



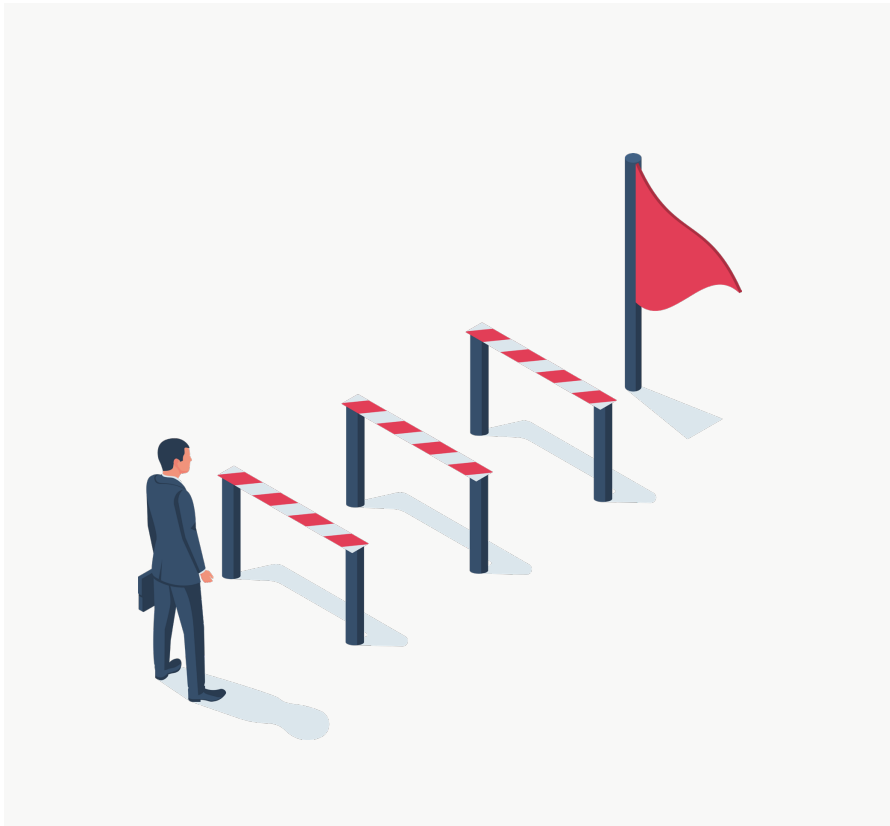
A Growing Firm's Guide to **Navigating Regulatory Change**



Introduction

In today's dynamic business environment, public accounting firms are facing an unprecedented level of regulatory complexity. This challenge is magnified for firms experiencing rapid growth, whether through mergers and acquisitions (M&A), private equity (PE) investment, or organic growth. As firms scale their operations, they must also scale their ability to navigate and comply with more complex regulations, from quality management standards to data protection laws around the globe.

This guide outlines key strategies and practical insights to help growing firms confidently address regulatory change, reduce risk, and position themselves for sustained success.



Regulatory Challenges for Growing Firms

New regulatory challenges are simply a consequence of growing for a firm. Firms expanding into a larger global footprint, or into more highly regulated services like public audits, are expected to meet stricter regulatory requirements, adopt more sophisticated quality management processes, and ensure consistency across their expanded operations. New acquisitions or partnerships bring additional layers of complexity, including differing cultures, systems, and regulatory risks.

Among the most common challenges growing firms face are:

Diverse Regulatory Jurisdictions: Operating in multiple jurisdictions often means navigating a patchwork of laws, rules, and standards. Firms need to have a thorough understanding of the similarities and differences in regulation across jurisdictions so that they can support an efficient and compliant business process.

Increased Inspection Oversight: Rapid growth draws attention from regulatory bodies, increasing the likelihood and frequency of inspections or inquiries.

Resource Constraints: Firms may struggle to scale their resources to meet regulatory obligations at the same rate as their growth. If budget is allocated based on the need this year, firms will be caught by surprise as needs sharply change.

Cultural Integration: Merging organizations with differing regulatory obligations can lead to inconsistencies and inefficiencies. For example, smaller acquired firms may not have the attention to regulation and standards that they should, and the business processes and systems that will need to be integrated with the acquisition will reflect that.

In this paper, we will break down 5 strategies firms should consider implementing in order to smoothly navigate the regulatory challenges described above.

Strategies for Navigating Regulatory Change

1. Build a Scalable Regulatory Framework

As your firm grows, regulatory processes must be able to grow with you. A scalable framework ensures consistency across offices, regions, and business lines while remaining adaptable to new regulations.

Adopt Standardized Policies

Align all offices and teams under unified regulatory policies that reflect your firm's values and requirements. If your firm is part of a network, consider standardizing at the network level to create consistency in quality management and regulatory process.

Invest in Technology

Meeting your regulatory obligations involve plenty of data to track processes and support reporting, and technology can provide significant value in data-rich environments. Leveraging technology to support your firm's system of quality management will enable more automated and efficient regulatory processes.

Develop a Risk-Based Approach

Prioritize resources for areas with the highest compliance risk, such as high-profile clients, new service offerings, or cross-border operations. By developing a risk-based approach, your firm will begin to develop a culture that is not only paying more attention to risk, but able to effectively differentiate what areas need more or less attention based on risk.

2. Stay Ahead of Regulatory Changes

The results of anticipating change are always more effective than those of reacting to it. Growing firms must establish processes to identify, understand, and prepare for regulatory shifts before they become regulatory issues.

Monitor the Regulatory Landscape

Assign dedicated resources with external advisors to track regulatory updates at the local, national, and international levels. Ensure that these resources are in close communication with the ones setting firm strategy, as they will need to know about the direction your firm is headed to anticipate the right regulatory impact.

Engage with Industry Groups

Participate in accounting associations or regulatory roundtables to gain early insights into upcoming changes. Attend conferences discussing regulatory developments and learn about how other firms are addressing current regulations and preparing for future change.

Scenario Planning

Conduct regular scenario analyses to evaluate how proposed regulations could impact your firm and prepare contingency plans. Align these scenarios with your firm's strategic direction to create potential playbooks for the future events.

Strategies for Navigating Regulatory Change



3. Tune Culture to Meet Your Obligations

Meeting your regulatory obligations should be seen as a shared responsibility across the firm, not just the job of a single team. Building a strong culture around this common goal ensures that everyone—from senior leaders to new hires—is aligned.

Leadership Commitment

Leaders must actively champion regulatory initiatives and demonstrate accountability in their own actions. “Tone at the Top” is an important aspect of regulatory compliance, frequently discussed by regulators, and it can pay dividends for your firm in how it shapes firm culture.

Training and Education

Provide regular training for all staff, tailored to specific roles and responsibilities, that explains why their participation in regulatory processes is valuable to their work and ensures that professionals are knowledgeable of all their responsibilities.

Incentivize Cooperation

Incorporate metrics into performance reviews and reward teams that demonstrate best practices publicly. Show with your leadership’s recognition that meeting your regulatory obligations is something worth celebrating.

Strategies for Navigating Regulatory Change

4. Leverage Expertise

The growing complexity of regulation often demands specialized knowledge that may not exist in-house. Partnering with external experts can provide your firm with the guidance needed to stay compliant while allowing your internal teams to focus on core business functions.

Consult with Legal and Regulatory Experts

Engage advisors with deep knowledge of public accounting regulations and industry standards like QC 1000 or ISQM 1. Develop new regulatory processes through consulting arrangements with such advisors, furthering your firm's ability to meet its obligations without permanently increasing compliance resources.

Invest in New Talent

Where consulting does not make sense, hire experienced regulatory compliance professionals to lead process transformation efforts and oversee regulatory risk. Hiring the expertise will almost always be a faster path to success than developing the expertise internally over time.

Collaborate with Technology Providers

Use software designed specifically for meeting regulations and aligning with standards in public accounting to streamline processes. Enterprise software provides that work specifically in this space, such as Kingland, understand your need and implement common parts of regulatory business processes into the software.

5. Make Your Focus on Regulatory and Professional Obligations an Asset

Rather than seeing your regulatory obligations as a cost or burden, growing firms can turn their focus on regulatory adherence into an asset that protects the firm, investors, and clients. A well-structured approach demonstrates credibility to clients, regulators, and potential investors, solidifying your firm's reputation as a trusted advisor.

Create an Anchor System

Private equity firms want to invest in accounting firms that are primed for growth. New M&A activity looks attractive where it is clear that the integration of business systems will be streamlined. By creating a system that is easy to integrate with, you can create the anchor system where other firm systems are easily merged.

Highlight Your Focus in Client Relationships

Talk about your firm's robust regulatory processes as a way to assure new and current clients that they are in good hands, especially those clients in highly regulated industries. Emphasize how your adherence to evolving standards ensures their interests are always protected.

Showcase Transparency to Regulators and Investors

Foster open communication with regulators by proactively implementing updates to new regulation and standards, and addressing violations before inspections. For private equity investors, highlight your regulatory resilience as a signal of operational maturity and stability.

Assessing Your Firm's Preparedness to Navigate Regulatory Change

To navigate regulatory change effectively, growing firms must regularly evaluate their readiness. Use these questions to assess your firm's preparedness and identify areas for improvement:

Scalable Regulatory Framework

- How consistent are our policies across offices, teams, and service lines?
- What technologies or tools are we using to monitor and manage regulatory changes, and are they meeting our needs as we grow?
- Which areas of our operations present the highest risks, and how are we allocating resources to address them?

Staying Ahead of Regulatory Changes

- What processes do we have in place to stay informed about regulatory changes at local, national, and global levels?
- How are we leveraging our participation in industry groups or associations to anticipate regulatory trends?
- How frequently do we analyze potential regulatory impacts on our firm, and what scenarios are we prioritizing?

Tuning the Culture

- In what ways do our leaders demonstrate a commitment to meeting our regulatory obligations, and how is that communicated to the rest of the firm?
- How are we ensuring that training around regulatory processes is tailored and accessible to employees across different roles?
- What systems do we have in place to measure and incentivize strong regulatory practices among our teams?

Leveraging Expertise

- What internal expertise do we have to address complex regulatory challenges, and where might we benefit from external guidance?
- How are we integrating regulatory specialists or teams into our broader strategic initiatives?
- What role does technology play in enhancing our regulatory compliance efforts, and where could automation improve efficiency?

Making Your Focus an Asset

- How are we using our processes to build trust and differentiate ourselves with clients?
- How do we incorporate regulatory readiness into our strategic planning for growth, including new services or geographic expansions?
- In what ways are we demonstrating transparency and regulatory resilience to investors, clients, and other stakeholders?



Kingland partners with many of the largest and fastest growing firms to quickly improve their systems of quality management. Our product suite creates an integrated solution that firms depend on for client acceptance, relationship tracking, financial interest independence, conflict checking, and more.

Reach out to Kingland today at outreach@kingland.com to see how your firm can chart the right path for navigating regulatory change in the next 6 months.