be proactive from a tax and compliance standpoint is amplified.

While you might be able to get away with a reactive approach to accounting early in a business, as you scale, the stakes just become too high. It can be a huge jolt if you find out you owe taxes in states you weren't planning on paying, for example.

Growing companies also tend to enter into more complex agreements, whether that's an equity, debt or revenue arrangement. These deals can have an unexpected impact on your financials, and you need to structure deals carefully to minimize tax exposure.

At this stage, your accounting firm can't just be solving problems. It needs to be part of your decision and review process. In addition, certain regulatory requirements kick in as your company reaches growth milestones. When you reach more than 100 employees eligible to participate in your benefits plan, for example, you're required to have an annual employee benefit plan audit. This is a somewhat specialized function not all accounting firms offer, so you may need to engage more than one firm.

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Filling gaps as you enter the upper-middle market

Once a company reaches a certain size, it makes sense to expand the expertise of your internal team. At that level, the relationship with your accounting firm moves toward a higher level of technical problem-solving.

Your accounting firm should have a range of technical expertise to support your internal team. A tax partner from your accounting firm would work with your internal director of tax, while an audit partner would be more engaged with the CFO.

Companies in the upper-middle market tend to rely on their accounting firms to support complex areas such as international expansion, mergers and acquisitions, stock compensation or even going public. The strategic relationship with the accounting firm is there to support the internal team and confirm the impact of these transactions.

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Ready for the unexpected

Throughout the pandemic, particularly during the early months in the spring of 2020, it was easy to see that companies of all sizes with the right accounting firm were better prepared to act quickly and decisively.

Whether you're answering questions about taking government assistance or temporarily shutting the business down, it's best to have an established relationship to rely on. And the thing about those types of questions is that you rarely see them coming.

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