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Who's the Best Adviser? Creating Referral Relationships, But Not Competition

Accountants, financial advisers and other professionals can make a great referral network. But maintaining those relationships is sometimes tricky.

By Lizzy McLellan | January 09, 2020



Accountants, advisers and other pros can be great referral sources, if the relationship is built on the right foundation. (Photo: Dragon Images/Shutterstock.com)

When Hank Chamberlain and George Hrdlicka founded their law firm in Houston in 1965, they wanted to be the go-to counsel for tax issues.

“They pretty quickly discovered that if they had to make a living off what other lawyers would send them, they would go hungry. So they shifted their focus to the accounting community,” said J. Scot Kirkpatrick, a shareholder in the Atlanta office of Chamberlain Hrdlicka White Williams & Aughtry.

(<https://www.chamberlainlaw.com/>)

So, Kirkpatrick said, the firm created its tax forums, which it continues to this day to foster relationships with accountants. It was a simple concept: get a few dozen CPAs in a room and make a presentation on a relevant tax topic.

The result, Kirkpatrick said: “When a problem arose or an opportunity would come up, the phone would ring.”

When the Atlanta office opened in 1986, he said, it used the same kinds of events to create bonds with professionals in the accounting community. Kirkpatrick says he’s unsure whether Chamberlain and Hrdlicka were the first to use educational events for marketing purposes, but “they were some pioneers of it.”

One of the professionals with whom Kirkpatrick routinely partners is Lonnie Davis, a managing director in the tax advisory services group at CBIZ MHM. He is based in the Philadelphia area, and his clients include closely held businesses and high-net-worth individuals.

“I send a ton of business to attorneys. I probably get the ratio of business-out-to-business-in is 10-to-1, maybe 7- or 8-to-1,” Davis said. “And that’s OK because I’m looking for the best solution to client issues. If we get the business back, that’s great.”

Creating the Relationships

Kirkpatrick said the first step in gaining effective referral relationships is to “become the expert.” And the next step is “to become known as the expert.”

“Really the only way to do this is to do good work for people and their clients that they want to send you their clients. If you do enough of that, it’s kind of funny, it just happens,” he said. “I tell people, as soon as you have one mutual client, you’ll have three.”

Most of his referral relationships in the accounting community are with small to midsize accounting firms. He estimated that about half his clients come directly from those sources.

Todd Vanett of Stradley Ronon Stevens & Young (<https://www.stradley.com/>), based in Philadelphia, who also has a referral relationship with Davis at CBIZ, said that connection was born when they were on opposite sides of a transaction.

“Each of us looked at the other and said ‘this is someone that knows what they’re doing,’” Vanett said. He said he looks for referral partners who treat his client like their most important client. Lawyers can turn that into an ongoing relationship simply by building trust and working honestly, he said. But it must be maintained.

“You want to be on the person’s short list,” Vanett said. “Especially middle-market firms like ours, you really need those relationships and referral sources.”

Michael Frattone, of 36-lawyer Philadelphia firm Kleinbard (<https://www.kleinbard.com/>), said the lawyers in his corporate department have relationships with a handful of investment banking firms, accounting firms and financial advisers. The firm also sends a good bit of work back to financial advisers, he noted.

“Firms like ours, we try to spend a lot of time in developing and nurturing and maintaining those relationships,” he said. The goal is “just to stay top-of-mind.”

Frattone said he views the process of maintaining these relationships similarly to how client development and client succession are handled. For instance, he said, the firm holds meet-and-greet events with financial advisers. Transactional lawyers from

the most senior levels to the youngest associates are included.

“We try to introduce people at all levels [and] make it part of the culture here,” he said. It’s “part of the fiber of a young associate’s life from the earliest stage.”

An Eventual Threat?

Just as lawyers look to expand their relationships with clients, serving as a full-time adviser, other professionals may look to do the same. But does that cause rifts in referral relationships?

Kirkpatrick said he knows some financial firms that have hired lawyers to become planners, and he’s even trained some of them. But he’s not worried about those firms becoming competitors for his business.

“We’re not going to do tax returns, we’re not going to do financial statements. I want the accountants we work with to understand the law,” Kirkpatrick said. “They can read the wills and trusts and corporate documents, but they’re not going to draft it. I can read a tax return, but I’m not going to draft it.”

Frattonne also showed little concern. “On the financial adviser side, there’s a clear line that they can’t provide those kinds of legal services to them,” he said.

As for midsize accounting firms, Frattonne said, it’s hard to know how much interest they would have in expanding to legal work. While the Big Four are increasingly making their presence known in the legal sphere, he acknowledged, it’s not in the same space his firm occupies.

“Looking at the deal world, it’s really those sort of mid-market investment banks or accounting firms that are involved in the transactions we see a lot,” Frattonne said. “It’s not the PWCs and the EYs of the world.”

But not every referral relationship is harmonious.

Marian Mehan, co-chair of the estate planning department at Lewis Rice (<https://www.lewisrice.com/>) in St. Louis, said she has run into situations where a non-legal professional essentially took over the client relationship after a referral.

They don't take over the legal professional's role, but they fail to involve lawyers as early as they should.

"Where you get into trouble is people who try to go outside their swim lane. Most people don't do that," she said.

But there have been situations where, for instance, a lawyer refers work to an investment adviser, and never hears from that client again. Then down the road, the investment adviser calls seeking legal services for that same client on a different issue—one where the lawyer was not yet involved.

"I'm happy to have everybody involved in it, because people have good ideas, but when you're not allowed to participate in those decisions...It's kind of a tricky situation," Mehan said.

"The smarter people realize what they do know and what they don't know," she added.

Vannett said there's a simple reason for fairly sharing relationships with referral partners: "If you try to push them aside and take everything, you're not going to get the next referral."

"My attitude going in is that we're a team. The team is all the advisers to the client," he said. "There's plenty to do for everybody, but if you try to monopolize it, you're not going to be successful."

Still, he said he has noticed an increase in competition between law firms and accounting firms in middle-market M&A. The largest accounting firms in particular are getting more involved in the diligence and advisory parts of transactions, and outside the U.S., he noted, those accounting firms are among the biggest players in the legal sphere.

Vannett said law firms can build stronger relationships with the midsize accounting firms. "They're not trying to do what we would consider legal work," he said.

On the other side, Davis of CBIZ said he does not see law firms as a competitor. He said accountants and attorneys are doing the same thing—reaching out to clients and trying to solve all of their problems. Still, he said, many lawyers are late to that trend, and narrowly stick to their practices.

“I fill that role as a quarterback for clients,” Davis said. “There’s a little bit of crossover [between lawyer and adviser roles], but in many ways I view them as complementary.”