The Liberated Practice

Accountancy in the Age of Digital Transformation

WOODARD™ **quickbooks** intuit

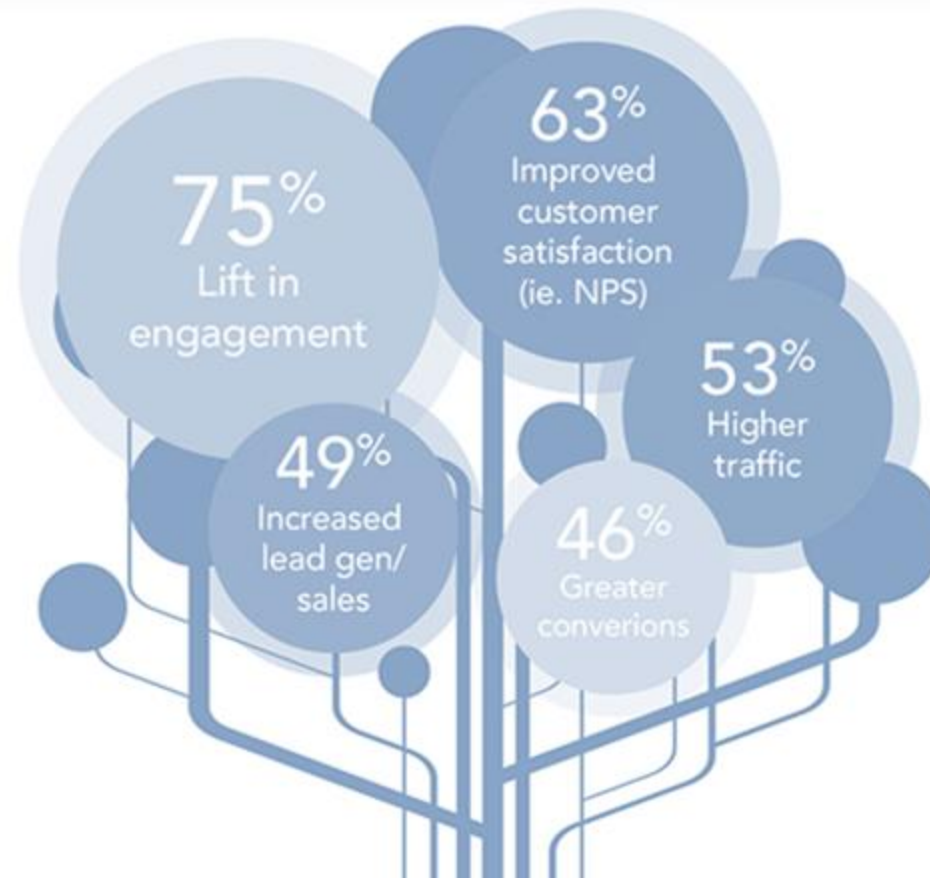# What is Digital Transformation?

Digital transformation is the process of using digital technologies to create new — or modify existing — business processes, culture, and customer experiences to meet changing business and market requirements."

Salesforce

Benefits of Digital Transformation

Session 5: Liberating Your Practice from Capacity Constraints

Learning Objectives

- 10-point checklist to identify areas of friction that are reducing capacity/productivity
- The key connection between capacity and workflow, and provide the steps to achieve standardization of processes and services in your practice
- How to leverage outsourced solution providers to provide more effective, value-added client services

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About the Presenter

- 25+ Years of Experiencing Running a Consulting and Bookkeeping Practice

- Host, Scaling New Heights® Conference

- Top 100 Most Influential People in Accounting Award Winner – as recognized by *Accounting Today*

- Published author in *The Journal of Accountancy, CPA Practice Advisor, AccountingWEB, McGraw Hill, The Firm of the Future, Insightful Accountant* and *The Woodard Report*

- Career trainer to over 150,000 accounting professionals

- 20+ year contracted trainer and author for Intuit

Joe Woodard, CEO
Woodard™

Section 1

10-point checklist to identify areas of friction that are reducing capacity/productivity

1. Lack of Automation

- Too Many Human Workers → Decreased Profit Margins
- Increased Errors and Omissions → Decreased Profit Margins
- Decrease in Efficiencies → Decreased Profit Margins
- Dated Practice Strategy → Decreased Practice Valuation
- Lack of Competitive Advantage/Practice Distinction
  - →Weaker Growth Potential
  - →Less Pricing Leverage
- Diminished Client Experience
  - → High Friction with Client Interactions
  - → Diminished security and fraud prevention
  - → Difficult to Maintain Real Time Financial Information → Less Opportunity for Financial Insights/Advisory

Maximizing Automation – A Categorical Approach

eCommerce and Merchant	Payables (Including Line-Item Detail)	Paper and Electronic Transaction Records	Purchase Orders	Invoices	Estimates
Sales Orders	Job Costing (Including Payroll)	Sales Tax Calculation, Filing and Issues Handling	Payroll Calculation, Filing and Issues Handling	Employee Onboarding (Including Payroll Forms)	1099's
	Corporate Renewals	Foreign State Registration	Collections	401k Management	Accrual Basis Entries

2. Inconsistent/Variant Use of Technology

- Create a Formal Technology Plan
- Make Sure the Plan is Prioritized, Realistic (though Ambitious) and Comprehensive
- Create a thorough Vetting Process for New Technologies
- Identify and Eliminate Redundant Technologies
- "Over Manage" the Adoption and Use of the Technology by Team Members and Clients
  - Formal Onboarding for Team Members with Training
  - Formal Onboarding for Clients with Training
- Continually Innovate/Improve
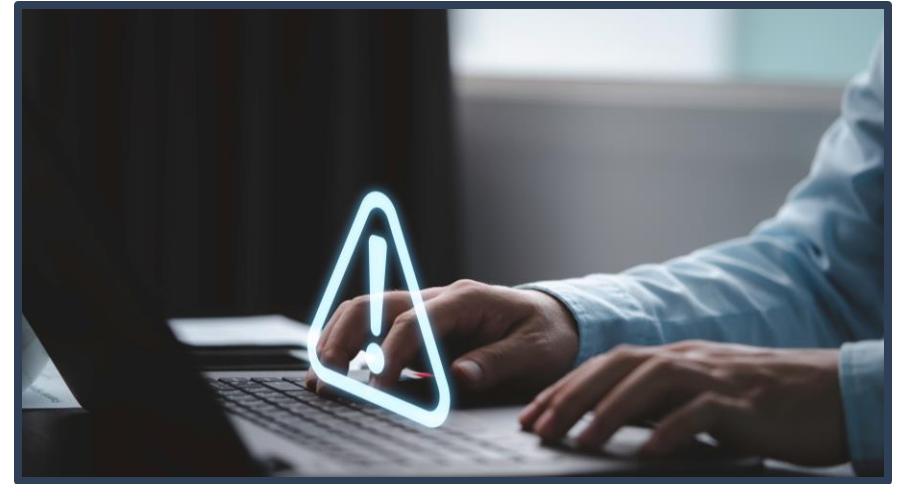
3. Inaccessibility of Documents

- Liberate the data in your practice from the "data prisons" of:
  - Paper
  - Local Drives
  - Email
  - Voiced Interactions
  - People's Brains

- Store 100% of Practice Documents in a Single, Searchable Source that Indexes Information at the Character Level

- Use Zapier or Integrations to Create Copies of Contextual Documents (e.g., in your Workflow Solutions or Client Portals)

4. No Clearly Defined Team-Level Measurements

- An OBJECTIVE is simply what is to be achieved, no more and no less.

- KEY RESULTS benchmark and monitor how we get to the objective.

- An OKR: "A management methodology that helps to ensure that the company focuses efforts on the same important issues throughout the organization."

Source: *Measure what Matters* – John Doerr

Objectives and Key Results

4. No Clearly Defined Team-Level Measurements

An OBJECTIVE is simply what is to be achieved, no more and no less.

Objectives are significant, concrete, action oriented, and (ideally) inspirational. When properly designed and deployed, they're a vaccine against fuzzy thinking—and fuzzy execution.

Objectives and Key Results

Source: *Measure what Matters* – John Doerr

4. No Clearly Defined Team-Level Measurements

KEY RESULTS benchmark and monitor how we get to the objective.

Effective KRs are specific and time-bound, aggressive yet realistic. Most of all, they are measurable and verifiable. It isn't a key result unless it has a number.

Source: *Measure what Matters* – John Doerr

4. No Clearly Defined Team-Level Measurements

Where an objective can be long-lived, rolled over for a year or longer, key results evolve as the work progresses. Once they are all completed, the objective is necessarily achieved.

(And if it isn't, the OKR was poorly designed in the first place.)

Source: *Measure what Matters* – John Doerr

4. No Clearly Defined Team-Level Measurements

- Focus and Commitment to Priorities

- Alignment and Connections for Team Executions

- Accountability

- Stretching of Teams to Overcome Limitations, Exceed Expectations and Excel

- Team Level Measurements

Source: *Measure what Matters* – John Doerr

5. No Production-based Incentives

- Provide all producers in the Company with an Earned Productivity Bonus
  - Individual Performance (Good)
  - Team Performance (Best)
- Bonus eligibility begins when the producer/team has generated 3 times their base pay in annual revenues
  - Calendar or
  - Rolling 12 Months
- Combine the Productivity Bonus with a New Client Bonus (Always Individually Earned)
  - 5% of Billings in Year One
  - 2% of Billings until the Client or the Team Member Leaves the Practice

6. Pricing Pressures

Low Pricing Results in…

- Undercompensated Team Members → Team Turnover and Lack of Motivation
- No Budget for…
  - Ongoing Development → Insufficient Systems and Processes
  - Administrative Support → Admin Strain Placed on Production Teams
  - Account Management/Review Cycles → Need to Repeat/Correct Work
  - Employee Benefits (e.g. Insurance, Retirement Plans, Generous PTO, etc.) → Employee Turnover

7. No *Adaptive* Capacity

- No Ongoing Training/Education

- No Ability to Assist Others with Workloads
  - Backlogs
  - Corrections
  - Peak Seasons
  - Workers Out of the Office
  - Deployment of New Technologies or Changes in Client Process

- No Work/Life Harmonization → Burnout and High Team Turnover

8. No Intentional Management of Culture

- Clearly Define and Continually Reinforce/Re-Cast the Company Vision
  - Vision is the "Why" of the Company
  - It is not Achievable – a Compass Point not a Destination
  - The vision is intensely client-focused
  - The vision contains an implied "so that"
- Clearly Define and Reinforce the Values of the Company
- Foster Authentic Harmony where Team Members are Free to
  - Confront
  - Share their Vulnerabilities

9. No Practice Management Software

- Centralize team and client collaboration

- Share tasks across team members

- Document processes and track engagement statuses

- Contextualize documents into production workflows

- Generate invoices and accept payments

10. Clients Use QuickBooks Desktop

- Fewer Integrated Applications → Less Automation
- Cloud-based apps often have sync issues with desktop connectors
- Less Accessibility to Client Information
  - Fewer reporting tools that integrate and even fewer that aggregate client data
  - Clients who don't host data have to collaborate through accountant's review copies or backup files
  - When clients do host, it is harder to move between client files and expensive you and the client
- Version control issues
  - Multiple versions required to support clients outside of hosted environments
  - Versions sunset
- Clients don't maintain their local area networks well → file corruptions and connectivity issues
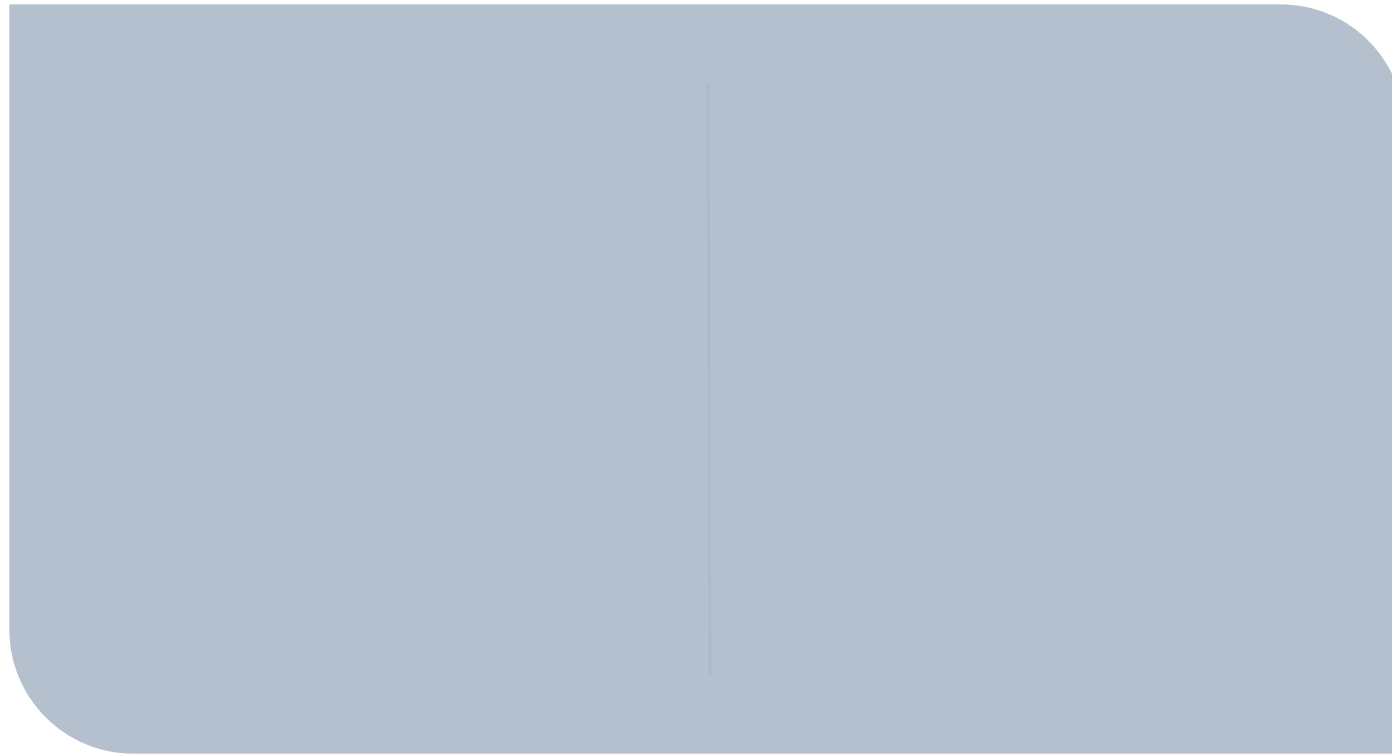
Proof Points – QBO and Your Clients

95% of QuickBooks Online customers say they work more collaboratively than they could with QuickBooks Desktop.

99% of accountants surveyed recommend QuickBooks Online over QuickBooks Desktop.

"With more and more people working from home, it allows everyone to look at real-time data instead of sending backup files back and forth."

Proof Points – QBO and Your Clients

87% of QuickBooks Online customers say their business runs more efficiently than it did with QuickBooks Desktop.

"With more and more people working from home, it allows everyone to look at real-time data instead of sending backup files back and forth."
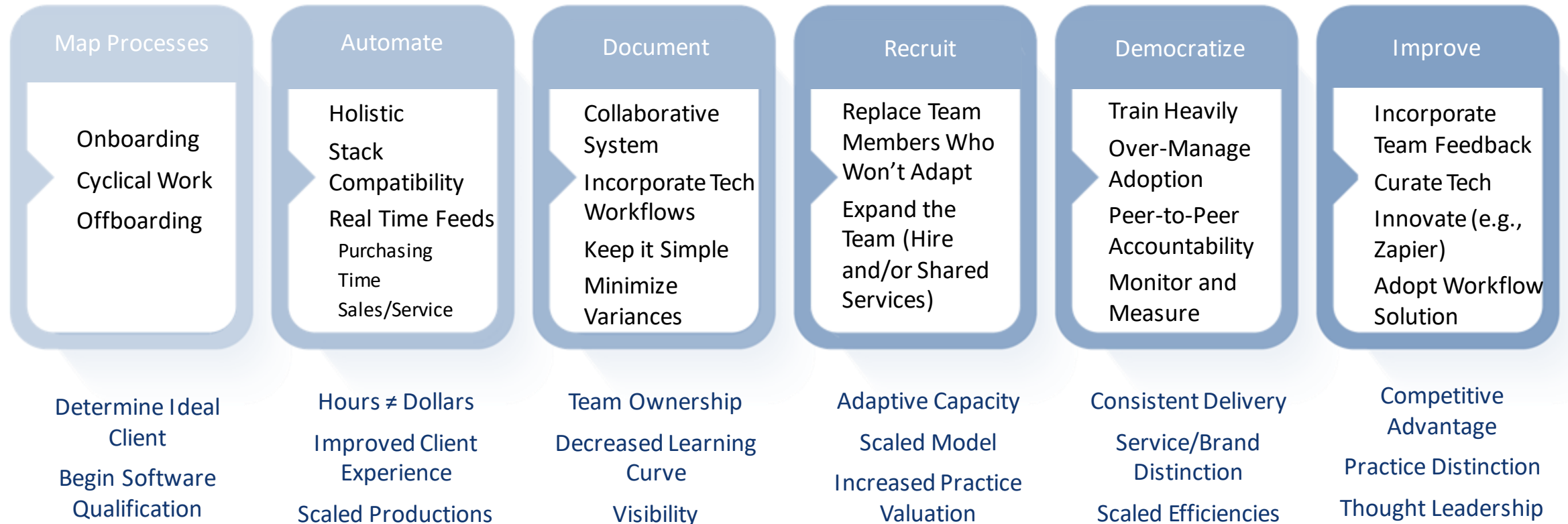
87% of customers say bank feeds in QuickBooks Online help them reduce data entry and errors.

Section 2

The key connection between capacity and workflow, and provide the steps to achieve standardization of processes and services in your practice

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Digital Transformation Roadmap

Map Processes	Automate	Document	Recruit	Democratize	Improve

Onboarding
Cyclical Work
Offboarding
	Holistic
	Stack Compatibility
	Real Time Feeds
	  Purchasing
	  Time
	  Sales/Service
		Collaborative System
		Incorporate Tech Workflows
		Keep it Simple
		Minimize Variances
			Replace Team Members Who Won't Adapt
			Expand the Team (Hire and/or Shared Services)
				Train Heavily
				Over-Manage Adoption
				Peer-to-Peer Accountability
				Monitor and Measure
					Incorporate Team Feedback
					Curate Tech
					Innovate (e.g., Zapier)
					Adopt Workflow Solution

|					
Determine Ideal Client Begin Software Qualification	Hours ≠ Dollars Improved Client Experience Scaled Productions	Team Ownership Decreased Learning Curve Visibility	Adaptive Capacity Scaled Model Increased Practice Valuation	Consistent Delivery Service/Brand Distinction Scaled Efficiencies	Competitive Advantage Practice Distinction Thought Leadership

Nature of Standardization

- You define the product, not the client.

- You define the process, not the client.

- Each person in the firm adopts the process start to finish without help from management /ownership.

- You define the systems (e.g., software), not the client.

- You define the services you will deliver through your systems, not the client (or the client's needs).

- You democratize the process among your team.

Variation of Process is Enemy #1

Elements of Standardization
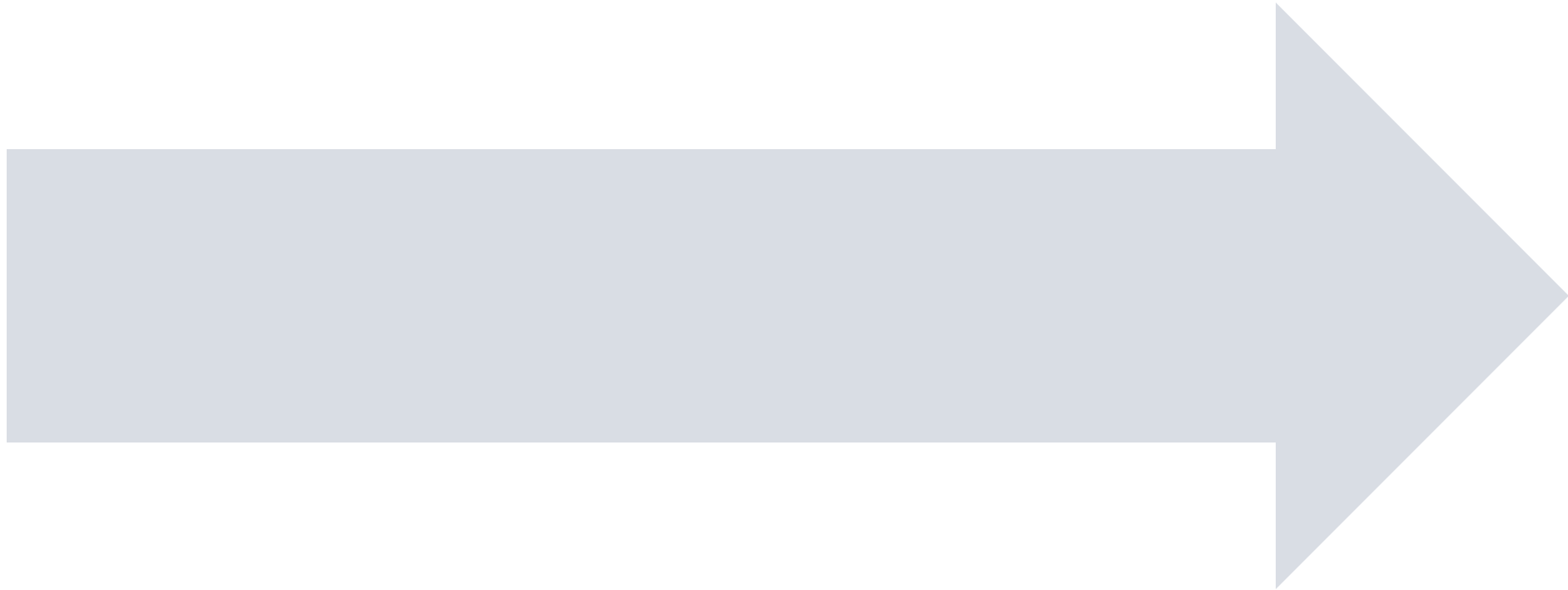
Elements of Standardization

Status

- Source Document Collection: Information and documentation necessary to perform the task

- Ready for Preparation: Status that follows the collection of necessary information and documentation

- Preparation: Tasks is in Process

- Awaiting Client Info: Task is paused while collecting additional necessary information

- Question(s) Asked: Task is paused while getting answers to preparer's questions

- Quality Review: Initial Review

- Final Review: Final Review

- To be Delivered: Records are Ready for Client Delivery

- Completed: Task is Closed

Roles within the Practice

- Preparer: Team member who completes the task

- Quality Assurance: Team member who does the initial quality review

- Reviewer: Team member who does the final review

- Account Manager: Team member who communicates with the client

Note: A single person may perform multiple roles for smaller practices.

Note: Larger practices may require a location attribute for each task. You can also use a location attribute for tasks assigned to a shared service center

Elements of Standardization

Pre-Bookkeeping

- Client Vetting – Soft Vetting Based on Ideal Client Profile and Interview with the Client

- Client Discovery (Hard Vetting. Billable Engagement)

- Pricing: Provide 3 Pricing Levels. For example,
  - Comprehensive Bookkeeping with Monthly Financial Statement Delivery
  - Comprehensive Bookkeeping with Real Time Financial Information, Cash Flow Monitoring/Projections and Account Receivable Monitoring/Management
  - Everything in Level 2 plus financial advisory
    - Periodic Meetings
    - Real Time Financial Monitoring with Up to 20 Key Metrics
    - 5 Key Performance Indicators – Discovery, Monitoring and Interpretation

- Engagement and Orientation

Client Onboarding*

- Client Collaboration Setup and Training

- General Ledger System Setup and Training (If Applicable)
  - Line in the Sand
  - Consultation on any Changes or Expansion in Client Use of the System

- Payroll

- Sales Tax

- Payables Automation Setup and Training → Bookkeeping Engagement Begins

- Data Fetching and Document Parsing Setup and Training*

- Time Tracking Setup and Training

*All onboarding is billable with a statement of work for each bulleted phase above and does not include cleaning up or compiling financial information from previous reporting periods. Perform that work under a separate, billable engagement.

Elements of Standardization

Cyclical Work

- Setup tasks based on the frequency you perform them. For real time financial information some of the *cyclical* tasks will have a daily cycle. For your Level 1 services the most frequent cycle is often the payables and payroll processes

- Allow for Limited Client-Level Variations of Process and Incorporate into Your Checklists

- Setup administrative reviews as part of your cyclical work. It is best to conduct administrative reviews quarterly in year one, semi-annually in year two and annually for each subsequent year. → Possible Pricing Changes

- Frequencies include: Daily, Weekly, Bi-Weekly, Semi-Monthly, Monthly, Bi-Monthly, Quarterly, Semi-Annually, Annually

- Setup Due Dates In Addition to Frequencies. For example, 1099 processing has a frequency of Annual but (for most situations) a Due Date of January 31.

Client Offboarding

- Select a Specific Date for the Termination that Coincides with a Month End

- If Appropriate, Offer a Billable Transition Service to Another Bookkeeper or to their In-House Team

- Termination Letter*

*Note: Include an initialed statement in the termination letter where the client states that all work performed as of the date of termination is complete and accurate. Also, include statements of the client's intentions around software products you implemented while performing bookkeeping solutions. Warn the client about discontinuing operational solutions where transactions are in process (e.g., payables). Include specifics in the letter about the client's responsibilities to manage and pay for any solutions they decide to retain.

Start with Why

- Quick Resolution to Capacity/Staffing Issues

- Scale Your Organization Disproportionately to Headcount/Risk

- Reduce Production Costs

- Reduce HR Management/Compliance Issues

- Reduce Overhead (e.g., IT, Employee Training, Benefits, etc.)

Question to Ask When Screening Providers

- What is the required minimum number of hours per week/month

- Are the workers full time employees of the outsourcing company?

- In what country are the workers located?

- Does the staff only work on premises?

- What physical and digital security? measures does the company use to protect your clients' information?

- What is the minimum level of experience required to work for the company?

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Question to Ask When Screening Providers

- What is the average level of experience for the workers within the company?

- What is the minimum education level of the workers in the company, and does the company require a degree in accounting?

- Does the company support your accounting platform and the apps you integrate with that platform?

- Does the company support your workflow solution?

Question to Ask When Screening Providers

- Does the hourly rate include a review cycle?

- Do you coordinate with my practice during regular business hours in my U.S. time zone?

- Do I pay for the company's workers to learn my process and/or any specific technologies that my practice uses?
  - If yes and there is employee turnover at your company, do I have to pay to train the replacement worker?

- What is the waiting period if I want to expand the number of hours I use with your company?

What Comes Next?

- Parts 6-8 of the Series will Take Place over the Coming Weeks

- Watch Your Emails for Updates on Dates and Times of Future Segments in the Series

- Bookmark the page www.woodard.com/liberated_practice_series

  - Handouts from Each Segments Presentation

  - Q&A from Question-and-Answer Segments

  - Polling Data (Anonymous and in Aggregate)

  - Links to Resources Mentioned in the Series

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