

Digitising your Practice

by Alan FitzGerald

So, if the seemingly endless array of tax and accounting software products in the market seems daunting, Alan can help you approach these decisions with confidence, bridging the gap between what you need and what is most suitable for your needs now and into the future.

Why you should consider the cloud for your practice.

You have no doubt heard a lot about 'moving to the cloud'. Whilst some may view this through a cynical lens, others have embraced it. Too often it can be very difficult to 'sort the wheat from the chaff' and to make sure what you need will suit your goals. CPA Ireland is launching a fantastic new program to assist firms make the most of technology and the benefits that it can bring, not only to your firm but also to the many clients that your firm assists through various compliance activities and advisory services.

Why change?

There has never been a more exciting time for existing accounting firms to delve into the world of technology! At the same time, there has also never been a better - and simpler - time to start an accounting firm. Why is this so?

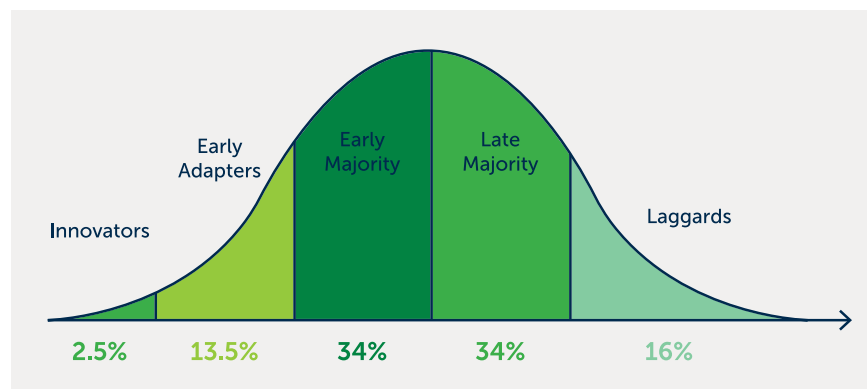
It has been said that the most dangerous words in the accounting profession are 'that's the way we've always done it'. Alas, as the times change – and how they have changed – accounting firms all across the world are discovering that the Covid-19 pandemic has forced them to make changes in ways that they (and nobody) had not previously envisaged – Covid-19 has been a significant driver not only of technology adoption but also of change in the accepted ways of working: the work did not go away, the way we worked did and has changed significantly.

Adoption of any sort, regardless of industry or profession follows a defined path. Typically, this can be represented in

the bell curve below.

The diagram below is known as the 'Everett Rogers' diffusion of innovation' curve. Simply put, it is the progression of the willingness to adopt. On the very left are the 'I'm going to queue for days outside the Apple store' types, to those on the right, who adopt technology kicking & screaming.

Take a moment to reflect where you might put yourself on this curve.



When Covid-19 broke out - what was discovered in Australia - was that the firms that were on the left of the above curve, were able to react to the changing environment far more successfully than those on the right of the curve, something which may have also been reflected in Ireland.

Advancements in most areas of life and particularly technology follow a familiar path. In the 19th Century a philosopher, Arthur Schopenhauer, described 'Truth' as having 'Three stages': Initial ridicule, followed by (violent) opposition, then acceptance. You can apply these sentiments to technology too.



But the gradual democratisation of technology' has had significant knock-on effects and today impacts the accounting profession more than ever.

If you think back even as recently as 10 years or so, in order to set up a new business, an entrepreneur would have to engage an accountant from day one in order to have all the appropriate business compliance obligations met. In 2021, these can be done – for the most part - by the individual without even contacting an accountant using a phone: unwise yes, but possible. Bridging this gap has become the new challenge for firms and harnessing the capabilities of technology to service



feeling of Schadenfreude when that happens...

As a result of knowing this special language, accounting firms offer a unique, as I like to call it, 'Anxiety Transfer Service', also known as the 'Keep me out of the news/jail service'.

All accounting firms, sell outcomes to their clients; these outcomes are primarily knowledge based and comprise firm generated IP, compliance information/data from a variety of sources as well as experience from previous engagements.

The goal for accounting firms is to provide a regular high level of service at a reduced cost by continuously improving the process and methodology for performing this work: repeatable actions, automated where possible and the ability to reduce the effort needed to carry out those tasks. If you can do the same for new clients, i.e. attract and retain, as your processes are better, everybody 'wins'.

The robots aren't coming: your peers are.

The secure, reliable, easy and manageable access to information is key to any team to enable them to assist working with clients, now and into the future. It is my view that accounting firms that do not embrace technologies will be superseded not by robots, artificial intelligence or any 'replacement technology' being touted by so called pundits, but by other accounting firms that do embrace the more efficient methods of processing work for clients.

Do not worry too much about the 'robots' stealing your work: the client market is also still too immature to accept advice from a 'machine', and a client will be also required to explain exactly what they want – I've yet to come across a client that can: you're safe...

Technology practices are also evolving in firms to be more of a 'whole of client approach' with requirements going from needing a billing tool to a client relationship management tool as the relationship between clients and firms has fundamentally changed.

The traditional practice management system that was once integral to a firm for timekeeping and billing, is now taking a backseat to ancillary applications that are the actual business drivers for the business; business engagement, document / workflow management, CRM, apps, etc.

For firms this has led to a change in thinking as to how to react to client interactions that have developed over the past decade as it is not possible to force requirements on systems that are widely recognised as not being able to match the need. New generations of practice software are being released into the market and some (legacy) vendors are finally funnelling R&D spend into updating their solution(s).

However, any new release from an existing vendor has to be met with open eyes as it will neither have been fully optimised nor have a full set of features. This will continue for several years into the future before they are released. This presents a particular challenge for vendors transitioning their clients from one generation solution to another.

Benefits of new technologies

By remedying 'unseen' productivity losses using new generation software, turnaround times can be expected to increase. To the individual that may mean the difference of going home earlier or finishing a job faster. To the firm, this may be the ability to take on more projects due to swifter 'turns and earns', or faster response times to react to changing business environments. The opportunity for firms now, is to implement profession proven solutions that will increase productivity, lower costs and provide the firm with an array of tools to greatly improve efficiency.

What has made this possible?

The gamechanger in all of this for the accounting profession has been the rapid rise of cloud technologies and in particular Application Programming Interface (APIs). An API is a common 'language' connecting multiple, different applications together even if those individual applications are written in a completely different programming language – APIs act as a translator to a common language.

these clients has become imperative.

One of the most fundamental changes in the past decade that has been at the forefront of proactive advice has been the rise of cloud accounting and in particular the single cloud-ledger. This is where both the client and the accounting firm are utilising the client's file and from this, all elements of compliance and advisory are generated – a single source of truth. An added significant bonus is that the data from compliance also becomes the motherlode of ancillary, advisory services.

Why your secret 'language' can be your most powerful weapon

There are many possible reasons why clients seek out accountants. I see a primary one being that few clients, if any, speak fluent 'accounting'. This is the special language that only an accountant knows and one which the various regulatory authorities demand them to know.

If the client tries to do it themselves, they will inevitably find themselves falling foul of these agencies and will suffer fines and penalties and we all know that

APIs changed everything by creating a market and methodology for best of breed 3rd parties to interconnect and where the end user, i.e. you, can choose from many options application(s) to suit your specific needs, rather than you being dictated / limited to, by a vendor. Freedom!

This change in how software is delivered to firms that has occurred over the past 10 years has led to a dramatic increase in the number of potential providers to the accounting industry. APIs enable disparate technology solutions to communicate and share data between each other, enabling firms to choose a best of breed approach to their product mix without having to sacrifice efficiencies.

The increased use of APIs has already changed how firms use software. The future state of a firms' ability to work, share and interact with clients has the potential to also change in the next few years.

As firms make the move to the cloud, one of the biggest changes will be the ability to both work from anywhere and if required have work done from anywhere e.g. through insourcing or outsourcing.

Cloud technologies allow for access anywhere (with necessary safeguards in place) that will negate the need for complex log-in processes and expensive hardware such as Thin-client/Citrix or Remote Desktop Protocol (RDP) additional servers/infrastructure.

Cloud adoption for most firms equals lower software cost – no need for ongoing servers and their associated costs. But it also allows freedom to choose the options best suited to your particular circumstances rather than "This is what you are getting...". The caveat in this is that depending on the final 'mix' of tools you select, rather than those that are dictated by a vendor that you must use, the individual component costs may come at a higher price for components, but with you get significantly improved outcomes.

A move to cloud invariably leads to other benefits including reduced server infrastructure and the associated ongoing IT management costs. These

are often-hidden costs of owning a network.

Accounting firm business models are based around a perishable asset: time. A move to cloud platforms opens the door to many new opportunities previously the domain of firms with large IT budgets. Cloud solutions are generally more flexible solutions, but they may also come with compromises. Newer solutions will be different to what you are used to, so you will need to adapt processes – this sounds bad, but often current processes are as a result of the limitations of the previous software used by the firm. Moving to cloud allows you to change processes to match your preferred approach.

Data, Data everywhere - what to do with all the data...?

Data analytics and data visualisation has been one of the fastest growing areas for firms particularly over the last 5 years and especially now as the data is readily available to be interpreted!

This has proven to be a goldmine in Australia as firms can assist their clients almost in real-time with key metrics, KPI monitoring and more. It has proven to be the bedrock of starting a conversation with clients previously reliant on data several months old and has been a gamechanger for the profession.

Analysing client data has become much of a given in 2021, the differentiator is now determining cost effective ways of delivering information to client's in a format that is easy for them to understand and appreciate – this goes back to the 'Anxiety Transfer Specialisation' service you offer. Providing data analytics for a client is one area that has evolved: analytics for the firm, using the same software suite has been a significant bonus.

Microsoft – a most under-rated solution

The most common platform used in most accounting firms after compliance, is Microsoft Office known today as Microsoft365. The online version is the latest incarnation of the suite and has developed into a toolset far beyond Word, Excel & Outlook. Microsoft is not 'sexy' so not many vendors talk about it. But Microsoft continue to invest many millions of dollars annually into the suite and have added a significant array of add-on solutions that can be of instant benefit to any organisation of any size.

The challenge for any vendor competing among a user base heavily dependent on Microsoft Office (such as an accounting firm) is where elements of functionality overlap with 3rd party apps in the market and especially when the annual cost for software is taken into account; a bespoke Microsoft365 design



could potentially be more economical and with better functionality compared to acquiring a dedicated tool – and the firm gets to choose what functionality they want.

Many 3rd party solutions in the market cost in excess of Euro 25/user/month. For most 10 user firms, every additional Euro25/user/month 3rd party add-on solution adds Euro3,000 just in licence costs annually on top of existing software so a 3-year ROI calculation would need significant returns compared to exploring options within the existing Office suite. There are so many clever components to Office that a review, once the main systems have been bedded in, might open up a new array of solutions that the firm can use, providing the possibility for the diverse teams to work more cohesively together. The importance of these additional tools all being based around a single productivity suite which continues to be developed by Microsoft cannot be overstated.

I have presented extensively to the accounting market at keynotes and in webinars on the benefits of the Microsoft365 suite; the most common

feedback is “Thank you – we had no idea that it could do so much”.

Where to from here? A journey of a thousand miles doesn't start with a single step: it starts with a plan.

How and where to start? Join us as we begin process of showing you how to evaluate and create a solid foundation for your firm, then building from that. Over the next few months, CPA Ireland will be showcasing some fantastic solutions available than can be leveraged.

Getting the most out of your software is a good first move to make. I will be helping out along the way with the CPA Ireland journey over the coming months as we explore the universe of software designed and developed with firms as their central focus.

Yes, every firm will be different, some will like certain software(s), other won't – the key message is that you will get to know what is out there and the pros and cons based on functionality types so you can make decisions based on quality information.

If you would like to connect with me on LinkedIn I write extensively on the tax and accounting market, so feel free to follow/connect with me on that platform and I look forward to engaging with you and CPA Ireland into the future.



Alan FitzGerald

Alan has been nearly 30 years in technology, 22 of those working in the accounting technology market. He established Practice Connections Advisory in 2015, based on demand from accounting firms looking for technology-agnostic input when faced with myriad technology choices. Originally from Waterford, now Melbourne, Australia

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to try just one more time.



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