

Managing Workflow

Overview

Introduction This section addresses the issue of workflow and why it isn't managed in the majority of accounting practices.

Managing your workflow is vital because:

- § Workflow drives throughput
- § Throughput drives productivity
- § Productivity drives margin

Contents This section contains the following topics.

Topic	See page
Determine if You are Managing Workflow Effectively	2
Workflow Management Overview	3
Scheduling Jobs	5
Interviewing Clients	6
Procedure for Interviewing 'A' and 'B' Clients	7
Procedure for Interviewing 'C' and 'D' Clients	9
Managing Workflow and Performance	10
Example of Workflow Planning Spreadsheet	12

Determine if You are Managing Workflow Effectively

Introduction

It's our firm belief that work is managed poorly in the majority of accounting practices. If this is the case, it is affecting the margin of these practices.

Questions

Ask yourself the following questions:

1. What's the average turnaround time in your office for completing a set of annuals and tax returns?
2. Do you even know what the average turnaround time is?
If the answer is no, don't you think you should?
3. How many phone calls did you get last year from clients asking where their annual financials were at? How many should you get?
The answer is: close to none.
4. How frequently does work in progress get carried forward at the end of a given month, or two months, or more?
5. What's your work in progress measured in days?
Is it more than 15 days?
6. Is achieving IRD filing targets a given in your office, or are you still filing tax returns well into March each year?
7. How many jobs are each of the people in your accounting team working on right now?
8. How many days on average does it take for a file to be reviewed?
9. How long do files live in partners' offices before they're finalised and mailed out to clients for signing?
10. Finally - and here's the big one - how many times on average is a file for an annual accounting job picked up and then put down again?
Here we're talking about throughout the various stages of completion: compilation, review, client interview and finalisation.

How did you answer?

It's likely you, like many practices, won't know the answer to many of the above questions. However, you could determine the answer to several of them.

It's likely the answers will surprise you and not in a good way.

Workflow Management Overview

Introduction

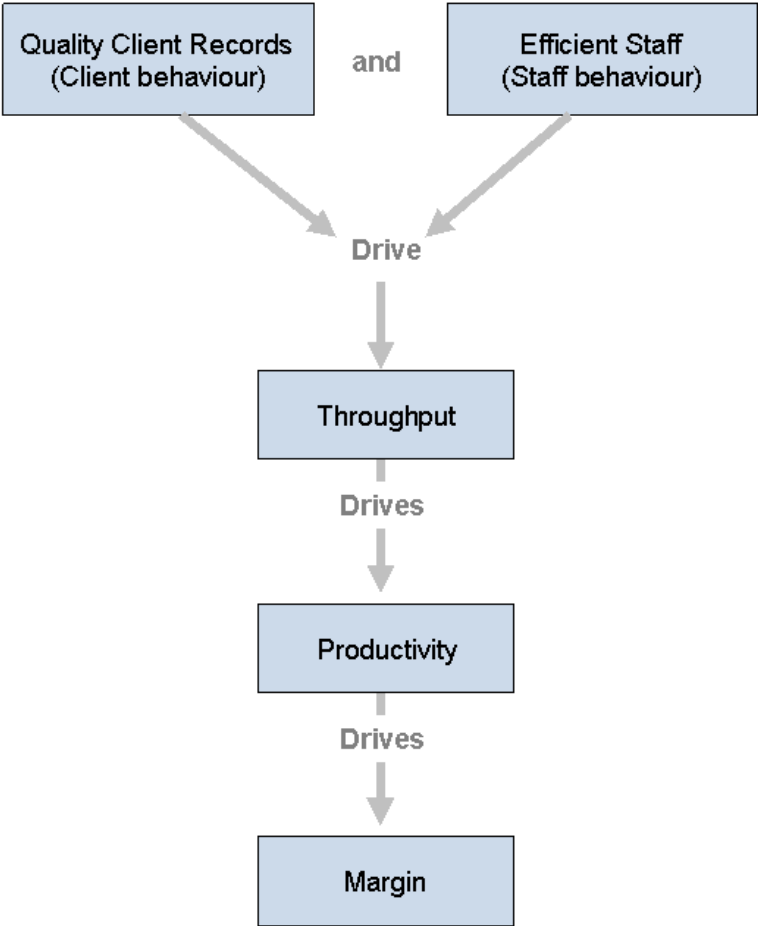
As stated at the start of this section, workflow processes drive throughput, throughput drives productivity and productivity drives margin. Pretty obvious stuff you might think, but the reality is that it takes more than a bunch of smart processes and tools to fix workflow.

The real change required, the one that's the most underestimated, is the behavioural change needed. This behavioural change is from both clients and staff, and should be driven by your internal management.

Behaviour drives profit

The diagram below illustrates the relationship between client and staff behaviour, throughput, productivity and margin / profit.

Workflow Management



Therefore Behaviour Drives Profit

Workflow Management Overview, continued

Work faster but charge the same

There's huge money to be made in fixing workflow. You'll get through work quicker, and still be able to bill what you've traditionally billed the client. After all, if the client's been comfortable with your fee in the past, and you've now invested considerable time and money in changing workflow processes and behaviours, it makes no sense to give that gain away to clients. (Unless, of course, competitive constraints require that you do so.)

Addresses skills shortage

We've been living with a chronic shortage of skilled accountants and technicians for some time. While there are early signs in this current economy that things are swinging in our favour, a lack of skilled staff is the greatest impediment to growth for many practices.

All the more reason to streamline your workflow systems.

Where to start

In theory, fixing workflow problems is easy. If you were to ask teams of accountants, (and we have), what was their biggest time waster, most of them would reply 'missing information', or 'incomplete records from clients'.

For example, a typical accounting practice of 11 people, filing 1200 tax returns per year, and completing 450 sets of annual financials each year, could save 2 hours per job simply by focusing on the following:

- § Scheduling annual jobs into particular months, based on client history
- § Interviewing clients by way of formal appointment when they bring in their annual records (of course there will be some exceptions)
- § Establishing client-driven target dates for work completion, rather than the common and arbitrary '6 week turnaround' that so many practices seem to favour
- § Establishing internal performance standards that force discipline from everyone in the practice in the five key stages of job completion:
 - Records collection
 - Job compilation
 - Job review
 - Client interview
 - Job finalisation
- § Identifying and managing the workflow problem culprits

These tasks are described in the remainder of this paper.

Scheduling Jobs

Introduction

Team members often have concerns about asking clients for target dates for job completion. They're worried lots of clients will want their work completed at once. However, if that were the case, their practice would already be experiencing such requests from clients.

If you were to research workflow history over a 3-year period, you would see that the majority of clients tend to bring in their records at a similar time each year. The exception to this is when they have something unusual happening in their business life.

How to schedule jobs

The following are the key steps for scheduling jobs.

Step	Description
1	Create a spreadsheet of clients and the month they tend to bring in their records.
2	Create a capacity sheet for each team member for each month: § Detailing the available hours for job completion and § Subtracting non-chargeable time and regular accounting jobs such as Management reports and GST returns
3	Leave sufficient capacity (e.g. 15%) for unanticipated jobs.
4	Match jobs scheduled for a particular month with particular team members and juggle dates to cope with under or over capacity.

Interviewing Clients

Introduction

Our clients' fear of IRD, and their frustration with business compliance, contributes to our status as 'most trusted business advisor'. It also explains why clients are often keen to drop their records at reception and run.

It's also true to say that clients do not appreciate, or even understand, how we complete their financial statements and the time that is wasted in bouncing from file to file.

We need to educate and retrain our clients. There will be a number of clients who are impossible to retrain, but realistically these are likely to be a minority. Why would you use a small number of clients as a viable excuse for not implementing sensible systems to benefit the entire practice, your accounting team, and of course the majority of your clients?

Goals of the interview

The goals of an interview with a client should be to:

- § Establish any missing information
 - § Get your Client Questionnaire and Terms of Engagement signed off
 - § Agree on a date for providing missing information
 - § Agree on a target date for completion
 - § Identify any other key concerns or issues affecting the client in their business right now
-

Coaching your staff

The team member who prepares the financials to draft stage is the one who should complete client interviews, rather than the partner. (Over time, partners can develop a bird's eye view of the client's business and become less interested in the microscopic detail of records, which is why they can start to be less effective at conducting these sorts of meetings.)

Staff may initially struggle with interviewing clients to ensure records are complete. They will need to be coached on conducting these interviews to help them feel more comfortable and to get a better result with clients.

Coaching can be assisted by:

- § Holding training sessions on interview techniques and questions clients might ask
- § Letting staff sit in on interviews conducted by a partner or senior manager (select one who is a perfectionist and therefore likely to follow the prescribed interviewing techniques)
- § Taping such an interview (with the permission of your client, of course) to use in coaching your staff

Go to the procedures for interviewing clients on the next few pages for the detailed procedure.

Procedure for Interviewing 'A' and 'B' Clients

Procedure

We recommend you follow these steps to plan and schedule the financial statements with 'A' and 'B' clients, to ensure that all relevant details are covered in the interview.

For remote clients, make a phone appointment to discuss the records with the client and follow these steps.

Step	Description	Tool
<i>Prior to close of balance date</i>		
1	Review the client's workpapers for the previous financial year and list specific information required for this client on the checklist.	Annual Planning – Records Checklist
2	Review the client's GST, current year and permanent file to see if any transactions during the last year will influence the records required.	
3	Save the checklist in the client's permanent file and put a printed version in the plastic sleeve inside the client's current file. Update the checklist as necessary throughout the year.	
<i>During the final month of the client's financial year</i>		
4	Identify 'A' and 'B' clients and indicate when they are to be contacted for an appointment based on the history of the client. 'A' clients are to be given preferential treatment.	Annual Accounting Scheduling form
<i>In the first 8 weeks of the new financial year (according to the individual client balance date)</i>		
5	Contact each of your clients and schedule a planning meeting. Do not commence until 3 weeks after balance date , as not all the necessary records will yet be available.	Script
<i>Prior to the meeting</i>		
6	Familiarise yourself by briefly reviewing the previous year's Financial Statements and working papers. Review the checklist prepared in steps 1-3.	
<i>During the meeting</i>		
7	Meet with your client in an interview room and ensure that spare client questionnaires are available at the interview. Review the client questionnaire and records checklist with the client, to ensure that all records are present. Explain to your client that we will not commence the work until we have all the necessary records, simply because this is inefficient and is likely to reflect in their accounting fees.	

Procedure for Interviewing 'A' and 'B' Clients, continued

Step	Description	Relevant Detail
<i>During the meeting, continued</i>		
8	Ensure that your client has signed the questionnaire.	
9	Tick off items from the checklist prepared in steps 1-3.	
10	Prepare a list of missing records and documents, retaining a copy for the file. Agree with your client on a date by which the records are to be delivered to the office.	Records / Documents Required Form
11	<p>Agree on a target date for completion of the work. Note that completion is defined as 'The financial statements and associated tax returns have been finalised and delivered to the clients'.</p> <p>If clients request an unachievable deadline, try to find out the reasons for that deadline and always try to extend the target date out as far as possible. Your aim should be to under promise and over deliver.</p>	
12	<p>Where clients present their own independently prepared computerised records, perform some simple tests to ensure the usefulness of that data:</p> <ul style="list-style-type: none"> § Has the client provided the data on disk as well as hard copy? § Are both the trial balance and ledger reports present? § Does the trial balance actually balance? § Review the trial balance for non coded / unallocated / unusual items and discuss each of these with your client § Does each bank account reconcile? § Have loans been drawn down / hire purchase or lease agreements been entered into during the year and if so are all necessary documents present? 	
13	Discuss with the client their accounting and other service needs for the year. Use this time as an opportunity to explore the provision of further services.	
14	<p>Thank the client for their time. When they have left:</p> <ul style="list-style-type: none"> § Allocate the job § Complete the Workflow Entry Sheet § Update the workflow system § Place all records and mark them clearly with the client name and year 	Workflow Entry Sheet – Annual Financial Statements

Procedure for Interviewing 'C' and 'D' Clients

Procedure

We recommend you follow these steps to plan and schedule the financial statements with 'C' and 'D' clients, to ensure that all relevant details are covered in the interview.

Step	Description	Tool
1	When clients bring their records to reception, reception will encourage clients to see a client manager.	Script
2	The client manager will interview the client in exactly the same manner as for 'A' and 'B' clients, taking even more care to ensure that the records are present.	
3	Complete all other steps as for 'A' and 'B' clients.	
4	Be sure to extend the target dates as far as possible for 'C' and 'D' clients.	

Managing Workflow and Performance

Establishing work target dates

Job scheduling is based on client history. Many practices work to a 4 week turnaround time. The definition of turnaround needs to be very clearly defined. For this reason, some practices set 3 weeks as the time to complete draft financials and tax returns, with another week to cover the review, interview and finalisation steps. Invariably some clients will need their work completed faster and you will need to show flexibility. There will always be clients who are happy to wait, allowing you to juggle some jobs.

It's interesting to note that practices tend to be much more focused on managing and achieving the tight target dates for IRD driven deadlines such as completion of GST returns. It's that same focus and attention to detail, honing in on throughput, that will work just as well with annual work.

Establishing internal performance standards

Throughput is affected at every stage of compilation. Bottlenecks often exist at review, interview and finalisation stages. Partners are often the problem.

For overall job completion target dates to be achieved, everyone needs to play their part in focusing on throughput.

The following are some examples of typical performance standards enforced in many practices. Each of these standards combines to force a fundamental change in job throughput:

- § Accounting technicians are not to work on more than 5 files at once
So, if they pick up the 4th file because the first 3 jobs have queries on them, then it's time to start rounding up those queries. These types of performance standards force behavioural change
 - § File reviews to be completed within 3 working days
 - § Clients to be phoned and appointments booked with partners / senior advisors within 2 days of file review being completed
 - § Jobs to be finalised within 3 working days of client interview
 - § Combine the above performance standard with the emphasis on completeness of records and you can see their profound effect on throughput
-

Identify and manage the workflow culprits

Managing workflow properly takes discipline. Most team members will warm to the new workflow practices quickly. Some will resist change stubbornly, perhaps in the fear of workflow becoming so efficient that they run out of work.

Someone needs to be in charge of managing workflow, preferably not a partner. Management needs to be supportive, and recognise the frustration team members experience when hunting down missing information from poorly performing clients.

Managing Workflow and Performance, continued

Software

Some practices use BankLink Workflow Manager as their resourcing and workflow application. Others have invested in Acclipse Practice Manager. APS is about to release their version of workflow management, Resource Planning. There is a myriad of excel based tools that practices have developed over time.

Whatever resourcing and workflow system you use, it works best when it is fully integrated into your practice management system. That way you can get up to the minute information on job progress. The resulting people management is what drives behavioural change. Visibility is a key component of accountability

Example of Workflow Planning Spreadsheet

The following is an example of workflow planning for a month.

August 2009		Unproductive Time (15% Standard)		15%	
Number of days this month	31	Spare Capacity (10%)		10%	
Less Weekends	10	Annual Leave			
Less Stats	0	GST Work		4	
Less Days Closed	0	Annual Accounting			
Available Days	21	Other Sundry stuff		0.5	

Hours Per Day	A/L	Days																				
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Daniel	8	0																				
James	7.5	0																				
Verna	7.5	0																				
Sarah	6.5	0																				
Joyce	7.5	0																				
Sally	7	2																				

Hours Available for Annual Accounting						Total Hours Available	A Clients	Spare	Over Capacity	Total
Daniel	25	17	0	32	4					
James	24	16	0	30	3.8					
Verna	24	16	0	30	3.8					
Sarah	20	14	0	26	3.3					
Joyce	24	16	0	30	3.8					
Sally	22	15	14	28	3.5					

Clients for month