

The World Does Not Need Another Accountant

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Quite a statement to make... so how true is this? Let's confine the discussion to NZ specifically.

I recently reviewed the time and cost records of 4 clients covering a period of 8 years in a "supposedly efficient" firm in provincial NZ. Those clients had been chosen for this review on the basis that their businesses had changed very little over that period and that therefore the scope of each job (we confined ourselves to the annual accounts) had not really changed at all.

The results were surprising. Even with the technology advances in our industry over that time, the average reduction in time to complete those jobs was a remarkably low 14% (range was 12% - 16%).

Some of you will argue that we now prepare annual accounts to a higher standard and that we're required to conform to a raft of NZICA standards, and there's some degree of truth to that. However the reality is that since the introduction of GST in 1986, any tax reform we've experienced has been relatively minor.

Here's the thing. As an industry we're almost obsessed with technology. We've invested in intranets, the Internet, document and email management systems, data capture systems such as BankLink. There is no doubt that some of these investments in technology have taken us forward. Others, however, can be major distractions.

The way I see it, there are two major issues that are holding our industry back from being truly effective.

Firstly, we still don't have truly efficient, and by that I mean intuitive and fully integrated practice software that makes it easy for us to seamlessly produce customised client reports that have real meaning for our clients.

Secondly, beyond our various investments in technology, we haven't significantly changed the way our people work.

Many of us are stuck in the same old ways of doing things, simply because we've always done things that way. To change seems counter-intuitive. If ain't broke, don't fix it. The reality is however that many of the ways we work right now don't work, so they do need fixing.

Here are some powerful examples:

1. **Manual client questionnaires**

The vast majority of us still mail out annual client questionnaires. They take forever to compile and they're incredibly generic from the client's perspective. Clients are unmotivated to complete them and therein lies the main reason why our success rate at proper completion is so abysmal. Not convinced? Find out from your team just what your client questionnaire success rate is.

Some of us have tried client questionnaires linked to our websites or emailed to clients. Success rates have been variable. The questionnaires are still generic, the approach is very impersonal, and the process is incredibly disjointed, given that we still have to collect some records (only a small percentage of our clients can be reasonably expected to attach digitally scanned documents).

The solution could be very simple. Why not embed your annual client questionnaire within your work papers, using the questionnaire as an interviewing sheet, thereby creating a highly personalised approach to annual accounts preparation.

Which brings me to another significant efficiency aspect:

2. Ineffective workflow management

Many firms continue to play pass the parcel with client jobs. Pick up and put down of files is rife and can add upwards of 30% to job cost.

Smart firms recognise this ongoing leakage of time for what it truly is... wastage.

Instead, schedule client jobs according to client priority and preference, involve your clients in that scheduling, interview them (either face to face or remotely) and ensure all data is present before you start. It can be done, but it does take discipline, and frankly that's something our industry sometimes lacks.

Firms with a real workflow focus hunt out the workflow bottlenecks in their business. They implement performance standards at every stage of the job: compilation, review and finalisation. They're not precious and they recognise that partners are often the root cause of some of those bottlenecks.

3. Efficient data capture methods

You'd think that in 2010 the coding of bank statements would be a thing of the past, but sadly no.

Having said that, most firms have replaced the coding of bank statements with BankLink, and yet far too many firms are struggling with the inaccurate processing of data at the client end.

If clients can't accurately process their data in-house, either educate them so they can or offer them a permanent solution, i.e. your firm as their processing solution.

4. Methodology (approach to the job)

Some firms tell me that they get a real shock when they observe their accounting teams working on annual jobs. They report that their most efficient team members follow an incredibly logical and intuitive approach.

The approach of others varies from job to job, day to day and those illogical behaviours flow on through to job cost.

5. Inconsistent use of inadequate work papers

Over the years we've come to believe that preparing a set of annual accounts is all about the general ledger.

However a general ledger is simply an application we send transactions to and print reports from. It isn't necessarily what I'd describe as the absolute work bench for preparing annuals.

And that's what your electronic working papers should be, the tool that defines how and in what order a job is progressed.

Smart work papers combine process management with advanced functionality such as the importing of ledger balances directly from your GL application, automated journal creation and uploads, client profiles that determine and self limit work paper content, smart review processes, to name just a few.

The reality is that when it comes to the jobs we process (as opposed to our wise counsel and advice) we're manufacturers. Our efficiency is determined by the systems we use, the quality of our accounting teams and the quality and completeness of our clients' records.

In other words smart processes plus smart behaviour (both clients' and team members') defines efficiency or the lack of.

Other manufacturing enterprises have been forced to become more efficient. Aggressive competition and rising costs have demanded a re-think of all things that affect efficiency.

When you analyse the countless case studies produced by such industries, you discover that efficiencies were delivered by particular attention to detail in typical areas. If you think laterally, many of these areas apply to us.

Examples of manufacturing efficiency gains

On the factory floor	In the accounting practice
Re-organising raw materials stores enabling stock to be reduced and parts more readily located.	Establishing your internal intranet, identifying all key processes and their best practices. Ensuring all standard work papers, checklists, standard letters and reports can be intuitively accessed.
Revising factory layout to ensure production flows smoothly.	Establishing a work plan for each job, focusing on the front end of the job and specifically workflow, through all stages of completion, review, client interview and finalisation.
Pre-manufacturing componentry so that key aspects of each job can be prepared in advance and therefore final processes completed seamlessly, reducing production and therefore delivery times.	Using data collection and delivery solutions such as BankLink so that jobs are "pre-processed". Client reports can be turned around in lightning speed.
Making the flow of work more regular, eliminating bottlenecks and excessive work in progress.	Workflow! Need I say more.
Ensuring individual working methods equate to best practice.	Applying consistent methodology across all accounting teams, based on key processes such as workflow and annual accounts preparation.
Re-deploying surplus manpower.	Utilising support (administration) teams to focus on non-accounting / tax tasks, enabling accounting teams to have a clear accounting / tax focus.
Eliminating warehouse and dispatch function bottlenecks by planning capacity better.	Capacity planning and job scheduling as part of annual workflow plan. Implement internal performance standards to limit the number of files open as well as review and finalisation times.

Producing a series of Key Performance Indicators and reports to monitor and control labour productivity.	Developing a visible team scorecard to report productivity, job turnaround and write offs / ons.
Identify job time and therefore cost expectations for each stage of production.	Implementing a job budget for every job and monitoring results.

Other manufacturing industries have been forced into becoming more efficient.

It's lack of significant competition, as well as client dependency on the trusted advisor that has prevented a driving necessity for us to get real about efficiency.