



Technology and practice development: 'The 63% solution'

By Gregory L. LaFollette, CPA, CITP

Don't think about today, think about tomorrow

Google's Chief Internet Evangelist and one of the founding fathers of the Internet, Vinton Cerf, once wrote: "Science fiction does not remain fiction for long. And certainly not on the Internet." For practicing tax and accounting professionals that means: *Don't think of how you interact with your clients on engagements today, think of how you will interact tomorrow.*

Make practice development a reality

To make practice development a practical reality for your firm, begin with an analysis of productivity (how long it takes to accomplish certain tasks) and profitability (how much money you make by accomplishing those tasks). Wise practitioners long ago discovered that while both measurements are important, they are not the same.

The AICPA PCPS/TSCPA, Private Companies Practice Section/Texas Society of Certified Public Accountants, recently completed the 2006 biannual Management of Accounting Practices (MAP) survey. It's a useful starting point for analysis and generally accepted as the "gold standard" for determining profitability rankings, measuring hundreds of touchpoints for thousands of practices.

Highly productive firms are harnessing the Internet and tying themselves closer to more and more clients by offering spectacularly customized services.

What makes a high performer?

We've been tracking the results of this survey since 2002 when they were first published, in a format that facilitated comparison of the business methods and decisions made by high performers to those made by firms in general. The accompanying charts highlight the survey's findings and show that practitioners in the upper quartile—determined by annual net income per partner—work approximately 3 percent fewer hours than those in the "average" group. At first, 3 percent may not seem like a lot. But when applied to the overall average of almost 2,400 hours worked, the time-saving translates into *two extra weeks per year*. And that *is* a lot. More important, it demonstrates what we all secretly know: high performers don't get there by working *harder*; they get there by working *smarter*.

But that's not all. In terms of income, the partners in the upper quartile firms earned, on average, *63 percent more money than their peers in the "average" group!*

Yes, it's true that there are differences in firm sizes and geography, but when compared to its *peers*, any high-performing firm can expect to see its partners' income at approximately 55% to 65% higher. While this is almost impossible to believe at first, even accounting for the impact of all the variables, you can indeed expect to make as much as \$80,000 to \$100,000 more, simply by belonging to the higher performer group and working smarter. Skeptical? Here's proof.

What do these high-performing firms have in common? Two things: They've *adopted* the best technology available for their practices, and they've *adapted* their



Another key differentiator is how we communicate and present what we have done. It's important to note that accountants and clients have an unusual disconnect. We tend to sell "time" and, too often, "product" such as tax returns, financial statements, payrolls, and other "billables." But while this is what we sell, our clients actually see these as byproducts of what *they* want to buy: peace of mind, minimal tax liability, safely transferred family wealth, and other goals. In other words, what they want to buy is our services and what they value most is the tangible benefits they derive from those services. High-performing firms realize this disconnect and capitalize on it. And they capitalize via technology. They've learned to harness the power of the Internet, specifically the Web and its ability to deliver secure, highly personalized services.

These same smart accountants use e-newsletters and tailor them to individual client needs. Services like BizActions help accountants extend their reach by utilizing the Internet to deliver highly crafted and timely marketing messages. Suddenly the old saying, "On the Internet nobody knows you're a dog," translates to, "On the Internet, even small firms can appear polished, professional, and well-prepared to serve niche clients." And these forward thinkers with a vision of the future can see past today and go beyond simple websites to launch highly secure, personalized private client portals. Virtually every consumer uses portals on a regular basis—their banks, brokerages, airlines, bookstore, government offices. Almost everyone with whom consumers transact business now offers a portal—everyone except accountants. By and large we've been laggards. However, smart firms are leading the way, delivering *tax returns, financial statements, and more to their clients.*

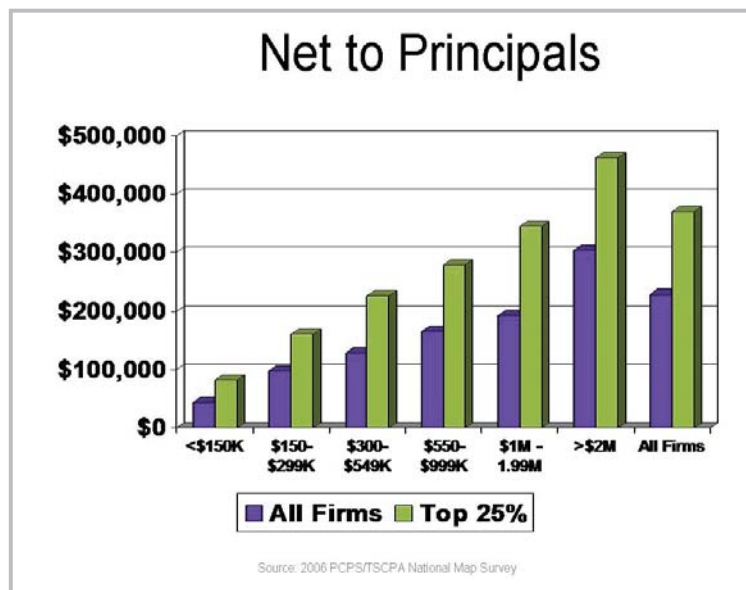
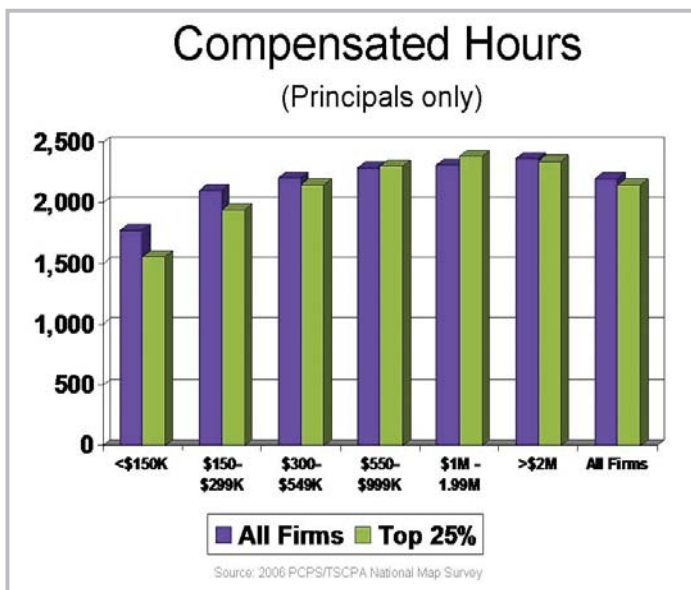
business rules to take advantage of that technology. It's amazing that most of what separates the "higher performers" from others is something that virtually every accounting firm can easily implement, but few do.

While traveling around the country and speaking to accountants at professional conferences and events, I am constantly struck by both the similarities and differences among us. It has been said that accounting itself hasn't changed much in centuries, and in one sense that's true. Nevertheless, while *what* we do hasn't changed much, *how* we do it has changed drastically. In fact, how we do what we do is what separates "high performers" from others.

The Internet changes everything

The Internet really *does* change everything, and a quick look around will convince even the most recalcitrant among us of this fact. The most recent Pew Internet & American Life Project demonstrates unequivocally that Americans have completely embraced the Internet. The Internet levels geography. It simultaneously destroys and expands time. It makes one-to-many communication seem like one-to-one. And it does so cheaply and securely. Smart accountants realize this and have launched smart-looking websites, not just to tell their current and prospective clients what they do, but also to interact with them.

The two most important capabilities the Internet offers us are: the ability to work collaboratively with our clients, and to work from anywhere at any time. The power of collaboration is tremendous. It completely and forever changes the way we perform client engagements. Clever developers have designed solutions to extend the reach of the practicing accountant and make his or her client interactions faster and more effective. One such solution is *Accountant's Practice Online*, which generates an attractive, highly customized website for your firm, offers a secure



portal for document presentment and exchange, and provides a full-featured online practice management system. Its sister solutions, *Payroll Relief* and *Accounting Relief*, take further advantage of the Internet by placing the accountant squarely in charge of the *who does what and when* decision.

- **The payroll factor:** The PCPS/TSCPA MAP survey also points out the so far well-kept secret that over 50 percent of top-performer firms are back in the payroll business. In fact, practicing accountants everywhere are getting back into payroll services. After almost completely abandoning payroll over 25 years ago, smart practitioners in the profession are realizing that through secure portals the Internet can make payroll processing easy and profitable, and that it's a highly desirable service for many small business clients. The Internet lets accountants access powerful processing centers and enjoy the same level of automation that only payroll service bureaus enjoyed—until now. Additionally, the web offers a 24/7 presence with that unique “one-to-one” feel, through which a portal can be customized specifically for each client at each step in the payroll process. This highly customizable feature means that each client can do as much or as little of the “work” as is appropriate for their budget, business, and skill level. Every practitioner is different, and so is every client. With the structure provided by the Internet, everyone wins.

- **The consultative bookkeeping pay-off:** As with payroll, the nature of the Internet lets practitioners treat clients as individuals and utilize the time and talents of each. That means that while one client may complete virtually all of the steps in the accounting cycle, another may do nothing more than record simple cash receipts and disbursements. Traditional shrink-wrapped software assumes all clients have the same time, interests, and ability. As accountants, we know that's not true; and Internet-based, portal-delivered solutions celebrate that fact by building a unique, specially designed view for every user. Accountants now have better control over what their clients produce.

- **The communication revolution:** Smart accounting firms are now taking advantage of all the ways in which the Internet can enhance accountant-client communication. While some accountants decry the telephone as “interrupting me and taking too much time,” smart accountants through the years have differentiated themselves by properly embracing it. Those same accountants and perhaps their protégés are using modern communication tools. The cell phone, now a tool of the masses, has morphed to the *Smartphone/Blackberry/Treo* for high performers—who are almost four times more likely to use these ultra-modern tools than their “average” counterparts. And the really smart firms are now adding their A-list clients to private IM, Instant Messaging, lists—realizing that what clients want more than anything else is access.

Modern tools like *Windows Live Messenger* can put you literally one click from your most valuable clients. *Groove*, newly relaunched as a part of some versions of *Office 2007*, builds a private “workspace” where accountants and their clients can share and access files and work collaboratively, without having to e-mail files back and forth. *BeInSync* provides similar functionality. The result of such solutions is that accountants appear more accessible and easier to work with—highly desirable traits from a client's point of view. Forward-thinking accountants are also using solutions like *BizConference*, an online meeting and collaboration system, to increase the effectiveness and quality of telephone conferences by sharing the computer screen—accountant to client or client to accountant. Imagine that phone call to discuss a document you received relative to a tax return. You call your clients, direct them to a secure website, and up pops your screen on their desktops! You use your mouse to highlight the questionable section, and the problem is solved not in days or even hours, but in minutes.

All these solutions are being used by smart accountants today. Highly productive firms are harnessing the Internet and tying themselves closer to more and more clients by offering spectacularly customized services.

If you intend to have your practice thrive in the 21st century, you have to

adopt 21st century technology. Early adopters are leading the way, and they're taking an extra two weeks off every year, while earning 63 percent more money.

Who will join them? Will it be you? If not now, when?

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RESOURCES

AICPA's PCPS/TSCPA MAP Survey

<http://pcps.aicpa.org/Resources/National+MAP+Survey>

Pew Internet & American Life Project

<http://www.pewinternet.org>

BizActions

<http://www.bizactions.com>

Accountant's Practice Online

<http://www.accountantsworld.com/aoo>

Payroll Relief

<http://www.accountantsworld.com/payroll>

Accounting Relief

<http://www.accountantsworld.com/accounting>

Smartphone

<http://www.microsoft.com/windowsmobile/smartphone/default.mspx>

Blackberry

<http://www.blackberry.com>

Treo

<http://www.palm.com/us/products/smartphones/treo700p/index.html>

Windows Live Messenger

<http://get.live.com/messenger/overview>

Groove

<http://groove.net/home/index.cfm>

Office 2007

<http://office.microsoft.com/en-us/products/default.aspx>

BeInSync

<http://beinsync.com/>

BizConference

<http://www.bizconference.com/>