

Digitisation of the SMP

Much has been made of the transformational possibilities of digitisation for accountancy practices, but what are the opportunities for smaller accountancy practices (SMPs) and just how far along their digital journeys are they?

Read on to find out more about the key challenges reported by SMPs, and the benefits already being realised.



The key findings

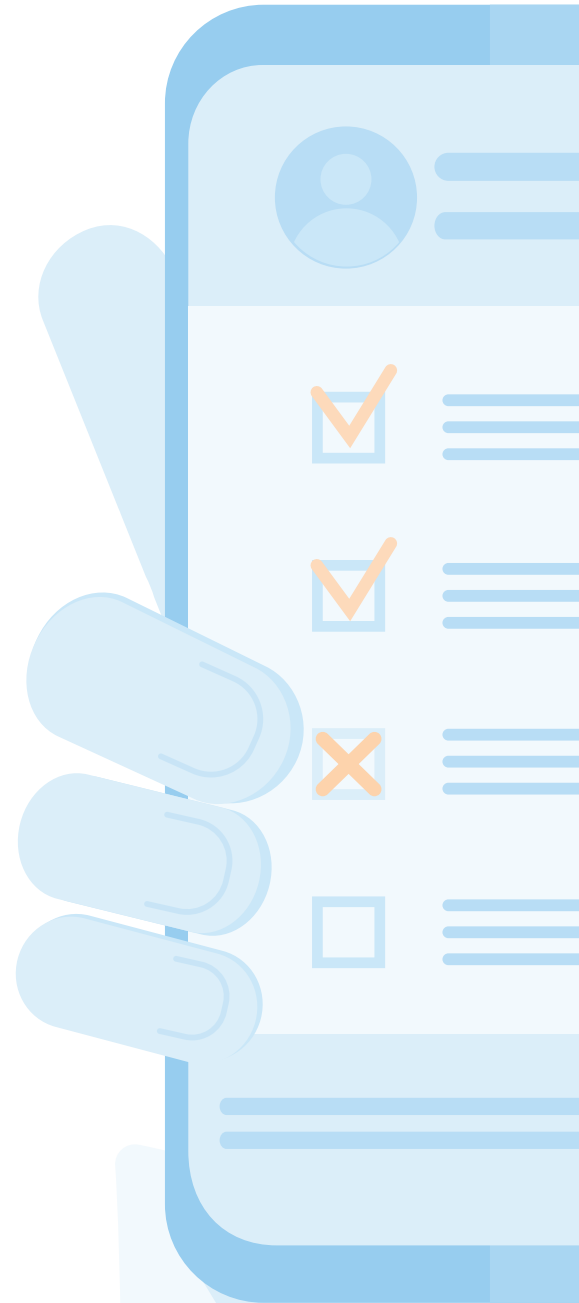
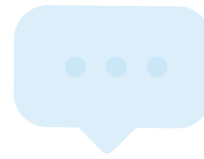
- SMPs have embraced their online presence and are using social media. However, many still have some way to go on the digital journey
- The bigger the practice the more digitally advanced they are
- A number of challenges were identified, the greatest of which was client buy-in. Clients were reported as being unable or unwilling to do things differently
- However, the more digitally enabled practices reported significant benefits in productivity, flexibility and overall attractiveness of the practice to new recruits, and to existing and potential clients

The survey

The survey was completed, by Gail McEvoy, Managing Partner of McEvoy Craig, Past President of CPA Ireland, IFAC Board Member 2013-2019 and Technical Adviser for the IFAC Small and Medium Practices Committee.

The survey was qualitative. Respondents were all small and medium sized practices (SMPs):

- **85% had turnover of less than €1m**
- **57% were sole practitioners**
- **Respondents were evenly split between the UK and Ireland**





The results



Digital identity:

SMPs have engaged with the digital world

- 80% have a registered domain name and website
- 42% have a Facebook page
- 24% have Twitter accounts
- 14% have Instagram accounts
- 3 practices had a YouTube channel



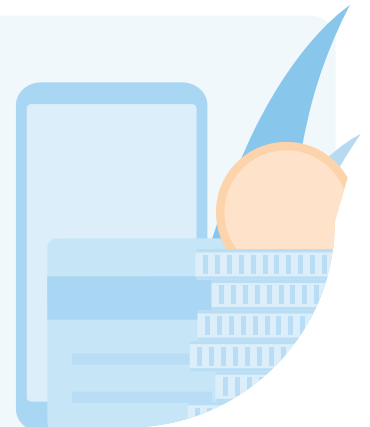
Operational processes:

32% of practices have fully automated their administration processes and a further 32% have started that journey.

Auditing:

Audit is the least automated function we surveyed:

- Only 19.8% of respondents had automated their audit function
- A further 12% expect to have automated within the next 12 months
- Over 50% have not automated and a further 18% are only just starting
- 32% of practices have fully automated their administration processes and a further 32% have started that journey



Cloud accounting software:

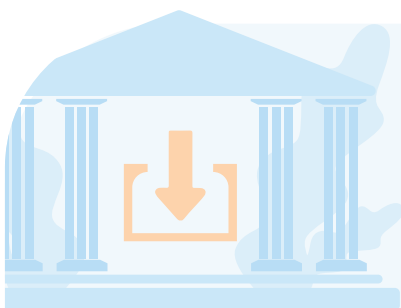
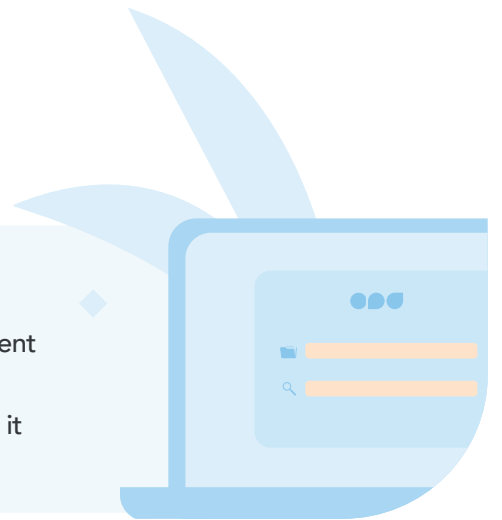
- 29.5% provide this service and all their clients are using it
- 30% do not provide it at all
- This shows little progress since IFAC's SMP survey in 2018



The results

Client portals:

- **41.1%** offer all clients a portal for the exchange of documents and client access to reports
- A further **18.9%** offer the service with more than 50% of clients using it
- **20%** do not offer this service at all



Importing data:

Over **75%** of respondents are importing client's data direct from financial institutions for some or all clients with **27.4%** doing it for all clients, **25.3%** for more than half their clients, and **25.2%** for less than half.

Purchase/Sales invoices:

Over **75%** of respondents are processing raw data such as purchase and sales invoices, digitally for some or all of their clients with **29.5%** doing it for all clients, **20%** for more than half, and **22.1%** for less than half.



Client portals

Half of respondents offer some or all clients a portal to access their reports and submit data for processing, **20%** doing it for all clients, **12%** to more than half their clients, and **17.9%** for less than half.



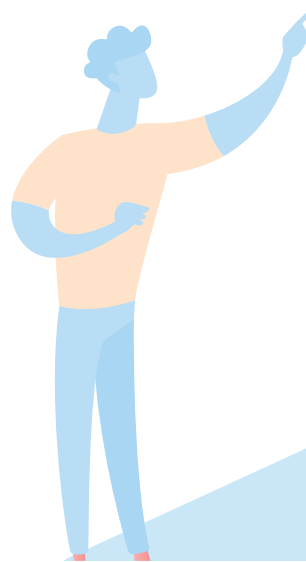
Size matters

The larger practices in the survey, with fee income in excess of €1m, have made greater advances in using technology for all processes.

This appears to be a linear relationship, with as many as 40% of the smallest practices not automated at all, while practices around the €1m mark have made some progress on their journey, and larger practices have mostly succeeded in significant transformation. In practices over €1m, only 17% were not automated at all.

Larger practices will have more resources at their disposal. Larger teams permit the inclusion of a digital expert to manage or initiate the transformation. Alongside this, larger practices will typically service larger clients, who are more likely to have the resources and skills themselves to move to a more digital environment.

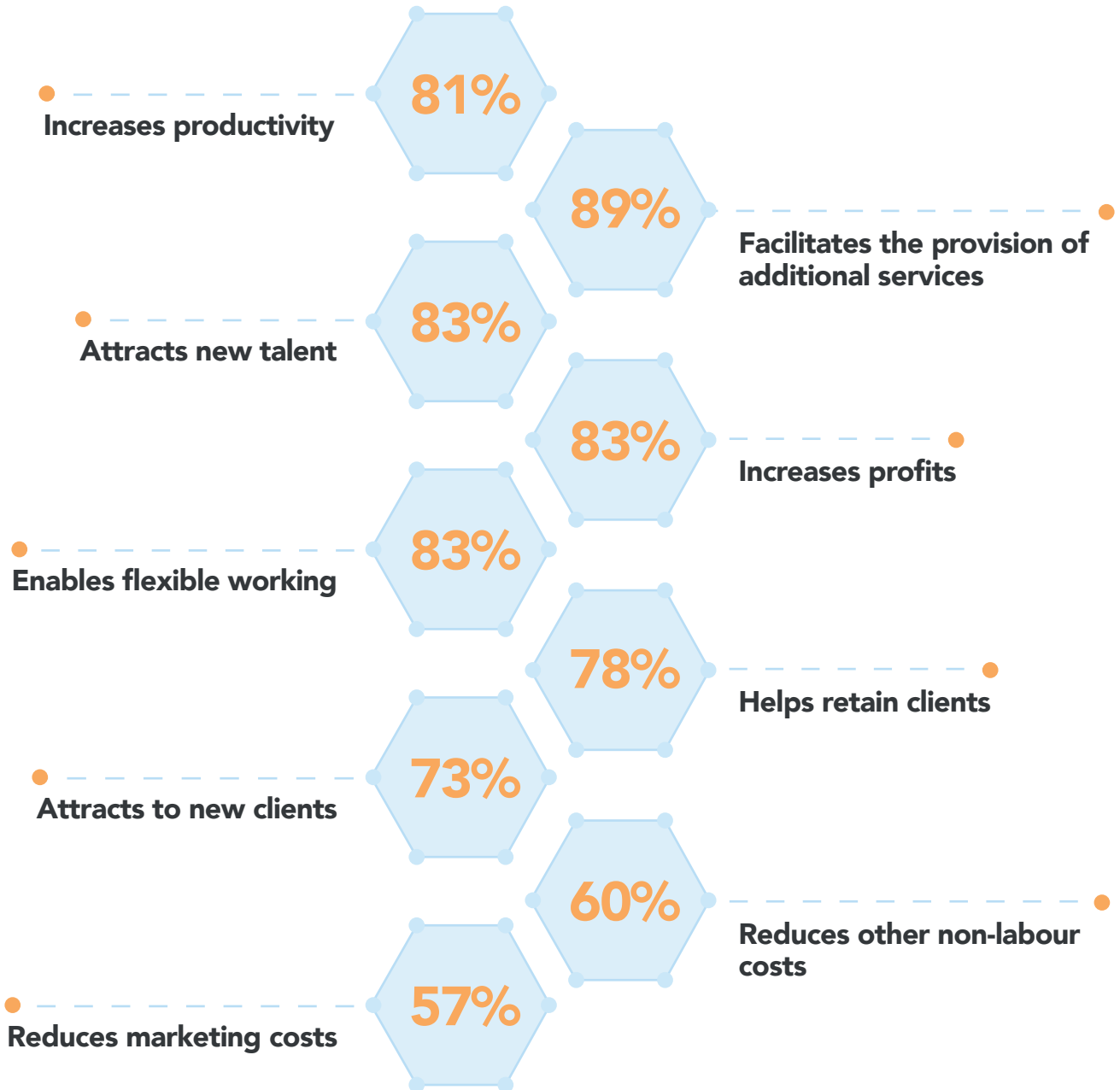
Conversely, smaller practices face a much less complex process of digitisation, and it is striking that this does not result in greater enthusiasm among them.





Benefits of Digitisation (for SMPs?)

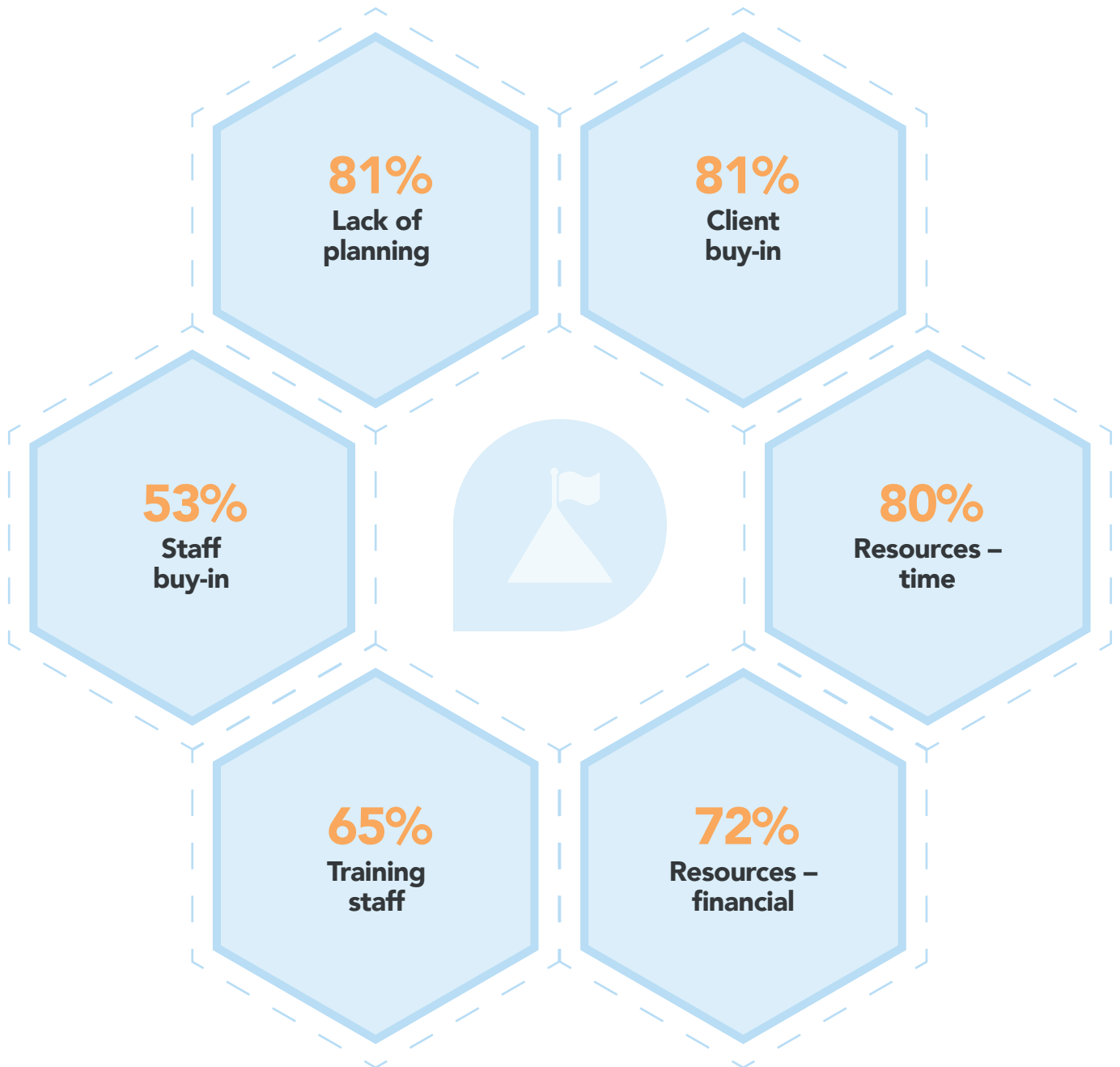
We identified **9 key benefits** that the majority of respondents agreed with or strongly agreed with:





Challenges of Digitisation (for SMPs?)

We identified **6 key challenges** that the majority of respondents agreed or strongly agreed with:





Summary

There is still some way to go for SMPs in respect of implementing technology. The SMPs who participated in this survey had not made significant technological advances to those identified in the survey carried out by IFAC in 2018.

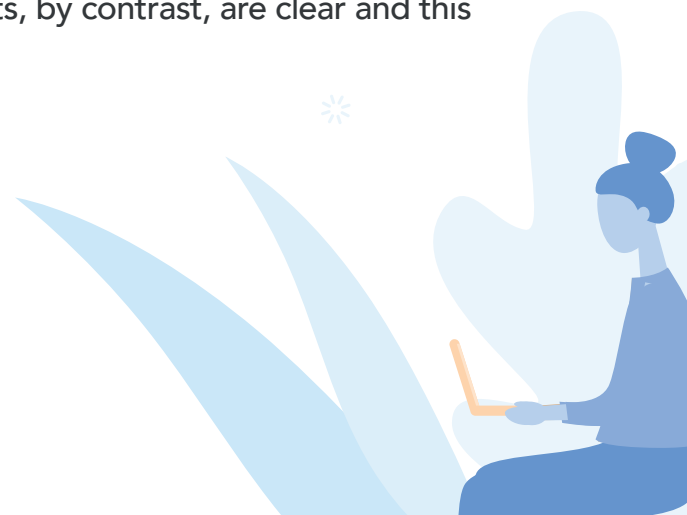
Some are resistant to change. The lack of progress in the deployment of readily available cloud-based accounting software is typically blamed on client resistance. Smaller clients often prefer the old school approach of “handing it all over in shoebox”. Others attempt to use the cloud-based system, but make mistakes, which are time consuming for the accountant to correct. Clients who had previously thought their accountant was a magician, move towards believing they have done half the work themselves.

The vast array of software available makes it hard for smaller practices to identify the best options for their practice, and there is a perception that applications do not “talk to each other”, leading to duplication and inefficiency. A digital champion may be required to get over this, but smaller teams do not have space for a specialist.

In the UK the Making Tax Digital initiative has caused concern among participants as it reduces the need for the accountant’s input. Smaller accounting practices need to move at a faster pace than the last three years to be ready for this. Lack of buy-in from clients could perhaps be partly overcome by using the MTD initiative as evidence of the need to change.

Larger practices, with fee income over €1m, had made more significant progress than smaller ones, where there is clearly a need for better guidance and assistance in making the journey.

The benefits of digital transformation seem less apparent to smaller practices, where the pain of manual transactions is lower. The potential costs, by contrast, are clear and this deters smaller practices from making the journey.





Key Recommendations

It is clear that smaller practices risk being left behind in the process of digital transformation. So here are Gail's top recommendations to help SMPs achieve the benefits of digitisation while mitigating the challenges:

Planning

Technological change takes longer and costs more than anticipated. Consider bringing in expert help for the planning and implementation stages of the transformation project.

CPD/Training

Take action to address the lack of digital confidence. CPD can address both the knowledge gap around what applications are available and the skill gap in the area of digital project management.

COVID effect

During the COVID lockdown we all became comfortable with technologies that we had never used before. We became more aware of the benefits of IT. Use this opportunity to get both clients and staff to buy in to the possibility of change.

Collaboration

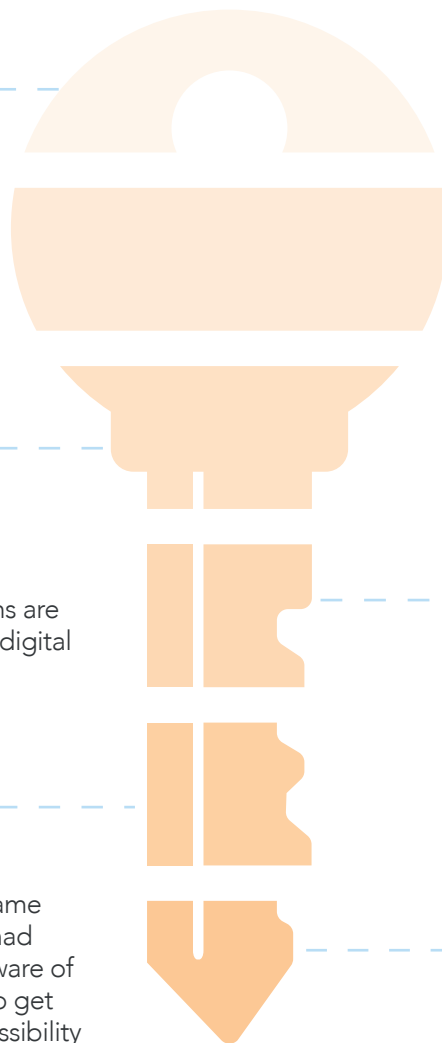
Collaborate with other practices to pool your resources for planning and implementation, and consider collectively engaging an IT consultant to advise on the best options.

Messaging

Use the MTD project to persuade clients to cooperate.

IT Spend

Don't hide behind your concern that it will cost too much. Quantify the benefits of success and the costs of inaction and compare them to the investment required.





The research project and this resulting whitepaper were conducted and written by Gail McEvoy, Managing Partner of McEvoy Craig, Past President of CPA Ireland, IFAC Board Member 2013-2019 and Technical Adviser for the IFAC Small and Medium Practices Committee.

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