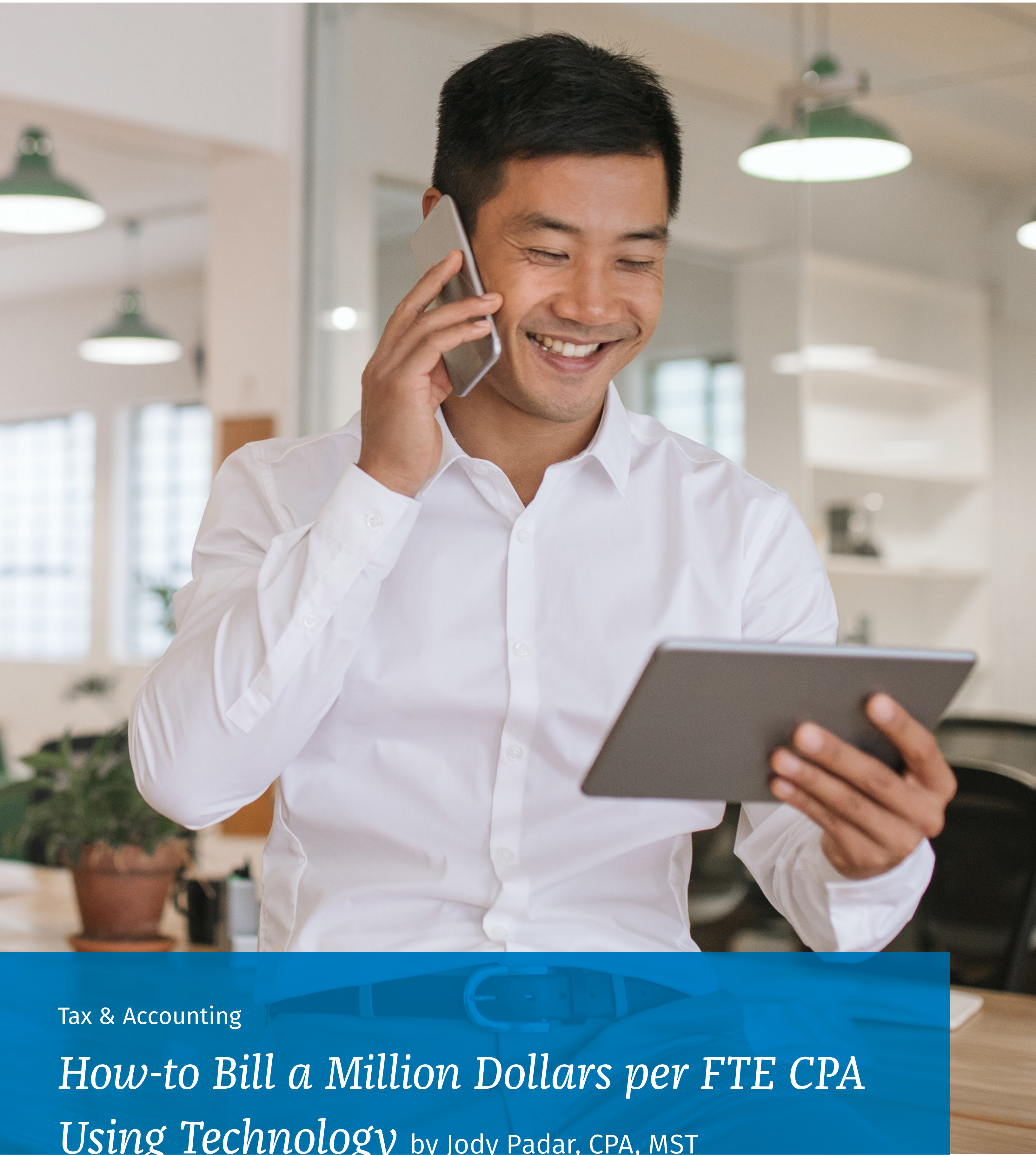
Wolters Kluwer

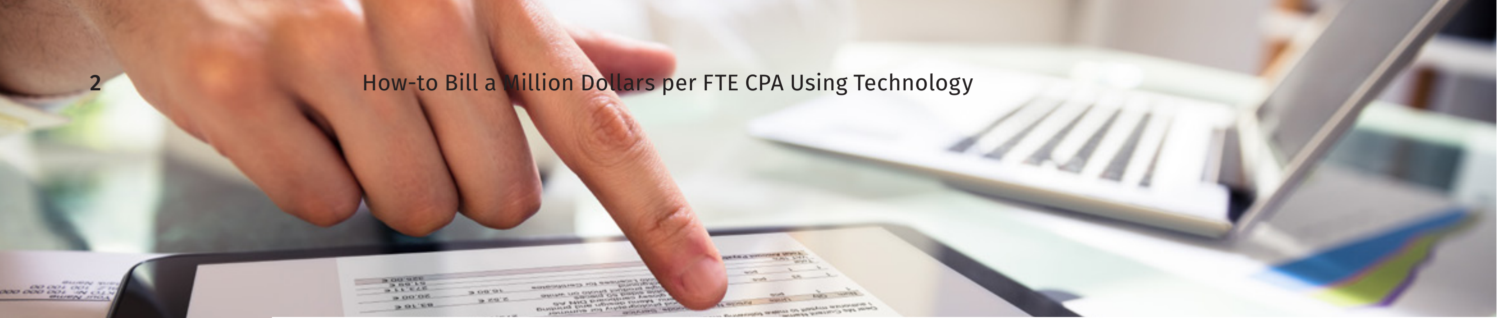
When you have to be right



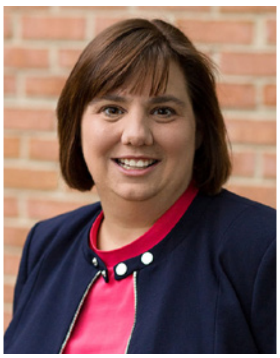
Tax & Accounting

How-to Bill a Million Dollars per FTE CPA Using Technology

by Jody Padar, CPA, MST



"Revenue per partner is a measurement many CPA firms look at closely. Depending on your source, the amount a single partner can handle varies from $200,000 to $700,000 a year. If you're a smaller firm, that larger number may seem well outside of your reach. Guess what? It's not!"



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Very soon a small firm with one full-time equivalent (FTE) partner and one FTE support person will be able to generate $1,000,000 a year. This is accomplished with the help of technology to create efficiency and some outsourced help. If you are willing to change the way you've always done things, you too can increase the amount of revenue generated per partner. How do I know this? Because it's already happening today!

At New Vision CPA Group, we will gross around $700,000 this year from approximately 125 business entities and 200 individuals. Admittedly, my firm is probably a bit different than yours since I don't work in my firm. I spend fewer than 600 hours a year on billable or administrative work; the rest of my days I'm trying to radicalize the accounting profession. But we are a very profitable firm — a number that will continue to increase as we gain more efficiency and continue to grow revenue.

Let's look at how you too can be small but mighty.

Technology Eliminates the Billable Hour

Most CPA firms today still live and breathe by the billable hour. This is wrong for many reasons, but the big one you need to be aware of is that the efficiency gained through technology reduces the amount of time it takes you to complete the work. Just because you spent 20 percent fewer hours on a tax return this year with the help of technology does not mean you reduce your fees by 20 percent. That's crazy! There is no way the return was worth less than you billed last year. And the customer really doesn't care how many hours it took you to do it. She's buying a completed return and peace of mind that she's complying with the law, not your hours.

Completed Returns Pre- and Post Technnology Implementation

	2018			2019		
	Filed by 4/10	Total Returns	%	Filed by 4/10	Total Returns	%
1040s	112	269	41.6	105	195	53.8
1120s	42	63	66.7	42	59	71.2
1065s	20	66	30.3	30	75	40.0
Total	**174**	**398**	**43.7**	**177**	**329**	**53.8**
FTE Staff		4			2.5	

By utilizing three different technologies, my firm was able to take on more work without hiring, and even redeployed current team members to other roles in a related company. Some of this was a result of a well-thought-out strategy, but some also resulted from a need for an alternative solution. Over the past few years when searching for talent we couldn't find, I knew we had to turn to technology to supplement what people were doing. Those efforts were stepped up further this year when I received a text message from a highly recommended new hire the night before he was supposed to start telling me he wasn't. I suddenly had a problem to solve.

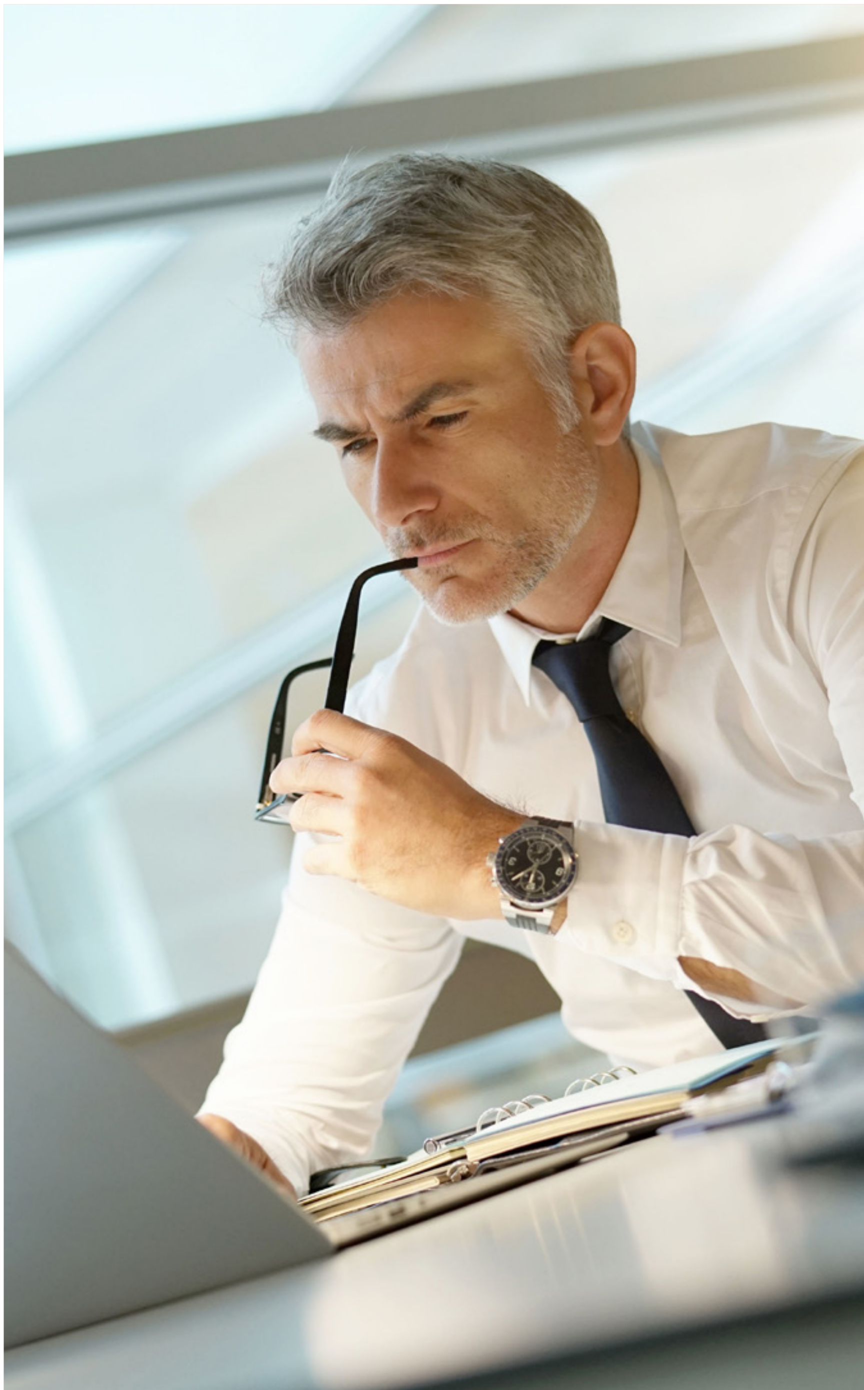
When exploring what else we could try, I decided to increase my reliance on technology and bots. As a result, we were able to increase the percent of total returns filed by April 10 by 10 percent with one and a half less people (see chart). This was accomplished by primarily using the following technologies/solutions:

CCH™ Axcess: This cloud-based tax and workflow product allows for work to be done anytime, anywhere. As a result, it's easier to hire remote contractors and to review work product while out of the office. With Workstream you can track work as it flows throughout the firm so you know where any tax return is at any given time. Also, because it connects seamlessly with Office 365, you don't need a server in your office.

CCH™ Axcess Outsource: As an Axcess user, you can send supporting documentation for a return to a third-party who then enters the data into the return and sends it back to you for review. Bottlenecks that happen in the review step and those that occur while you stop to train staff are eliminated. Your capacity will increase, as will turnaround time. If you've had to hire per diem help in the past, that won't be necessary.

Botkeeper: With the power of machine learning and artificial intelligence (AI), Botkeeper pulls in a customer's accounting data and automates the data entry. It connects to bookkeeping software where it automatically categorizes transactions for you, learning as it goes forward. All of this happens in real time … just like your bank account automatically deducts the cup of coffee you bought on the way into the office. It results in a smoother workflow and there is no chance of human error.

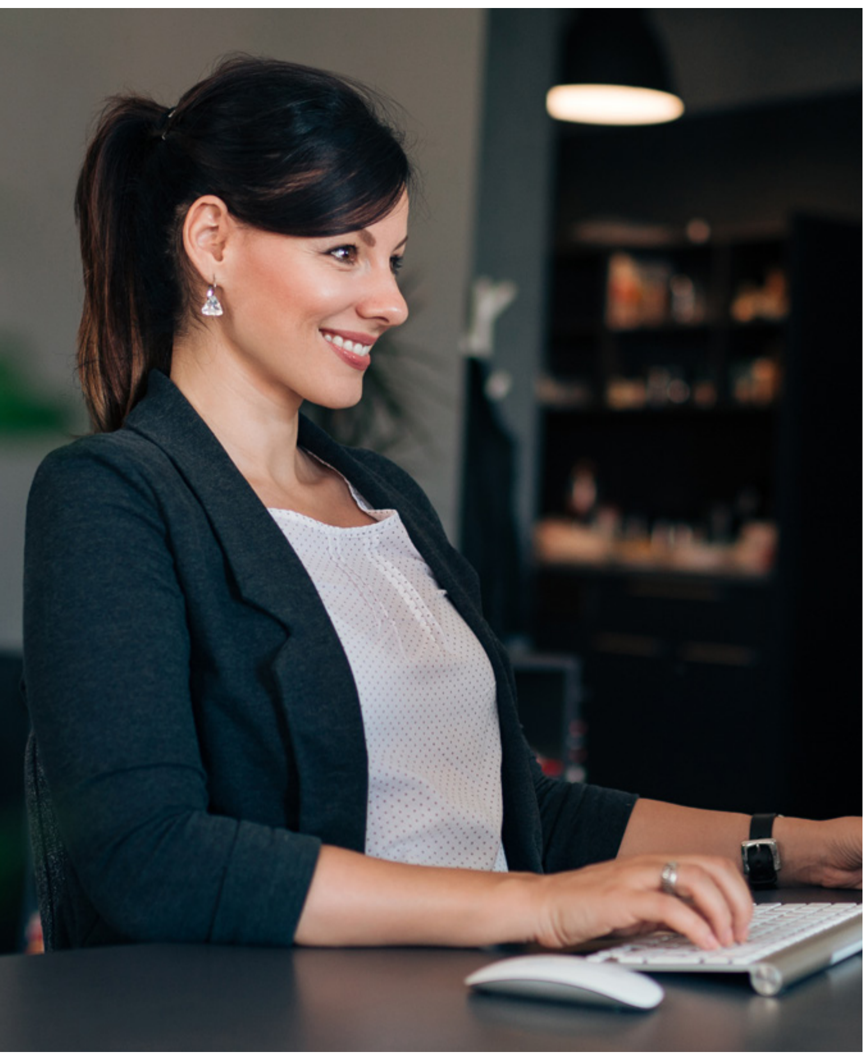
When you can successfully complete work in seconds and not hours, technology allows you to focus on the outcome of your service. You can set your price based on the value you provide. You can focus on helping customers build stronger businesses. You can make your practice more valuable, too.



Streamline and Move Faster

Small firms struggle with two things: completing customer work and training staff. With technology in place, you can do less with more ... on steroids. Think about the time you spend chasing things — information from your customers, updates from your staff, etc. All this goes away when your work flows through a technology solution. The technology does the grunt work for you so there is no staff to train. Plus, the work product is quality so rework isn't needed. It saves you a ton of time!

In my firm, we can keep piling work on the bot without having to hire. Now, you have to remember there is a cost for the technology so this is not really a cost saving strategy — it's a headache savings. It will also allow you to do three times the work per FTE than what is done in other tax practices.



The biggest benefit of streamlining is working fewer hours, even during tax season. For my team, that translates into 50 hours a week during busy season. How many hours a week did you average during your best tax season ever? Probably more than that.

Now, fewer hours don't come automatically. Change comes with a learning curve. Each new technology will take a little time to get right. But once you go through the entire transition, your capacity to do more will grow. Can you imagine taking a vacation during tax season? That's crazy, right? It's not. It actually happened in my firm this year.

Streamlined processes gain you additional capacity. When you can do more yourself and can expect more from your staff, that's more revenue added to the top line without a correlating increase in expenses.

How many times have you had that chicken or egg discussion? Do you get the work first or invest in the resources to get the work done? Technology makes that discussion irrelevant. You are gaining capacity to get the work done and can bring on new work easily.

Spend Your Newfound Time Wisely

By now you've heard that you need to move from a compliance role with your customers to one where you serve as an advisor. Not to mention all the talk around the disruptors that will turn our industry on its head. You now have extra time to figure out what this means to your practice. You can:

- Have conversations with your customers on complex tax issues and help them solve problems they are struggling with, adding true value to what you do for them.

- Investigate new ways to help customers be successful including researching new service offerings to add to your mix and innovating what you currently do.

- Understand the potential impact of things like data analytics, AI, robotic process automation (RPA), cybersecurity and blockchain. How will they impact what and how you do things today and how you need to change for the future? The good thing is that new technology you adopt probably uses one, if not more, of these disruptors.

- Continue to innovate your processes. To reap additional efficiency, you need to continually evaluate your entire process. The technology will run quickly, but how do you gather information to feed the technology? Who does what, when? Focus on how you can improve the human element.

- Embrace your personal education. Get out of the office and go to a conference. Brush up on your technical skills, of course, but also seek practice management and marketing education. This will allow you to further grow your practice, taking advantage of the latest and greatest strategies.

- Cull your customer base. Besides regularly firing customers with a low or non-existent profit margin, also consider those that don't fit into your business model. If they aren't open to your consulting services or how you'll deliver your service, do you want to work with them? We fired 75 of our 1040-only customers, and it didn't hinder us a bit. The efforts you spent with those customers can be spent finding and serving those you want instead.

When you aren't chasing staff and reviewing work the "kids" on your staff messed up, you can focus on being an advisor to your customers and building a stronger practice.

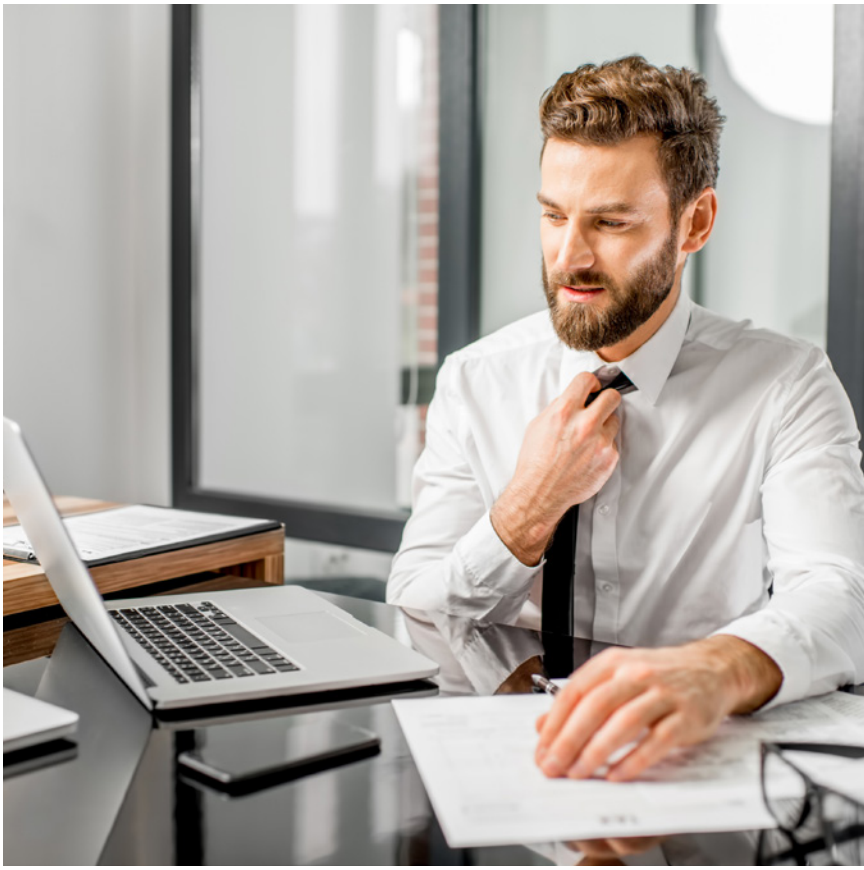
Utilize a New Approach to Marketing

Now that you have the capacity to do more, you need to obtain new leads. That's where marketing comes into play. Before you grimace, know that whatever popped into your head just now is probably not the best way to market your practice. You don't need to spend your evenings at every chamber and community event happening. You can market during business hours and in ways that complement who you are as a person.

Make yourself visible to your buyers and build a network with professionals outside your community via social media. Today, the most effective business platforms are LinkedIn, Twitter and Facebook. If you don't have accounts established, you should. Connect with people you know and people you'd like to know and start sharing.

The great thing is that you can share ideas put out by other people and companies. If you read something from the AICPA, IRS or Wolters Kluwer, share it with your followers with your own commentary. Even when the content is not your own, you are still positioning yourself as an authority on that topic. That's what potential buyers will relate with and remember.

You can consider stepping up what you share by developing your own content. But here's the secret…hire someone to write it for you. There are people out there who will ghostwrite for you. Actually, there are outsourced marketing solutions to help with graphic design, social media, website updates and everything in-between. By making this investment you are freeing up your time while, at the same time, gaining visibility and leads. That's a profitable trade-off.



Compete in All New Ways

When you market yourself in new ways, you will reap real benefits. Consider some of the following strategies that can have a positive impact on what you do.

Play with the big boys.

Through social media, demonstrate that your knowledge, skills and abilities are at the same level as the big firms and you may get a sizeable lead, too. A technology company reached out to me on LinkedIn for help, and we were thrilled to be the only non-top 100 firm bidding. Ultimately, it came down to my firm and a Big Four firm. While we did lose, it was one of those cases where it was an honor to be invited to the dance. You see, this demonstrated firsthand that size is completely irrelevant today. If you have a strong social presence, companies will want to work with you!

Form strategic partnerships.

When you use technology to improve what you do and obtain new work, you don't have to ever say no to work you can't do yourself. Why? You can build a global network through social media. To assist with the opportunity above, I reached out to a top 100 firm I met via social media and included them in the proposal. While many firms join international associations to find added resources, you can accomplish the same thing on your own without having to pay for it. Partners from all size firms are on social willing to connect. Whether through formal or informal agreements, tap those people you have met to help you deliver.

Find a new source for referrals.

Strategic partners will return the favor when they come across an opportunity better suited for you. This year the managing partner of a 20-person firm that I met via social reached out to me for help with an ongoing consulting project. That alone is a $40,000 plus return on my investment. When people know what you do well, it's easier for them to refer the right opportunities to you.

Form collaborative relationships.

Depending on where you live and the rules in your state, you may be able to form a relationship with companies that provide incentive revenue back to you. This is a big strategy for me.

Expand your offerings.

When I noticed that customers who were exiting their business were taking their large sums of money to financial planners who also did taxes, I knew I needed to look into a comprehensive solution. That's when I founded New Vision Wealth Management and established my offering on a technology-based solution. I was able to move a member from my accounting firm team to this company to handle the one or more new customers we're adding each month. Redeployment and innovation can work in tandem.

With a little investment of time, you will find that you can develop new relationships and find new sources of revenue that will allow you to grow your revenue in new ways.

“Change is hard at first, messy in the middle and gorgeous at the end.”

Do Things Differently

This quote by leadership expert Robin Sharma spells out the journey you will take to get to that higher revenue per person number. Once you make the decision to radicalize your firm, you want to see immediate progress. Realize that nothing moves as fast as you want it to. It will take longer than you think.

You’ll also be nervous about the impact to your customers and your team. Actually, you’ll be surprised at how your customers respond to the change. And if you are good at explaining the vision, your team members will jump on board. They want to move forward and this is a real way to do so. So often when there is talk around the culture of a firm, people tout things like free snacks in the office. That’s just putting lipstick on a pig. What they really want is to go home early and to have the flexibility for their life to work as they want. There may be mental roadblocks along the way, but they are yours and not your customers’ or staff’s.

The hard work also comes with excitement for what the future holds. If you want to improve your firm, you can do it. It so happens that when you are forced to do something differently, you’ll find a way to do it. Start by trying a new, outsourced technology solution before hiring additional talent. It’s going to work. You don’t have to merge up to grow and offer new solutions to your customers. And you can do it all while working normal hours.

Trust me. Great things happen when you don’t sit around with your head buried in a return. Think and do things differently — get radical.

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